

**FRANKLIN TOWNSHIP  
BOARD OF EDUCATION**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

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

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

**FRANKLIN TOWNSHIP  
BOARD OF EDUCATION**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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

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**FRANKLIN TOWNSHIP BOARD OF EDUCATION**  
**226 Quakertown Road, P.O. Box 3638**  
**Quakertown, NJ 08868**

November 15, 2017

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

Dear Board Members:

State law requires that school districts publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited by a firm of licensed certified public accountants in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Pursuant to that requirement, we hereby issue the comprehensive annual financial report (CAFR) of the Franklin Township School District for the fiscal year ended June 30, 2017.

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

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

The comprehensive annual financial report is presented in four sections:

- ◆ **The Introductory Section:** Introduces the reader to the report and includes this transmittal letter, a list of principal officials, the district's organizational charts, certificate of excellence in financial reporting, and a map of the district.
- ◆ **The Financial Section:** Consists of the independent auditor's report, management's discussion and analysis, the basic financial statements, and combining and individual fund statements and schedules.
- ◆ **The Statistical Section:** Contains selected financial and demographic information, generally presented on a multi-year basis.
- ◆ **The Single Audit:** Includes the auditor's report on the internal control structure, compliance with applicable laws and regulations and findings and recommendations.

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

**REPORTING ENTITY AND ITS SERVICES**

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

The District provides a full range of educational services appropriate to grade levels preschool through grade 8. These include regular programs as well as programs for students with special educational needs. The District completed the 2016-17 fiscal year with an enrollment of 296 students. The following details the changes in the average daily student enrollment of the District over the last ten years.

<u>Fiscal Year</u>	<u>Average Daily Enrollment Student Enrollment</u>	<u>Percent Change</u>
2007-2008	347	1.98%
2008-2009	343	1.15%
2009-2010	341	0.58%
2010-2011	309	9.39%
2011-2012	303	1.94%
2012-2013	294	2.97%
2013-2014	295	0.03%
2014-2015	297	0.67%
2015-2016	269	-9.43%
2016-2017	284	5.60%

**ECONOMIC CONDITION AND OUTLOOK**

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

Franklin Township Planning Board added an open space element to the master plan. Certain properties in Franklin Township have been recommended by the Open Space Advisory Committee to be considered for the Open Space program. There are several applications pending approval by the state and county for the Planning Incentive Grant Program and various relationships.

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

### **MAJOR INITIATIVES**

During the 2016-2017 school year, the District achieved the following major goals:

1. In the District's approved 5-year curriculum review cycle, the Physical Education Curriculum is being updated and revised to align with NJ Exemplary Program Standards as promulgated by the NJ Department of Education.
2. The District continued the Danielson Evaluation Rubric and Teachscape Evaluation system for all certified teaching staff members according to NJ Achieve Guidelines, and teachers completed SGOs.
3. A Parent Advisory Committee was continued, and met 5 times throughout the year, with activities for parent engagement.
4. The District completed year 4 of the 1-to-1 iPad initiative for grades K-8 and all teaching staff. PARCC testing was completed using the iPads.
5. The District analyzed PARCC data from 2016, and focused on 3 major strategies in Grades 3-8 to improve test scores for 2017:
  - a. Improve student keyboarding skills through systematic weekly keyboarding instruction in our computer lab during Marking Period 3.
  - b. Decrease student "clicking through" test questions without answering them by clearly explaining expectations and by more rigorous practice, instruction and monitoring.
  - c. Action research project in Grades 3-5 to improve writing skills, graded according to PARCC rubric standards. The Action research provided teacher and student modeling of writing strategies, with targeted lessons and supports.
6. The Elementary Science Curriculum is aligned with Next Generation Science Standards as required by the NJ DOE for implementation in Fall 2017.
7. Middle School English Language Arts Curriculum is in Full Implementation after revisions to the approved list of Novels for study in April 2017.
8. Our STARS program introduced the Max Scholar program as an additional Orton Gillingham intervention. We currently provide Orton Gillingham instruction in small group and individual (based on students' needs and LRE) settings. We utilize Max Scholar online program that follows the sequence and systematic approach to learning utilizing the five pillars of reading as Orton Gillingham, Wilson Reading System and Lindamood-Bell Process. It is a "structured, systematic, cumulative, repetitive and multisensory" teaching method for reading and writing instruction.
9. The District focused on reducing student tardiness for the year; students and their parents achieved a remarkable improvement in on-time attendance with a complete elimination of excessive tardiness (over 10 per year) and an 80% reduction in chronic (repeated) tardiness.
10. The District created more synergies with shared services by cooperating with neighboring LEA, Hampton BOE. We currently share a Business Administrator, Summer ESY programming and busing, and Board-Certified Behaviorist.



## **INTERNAL ACCOUNTING CONTROLS**

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

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

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

## **BUDGETARY CONTROLS**

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

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

## **ACCOUNTING SYSTEM AND REPORTS**

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

## **FINANCIAL INFORMATION AT FISCAL YEAR-END**

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet responsibility for sound financial management. The following schedule presents a summary of the general fund and special revenue fund, revenues and expenditures for the fiscal year ended June 30, 2017 and the amount and percentage of increases in relation to prior year revenues and expenditures.

	Amount	% of Total	Increase (Decrease) From Prior Year	% of Increase (Decrease)
<b>Revenues</b>				
Local Sources				
Tax Levy				
General	\$ 5,439,982	80.05%	\$ 104,705	1.96%
Debt Service	634,698	9.34%	(8,852)	-1.38%
Other Revenues	77,305	1.14%	(133,156)	-63.27%
State Aid	524,905	7.72%	(523,387)	-49.93%
Federal Aid	118,672	1.75%	9,360	8.56%
<b>Total</b>	<b>\$ 6,795,562</b>	<b>100.00%</b>	<b>\$ (551,330)</b>	<b>-7.50%</b>
<b>Expenditures</b>				
Current Expense	\$ 5,870,299	86.09%	\$ (318,575)	-5.15%
Capital Outlay	156,225	2.29%	94,969	155.04%
Special Projects	147,159	2.16%	20,246	15.95%
Debt Service				
Principal	475,000	6.97%	15,000	3.26%
Interest	169,750	2.49%	(13,800)	-7.52%
<b>Total</b>	<b>\$ 6,818,433</b>	<b>100.00%</b>	<b>\$ (202,160)</b>	<b>-2.88%</b>

### **DEBT ADMINISTRATION**

As a result of the successful passage of the bond referendum in December 2004, the District has \$4,440,000 of bonds outstanding.

### **CASH MANAGEMENT**

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

### **RISK MANAGEMENT**

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

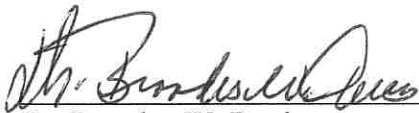
## INDEPENDENT AUDIT


State statutes require an annual audit by independent Certified Public Accountants or Registered Municipal Accountants. Bedard, Kurowicki & Co., CPA's, PC audited the District's financial statements for fiscal year 2017. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2017 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the District's financial statements for the fiscal year ended June 30, 2017 are fairly represented in conformity with GAAP. 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 (Uniform Guidance) and New Jersey OMB Circular Letter 15-08.

## ACKNOWLEDGMENTS

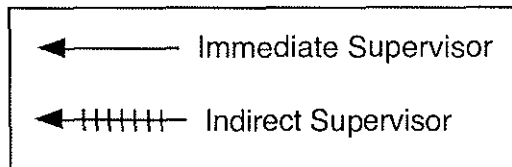
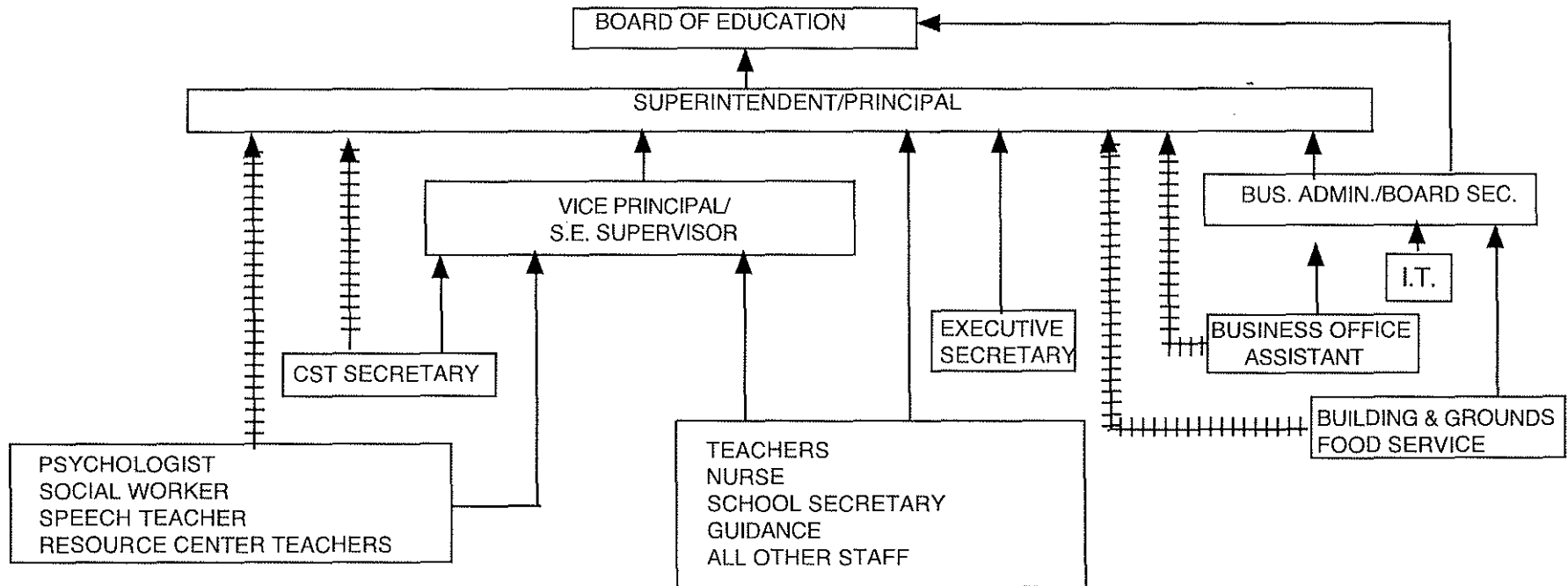
We would like to express our appreciation to the members of the Franklin Township School Board for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation.

Respectfully submitted,

  
\_\_\_\_\_  
Dr. Broadus W. Davis  
Acting Superintendent

  
\_\_\_\_\_  
Patricia Martucci  
Business Administrator/Board Secretary

# Franklin Township School Organizational Personnel Chart



**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Quakertown, New Jersey**  
**Roster of Officials**  
**June 30, 2017**

**Audit Firm**

Bedard, Kurowicki & Co., CPA's, PC  
114 Broad Street  
Flemington, NJ 08822

**Attorney**

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

**Official Depository**

Investors Bank  
Flemington, NJ 08822

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Quakertown, New Jersey**  
**Consultants & Advisors**  
**June 30, 2017**

<b>Members of the Board of Education</b>	<b>Title</b>	<b>Term Expires</b>
George Burdick	President	2017
Frank Yasunas	Vice-President	2019
Christine Crielly		2017
Andrea Homulak		2017
Terence French		2018
Cyrus Cama		2018
Allison Luciano		2019

**Other Officials**

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Dr. Carol A. Fredericks	Superintendent
Patricia Martucci	Board Secretary/School Business Administrator
Ray Krov	Treasurer



Certified Public Accountants, PC

[www.bkc-cpa.com](http://www.bkc-cpa.com)

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## **Independent Auditors' Report**

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Franklin Township School District (the District) in the County of Hunterdon, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Board'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 and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinion**

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

## **Other Matters**

### Required Supplementary Information

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

### Other Information

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



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


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

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

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

In accordance with Government Auditing Standards, we have also issued our report dated November 15, 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.

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

  
William M. Colantano  
Certified Public Accountant  
Registered Municipal Accountant

November 15, 2017  
Flemington, New Jersey

**REQUIRED SUPPLEMENTARY INFORMATION - PART I**

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
UNAUDITED**

The discussion and analysis of the Franklin Township School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the transmittal letter, the basic financial statements and notes to enhance their understanding of the District's financial performance.

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

**Financial Highlights**

**Key financial highlights for 2017 are as follows:**

- In total, net position increased \$261,971 which is a 3.98% increase from fiscal year 2016.
- General revenue accounted for \$8,625,821 in revenue or 96.90% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$276,371 or 3.10% of the total revenue of \$8,902,192.
- The School District had \$8,640,221 in expenses; only \$276,371 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primary tax levy) of \$8,625,821 were adequate to provide for these programs.
- Among governmental funds, the General Fund had \$6,668,656 in revenues and \$6,681,475 in expenditures. After factoring in other financing uses, the General Fund's balance decreased by \$37,819 from fiscal year 2016.

**Using This Comprehensive Annual Financial Report (CAFR)**

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

The Statement of Net Position and Statement of Activities (changes in net position) provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a long-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of Franklin Township School District, the General Fund is by far the most significant fund.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
UNAUDITED**

**Reporting the District as a Whole**

**Statement of Net Position and The Statement of Activities**

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

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

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

**Reporting the School District's Most Significant Funds**

**Fund Financial Statements**

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

**Governmental Funds**

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
UNAUDITED**

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

**The School District as a Whole**

The Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position in 2017.

**Table 1  
Net Position**

	6/30/2017	6/30/2016	Variance	
			Dollars	Percent
<b>ASSETS</b>				
Current & Other Assets	\$ 1,311,471	\$ 1,294,156	\$ 17,315	1.34%
Capital Assets	11,587,587	11,882,875	(295,288)	-2.48%
Total Assets	12,899,058	13,177,031	(277,973)	-2.11%
Deferred Outflow of Resources	749,913	414,081	335,832	81.10%
<b>LIABILITIES</b>				
Long Term Liabilities	5,974,655	6,092,676	(118,021)	-1.94%
Other Liabilities	192,122	95,526	96,596	101.12%
Total Liabilities	6,166,777	6,188,202	(21,425)	-0.35%
Deferred Inflow of Resources	641,119	823,806	(182,687)	-22.18%
<b>NET POSITION</b>				
Net Investment in Capital Assets	7,168,875	6,970,977	197,898	2.84%
Restricted	574,340	414,577	159,763	38.54%
Unrestricted	(902,140)	(806,450)	(95,690)	11.87%
Total Net Position	\$ 6,841,075	\$ 6,579,104	\$ 261,971	3.98%

\* = Undefined

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
UNAUDITED**

Table 2 shows the changes in net position for fiscal year 2017 compared to 2016.

**Table 2  
Changes in Net Position**

	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>Variance</u>	
			<u>Dollars</u>	<u>Percent</u>
<b>Revenues</b>				
Program Revenues				
Charges for Services	\$ 115,489	\$ 119,917	\$ (4,428)	-3.69%
Operating Grants and Contributions	160,882	142,173	18,709	13.16%
General Revenues				
Property Taxes	6,074,680	5,978,827	95,853	1.60%
Grants and Entitlements	2,502,994	1,805,503	697,491	38.63%
Other	48,147	82,836	(34,689)	-41.88%
<b>Total Revenues</b>	<u>8,902,192</u>	<u>8,129,256</u>	<u>772,936</u>	<u>9.51%</u>
<b>Expenses</b>				
Instruction				
Regular	4,153,428	3,989,038	164,390	4.12%
Special	935,940	657,463	278,477	42.36%
Other	46,678	161,613	(114,935)	-71.12%
Support Services				
Tuition	210,704	331,905	(121,201)	-36.52%
Student & Instructional Related				
<b>Services</b>	<u>995,930</u>	<u>798,516</u>	<u>197,414</u>	<u>24.72%</u>
General & Business Administration	712,448	643,343	69,105	10.74%
School Administration	138,232	91,214	47,018	51.55%
Maintenance	663,211	478,728	184,483	38.54%
Transportation	458,737	110,350	348,387	315.71%
Food Service	71,754	67,225	4,529	6.74%
Preschool Program	61,000	65,014	(4,014)	-6.17%
Interest on Long Term Debt	192,159	248,948	(56,789)	-22.81%
<b>Total Expenses</b>	<u>8,640,221</u>	<u>7,643,357</u>	<u>996,864</u>	<u>13.04%</u>
<b>Increase (Decrease) in Net Position</b>	<u>\$ 261,971</u>	<u>\$ 485,899</u>	<u>\$ (223,928)</u>	<u>-46.09%</u>

**Governmental Activities**

Property taxes made up 68.24% of operating revenues for governmental activities for the Franklin Township School District for the fiscal year 2017.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
UNAUDITED**

Instruction comprises 59.44% of the District's expenses. Support services expenses make up 40.56% of the District's expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3 provides a summary of the School District's costs of governmental services in 2017.

**Table 3  
Cost of Governmental Services**

	Total Cost of Services		Net Cost of Services	
	6/30/2017	6/30/2016	6/30/2017	6/30/2016
Instruction	\$ 5,136,046	\$4,808,114	\$ 5,080,966	\$4,749,534
Support Services				
Tuition	210,704	331,905	148,673	255,220
Student & instruction related services	995,930	798,516	954,568	790,196
General & Business Administration	712,448	643,343	698,698	643,343
School Administration	138,232	91,214	138,232	91,214
Plant Operations & Maintenance	663,211	478,728	659,411	478,256
Pupil Transportation	458,737	110,350	458,737	110,350
Food Services	71,754	67,225	7,699	(3,974)
Preschool Program	61,000	65,014	24,707	18,180
Interest on Long-Term Debt	192,159	248,948	192,159	248,948
	<u>\$ 8,640,221</u>	<u>\$7,643,357</u>	<u>\$ 8,363,850</u>	<u>\$7,381,267</u>

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

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

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

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

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

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

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
UNAUDITED**

**General Fund Budgeting Highlights**

At the Franklin Township School District, budgets are prepared in December/January with State revenue information being received in February/March and a public vote, if necessary, on the tax levy question in November. The budget year begins in July and runs through June 30. Changes occur over that 18-month period, unanticipated shifts in enrollment, staffing needs, students requiring out-of-district services, weather requiring more or less funding for heating, unexpected repairs to facilities, and mandated programs are often added after a budget is adopted.

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

During the course of the 2017 fiscal year, the District amended its general fund budget by transferring funds as needed to prevent over-expenditures in specific line item accounts. The most significant need for changes was custodial services and care and upkeep of grounds.

**Capital Assets**

At the end of the fiscal year 2017, the School District had \$11,587,587 invested in land, buildings, furniture and equipment and construction in progress. Table 4 provides a summary of School District’s capital assets net of depreciation for 2017.

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

	6/30/2017	6/30/2016	Variance	
			Dollars	Percent
Land	\$ 285,100	\$ 285,100	\$ -	
Land Improvements	115,894	80,494	35,400	43.98%
Buildings & Improvements	11,020,456	11,347,369	(326,913)	-2.88%
Machinery & Equipment	137,982	128,028	9,954	7.77%
Vehicles	28,155	34,413	(6,258)	-18.18%
Construction in Progress	-	7,471	(7,471)	-100.00%
	<u>\$ 11,587,587</u>	<u>\$ 11,882,875</u>	<u>\$ (295,288)</u>	-2.48%



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
UNAUDITED**

**Long Term Liabilities**

As of June 30, 2017, the District had \$5,974,655 of long-term liabilities. Table 5 shows fiscal year 2017 balances compared to 2016.

**Table 5  
Outstanding Debt at Year End**

	6/30/2017	6/30/2016	Variance	
			Dollars	Percent
2013 Refunding Bond Issue	\$ 4,400,000	\$ 4,875,000	\$ (475,000)	-9.74%
Bond Premium	318,906	356,424	(37,518)	-10.53%
Capital Leases	76,142	150,319	74,177)	-49.35%
Compensated Absences	59,445	67,650	(8,205)	-12.13%
PERS Net Pension Liability	1,120,162	643,283	476,879	74.13%
	<u>\$ 5,974,655</u>	<u>\$ 6,092,676</u>	<u>\$ (118,021)</u>	-1.94%

**For the Future**

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

- Purchase science lab furniture.
- Purchase computer lab furniture and new Apple computers.
- Upgrade multi-function printers and copiers.
- Upgrade phone system from POTS.
- Replace out of date smartboard technology with new Aquos Boards.

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

**Contacting the School District's Financial Management**

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

## **DISTRICT-WIDE FINANCIAL STATEMENTS**

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

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Statement of Net Position**  
**June 30, 2017**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 518,458	\$ 30,998	\$ 549,456
Receivables, net	183,594	747	184,341
Inventory	-	3,334	3,334
<b>Restricted assets</b>			
Capital reserve account - cash	313,683	-	313,683
Maintenance reserve account - cash	260,657	-	260,657
<b>Capital assets, net</b>			
Land	285,100	-	285,100
Other capital assets, net of depreciation	11,289,299	13,188	11,302,487
Total assets	<u>12,850,791</u>	<u>48,267</u>	<u>12,899,058</u>
<b>Deferred outflows of resources</b>			
Deferred amount on pension activity	488,429	-	488,429
Deferred amount on refunding bond issue	261,484	-	261,484
Total deferred outflows of resources	<u>749,913</u>	<u>-</u>	<u>749,913</u>
<b>Liabilities</b>			
Accounts payable	98,645	2,743	101,388
Due to other funds	4,557	-	4,557
Payables to other governments	11,502	-	11,502
Accrued interest	59,995	-	59,995
Unearned revenue	11,833	2,847	14,680
<b>Long-term liabilities</b>			
Due within one year	603,660	-	603,660
Due beyond one year	5,370,995	-	5,370,995
Total liabilities	<u>6,161,187</u>	<u>5,590</u>	<u>6,166,777</u>
<b>Deferred inflows of resources</b>			
Deferred amount on pension liability	641,119	-	641,119
<b>Net position</b>			
Net investment in capital assets	7,155,687	13,188	7,168,875
<b>Restricted for</b>			
Capital reserve	313,683	-	313,683
Maintenance reserve	260,657	-	260,657
Unrestricted	(931,629)	29,489	(902,140)
Total net position	<u>\$ 6,798,398</u>	<u>\$ 42,677</u>	<u>\$ 6,841,075</u>

See accompanying notes to financial statements.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2017**

Functions/Programs	Direct Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue & Changes in Net Position		
			Charges for Services	Operating Grants & Contribution	Capital Grants & Contribution	Governmental Activities	Business-Type Activities	Total
Governmental activities								
Instruction								
Regular	\$ 2,578,062	\$ 1,575,366	\$ 11,314	\$ 40,514	\$ -	\$ (4,101,600)	\$ -	\$ (4,101,600)
Special education	526,403	310,926	-	3,252	-	(834,077)	-	(834,077)
Other special instruction	90,570	8,041	-	-	-	(98,611)	-	(98,611)
Other instruction	42,872	3,806	-	-	-	(46,678)	-	(46,678)
Support services								
Tuition	210,704	-	-	62,031	-	(148,673)	-	(148,673)
Students & instruction related services	724,967	270,963	-	41,362	-	(954,568)	-	(954,568)
General & business administration services	531,566	180,882	13,750	-	-	(698,698)	-	(698,698)
School administration services	89,481	48,751	-	-	-	(138,232)	-	(138,232)
Plant operations & maintenance	663,324	(113)	3,800	-	-	(659,411)	-	(659,411)
Pupil transportation	454,906	3,831	-	-	-	(458,737)	-	(458,737)
Interest on long-term debt	192,159	-	-	-	-	(192,159)	-	(192,159)
Total governmental activities	<u>6,105,014</u>	<u>2,402,453</u>	<u>28,864</u>	<u>147,159</u>	<u>-</u>	<u>(8,331,444)</u>	<u>-</u>	<u>(8,331,444)</u>
Business-type activities								
Food service	71,754	-	50,332	13,723	-	-	(7,699)	(7,699)
Preschool program	61,000	-	36,293	-	-	-	(24,707)	(24,707)
Total business-type activities	<u>132,754</u>	<u>-</u>	<u>86,625</u>	<u>13,723</u>	<u>-</u>	<u>-</u>	<u>(32,406)</u>	<u>(32,406)</u>
Total primary government	<u>\$ 6,237,768</u>	<u>\$ 2,402,453</u>	<u>\$ 115,489</u>	<u>\$ 160,882</u>	<u>\$ -</u>	<u>(8,331,444)</u>	<u>(32,406)</u>	<u>(8,363,850)</u>
			General revenues, special items & transfers					
			Property taxes levied for general purposes			5,439,982	-	5,439,982
			Property taxes levied for debt service			634,698	-	634,698
			Federal & State aid not restricted			2,502,994	-	2,502,994
			Investment earnings			6,651	75	6,726
			Prior year adjustment			(3)	-	(3)
			Miscellaneous income			41,424	-	41,424
			Total general revenues & special items			<u>8,625,746</u>	<u>75</u>	<u>8,625,821</u>
			Change in net position			294,302	(32,331)	261,971
			Net position - beginning			6,504,096	75,008	6,579,104
			Net position - ending			<u>\$ 6,798,398</u>	<u>\$ 42,677</u>	<u>\$ 6,841,075</u>

See accompanying notes to financial statements.

## **FUND FINANCIAL STATEMENTS**

The individual fund statements and schedules present more detailed information for the individual fund in a format that segregates information by fund type.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2017**

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
<b>Assets</b>					
Cash & cash equivalents	\$ 494,471	\$ 23,987	\$ -	\$ -	\$ 518,458
Due from other funds	10,704	-	-	-	10,704
Tax levy receivable	-	-	-	10,052	10,052
Receivables from other governments					
State	172,827	-	-	-	172,827
Other accounts receivable	715	-	-	-	715
Restricted cash & cash equivalents	574,340	-	-	-	574,340
<b>Total assets</b>	<b>\$ 1,253,057</b>	<b>\$ 23,987</b>	<b>\$ -</b>	<b>\$ 10,052</b>	<b>\$ 1,287,096</b>
<b>Liabilities and fund balances</b>					
<b>Liabilities</b>					
Due to other funds	\$ 4,557	\$ 652	\$ -	\$ 10,052	\$ 15,261
Accounts payable	98,645	-	-	-	98,645
Payables to governments					
State	-	7,010	-	-	7,010
Federal	-	4,492	-	-	4,492
Unearned revenue	-	11,833	-	-	11,833
<b>Total liabilities</b>	<b>103,202</b>	<b>23,987</b>	<b>-</b>	<b>10,052</b>	<b>137,241</b>

See accompanying notes to financial statements.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Governmental Funds**  
**Balance Sheet (continued)**  
**June 30, 2017**

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
Liabilities and fund balances (cont'd)					
Fund balances					
Restricted fund balance					
Excess surplus - designated for subsequent year's expenditures	\$ 64,634	\$ -	\$ -	\$ -	\$ 64,634
Excess surplus - current year	65,049	-	-	-	65,049
Capital reserve	313,683	-	-	-	313,683
Maintenance reserve	260,657	-	-	-	260,657
Committed fund balance					
Encumbrances	99,877	-	-	-	99,877
Unassigned fund balance	345,955	-	-	-	345,955
Total fund balances	1,149,855	-	-	-	1,149,855
 Total liabilities and fund balances	 \$ 1,253,057	 \$ 23,987	 \$ -	 \$ 10,052	

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

Capital assets used in government activities are not financial resources and therefore are not reported in the funds. The cost of the assets are \$15,830,133 and the accumulated depreciation is \$4,255,734.	11,574,399
Deferred outflows and inflows of resources are applicable to future periods and, therefore, are not reported in the funds.	108,794
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.	(5,974,655)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(59,995)
Total net position of governmental activities	\$ 6,798,398

See accompanying notes to financial statements.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**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>					
<b>Local sources</b>					
Local tax levy	\$ 5,439,982	\$ -	\$ -	\$ 634,698	\$ 6,074,680
Tuition charges					
Individuals	8,815	-	-	-	8,815
Other sources	2,499	-	-	-	2,499
Rents and royalties	3,800	-	-	-	3,800
Interest on investments	6,651	-	-	-	6,651
Miscellaneous	55,174	366	-	-	55,540
Total	<u>5,516,921</u>	<u>366</u>	<u>-</u>	<u>634,698</u>	<u>6,151,985</u>
State sources	1,151,735	28,121	-	-	1,179,856
Federal sources	-	118,672	-	-	118,672
Total revenues	<u>6,668,656</u>	<u>147,159</u>	<u>-</u>	<u>634,698</u>	<u>7,450,513</u>
<b>Expenditures</b>					
<b>Current</b>					
<b>Instructional</b>					
Regular instruction	2,586,923	40,514	-	-	2,627,437
Special education instruction	523,151	3,252	-	-	526,403
Other special instruction	90,570	-	-	-	90,570
Other instruction	42,872	-	-	-	42,872
<b>Support service &amp; undistributed costs</b>					
Tuition	148,673	62,031	-	-	210,704
Student & instruction related services	683,605	41,362	-	-	724,967
General & business administrative services	531,566	-	-	-	531,566
School administrative services	89,481	-	-	-	89,481
Plant operations & maintenance	663,324	-	-	-	663,324
Pupil transportation	479,708	-	-	-	479,708
Unallocated benefits	685,377	-	-	-	685,377

See accompanying notes to financial statements.



**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances (continued)**  
**For the Fiscal Year Ended June 30, 2017**

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Expenditures (cont'd)					
Capital outlay	\$ 120,089	\$ -	\$ -	\$ -	\$ 120,089
Debt service					
Principal	-	-	-	475,000	475,000
Interest & other charges	36,136	-	-	169,750	205,886
Total expenditures	<u>6,681,475</u>	<u>147,159</u>	<u>-</u>	<u>644,750</u>	<u>7,473,384</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(12,819)</u>	<u>-</u>	<u>-</u>	<u>(10,052)</u>	<u>(22,871)</u>
Other financing sources (uses)					
Transfers out	<u>(25,000)</u>	<u>-</u>	<u>-</u>	<u>(6)</u>	<u>(25,006)</u>
Total other financing sources (uses)	<u>(25,000)</u>	<u>-</u>	<u>-</u>	<u>(6)</u>	<u>(25,006)</u>
Net change in fund balance	(37,819)	-	-	(10,058)	(47,877)
Fund balances, July 1	<u>1,187,674</u>	<u>-</u>	<u>-</u>	<u>10,058</u>	<u>1,197,732</u>
Fund balances, June 30	<u><u>\$ 1,149,855</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,149,855</u></u>

See accompanying notes to financial statements.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances of Governmental Funds**  
**For the Fiscal Year Ended June 30, 2017**

Total net changes in fund balances - governmental fund (from B-2) \$ (47,877)

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 expenses. This is the amount by which depreciation exceeds capital outlays in the period:

Capital outlays	\$ 120,089	
Depreciation expense	<u>(421,426)</u>	(301,337)

Repayment of debt principal and capital leases are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and are not reported in the Statement of Activities:

Debt principal payments	475,000	
Capital lease principal payments	<u>74,177</u>	549,177

Governmental funds report the effect of bond issue premiums when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:

Amortization of bond premium		37,518
------------------------------	--	--------

Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

72,405

In the Statement of Activities, interest on the deferred outflow from a refunding issue is amortized to interest expense over the remaining life of the old or new debt, whichever is shorter.

(30,763)

See accompanying notes to financial statements.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds (continued)**  
**For the Fiscal Year Ended June 30, 2017**

In the Statement of Activities, interest on long-term debt is accrued regardless of when due. In the governmental funds interest is reported when due. The accrued interest is a reconciling item.	\$ 6,974
In the Statement of Activities, compensated absences & early retirement benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation; when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation.	<u>8,205</u>
Change in net position of governmental activities	<u><u>\$ 294,302</u></u>

See accompanying notes to financial statements.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Proprietary Funds**  
**Combining Statement of Net Position**  
**June 30, 2017**

	Food Service Fund	Preschool Program	Total
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 5,533	\$ 25,465	\$ 30,998
Receivables from other governments			
State	31	-	31
Federal	448	-	448
Other accounts receivable	-	268	268
Inventory	3,334	-	3,334
<b>Total current assets</b>	<b>9,346</b>	<b>25,733</b>	<b>35,079</b>
<b>Noncurrent assets</b>			
Capital assets	29,502	-	29,502
Less: accumulated depreciation	16,314	-	16,314
<b>Total noncurrent assets</b>	<b>13,188</b>	<b>-</b>	<b>13,188</b>
<b>Total assets</b>	<b>22,534</b>	<b>25,733</b>	<b>48,267</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Unearned revenues - commodities	1,241	-	1,241
Unearned revenues - prepaid sales	1,606	-	1,606
Accounts payable	2,743	-	2,743
<b>Total liabilities</b>	<b>5,590</b>	<b>-</b>	<b>5,590</b>
<b>Net position</b>			
Net investment in capital assets	13,188	-	13,188
Unrestricted	3,756	25,733	29,489
<b>Total net position</b>	<b>\$ 16,944</b>	<b>\$ 25,733</b>	<b>\$ 42,677</b>

See accompanying notes to financial statements.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Proprietary Funds**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2017**

	Food Service Fund	Preschool Program	Total
Operating revenues			
Charges for services			
Daily sales - reimbursable programs	\$ 32,775	\$ -	\$ 32,775
Daily sales - non-reimbursable programs	17,557	-	17,557
Fees for services	-	36,293	36,293
Total operating revenues	<u>50,332</u>	<u>36,293</u>	<u>86,625</u>
Operating expenses			
Cost of sales - reimbursable programs	18,077	-	18,077
Cost of sales - non-reimbursable programs	5,549	-	5,549
Commodity food costs	6,405	-	6,405
Salaries	19,418	47,625	67,043
Support services - employee benefits	2,744	13,375	16,119
Purchased professional/technical services	1,899	-	1,899
Purchased property services	914	-	914
Other purchased services			
Insurance	2,003	-	2,003
Management fee	6,724	-	6,724
Supplies and materials (not included in cost of sales)	5,811	-	5,811
Depreciation	1,786	-	1,786
Miscellaneous	424	-	424
Total operating expenses	<u>71,754</u>	<u>61,000</u>	<u>132,754</u>
Operating income (loss)	<u>(21,422)</u>	<u>(24,707)</u>	<u>(46,129)</u>
Non-operating revenues (expenses)			
State sources			
State school lunch program	459	-	459
Federal sources			
National school lunch program			
Cash assistance	6,859	-	6,859
Non cash assistance (commodities)	6,405	-	6,405
Interest earned on investments	75	-	75
Total non-operating revenues (expenses)	<u>13,798</u>	<u>-</u>	<u>13,798</u>
Change in net position	(7,624)	(24,707)	(32,331)
Net position, beginning	<u>24,568</u>	<u>50,440</u>	<u>75,008</u>
Net position, ending	<u>\$ 16,944</u>	<u>\$ 25,733</u>	<u>\$ 42,677</u>

See accompanying notes to financial statements.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Proprietary Funds**  
**Combining Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2017**

	Food Service Fund	Preschool Program	Total
Cash flows from operating activities			
Receipts from customers (net)	\$ 49,936	\$ 43,814	\$ 93,750
Payments to Food Service Management Company	(54,715)	-	(54,715)
Payments to vendors and employees (net)	(6,430)	(61,000)	(67,430)
Net cash provided by (used for) operating activities	<u>(11,209)</u>	<u>(17,186)</u>	<u>(28,395)</u>
Cash flows from non-capital financing activities			
State sources	459	-	459
Federal sources	6,833	-	6,833
Net interfund transactions	7,943	-	7,943
Net cash provided by (used for) non-capital financing activities	<u>15,235</u>	<u>-</u>	<u>15,235</u>
Cash flows from capital financing activities			
Acquisition of equipment	(7,835)	-	(7,835)
Net cash provided by (used for) capital financing activities	<u>(7,835)</u>	<u>-</u>	<u>(7,835)</u>
Cash flows from investing activities			
Interest earned on investments	75	-	75
Net increase (decrease) in cash and cash equivalents	(3,734)	(17,186)	(20,920)
Cash and cash equivalents, beginning	9,267	42,651	51,918
Cash and cash equivalents, ending	<u>\$ 5,533</u>	<u>\$ 25,465</u>	<u>\$ 30,998</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities			
Operating income (loss)	\$ (21,422)	\$ (24,707)	\$ (46,129)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities			
Depreciation	1,786	-	1,786
Federal food donation program	6,405	-	6,405
(Increase) decrease in accounts receivable	-	7,521	7,521
Increase (decrease) in accounts payable	2,743	-	2,743
(Increase) decrease in inventory	1,858	-	1,858
Increase (decrease) in unearned revenue	(2,579)	-	(2,579)
Net cash provided by (used for) operating activities	<u>\$ (11,209)</u>	<u>\$ (17,186)</u>	<u>\$ (28,395)</u>

See accompanying notes to financial statements.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Statement of Net Position**  
**June 30, 2017**

	Unemployment Compensation Fund	Student Activity Agency Fund	Payroll Agency Fund
<b>Assets</b>			
Cash and cash equivalents	\$ 66,181	\$ 20,613	\$ 77,550
Due from other funds	4,557	-	-
Total assets	\$ 70,738	\$ 20,613	\$ 77,550
 <b>Liabilities</b>			
Due to other funds	\$ -	\$ -	\$ -
Due to student groups	-	20,613	-
Payroll deductions and withholdings	-	-	77,550
Total liabilities	-	\$ 20,613	\$ 77,550
 <b>Net position</b>			
Held in trust for unemployment claims & other purposes	\$ 70,738		

See accompanying notes to financial statements.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Statement of Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2017**

	<u>Unemployment Compensation Fund</u>
Additions	
Employee contributions	\$ 5,030
Board contributions	25,000
Investment earnings - interest	187
Total additions	<u>30,217</u>
 Deductions	
Unemployment claims	<u>2,442</u>
 Change in net position	 27,775
 Net position, beginning of the year	 <u>42,963</u>
 Net position, end of the year	 <u><u>\$ 70,738</u></u>

See accompanying notes to financial statements.



## **NOTES TO THE FINANCIAL STATEMENTS**

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies

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

The basic financial statements include:

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

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

A. Reporting entity

The District is a Type II District located in the County of Hunterdon, State of New Jersey. as a Type II District, the School District functions independently through a Board of Education. The Board is comprised of nine members elected to three-year-terms. The purpose of the District is to educate students in Grades K-8. The District had an approximate enrollment at June 30, 2017 of 296 students.

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

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

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

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

B. Government-wide and fund financial statements

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

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

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

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

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

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

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

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

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

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

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

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

Additionally, the District reports the following fund types:

Proprietary fund types

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

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

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

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

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

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

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

Equipment	12 Years
Light trucks & vehicles	4 Years
Heavy trucks & vehicles	6 Years
Busses	8 Years

Fiduciary Fund Types

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

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

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

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

D. Budgets/budgetary control

Annual appropriated budgets are prepared in the Spring of each year for the General, Special Revenue, and Debt Service Funds. The budgets are submitted to the County office and, if necessary, are voted upon at the annual school election in November. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line-item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum Chart of Accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments must be approved by School Board resolution. Budget amendments during the year ended June 30, 2017 were insignificant.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

D. Budgets/budgetary control (continued)

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

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

E. Encumbrances

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

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

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

F. Tuition receivable

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

G. Tuition payable

Tuition charges for the fiscal years 2016-2017 and 2015-2016 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

H. Short-term interfund receivable and payables

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

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

I. Inventories and prepaid items

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

Enterprise Fund inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. The commodities inventory value at balance sheet date is reported as unearned revenue as title does not pass to the School District until the commodities are used. Prepaid items in the Enterprise Fund represent payments made to vendors for services that will benefit periods beyond June 30, 2017.

J. Capital assets

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

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

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

Assets	Years
Buildings	50
Building improvements & portable classroom	50
Land improvements	20
Furniture	20
Maintenance equipment	15
Musical instruments	10
Athletic equipment	10
Audio visual equipment	10
Office equipment	5 - 10
Computer equipment	5 - 10

K. Compensated absences

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



**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

K. Compensated absences (continued)

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

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

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

L. Unearned revenue

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

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

M. Long-term obligations

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

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

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

N. Net position

Net position represents the difference between the summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. Net position is classified into the following three components:

- Net investment in capital assets - This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for the acquisition, construction, or improvement of those assets.
- Restricted - Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by credits, grantors, or laws or regulations of their governments.
- Unrestricted - Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

The school District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

O. Fund balances - governmental funds

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

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

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

O. Fund balances - governmental funds (continued)

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

P. Comparative data/reclassifications

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

Q. Allocation of indirect expenses

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

R. Deferred outflows/inflows of resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the District has two items that qualify for reporting in this category, deferred amount on pension activity and deferred amount on refunding bond issue. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category, deferred amount on pension activity.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 2 - Tax assessments and property taxes

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

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

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

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

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

Note 3 - Deposits and cash equivalents and investments

Cash and cash equivalents include petty cash, change funds, cash in banks. As of June 30, 2017, the District had no investments.

New Jersey Governmental Units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey Governmental Units. In addition, other state statutes permit investments in obligations issued by local authorities and other state agencies. The State of New Jersey does not place any limit on the amount that the District may invest with any one issuer.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

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

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

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

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits might not be recovered. The District does not have a policy for custodial credit risk. New Jersey statutes require that cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Unit Deposit Protection Act (GUDPA) or in qualified investments established in New Jersey statutes 40A:5-15.1(a) that are treated as cash equivalents. Under the act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the District in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds, employee salary withholdings, or funds that may pass to the District relative to the happening of a future condition.

As of June 30, 2017, the District's bank balances were exposed to custodial credit risk as follows:

Insured by the Federal Deposit Insurance Corporation (FDIC)	\$ 250,000
Collateralized with securities held by pledging financial institutions	1,142,956
Total bank balances	<u>\$ 1,392,956</u>

Deposits at June 30, 2017 appear in the financial statements as summarized below:

Cash		<u>\$ 1,288,140</u>
	<u>Ref.</u>	
Unrestricted cash		
Governmental Funds, Balance Sheet	B-1	\$ 518,458
Enterprise Funds, Statement of Net Position	B-4	30,998
Fiduciary Funds, Statement of Net Position	B-7	164,344
Restricted cash		
Governmental Funds, Balance Sheet	B-1	574,340
Total cash		<u>\$ 1,288,140</u>

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 4 - Capital assets  
Capital asset activity for the fiscal year ended June 30, 2017 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 285,100	\$ -	\$ -	\$ 285,100
Construction in progress	7,471	-	7,471	-
Total	<u>292,571</u>	<u>-</u>	<u>7,471</u>	<u>285,100</u>
Capital assets, being depreciated				
Land improvements	197,473	43,576	-	241,049
Building & improvements	14,665,700	29,483	-	14,695,183
Furniture & equipment	894,253	54,501	390,007	558,747
Vehicles	50,054	-	-	50,054
Total	<u>15,807,480</u>	<u>127,560</u>	<u>390,007</u>	<u>15,545,033</u>
Accumulated depreciation				
Land improvements	116,979	8,176	-	125,155
Building & improvements	3,318,331	356,396	-	3,674,727
Furniture & equipment	773,364	50,596	390,007	433,953
Vehicles	15,641	6,258	-	21,899
Total	<u>4,224,315</u>	<u>421,426</u>	<u>390,007</u>	<u>4,255,734</u>
Total capital assets, being depreciated, net	<u>11,583,165</u>	<u>(293,866)</u>	<u>-</u>	<u>11,289,299</u>
Governmental activities capital assets, net	<u>\$ 11,875,736</u>	<u>\$ (293,866)</u>	<u>\$ 7,471</u>	<u>\$ 11,574,399</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business type activities				
Furniture & equipment	\$ 21,667	\$ 7,835	\$ -	\$ 29,502
Less: accumulated depreciation	<u>14,528</u>	<u>1,786</u>	<u>-</u>	<u>16,314</u>
Business type activities capital assets, net	<u>\$ 7,139</u>	<u>\$ 6,049</u>	<u>\$ -</u>	<u>\$ 13,188</u>

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 4 - Capital assets (continued)

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

Instruction	
Regular	\$ 233,477
Special education	46,735
Other special instruction	8,041
Other instruction	3,806
Support services	
Student & instruction	64,364
General & business administration	47,193
School administration	7,944
Plant maintenance	3,609
Transportation	6,257
Total depreciation expense, governmental activities	\$ 421,426

Note 5 - Long-term debt

Long-term liability activity for the year ended June 30, 2017 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds payable	\$ 4,875,000	\$ -	\$ 475,000	\$ 4,400,000	\$ 490,000
Bond premium	356,424		37,518	318,906	37,518
Capital leases payable	150,319	-	74,177	76,142	76,142
Compensated absences payable	67,650	-	8,205	59,445	-
PERS net pension liability	643,283	476,879	-	1,120,162	-
Total governmental activities long-term liabilities	\$ 6,092,676	\$ 476,879	\$ 594,900	\$ 5,974,655	\$ 603,660

Payments on the general obligation bonds are made in the Debt Service Fund from property taxes and State Aid. The other long-term debts are paid in the current expenditures budget of the District's General Fund.

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2017, including interest payments are listed as follows:

Year ending June 30,	Principal	Interest	Total
2018	\$ 490,000	\$ 155,500	\$ 645,500
2019	505,000	140,800	645,800
2020	520,000	125,650	645,650
2021	535,000	110,050	645,050
2022 - 2025	2,350,000	239,440	2,589,440
Total	\$ 4,400,000	\$ 771,440	\$ 5,171,440

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 5 - Long-term debt (continued)

*General Obligation Bonds* - General obligation school building bonds payable at June 30, 2017, with their outstanding balances are comprised of the following individual issues:

\$5,380,000 - 2013 general obligation school building bonds, interest at 2.00% to 4.00% due in annual installments beginning Feb 15, 2015 through Feb 15, 2025.

\$ 4,400,000

The general obligation bonded debt of the District is limited by state law to 3% of the average equalized assessed values of the total taxable property in the District for the past three years. The legal debt limit at June 30, 2017 is \$16,538,433. General obligation debt at June 30, 2017 is \$4,400,000, resulting in a legal debt margin of \$12,138,433.

*Capital leases payable* - The District is leasing technology equipment, a bus, textbooks and a playground system with an original lease amount of \$123,493 and an interest rate of 2.87%. The District is also leasing 22 bundles of 10 iPad Airs with an original lease amount of \$148,060 and an interest rate of 2.53%. The following is a schedule of the future minimum lease payments and the net minimum lease payments at June 30, 2017:

<u>Year Ending June 30,</u>	
2017	<u>\$ 78,161</u>
Future minimum lease payments	78,161
Amount representing interest	2,019
Total amount representing principal	<u>\$ 76,142</u>

Note 6 - Pension plans

Description of systems

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



**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plans (continued)

A. Public employees' retirement systems (PERS)

Plan description

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

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after 10-years of service, except for medical benefits, which vest after 25-years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

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

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

Allocation methodology and reconciliation to financial statements

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

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plans (continued)

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

Allocation methodology and reconciliation to financial statements (continued)

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the Schedule of Employer Allocations are applied to amounts presented in the Schedules of Pension Amounts by Employer. The allocation percentages for each group as of June 30, 2016 are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal year ended June 30, 2016.

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented in the Division's Schedule of Employer Allocations and applied to amounts presented in the Schedule of Pension Amounts by Employer are based on the ratio of the contributions as an individual employer to total contributions to the PERS during the State fiscal year ended June 30, 2016. Employer allocation percentages have been rounded for presentation purposes, therefore amounts presented in the Schedule of Pension Amounts by Employer may result in immaterial differences.

Contributions

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal years 2016, the State's pension contribution was less than the actuarial determined amount.

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

The contribution rate was 7.20% effective July 1, 2016 and will increase annually on July 1<sup>st</sup> until eventually reaching 7.50% of base salary effective July 1, 2018.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plan (continued)

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

Collective net pension liability and actuarial information

Components of net pension liability

The components of the District's allocable share of the net pension liability for PERS as of June 30, 2016:

	2016
Total pension liability	\$ 1,871,203
Plan fiduciary net position	751,041
Net pension liability	\$ 1,120,162

Plan fiduciary net position as a percentage of the total pension liability 40.14%

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 (based on age)	
Through 2026	1.65% - 4.15%
Thereafter	2.65% - 5.15%
Investment rate of return	7.65%

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 1 year for females).

The actuarial assumptions used in the July 1, 2015 valuation was 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.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plan (continued)

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

Long-term expected rate of return

In accordance with State statute, the long-term expected rate of return on plan investments (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's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocations</u>	<u>Long-Term Expected Rate of Return</u>
Cash	5.00%	.87%
U.S. Treasuries	1.50%	1.74%
Investment Grad 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%

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plan (continued)

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

Discount rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2043, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

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

<u>District's proportionate share of the net pension liability</u>	<u>2016</u>
At current discount rate (3.98%)	\$ 1,120,162
At a 1% lower rate (2.98%)	1,372,627
At a 1% higher rate (4.98%)	911,729

Collective deferred outflows of resources and deferred inflows of resources

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 20,832	\$ -
Changes of assumptions	232,038	-
Net difference between projected and actual earnings on pension plan investments	42,713	-
Changes in proportion and differences between District contributions and proportionate share of contributions	159,246	641,119
District contributions subsequent to the measurement date	33,600	-
Total	\$ 488,429	\$ 641,119

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plan (continued)

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

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

The amount reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date (i.e., for the school year ending June 30, 2017, the plan measurement date is June 30, 2016) of \$26,045 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

The following presents a summary of changes in the collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the year ended June 30, 2016:

	Beginning Balance	Increases	Decreases	Ending Balance
Deferred outflows of resources				
Changes of assumptions and differences between expected and actual experience	\$ 111,432	\$ 201,457	\$ 60,020	\$ 252,869
Deferred inflows of resources				
Difference between projected and actual earnings on pension plan investments	(13,651)	62,891	6,528	42,712
Net of deferred outflows	\$ 97,781	\$ 264,348	\$ 66,548	\$ 295,581

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

Year Ending June 30,

2017	\$ 66,548
2018	66,547
2019	77,096
2020	64,774
2021	20,616
Total	\$ 295,581

Pension expense

For the year ended June 30, 2017, the District recognized net pension expense of (\$38,805), which represents the District's proportionate share of allocable plan pension expense of \$106,944, less the net amortization of deferred amounts from changes in proportion of \$136,787, and less other adjustments to the net pension liability of \$8,962. The components of allocable pension expense, which exclude amounts attributable to employer paid member contributions and pension expense related to specific liabilities of individual employers, for the District for the year ending June 30, 2016 are as follows:

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 -

Pension plan (continued)

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

Pension expense (continued)

Service cost	\$	36,557
Interest on total pension liability		79,817
Member contributions		(18,948)
Administrative expense		605
Expected investment return net of investment expense		(57,516)
Pension expense related to specific liabilities of individual employers		(119)
Recognition of deferred inflows/outflows of resources		
Amortization of assumption changes or inputs		54,663
Amortization of expected versus actual experience		5,357
Amortization of projected versus actual investment earnings on pension plan investments		6,528
Pension expense	\$	106,944

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

Plan description

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

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 10-years of service, except for medical benefits, which vest after 25-years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

The following represents the membership tiers for TPAF:

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

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plan (continued)

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

Plan description (continued)

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

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For the State fiscal year 2016, the State's pension contribution was less than the actuarial determined amount.

Special funding situation

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 non-employer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers. However, the Notes to the Financial Statements of the local participating employers must disclose the portion of the non-employer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer. During the State fiscal year ending June 30, 2016, the State of New Jersey contributed \$87,044 to the TPAF for normal pension benefits on behalf of the District.

The contribution rate was 7.20% effective July 1, 2016 and will increase annually on July 1<sup>st</sup> until eventually reaching 7.50% of base salary effective July 1, 2018.



**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plan (continued)

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

Special funding situation (continued)

For purposes of reporting required by GASB Statement No. 68, Accounting and Financial Reporting for Pensions, the District's proportionate share of allocable net pension liability, employer pension expense and related revenue, non-employer contributions and their allocable proportionate percentage for fiscal year ending June 30, 2016 is as follows:

	2016
State's proportionate share of net pension liability	\$ 17,984,152
District's proportionate share of net pension liability	-
Employer pension expense and related revenue	1,351,259
Non-employer contribution	182,067
 Allocable proportionate percentage	 0.0228612977%

The components of the contractually required contribution, which exclude amounts related to specific liabilities of individual employers, for the District for the year ending June 30, 2016 are as follows:

Service cost	\$ 533,484
Interest on total pension liability	840,815
Member contributions	(173,338)
Administrative expense	3,133
Expected investment return net of investment expense	(430,459)
Pension expense related to specific liabilities of individual employers	(55)
Recognition of deferred inflows/outflows of resources	
Amortization of assumption changes or inputs	5,655
Amortization of expected versus actual experience	528,972
Amortization of projected versus actual investment earnings on pension plan investments	43,052
Pension expense	\$ 1,351,259

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plan (continued)

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

Collective net pension liability and actuarial information

Components of net pension liability

As detailed earlier, the District was not required to report a liability for its proportionate share of net pension expense for TPAF due to a special funding situation. The State's proportionate share of the net pension liability for TPAF as of June 30, 2016 is as follows:

	2016
Total pension liability	\$ 23,153,925
Plan fiduciary net position	5,169,773
Net pension liability	\$ 17,984,152

Plan fiduciary net position as a percentage of the total pension liability 22.33%

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 (based on age)	
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 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 study for the period July 1, 2012 to June 30, 2015.

Long-term expected rate of return

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of 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:

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plan (continued)  
B. Teacher's pension and annuity fund (TPAF) (continued)  
Long-term expected rate of return (continued)

<u>Asset Class</u>	<u>Target Allocations</u>	<u>Long-Term Expected Rate of Return</u>
Cash	5.00%	.39%
U.S. Government Bonds	1.50%	1.28%
U.S. Credit Bonds	13.00%	2.76%
U.S. Mortgages	2.00%	2.38%
U.S. Inflation-Indexed Bonds	1.50%	1.41%
U.S. High Yield Bonds	2.00%	4.70%
U.S. Equity Market	26.00%	5.14%
Foreign Developed Equity	13.25%	5.91%
Emerging Market Equity	6.50%	8.16%
Private Real Estate Property	5.25%	3.64%
Timber	1.00%	3.86%
Farmland	1.00%	4.39%
Private Equity	9.00%	8.97%
Commodities	.50%	2.87%
Hedge Funds - Multi-Strategy	5.00%	3.70%
Hedge Funds - Equity Hedge	3.75%	4.72%
Hedge Funds - Distressed	3.75%	3.49%

Discount rate

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

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plan (continued)

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

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

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

<u>District's Proportionate Share of the Net Pension Liability</u>	<u>2016</u>
At current discount rate (3.22%)	\$ 17,984,152
At a 1% lower rate (2.22%)	21,477,097
At a 1% higher rate (4.22%)	15,131,712

C. Defined contribution retirement program

The Defined Contribution Retirement Program (DCRP) was established under the provisions Ch. 92, PL 2007 and expanded under the provisions of Ch. 89, PL 2008 and Ch. 1, PL 2010 to provide eligible members with a tax sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Employees eligible to enroll in the program include the following: First, employees enrolled in the Public Employees Retirement System (PERS) or Teachers Pension and Annuity Fund (TPAF) on or after July 1, 2007 who earn salary in excess of maximum compensation limits. Also, employees otherwise eligible to enroll in the TPAF and PERS who do not earn the minimum salary (\$8,300 in 2017) but who earn salary of at least \$5,000 annually are eligible to participate. The program administrator, Prudential Financial, makes information regarding the program available on its New Jersey Defined Contribution Program Web Site: [www.prudential.com/njdcprp](http://www.prudential.com/njdcprp).

Contribution rates for DCRP provide for employee contributions of 5.50% of annual contractual compensation as defined. The District's net contribution to the DCRP for fiscal year ending 2017 was \$589.

D. Other pension plan information

During the year ended June 30, 2017, the State of New Jersey contributed \$215,415 to the TPAF for post-retirement medical benefits, \$9,040 for non-contributory insurance premiums, \$654 for long-term disability insurance, and \$249,491 for normal costs and accrued liability costs on behalf of the Board. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$180,351 during the year ended June 30, 2017 for the employer's share of Social Security contributions for TPAF members calculated on their base salaries. These amounts have been included in the financial statements and the combining and individual fund and account group statements and schedules as revenues and expenditures in accordance with GASB 68.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 7 - Post-retirement benefits

Chapter 384 of PL 1987 and Ch. 6 of PL 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25-years of credited service or on a disability retirement. PL 2007, Ch. 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2016, there were 110,512 retirees eligible for 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 Ch. 62, PL 1994. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning the fiscal year 1994.

The State is also responsible for the cost attributable to Ch. 126, PL 1992, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a Board of Education or County College with 25-years of service. In fiscal year 2016, the State paid \$231.2 million toward Ch. 126 benefits for 20,045 eligible retired members.

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

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

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

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 7 - Post-retirement benefits (continued)

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

Note 8 - Deferred compensation

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

- Siracusa Benefits
- Variable Annuity Life Insurance Co.
- Lincoln Investment Planning

Note 9 - Interfund receivable and payables

As of June 30, 2017, the General Fund has an interfund payable for \$4,557 due to the Unemployment Compensation Fund and \$10,052 due to the Debt Service Fund for balances not yet transferred as of year-end.

Note 10 - Inventory

Inventory in the Food Service Fund as of June 30, 2017 consisted of the following:

Food	\$	2,376
Supplies		958
Total	\$	3,334

Note 11 - Contingent liabilities

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

Amounts received or receivables from grantor agencies could be subject to audit and adjusted by grantor agencies. Any disallowed claims, including amounts already collected, may result in a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amount, if any, to be immaterial.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 12 - Risk management

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

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

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

Fiscal Year	Board Contrib.	Interest Earnings	Employee Contrib.	Amount Reimbursed	Ending Balance
2016 - 2017	\$ 25,000	\$ 187	\$ 5,030	\$ 2,442	\$ 70,738
2015 - 2016	-	135	4,859	697	42,963
2014 - 2015	23,460	109	4,644	21,424	38,666

Note 13 - Legal reserve accounts

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

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

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 13 - Legal reserve accounts (continued)

Districts are allowed as per N.J.S.A. 18A:7F-41(a) & 41(b) to deposit to the legal reserves by Board resolution during the month of June for any unanticipated revenue and/or unexpended line-item appropriation amounts. Pursuant to this State statute, the District deposited \$100,000 to their Capital Reserve account and \$150,000 to their Maintenance Reserve account by Board resolution in June 2017 as summarized in the following schedule. The following schedule is a summarization of the Legal Reserve Accounts for the current year:

Reserve Type	Beginning Balance	District Contrib.	Interest Earnings	Return Unused Withdrawal	Withdrawal	Ending Balance
Capital	\$ 212,762	\$ 100,000	\$ 921	\$ -	\$ -	\$ 313,683
Maintenance	191,757	150,000	-	-	81,100	260,657
Total	<u>\$ 404,519</u>	<u>\$ 250,000</u>	<u>\$ 921</u>	<u>\$ -</u>	<u>\$ 81,100</u>	<u>\$ 574,340</u>

Note 14 - Fund balances - budgetary basis

As described in Note 1 (N), Fund balance may be restricted, committed or assigned. An analysis of the General Fund balance on June 30, 2017 is as follows:

	2017
<b>Restricted</b>	
Excess surplus - Represents amount in excess of allowable percentage of expenditures. In accordance with State statute, the excess surplus is designated for utilization in succeeding year's budgets.	\$ 65,049
Excess surplus - Designated for subsequent year's expenditures. Amount appropriated in the succeeding year's budget to reduce tax requirements.	64,634
Capital Reserve Account - Represents funds restricted to capital projects in the Districts long range facilities plan.	313,683
Maintenance Reserve Account - Represents funds accumulated for the required maintenance of a facility in accordance with the EFCFA (N.J.S.A.18A:76-9).	260,657
<b>Committed</b>	
Year-end encumbrance - Represents fund balance committed for purchase orders that have been issued but goods or services were not received as of June 30	99,877
<b>Unassigned</b>	
Undesignated - Represents fund balance which has not been restricted or designated.	373,786
<b>Total fund balance</b>	\$ 1,177,686



**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 15 - Calculation of excess surplus

In accordance with N.J.S.A. 18A:7F-7, as amended by PL 2004, Ch. 73 (S1701), the designation for Reserved Fund Balance - Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey School Districts are required to reserve General Fund balance at the fiscal year end of June 30, if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2017 is \$65,049.

Note 16 - Subsequent events

The District has evaluated subsequent events through November 15, 2017, which is the date the financial statements were available to be issued and no additional items were noted for disclosure.

Note 17 - Recent accounting pronouncements not yet effective

The following is a list of recent accounting pronouncements which are not yet effective as of the year end date of this report and which are expected to have a material impact on the District's financial reporting:

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75 "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*". This statement, which is effective for reporting periods beginning after June 15, 2017, is expected to have a material impact on the District's financial reporting.

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87 "*Leases*". This statement, which is effective for reporting periods beginning after June 15, 2019, is expected to have a material impact on the District's financial reporting.

Note 18 - Deficit balance in unrestricted net position

The District is reporting a deficit balance in unrestricted net position for governmental activities as of June 30, 2017 of (\$931,629) on Schedule A-1 "Statement of Net Position". The deficit balance is not a negative reflection on the District's financial condition, but is the result of reporting required by GASB Statement No. 68 Accounting and Financial Reporting for Pensions which allocates the proportionate share of the State's net pension liability for PERS to each contributing entity throughout the State.

**REQUIRED SUPPLEMENTARY INFORMATION - PART II**

**BUDGETARY COMPARISON SCHEDULES**

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**General Fund**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2017**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES</b>					
Local sources					
Local tax levy	\$ 5,439,982	\$ -	\$ 5,439,982	\$ 5,439,982	\$ -
Tuition from other LEAs within the state	-	-	-	2,499	2,499
Tuition from summer school	10,000	-	10,000	8,815	(1,185)
Rents and royalties	500	-	500	3,800	3,300
Unrestricted miscellaneous revenues	13,000	-	13,000	60,904	47,904
Interest earned on capital reserve funds	500	-	500	921	421
<b>Total</b>	<b>5,463,982</b>	<b>-</b>	<b>5,463,982</b>	<b>5,516,921</b>	<b>52,939</b>
State Sources					
School choice aid	90,286	-	90,286	90,286	-
Categorical transportation aid	32,888	-	32,888	32,888	-
Extraordinary aid	40,000	-	40,000	161,562	121,562
Categorical special education aid	184,932	-	184,932	184,932	-
Categorical security aid	16,949	-	16,949	16,949	-
PARCC readiness aid	2,690	-	2,690	2,690	-
Per pupil growth aid	2,690	-	2,690	2,690	-
Professional learning community aid	2,970	-	2,970	2,970	-
Other state aid	-	-	-	2,224	2,224
TPAF pension (on-behalf)	-	-	-	258,531	258,531
TPAF Social Security (reimbursed)	-	-	-	180,351	180,351
TPAF post retirement benefits	-	-	-	215,415	215,415
TPAF ong-term disability insurance	-	-	-	654	654
<b>Total</b>	<b>373,405</b>	<b>-</b>	<b>373,405</b>	<b>1,152,142</b>	<b>778,737</b>
<b>Total revenues</b>	<b>\$ 5,837,387</b>	<b>\$ -</b>	<b>\$ 5,837,387</b>	<b>\$ 6,669,063</b>	<b>\$ 831,676</b>
<b>EXPENDITURES</b>					
Current					
Instruction - regular program					
Salaries of teachers					
Preschool	\$ 1,000	\$ 825	\$ 1,825	\$ 1,825	\$ -
Kindergarten	197,623	(12,147)	185,476	185,476	-
Grades 1-5	1,058,824	(73,490)	985,334	985,334	-
Grades 6-8	492,614	127,447	620,061	620,061	-
Home instruction					
Salaries of teacher	1,000	1,497	2,497	2,497	-
Regular programs - undistributed instruction					
Other salaries for instruction	57,810	640	58,450	58,450	-
Purchased professional - educational services	23,250	(748)	22,502	21,849	653
Purchased technical services	34,790	1	34,791	33,940	851
Other purchased services	65,309	(25,565)	39,744	34,660	5,084
General supplies	181,278	(9,450)	171,828	163,103	8,725
Textbooks	43,096	4,698	47,794	47,794	-
Other objects	10,000	(5,240)	4,760	4,760	-
<b>Total</b>	<b>2,166,594</b>	<b>8,468</b>	<b>2,175,062</b>	<b>2,159,749</b>	<b>15,313</b>

See independent auditors' report.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**General Fund**  
**Budgetary Comparison Schedule (continued)**  
**For the Fiscal Year Ended June 30, 2017**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Special education					
Resource room/resource center					
Salaries of teachers	\$ 275,302	\$ (27,328)	\$ 247,974	\$ 186,043	\$ 61,931
Other salaries for instruction	-	1,000	1,000	1,000	-
Purchased professional - educational services	253,305	43,681	296,986	230,656	66,330
General supplies	5,000	-	5,000	4,978	22
Total	<u>533,607</u>	<u>17,353</u>	<u>550,960</u>	<u>422,677</u>	<u>128,283</u>
Preschool disabilities - full-time					
Salaries of teachers	55,719	(43,719)	12,000	12,000	-
Purchased professional - educational services	85,880	(5,537)	80,343	71,816	8,527
General supplies	1,000	-	1,000	629	371
Total	<u>142,599</u>	<u>(49,256)</u>	<u>93,343</u>	<u>84,445</u>	<u>8,898</u>
Total special education	<u>676,206</u>	<u>(31,903)</u>	<u>644,303</u>	<u>507,122</u>	<u>137,181</u>
Basic skills/remedial					
Salaries of teachers	88,685	1,718	90,403	90,403	-
General supplies	1,500	-	1,500	167	1,333
Total	<u>90,185</u>	<u>1,718</u>	<u>91,903</u>	<u>90,570</u>	<u>1,333</u>
School-sponsored co/extra curricular activities - instruction					
Salaries	9,000	5,661	14,661	11,833	2,828
Total	<u>9,000</u>	<u>5,661</u>	<u>14,661</u>	<u>11,833</u>	<u>2,828</u>
School-sponsored athletics - instruction					
Salaries	16,500	(5,661)	10,839	10,839	-
Supplies and materials	10,130	-	10,130	1,021	9,109
Total	<u>26,630</u>	<u>(5,661)</u>	<u>20,969</u>	<u>11,860</u>	<u>9,109</u>
Instructional alternative ed program - instruction					
Salaries of teachers	15,179	1,893	17,072	17,072	-
General supplies	4,000	(1,893)	2,107	2,107	-
Total	<u>19,179</u>	<u>-</u>	<u>19,179</u>	<u>19,179</u>	<u>-</u>
Total instruction regular	<u>\$ 2,987,794</u>	<u>\$ (21,717)</u>	<u>\$ 2,966,077</u>	<u>\$ 2,800,313</u>	<u>\$ 165,764</u>
Undistributed expenditures					
Undistributed expenditures - instruction					
Tuition to other LEAs within the state - special	\$ 197,294	\$ (28,316)	\$ 168,978	\$ 148,673	\$ 20,305
Total	<u>197,294</u>	<u>(28,316)</u>	<u>168,978</u>	<u>148,673</u>	<u>20,305</u>
Undistributed expenditures - attendance & social work					
Salaries	26,002	202	26,204	26,204	-
Total	<u>26,002</u>	<u>202</u>	<u>26,204</u>	<u>26,204</u>	<u>-</u>

See independent auditors' report.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**General Fund**  
**Budgetary Comparison Schedule (continued)**  
**For the Fiscal Year Ended June 30, 2017**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Undistributed expenditures - health services					
Salaries	\$ 71,900	\$ 1,530	\$ 73,430	\$ 72,110	\$ 1,320
Purchased professional and technical services	1,645	11	1,656	1,656	-
Supplies and materials	3,000	(1,000)	2,000	1,626	374
Total	<u>76,545</u>	<u>541</u>	<u>77,086</u>	<u>75,392</u>	<u>1,694</u>
Undistributed expenditures - speech, ot, pt & related services					
Purchased professional - educational services	82,852	5,342	88,194	82,793	5,401
Supplies and materials	1,000	233	1,233	1,233	-
Total	<u>83,852</u>	<u>5,575</u>	<u>89,427</u>	<u>84,026</u>	<u>5,401</u>
Undistributed expenditures - guidance					
Salaries of other professional staff	73,664	3,592	77,256	76,798	458
Supplies and materials	1,500	-	1,500	519	981
Total	<u>75,164</u>	<u>3,592</u>	<u>78,756</u>	<u>77,317</u>	<u>1,439</u>
Undistributed expenditures - child study teams					
Salaries of other professional staff	84,683	(15,687)	68,996	68,996	-
Salaries of secretarial and clerical assistants	47,424	(558)	46,866	40,000	6,866
Purchased professional - educational services	90,448	23,253	113,701	106,893	6,808
Miscellaneous purchased service	3,000	(3,000)	-	-	-
Supplies and materials	5,031	1,397	6,428	6,428	-
Total	<u>230,586</u>	<u>5,405</u>	<u>235,991</u>	<u>222,317</u>	<u>13,674</u>
Undistributed expenditures - improvement of inst. service					
Salaries of supervisor of instruction	2,500	(2,500)	-	-	-
Salaries of other professional staff	77,454	10,781	88,235	88,235	-
Supplies and materials	2,000	(1,531)	469	-	469
Total	<u>81,954</u>	<u>6,750</u>	<u>88,704</u>	<u>88,235</u>	<u>469</u>
Undistributed expenditures - edu. media service/sch. library					
Salaries	12,076	1	12,077	12,077	-
Purchased professional and technical services	918	-	918	850	68
Supplies and materials	6,000	-	6,000	4,421	1,579
Total	<u>18,994</u>	<u>1</u>	<u>18,995</u>	<u>17,348</u>	<u>1,647</u>
Undistributed expenditures - instructional staff training services					
Other purchased services	2,000	-	2,000	1,309	691
Total	<u>2,000</u>	<u>-</u>	<u>2,000</u>	<u>1,309</u>	<u>691</u>

See independent auditors' report.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**General Fund**  
**Budgetary Comparison Schedule (continued)**  
**For the Fiscal Year Ended June 30, 2017**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES (cont'd)</b>					
Undistributed expend. - support service - general admin.					
Salaries	\$ 156,750	\$ 9,703	\$ 166,453	\$ 166,453	\$ -
Legal services	34,712	13,266	47,978	47,978	-
Audit fees	16,000	1,500	17,500	17,500	-
Other purchased professional services	5,000	116	5,116	4,966	150
Communications/telephone	22,398	(50)	22,348	22,348	-
BOE other purchased services	1,000	(1,000)	-	-	-
Misc purch services	10,227	(482)	9,745	9,745	-
General supplies	9,800	(1,085)	8,715	8,715	-
BOE in-house training/meeting supplies	500	(414)	86	86	-
Miscellaneous expenditures	5,150	(522)	4,628	4,628	-
BOE membership dues and fees	4,500	(908)	3,592	3,592	-
<b>Total</b>	<b>266,037</b>	<b>20,124</b>	<b>286,161</b>	<b>286,011</b>	<b>150</b>
Undistributed expend. - support service - school admin.					
Salaries of principals/assistant principals	44,154	(883)	43,271	43,203	68
Salaries of secretarial and clerical assistants	27,063	341	27,404	27,404	-
Supplies and materials	529	137	666	666	-
<b>Total</b>	<b>71,746</b>	<b>(405)</b>	<b>71,341</b>	<b>71,273</b>	<b>68</b>
Undistributed expenditures - central services					
Salaries	142,800	5,387	148,187	148,187	-
Purchased professional services	16,194	332	16,526	16,526	-
Supplies and materials	3,306	(816)	2,490	2,490	-
Other objects	2,976	(4)	2,972	2,972	-
<b>Total</b>	<b>165,276</b>	<b>4,899</b>	<b>170,175</b>	<b>170,175</b>	<b>-</b>
Undistributed expend. - required maint. for school facilities					
Cleaning, repair, and maintenance services	64,739	195,337	260,076	187,924	72,152
Lead testing in water	-	2,085	2,085	2,085	-
General supplies	25,821	(6,333)	19,488	19,488	-
<b>Total</b>	<b>90,560</b>	<b>191,089</b>	<b>281,649</b>	<b>209,497</b>	<b>72,152</b>
Undistributed expenditures - custodial services					
Salaries	18,076	(3,547)	14,529	14,529	-
Purchased professional and technical services	520	-	520	520	-
Cleaning, repair, and maintenance service	243,477	2,789	246,266	242,804	3,462
Insurance	40,000	8,397	48,397	48,397	-
General supplies	5,100	(868)	4,232	4,201	31
Energy (natural gas)	3,500	(1,915)	1,585	1,585	-
Energy (electricity)	96,690	(12,200)	84,490	84,445	45
Energy (oil)	80,000	(51,293)	28,707	28,707	-
<b>Total</b>	<b>487,363</b>	<b>(58,637)</b>	<b>428,726</b>	<b>425,188</b>	<b>3,538</b>
Undistributed expenditures - care and upkeep of grounds					
Cleaning, repair, and maintenance service	40,000	(14,012)	25,988	25,439	549
<b>Total</b>	<b>40,000</b>	<b>(14,012)</b>	<b>25,988</b>	<b>25,439</b>	<b>549</b>

See independent auditors' report.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**General Fund**  
**Budgetary Comparison Schedule (continued)**  
**For the Fiscal Year Ended June 30, 2017**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Undistributed expenditures - student transportation service					
Salaries of non-instructional aides	\$ 29,584	\$ (10,000)	\$ 19,584	\$ 19,502	\$ 82
Management fee - esc & ctsa trans. program	2,000	-	2,000	2,000	-
Cleaning, repair, & maint. services	6,000	(2,045)	3,955	3,955	-
Lease purchase payments - school buses	26,781	(525)	26,256	26,256	-
Contract service-aid in lieu pymts - non-public schools	35,355	(23,080)	12,275	9,569	2,706
Contract serv-aid in lieu pymts-choice school students	-	5,304	5,304	5,304	-
Contr service (oth. than between home & school) - vend	6,651	-	6,651	3,173	3,478
Contr service (between home & school) - joint agreements	302,732	37,340	340,072	340,005	67
Contract service (reg. students) - escs & ctsas	-	10,279	10,279	10,279	-
Contract service (spl. ed. students) - escs & ctsas	32,586	26,453	59,039	57,430	1,609
Transportation supplies	6,120	(1,844)	4,276	2,235	2,041
<b>Total</b>	<b>447,809</b>	<b>41,882</b>	<b>489,691</b>	<b>479,708</b>	<b>9,983</b>
Allocated benefits - employee benefits					
Regular programs - instruction					
Social Security contributions	17,500	-	17,500	17,500	-
Other retirement contributions - PERS	17,000	(5,050)	11,950	11,950	-
Workmen's compensation	17,630	-	17,630	17,630	-
Health benefits	381,251	825	382,076	365,112	16,964
Tuition reimbursement	7,478	(1,549)	5,929	3,358	2,571
Other employee benefits	19,701	(8,077)	11,624	11,624	-
<b>Total</b>	<b>460,560</b>	<b>(13,851)</b>	<b>446,709</b>	<b>427,174</b>	<b>19,535</b>
Special programs - instruction					
Workmen's compensation	3,000	-	3,000	3,000	-
Health benefits	32,929	(19,900)	13,029	13,029	-
Other employee benefits	2,000	(2,000)	-	-	-
<b>Total</b>	<b>37,929</b>	<b>(21,900)</b>	<b>16,029</b>	<b>16,029</b>	<b>-</b>
Attendance and social work services					
Social security contributions	2,500	-	2,500	-	2,500
Other retirement contributions - PERS	5,000	-	5,000	5,000	-
Workmen's compensation	600	-	600	600	-
Health benefits	10,994	1	10,995	10,995	-
Other employee benefits	200	(200)	-	-	-
<b>Total</b>	<b>19,294</b>	<b>(199)</b>	<b>19,095</b>	<b>16,595</b>	<b>2,500</b>
Health services					
Social security contributions	500	-	500	500	-
Workmen's compensation	700	-	700	700	-
Health benefits	13,111	(1,011)	12,100	10,611	1,489
Other employee benefits	302	5,345	5,647	5,500	147
<b>Total</b>	<b>14,613</b>	<b>4,334</b>	<b>18,947</b>	<b>17,311</b>	<b>1,636</b>
Other supp services - speech/ot/pt& related sv					
Workmen's compensation	669	-	669	669	-
Other employee benefits	400	-	400	-	400
<b>Total</b>	<b>1,069</b>	<b>-</b>	<b>1,069</b>	<b>669</b>	<b>400</b>

See independent auditors' report.



**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**General Fund**  
**Budgetary Comparison Schedule (continued)**  
**For the Fiscal Year Ended June 30, 2017**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Other supp services - guidance					
Workmen's compensation	\$ 564	\$ -	\$ 564	\$ 564	\$ -
Health benefits	23,504	(3,590)	19,914	13,505	6,409
Other employee benefits	263	-	263	-	263
Total	<u>24,331</u>	<u>(3,590)</u>	<u>20,741</u>	<u>14,069</u>	<u>6,672</u>
Other supp services - child study teams					
Social Security contributions	8,000	-	8,000	4,488	3,512
Other retirement contributions - PERS	9,500	-	9,500	9,500	-
Workmen's compensation	500	-	500	500	-
Health benefits	25,454	(5,331)	20,123	15,454	4,669
Other employee benefits	300	(74)	226	-	226
Total	<u>43,754</u>	<u>(5,405)</u>	<u>38,349</u>	<u>29,942</u>	<u>8,407</u>
Improvement of instruction services					
Workmen's compensation	964	-	964	964	-
Health benefits	18,029	(6,150)	11,879	11,879	-
Other employee benefits	1,028	(600)	428	28	400
Total	<u>20,021</u>	<u>(6,750)</u>	<u>13,271</u>	<u>12,871</u>	<u>400</u>
Support services - general administration					
Social Security contributions	5,000	-	5,000	5,000	-
Other retirement contributions - PERS	8,000	(4,118)	3,882	3,882	-
Workmen's compensation	2,234	-	2,234	2,234	-
Health benefits	37,089	(9,466)	27,623	27,623	-
Other employee benefits	1,032	(1,032)	-	-	-
Total	<u>53,355</u>	<u>(14,616)</u>	<u>38,739</u>	<u>38,739</u>	<u>-</u>
Support services - school administration					
Social Security contributions	2,300	(222)	2,078	2,078	-
Other retirement contributions - PERS	3,500	-	3,500	3,500	-
Workmen's compensation	651	-	651	651	-
Health benefits	12,239	(260)	11,979	11,979	-
Other employee benefits	124	(124)	-	-	-
Total	<u>18,814</u>	<u>(606)</u>	<u>18,208</u>	<u>18,208</u>	<u>-</u>
Support services - central services					
Workmen's compensation	2,000	-	2,000	2,000	-
Health benefits	39,757	(5,387)	34,370	34,370	-
Other employee benefits	1,528	(1,257)	271	271	-
Total	<u>43,285</u>	<u>(6,644)</u>	<u>36,641</u>	<u>36,641</u>	<u>-</u>
Operation and maintenance of plant service					
Social Security contributions	1,200	-	1,200	1,200	-
Other retirement contributions - PERS	2,000	-	2,000	2,000	-
Total	<u>3,200</u>	<u>-</u>	<u>3,200</u>	<u>3,200</u>	<u>-</u>
Total allocated benefits - employees	<u>\$ 740,225</u>	<u>\$ (69,227)</u>	<u>\$ 670,998</u>	<u>\$ 631,448</u>	<u>\$ 39,550</u>

See independent auditors' report.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**General Fund**  
**Budgetary Comparison Schedule (continued)**  
**For the Fiscal Year Ended June 30, 2017**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Unallocated benefits - employee benefits					
Social Security contributions	\$ 25,570	\$ -	\$ 25,570	\$ 15,517	\$ 10,053
Other retirement contributions - PERS	56,322	(56,322)	-	-	-
Other retirement contributions - regular	-	3,000	3,000	843	2,157
Health benefits	-	14,854	14,854	14,066	788
Total	<u>81,892</u>	<u>(38,468)</u>	<u>43,424</u>	<u>30,426</u>	<u>12,998</u>
On-behalf TPAF pension contribution	-	-	-	258,531	(258,531)
On-behalf TPAF post retirement medical benefits	-	-	-	215,415	(215,415)
On-behalf TPAF long-term disability insurance	-	-	-	654	(654)
Reimbursed TPAF Social Security contribution	-	-	-	180,351	(180,351)
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>654,951</u>	<u>(654,951)</u>
Total undistributed expenditures	<u>\$ 3,183,299</u>	<u>\$ 70,995</u>	<u>\$ 3,254,294</u>	<u>\$ 3,724,937</u>	<u>\$ (470,643)</u>
Total current	<u>\$ 6,171,093</u>	<u>\$ 49,278</u>	<u>\$ 6,220,371</u>	<u>\$ 6,525,250</u>	<u>\$ (304,879)</u>
Capital outlay					
Equipment					
School-sponsored and other instructional programs	\$ 50,000	\$ (50,000)	\$ -	\$ -	\$ -
Undistributed					
Undistributed expenditures - instruction	36,105	60,626	96,731	88,381	8,350
Undistributed expenditures - general admin.	30,000	(19,689)	10,311	10,311	-
Undistributed expenditures - custodial services	-	11,297	11,297	11,297	-
Undistributed expenditures - care and upkeep of grounds	7,600	17,449	25,049	10,100	14,949
Total equipment	<u>123,705</u>	<u>19,683</u>	<u>143,388</u>	<u>120,089</u>	<u>23,299</u>
Facilities acquisition and construction service					
Assessment for debt service on SDA funding	36,136	-	36,136	36,136	-
Total facilities acquisition and construction service	<u>36,136</u>	<u>-</u>	<u>36,136</u>	<u>36,136</u>	<u>-</u>
Total capital outlay	<u>\$ 159,841</u>	<u>\$ 19,683</u>	<u>\$ 179,524</u>	<u>\$ 156,225</u>	<u>\$ 23,299</u>
Total expenditures	<u>\$ 6,330,934</u>	<u>\$ 68,961</u>	<u>\$ 6,399,895</u>	<u>\$ 6,681,475</u>	<u>\$ (281,580)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (493,547)</u>	<u>\$ (68,961)</u>	<u>\$ (562,508)</u>	<u>\$ (12,412)</u>	<u>\$ 550,096</u>
Other financing sources (uses)					
Operating transfer out					
Transfer to fiduciary fund - board contribution	(10,000)	(15,000)	(25,000)	(25,000)	-
Total other financing sources (uses)	<u>(10,000)</u>	<u>(15,000)</u>	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>
Excess (deficiency) of revenues & other financing sources					
Over (under) expenditures & other financing uses	(503,547)	(83,961)	(587,508)	(37,412)	550,096
Fund balances, July 1	1,215,098	-	1,215,098	1,215,098	-
Fund balances, June 30	<u>\$ 711,551</u>	<u>\$ (83,961)</u>	<u>\$ 627,590</u>	<u>\$ 1,177,686</u>	<u>\$ 550,096</u>

See independent auditors' report.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**General Fund**  
**Budgetary Comparison Schedule (continued)**  
**For the Fiscal Year Ended June 30, 2017**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Recapitulation of excess (deficiency) of revenues over (under) expenditures					
Adjustment for prior year encumbrances	\$ (393,057)	\$ -	\$ (393,057)	\$ (393,057)	\$ -
Increase in capital reserve	-	100,000	100,000	100,000	-
Interest deposit to capital reserve	500	-	500	921	421
Withdrawal from capital reserve	(80,000)	80,000	-	-	-
Increase in maintenance reserve	-	150,000	150,000	150,000	-
Withdrawal from maintenance reserve	-	81,100	81,100	81,100	-
Budgeted fund balance	(30,990)	(495,061)	(526,051)	23,624	549,675
<b>Total</b>	<u>\$ (503,547)</u>	<u>\$ (83,961)</u>	<u>\$ (587,508)</u>	<u>\$ (37,412)</u>	<u>\$ 550,096</u>
Recapitulation of fund balance					
Restricted fund balance					
Excess surplus - designated for subsequent year's expenditures				\$ 64,634	
Excess surplus - current year				65,049	
Capital reserve				313,683	
Maintenance reserve				260,657	
Committed fund balance					
Year-end encumbrances				99,877	
Unassigned fund balance				<u>373,786</u>	
Fund balance per budgetary basis				1,177,686	
Reconciliation to governmental statements (GAAP)					
Last State aid payments not recognized on GAAP basis				<u>(27,831)</u>	
Fund balance per governmental funds (GAAP)				<u>\$ 1,149,855</u>	

See independent auditors' report.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2017**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Local sources	\$ 30,639	\$ -	\$ 30,639	\$ 366	\$ (30,273)
State sources	366	-	366	23,629	23,263
Federal sources	131,463	-	131,463	118,672	(12,791)
Total revenues	<u>\$ 162,468</u>	<u>\$ -</u>	<u>\$ 162,468</u>	<u>\$ 142,667</u>	<u>\$ (19,801)</u>
Expenditures					
Instruction					
Other purchased services	\$ 4,444	\$ -	\$ 4,444	\$ 3,252	\$ 1,192
General supplies	38,137	-	38,137	36,022	2,115
Total	<u>42,581</u>	<u>-</u>	<u>42,581</u>	<u>39,274</u>	<u>3,307</u>
Support services					
Tuition	62,031	-	62,031	62,031	-
Purchased professional & technical services	57,856	-	57,856	41,362	16,494
Total	<u>119,887</u>	<u>-</u>	<u>119,887</u>	<u>103,393</u>	<u>16,494</u>
Total expenditures	<u>\$ 162,468</u>	<u>\$ -</u>	<u>\$ 162,468</u>	<u>\$ 142,667</u>	<u>\$ 19,801</u>

See independent auditors' report.

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

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

<u>Sources/Inflows of Resources</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	\$ 6,669,063	\$ 142,667
Differences - Budget to GAAP		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures and the related revenue is recognized:		
Outstanding encumbrances, prior year	-	4,492
The last State aid payment is recognized as revenue for budgetary purposes, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expenses (GASB 33):		
State aid receivable prior year	27,424	-
State aid receivable current year	<u>(27,831)</u>	<u>-</u>
Total revenues (GAAP basis)	<u>\$ 6,668,656</u>	<u>\$ 147,159</u>
<u>Uses/Outflows of Resources</u>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 6,706,475	\$ 142,667
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures and the related revenue is recognized:		
Outstanding encumbrances, prior year	<u>-</u>	<u>4,492</u>
Total expenditures (GAAP basis)	<u>\$ 6,706,475</u>	<u>\$ 147,159</u>

See independent auditors' report.

**REQUIRED SUPPLEMENTARY INFORMATION - PART III**

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

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the net pension liability (asset) - percentage	N/A	0.0037821410%	0.0028656611%	0.0079867967%	0.0078899285%	N/A	N/A	N/A	N/A	N/A
District's proportion of the net pension liability (asset) - value	N/A	\$ 1,120,162	\$ 643,283	\$ 1,495,347	\$ 1,507,922	N/A	N/A	N/A	N/A	N/A
District's covered employee payroll	N/A	245,198	256,430	239,690	549,155	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	N/A	456.84%	250.86%	623.87%	274.59%	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	40.14%	47.93%	52.08%	48.72%	N/A	N/A	N/A	N/A	N/A

N/A - Not Available

See independent auditors' report.



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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 33,600	\$ 24,637	\$ 65,845	\$ 59,449	\$ 58,511	\$ 55,025	\$ 18,497	\$ 18,957	\$ 16,371	\$ 19,913
Contributions in relation to the contractually required contribution	(33,600)	(24,637)	(65,845)	(59,449)	(58,511)	(55,025)	(18,497)	(18,957)	(16,371)	(19,913)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 269,526	\$ 245,198	\$ 256,430	\$ 239,690	\$ 549,155	\$ 553,475	\$ 495,256	\$ 465,361	\$ 500,574	\$ 226,702
Contributions as a percentage of covered employee payroll	12.47%	10.05%	25.68%	24.80%	10.65%	9.94%	3.73%	4.07%	3.27%	8.78%

See independent auditors' report.

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the net pension liability (asset) - percentage	N/A	0.00%	0.00%	0.00%	0.00%	N/A	N/A	N/A	N/A	N/A
District's proportion of the net pension liability (asset) - value	N/A	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	N/A	N/A
State's proportionate share of the net pension liability (asset) associated with the District	\$ -	\$ 17,984,152	\$ 12,689,567	\$ 10,200,574	\$ 11,273,116	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total</b>	<b>\$ -</b>	<b>\$ 17,984,152</b>	<b>\$ 12,689,567</b>	<b>\$ 10,200,574</b>	<b>\$ 11,273,116</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
District's covered employee payroll	\$ -	\$ 2,447,015	\$ 2,286,558	\$ 2,267,805	\$ 2,024,616	\$ -	\$ -	\$ -	\$ -	\$ -
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	N/A	0.00%	0.00%	0.00%	0.00%	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	0.00%	22.33%	28.71%	33.64%	33.76%	N/A	N/A	N/A	N/A	N/A

N/A - Not Available

See independent auditors' report.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contribution	\$ 258,531	\$ 183,036	\$ 108,544	\$ 80,740	\$ 144,128	\$ 87,092	\$ 7,477	\$ 8,278	\$ 8,848	\$ 191,675
Contributions in relation to the contractually required contribution	<u>(258,531)</u>	<u>(183,036)</u>	<u>(108,544)</u>	<u>(80,740)</u>	<u>(144,128)</u>	<u>(87,092)</u>	<u>(7,477)</u>	<u>(8,278)</u>	<u>(8,848)</u>	<u>(191,675)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 2,506,048	\$ 2,447,015	\$ 2,286,558	\$ 2,267,805	\$ 2,024,616	\$ 1,912,015	\$ 2,224,022	\$ 2,596,927	\$ 2,351,616	\$ 2,470,687
Contributions as a percentage of covered employee payroll	10.32%	7.48%	4.75%	3.56%	7.12%	4.55%	0.34%	0.32%	0.38%	7.76%

See independent auditors' report.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Required Supplementary Information - Part III**  
**(Unaudited)**  
**June 30, 2017**

- Note 1 - Special funding situation - TPAF  
The participating employer allocations included in the supplemental Schedule of Employer Special Funding Allocations and the supplemental Schedule of Special Funding Amounts by Employer for each local employer are provided as each local employer is required to record in their financial statements, as an expense and corresponding revenue, their proportionate share of the pension expense allocated to the State of New Jersey (the State) under the special-funding situation and include their proportionate share of the net pension liability in their respective notes to their financial statements. For this purpose, the proportionate share was developed based on actual contributions made to the Teachers' Pension and Annuity Fund allocated to employers based upon covered payroll and adjusted by expected State Early Retirement Incentive contributions for the respective fiscal year.
- Note 2 - Changes in assumptions - TPAF  
The discount rate decreased from 4.13% in State fiscal year 2015 to 3.22% in State fiscal year 2016. The inflation rate was 2.50% for State fiscal years 2015 and 2016.
- Note 3 - Changes in assumptions - PERS  
The discount rate decreased from 4.90% in State fiscal year 2015 to 3.98% in State fiscal year 2016. The inflation rate increased from 3.04% for State fiscal year 2015 to 3.08% for State fiscal year 2016.

## **SPECIAL REVENUE FUND**

### **DETAIL STATEMENTS**

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

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Special Revenue Fund**  
**Combining Schedule of Program Revenues And Expenditures**  
**Budgetary Basis**  
**For the Fiscal Year Ended June 30, 2017**

	NCLB Title IA	NCLB Title IIA	IDEA Basic	IDEA Preschool	REAP	Non-public Grants	Local Grants	Total
<b>Revenues</b>								
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 366	\$ 366
State sources	-	-	-	-	-	23,629	-	23,629
Federal sources	6,620	8,344	73,777	3,252	26,679	-	-	118,672
<b>Total revenues</b>	<b>\$ 6,620</b>	<b>\$ 8,344</b>	<b>\$ 73,777</b>	<b>\$ 3,252</b>	<b>\$ 26,679</b>	<b>\$ 23,629</b>	<b>\$ 366</b>	<b>\$ 142,667</b>
<b>Expenditures</b>								
<b>Instruction</b>								
Other purchased services	-	-	-	3,252	-	-	-	3,252
General supplies	-	-	-	-	26,679	8,977	366	36,022
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,252</b>	<b>26,679</b>	<b>8,977</b>	<b>366</b>	<b>39,274</b>
<b>Support services</b>								
Tuition	-	-	62,031	-	-	-	-	62,031
Purchased professional & technical services	6,620	8,344	11,746	-	-	14,652	-	41,362
<b>Total</b>	<b>6,620</b>	<b>8,344</b>	<b>73,777</b>	<b>-</b>	<b>-</b>	<b>14,652</b>	<b>-</b>	<b>103,393</b>
<b>Total expenditures</b>	<b>\$ 6,620</b>	<b>\$ 8,344</b>	<b>\$ 73,777</b>	<b>\$ 3,252</b>	<b>\$ 26,679</b>	<b>\$ 23,629</b>	<b>\$ 366</b>	<b>\$ 142,667</b>

See independent auditors' report.

## **CAPITAL PROJECTS FUND**

### **DETAIL STATEMENTS**

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

(NOT APPLICABLE TO THIS REPORT)

## **PROPRIETARY FUND**

### **DETAIL STATEMENTS**

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



**Franklin Township School District**  
**Enterprise Fund**  
**Combining Statement of Net Position**  
**For the Fiscal Year Ended June 30, 2017**

	<u>Food Service</u> <u>Fund</u>	<u>Preschool</u> <u>Program</u>	<u>Total</u>
Assets			
Current assets			
Cash and cash equivalents	\$ 5,533	\$ 25,465	\$ 30,998
Receivables from other governments			
State	31	-	31
Federal	448	-	448
Other accounts receivable	-	268	268
Inventory	3,334	-	3,334
Total current assets	<u>9,346</u>	<u>25,733</u>	<u>35,079</u>
Noncurrent assets			
Capital assets	29,502	-	29,502
Less: accumulated depreciation	<u>16,314</u>	<u>-</u>	<u>16,314</u>
Total noncurrent assets	<u>13,188</u>	<u>-</u>	<u>13,188</u>
Total assets	<u>22,534</u>	<u>25,733</u>	<u>48,267</u>
Liabilities			
Current liabilities			
Unearned revenues - commodities	1,241	-	1,241
Unearned revenues - prepaid sales	1,606	-	1,606
Accounts Payable	<u>2,743</u>	<u>-</u>	<u>2,743</u>
Total liabilities	<u>5,590</u>	<u>-</u>	<u>5,590</u>
Net position			
Net investment in capital assets	13,188	-	13,188
Unrestricted	<u>3,756</u>	<u>25,733</u>	<u>29,489</u>
Total net position	<u>\$ 16,944</u>	<u>\$ 25,733</u>	<u>\$ 42,677</u>

See independent auditors' report.

**Franklin Township School District**  
**Enterprise Fund**  
**Combining Statement of Revenues, Expenses, and**  
**Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2017**

	Food Service Fund	Preschool Program	Total
Operating revenues			
Charges for services			
Daily sales - reimbursable programs	\$ 32,775	\$ -	\$ 32,775
Daily sales - non-reimbursable programs	17,557	-	17,557
Fees for services	-	36,293	36,293
Total operating revenues	<u>50,332</u>	<u>36,293</u>	<u>86,625</u>
Operating expenses			
Cost of sales - reimbursable programs	18,077	-	18,077
Cost of sales - non-reimbursable programs	5,549	-	5,549
Commodity food costs	6,405	-	6,405
Salaries	19,418	47,625	67,043
Support services - employee benefits	2,744	13,375	16,119
Purchased professional/technical services	1,899	-	1,899
Purchased property services	914	-	914
Other purchased services			
Insurance	2,003	-	2,003
Management fee	6,724	-	6,724
Supplies and materials	5,811	-	5,811
Depreciation	1,786	-	1,786
Miscellaneous expenditures	424	-	424
Total operating expenses	<u>71,754</u>	<u>61,000</u>	<u>132,754</u>
Operating income (loss)	<u>(21,422)</u>	<u>(24,707)</u>	<u>(46,129)</u>
Non-operating revenues (expenses)			
State sources			
State School Lunch Program	459	-	459
Federal sources			
National School Lunch Program			
Cash assistance	6,859	-	6,859
Non-cash assistance (commodities)	6,405	-	6,405
Interest earned on investments	75	-	75
Total non-operating revenues (expenses)	<u>13,798</u>	<u>-</u>	<u>13,798</u>
Change in net position	(7,624)	(24,707)	(32,331)
Net position, beginning	<u>24,568</u>	<u>50,440</u>	<u>75,008</u>
Net position, ending	<u>\$ 16,944</u>	<u>\$ 25,733</u>	<u>\$ 42,677</u>

See independent auditors' report.

**Franklin Township School District**  
**Enterprise Fund**  
**Combining Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2017**

	Food Service Fund	Preschool Program	Total
Cash flows from operating activities			
Receipts from customers (net)	\$ 49,936	\$ 43,814	\$ 93,750
Payments to Food Service Management Co.	(54,715)	-	(54,715)
Payments to vendors and employees (net)	(6,430)	(61,000)	(67,430)
Net cash provided by (used for) operating activities	<u>(11,209)</u>	<u>(17,186)</u>	<u>(28,395)</u>
Cash flows from non-capital financing activities			
State sources	459	-	459
Federal sources	6,833	-	6,833
Net interfund transactions	7,943	-	7,943
Net cash provided by (used for) non-capital financing activities	<u>15,235</u>	<u>-</u>	<u>15,235</u>
Cash flows from capital financing activities			
Acquisition of equipment	(7,835)	-	(7,835)
Net cash provided by (used for) capital financing activities	<u>(7,835)</u>	<u>-</u>	<u>(7,835)</u>
Cash flows from investing activities			
Interest on investments	75	-	75
Net increase (decrease) in cash and cash equivalents	(3,734)	(17,186)	(20,920)
Cash and cash equivalents, July 1	<u>9,267</u>	<u>42,651</u>	<u>51,918</u>
Cash and cash equivalents, June 30	<u>\$ 5,533</u>	<u>\$ 25,465</u>	<u>\$ 30,998</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities			
Operating income (loss)	\$ (21,422)	\$ (24,707)	\$ (46,129)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities			
Depreciation	1,786	-	1,786
Federal food donation program	6,405	-	6,405
(Increase) decrease in accounts receivable	-	7,521	7,521
Increase (decrease) in accounts payable	2,743	-	2,743
(Increase) decrease in inventory	1,858	-	1,858
Increase (decrease) in unearned revenue	(2,579)	-	(2,579)
Net cash provided by (used for) operating activities	<u>\$ (11,209)</u>	<u>\$ (17,186)</u>	<u>\$ (28,395)</u>

See independent auditors' report.

## **FIDUCIARY FUND**

### **DETAIL STATEMENTS**

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

**Franklin Township School District  
Fiduciary Funds  
Combining Statement of Net Position  
June 30, 2017**

	Unemployment Compensation Fund	Student Activity Agency Fund	Payroll Agency Fund	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 66,181	\$ 20,613	\$ 77,550	\$ 164,344
Due from other funds	4,557	-	-	4,557
Total assets	<u>\$ 70,738</u>	<u>\$ 20,613</u>	<u>\$ 77,550</u>	<u>\$ 168,901</u>
<b>Liabilities</b>				
Due to students groups	\$ -	\$ 20,613	\$ -	\$ 20,613
Payroll deductions & withholdings	-	-	77,550	77,550
Total liabilities	<u>-</u>	<u>20,613</u>	<u>77,550</u>	<u>98,163</u>
<b>Net position</b>				
Held in trust for unemployment claims & other purposes	<u>\$ 70,738</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,738</u>

See independent auditors' report.

**Franklin Township School District  
Fiduciary Fund  
Unemployment Compensation Fund  
Statement of Changes in Net Position  
For the Fiscal Year Ended June 30, 2017**

Additions	
Employee contributions	\$ 5,030
Board contribution	25,000
Investment earnings - interest	187
Total additions	<u>30,217</u>
Deductions	
Unemployment claims	<u>2,442</u>
Change in net position	27,775
Net position - beginning of the year	<u>42,963</u>
Net position - end of the year	<u><u>\$ 70,738</u></u>

See independent auditors' report.

**Franklin Township School District  
Student Activity Agency Fund  
Schedule of Receipts & Disbursements  
For the Fiscal Year Ended June 30, 2017**

	Balance 07/01/16	Additions	Deletions	Balance 06/30/17
<b>Assets</b>				
Cash and cash equivalents	\$ 34,556	\$ 36,942	\$ 50,885	\$ 20,613
<b>Total assets</b>	<b>\$ 34,556</b>	<b>\$ 36,942</b>	<b>\$ 50,885</b>	<b>\$ 20,613</b>
<b>Liabilities</b>				
Due to student groups	\$ 34,556	\$ 36,942	\$ 50,885	\$ 20,613
<b>Total liabilities</b>	<b>\$ 34,556</b>	<b>\$ 36,942</b>	<b>\$ 50,885</b>	<b>\$ 20,613</b>

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**Franklin Township School District  
Payroll Agency Fund  
Schedule of Receipts & Disbursements  
For the Fiscal Year Ended June 30, 2017**

	Balance 07/01/16	Additions	Deletions	Balance 06/30/17
<b>Assets</b>				
Cash and cash equivalents	\$ 136,010	\$ 3,460,612	\$ 3,519,072	\$ 77,550
<b>Total assets</b>	<b>\$ 136,010</b>	<b>\$ 3,460,612</b>	<b>\$ 3,519,072</b>	<b>\$ 77,550</b>
<b>Liabilities</b>				
Due to other funds	\$ 4,859	\$ 5,549	\$ 10,408	\$ -
Payroll deductions and withholdings	131,151	3,455,063	3,508,664	77,550
<b>Total liabilities</b>	<b>\$ 136,010</b>	<b>\$ 3,460,612</b>	<b>\$ 3,519,072</b>	<b>\$ 77,550</b>

See independent auditors' report.

## **LONG-TERM DEBT SCHEDULES**

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



**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Long-Term Debt**  
**Schedule of Serial Bonds**  
**For the Fiscal Year Ended June 30, 2017**

Issue	Date of Issue	Amount of Issue	Annual Maturities		Interest Rate	Balance 7/1/16	Issued	Retired	Balance 6/30/17
			Date	Amount					
2012 Refunding issue of 2005 series	03/17/13	\$ 5,380,000	02/15/2018	\$ 490,000	3.00%	\$4,875,000	\$ -	\$ 475,000	\$ 4,400,000
			02/15/2019	505,000	3.00%	-	-	-	-
			02/15/2020	520,000	3.00%	-	-	-	-
			02/15/2021	535,000	3.00%	-	-	-	-
			02/15/2022	555,000	4.00%	-	-	-	-
			02/15/2023	575,000	4.00%	-	-	-	-
			02/15/2024	600,000	4.00%	-	-	-	-
			02/15/2025	620,000	4.00%	-	-	-	-
					<u>\$4,875,000</u>	<u>\$ -</u>	<u>\$ 475,000</u>	<u>\$ 4,400,000</u>	

See independent auditor's report.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Long-Term Debt**  
**Schedule of Obligations Under Capital Leases**  
**For the Fiscal Year Ended June 30, 2017**

Description	Interest Rate	Amount of Original Issue	Balance 7/1/16	Issued	Retired	Balance 6/30/17
Acquisition of a bus, textbooks and a playground equipment system	2.87%	\$ 123,493	\$ 50,319	\$ -	\$ 24,802	\$ 25,517
Acquisition of iPad Airs	2.53%	148,060	<u>100,000</u>	<u>-</u>	<u>49,375</u>	<u>50,625</u>
			<u>\$ 150,319</u>	<u>\$ -</u>	<u>\$ 74,177</u>	<u>\$ 76,142</u>

See independent auditor's report.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Debt Service Fund**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2017**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Local sources					
Local tax levy	\$ 634,698	\$ -	\$ 634,698	\$ 634,698	\$ -
Total revenues	<u>634,698</u>	<u>-</u>	<u>634,698</u>	<u>634,698</u>	<u>-</u>
Expenditures					
Regular debt service					
Redemption of principal	475,000	-	475,000	475,000	-
Interest on bonds	169,750	-	169,750	169,750	-
Total expenditures	<u>644,750</u>	<u>-</u>	<u>644,750</u>	<u>644,750</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(10,052)	-	(10,052)	(10,052)	-
Other financing sources (uses)					
Transfers out	-	-	-	(6)	(6)
Net change in fund balance	(10,052)	-	(10,052)	(10,058)	(6)
Fund balance, July 1	<u>10,058</u>	<u>-</u>	<u>10,058</u>	<u>10,058</u>	<u>-</u>
Fund balance, June 30	<u>\$ 6</u>	<u>\$ -</u>	<u>\$ 6</u>	<u>\$ -</u>	<u>\$ (6)</u>
Recapitulation of excess (deficiency) of revenues over (under) expenditures					
Budgeted fund balance	<u>\$ (10,052)</u>	<u>\$ -</u>	<u>\$ (10,052)</u>	<u>\$ (10,058)</u>	<u>\$ (6)</u>

See independent auditors' report.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Statistical Section J Series**

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

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

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Government activities</b>										
Net investment in capital assets	\$ (5,235,167)	\$ (4,767,606)	\$ (2,461,671)	\$ 5,214,736	\$ 6,342,655	\$ 6,561,217	\$ 6,667,919	\$ 6,709,605	\$ 6,963,838	\$ 7,155,687
Restricted	7,933,930	7,638,616	5,611,333	219,945	216,808	105,550	161,623	254,246	414,577	574,340
Unrestricted	830,099	417,806	84,905	212,350	364,836	242,654	(1,334,360)	(959,799)	(874,319)	(931,629)
Total governmental activities	<u>\$ 3,528,862</u>	<u>\$ 3,288,816</u>	<u>\$ 3,234,567</u>	<u>\$ 5,647,031</u>	<u>\$ 6,924,299</u>	<u>\$ 6,909,421</u>	<u>\$ 5,495,182</u>	<u>\$ 6,004,052</u>	<u>\$ 6,504,096</u>	<u>\$ 6,798,398</u>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 3,133	\$ 8,145	\$ 6,933	\$ 5,721	\$ 4,687	\$ 10,541	\$ 9,407	\$ 8,273	\$ 7,139	\$ 13,188
Unrestricted	22,325	25,379	26,620	30,599	47,786	43,579	70,836	80,880	67,869	29,489
Total business-type activities	<u>\$ 25,458</u>	<u>\$ 33,524</u>	<u>\$ 33,553</u>	<u>\$ 36,320</u>	<u>\$ 52,473</u>	<u>\$ 54,120</u>	<u>\$ 80,243</u>	<u>\$ 89,153</u>	<u>\$ 75,008</u>	<u>\$ 42,677</u>
<b>District-wide</b>										
Net investment in capital assets	\$ (5,232,034)	\$ (4,759,461)	\$ (2,454,738)	\$ 5,220,457	\$ 6,347,342	\$ 6,571,758	\$ 6,677,326	\$ 6,717,878	\$ 6,970,977	\$ 7,168,875
Restricted	7,933,930	7,638,616	5,611,333	219,945	216,808	105,550	161,623	254,246	414,577	574,340
Unrestricted	852,424	443,185	111,525	242,949	412,622	286,233	(1,263,524)	(878,919)	(806,450)	(902,140)
Total district-wide	<u>\$ 3,554,320</u>	<u>\$ 3,322,340</u>	<u>\$ 3,268,120</u>	<u>\$ 5,683,351</u>	<u>\$ 6,976,772</u>	<u>\$ 6,963,541</u>	<u>\$ 5,575,425</u>	<u>\$ 6,093,205</u>	<u>\$ 6,579,104</u>	<u>\$ 6,841,075</u>

See independent auditors' report.

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

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities										
Instruction										
Regular	\$ 2,534,733	\$ 2,487,718	\$ 2,658,911	\$ 2,090,352	\$ 2,218,651	\$ 2,849,071	\$ 2,861,410	\$ 3,089,186	\$ 3,989,038	\$ 4,153,428
Special education	795,417	849,882	741,575	870,187	824,142	842,105	881,283	898,844	657,463	837,329
Other special education	117,086	125,247	128,879	73,642	70,895	76,299	61,467	75,775	123,932	98,611
Other instruction	24,055	32,507	25,710	-	-	2,487	12,874	25,385	37,681	46,678
Support services										
Tuition	313,554	358,864	409,983	299,914	277,380	306,290	326,465	297,520	331,905	210,704
Student & instruction related services	606,321	614,849	717,299	668,054	622,515	685,155	717,766	757,493	798,516	995,930
General & business administrative services	529,587	546,587	564,166	506,821	513,941	643,084	595,459	627,610	643,343	712,448
School administration	108,648	111,183	42,560	95,215	76,015	76,598	82,020	109,434	91,214	138,232
Plant operations & maintenance	508,126	540,287	510,327	458,022	547,556	570,862	474,002	472,717	478,728	663,211
Pupil transportation	407,501	431,765	440,502	347,574	370,143	312,120	312,307	300,046	110,350	458,737
Interest on long-term debt	315,619	309,055	298,761	288,743	273,307	248,144	275,787	225,236	248,948	192,159
Total governmental activities expenses	<u>6,260,647</u>	<u>6,407,944</u>	<u>6,538,673</u>	<u>5,698,524</u>	<u>5,794,545</u>	<u>6,612,215</u>	<u>6,600,840</u>	<u>6,879,246</u>	<u>7,511,118</u>	<u>8,507,467</u>
Business-type activities										
Food services	75,548	69,684	76,340	55,693	95,733	67,922	66,830	62,861	67,225	71,754
Pre K & K wrap program	-	-	-	12,121	16,013	21,941	20,275	48,709	65,014	61,000
Total business-type activities	<u>75,548</u>	<u>69,684</u>	<u>76,340</u>	<u>67,814</u>	<u>111,746</u>	<u>89,863</u>	<u>87,105</u>	<u>111,570</u>	<u>132,239</u>	<u>132,754</u>
Total district expenses	<u>\$ 6,336,195</u>	<u>\$ 6,477,628</u>	<u>\$ 6,615,013</u>	<u>\$ 5,766,338</u>	<u>\$ 5,906,291</u>	<u>\$ 6,702,078</u>	<u>\$ 6,687,945</u>	<u>\$ 6,990,816</u>	<u>\$ 7,643,357</u>	<u>\$ 8,640,221</u>

See independent auditors' report.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Changes in Net Position (continued)**  
**Last Ten Fiscal Years (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										
Instruction	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,147	\$ 11,511	\$ 16,672	\$ 11,314
General & business administration services	-	-	-	-	-	-	-	-	-	13,750
Plant operations & maintenance	-	-	-	-	-	-	7,702	250	472	3,800
Pupil transportation	-	-	-	-	-	-	195	-	-	-
Operating grants & contributions	213,519	196,826	234,497	86,341	198,325	156,464	147,083	142,654	126,913	147,159
Total governmental activities program revenues	<u>213,519</u>	<u>196,826</u>	<u>234,497</u>	<u>86,341</u>	<u>198,325</u>	<u>156,464</u>	<u>156,127</u>	<u>154,415</u>	<u>144,057</u>	<u>176,023</u>
Business-type activities										
Charges for services										
Food service	76,537	67,745	63,730	42,869	63,578	56,307	54,649	49,919	55,939	50,332
Pre K & K wrap program	-	-	-	17,945	46,481	22,465	43,975	56,813	46,834	36,293
Operating grants & contributions	4,603	9,986	12,639	9,767	18,278	12,709	14,581	13,714	15,260	13,723
Total business - type activities program revenues	<u>81,140</u>	<u>77,731</u>	<u>76,369</u>	<u>70,581</u>	<u>128,337</u>	<u>91,481</u>	<u>113,205</u>	<u>120,446</u>	<u>118,033</u>	<u>100,348</u>
Total district - program revenues	<u>\$ 294,659</u>	<u>\$ 274,557</u>	<u>\$ 310,866</u>	<u>\$ 156,922</u>	<u>\$ 326,662</u>	<u>\$ 247,945</u>	<u>\$ 269,332</u>	<u>\$ 274,861</u>	<u>\$ 262,090</u>	<u>\$ 276,371</u>
Net (expense) revenues										
Governmental activities	\$ (6,047,128)	\$ (6,211,118)	\$ (6,304,176)	\$ (5,612,183)	\$ (5,596,220)	\$ (6,455,751)	\$ (6,444,713)	\$ (6,724,831)	\$ (7,367,061)	\$ (8,331,444)
Business-type activities	5,592	8,047	29	2,767	16,591	1,618	26,100	8,876	(14,206)	(32,406)
Total district-wide net expenses	<u>\$ (6,041,536)</u>	<u>\$ (6,203,071)</u>	<u>\$ (6,304,147)</u>	<u>\$ (5,609,416)</u>	<u>\$ (5,579,629)</u>	<u>\$ (6,454,133)</u>	<u>\$ (6,418,613)</u>	<u>\$ (6,715,955)</u>	<u>\$ (7,381,267)</u>	<u>\$ (8,363,850)</u>

See independent auditors' report.

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

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General revenues & other changes in net position										
Governmental activities										
Property taxes levied for general purposes, net	\$ 4,744,466	\$ 4,934,245	\$ 4,934,245	\$ 4,807,114	\$ 4,903,256	\$ 5,027,551	\$ 5,128,102	\$ 5,230,664	\$ 5,335,277	\$ 5,439,982
Taxes levied for debt service	463,929	186,466	529,929	657,060	658,185	658,747	640,774	639,875	643,550	634,698
Unrestricted grants & contributions	862,235	719,247	733,353	568,415	714,120	753,265	737,015	1,349,588	1,805,503	2,502,994
State capital grant not restricted	-	-	-	1,985,254	553,049	-	-	-	-	-
Tuition income	-	-	-	-	6,073	-	-	-	-	-
Investment earnings	381,194	117,180	23,957	3,337	8,743	5,416	4,607	4,886	5,317	6,651
Miscellaneous income	48,920	13,934	28,443	3,467	26,423	5,666	64,755	8,688	77,458	41,424
Special item-insurance claim proceeds for storm damage	-	-	-	-	-	18,228	-	-	-	-
Operating transfer	-	-	-	-	3,639	(28,000)	(96,306)	-	-	-
Prior year adjustment	-	-	-	-	-	-	-	-	-	(3)
Total governmental activities	<u>6,500,744</u>	<u>5,971,072</u>	<u>6,249,927</u>	<u>8,024,647</u>	<u>6,873,488</u>	<u>6,440,873</u>	<u>6,478,947</u>	<u>7,233,701</u>	<u>7,867,105</u>	<u>8,625,746</u>
Business-type activities										
Investment earnings	341	19	-	-	144	29	23	34	61	75
Miscellaneous income	405	-	-	-	3,057	-	-	-	-	-
Operating transfer	-	-	-	-	(3,639)	-	-	-	-	-
Total business-type activities	<u>746</u>	<u>19</u>	<u>-</u>	<u>-</u>	<u>(438)</u>	<u>29</u>	<u>23</u>	<u>34</u>	<u>61</u>	<u>75</u>
Total district-wide	<u>\$ 6,501,490</u>	<u>\$ 5,971,091</u>	<u>\$ 6,249,927</u>	<u>\$ 8,024,647</u>	<u>\$ 6,873,050</u>	<u>\$ 6,440,902</u>	<u>\$ 6,478,970</u>	<u>\$ 7,233,735</u>	<u>\$ 7,867,166</u>	<u>\$ 8,625,821</u>
Change in net position										
Governmental activities	\$ 453,616	\$ (240,046)	\$ (54,249)	\$ 2,412,464	\$ 1,277,268	\$ (14,878)	\$ 34,234	\$ 508,870	\$ 500,044	\$ 294,302
Business-type activities	6,338	8,066	29	2,767	16,153	1,647	26,123	8,910	(14,145)	(32,331)
Total district	<u>\$ 459,954</u>	<u>\$ (231,980)</u>	<u>\$ (54,220)</u>	<u>\$ 2,415,231</u>	<u>\$ 1,293,421</u>	<u>\$ (13,231)</u>	<u>\$ 60,357</u>	<u>\$ 517,780</u>	<u>\$ 485,899</u>	<u>\$ 261,971</u>

See independent auditors' report.



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

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General fund										
Restricted	\$ 191,555	\$ 124,960	\$ 1	\$ 1	\$ 272,168	\$ 221,570	\$ 223,702	\$ 289,261	\$ 500,143	\$ 704,023
Committed	16,817	28,320	39,587	8,547	71,504	145,081	106,423	329,387	393,057	99,877
Assigned	100,000	138,667	146,659	-	56,147	728	-	7,417	-	-
Unassigned	246,563	113,858	(9,571)	337,762	332,415	299,663	235,073	235,310	294,474	345,955
Total general fund	<u>\$ 554,935</u>	<u>\$ 405,805</u>	<u>\$ 176,676</u>	<u>\$ 346,310</u>	<u>\$ 732,234</u>	<u>\$ 667,042</u>	<u>\$ 565,198</u>	<u>\$ 861,375</u>	<u>\$ 1,187,674</u>	<u>\$ 1,149,855</u>
All other governmental funds										
Restricted, reported in										
Capital projects fund	\$ 7,933,929	\$ 7,638,614	\$ 5,611,332	\$ 216,612	\$ 3,475	\$ -	\$ 3	\$ 6	\$ -	\$ -
Assigned, reported in										
Capital projects fund	403,761	147,249	47,028	3,332	950	866	-	-	-	-
Debt service fund	-	-	-	-	3,332	3,332	10,052	10,052	10,058	-
Total all other governmental funds	<u>\$ 8,337,690</u>	<u>\$ 7,785,863</u>	<u>\$ 5,658,360</u>	<u>\$ 219,944</u>	<u>\$ 7,757</u>	<u>\$ 4,198</u>	<u>\$ 10,055</u>	<u>\$ 10,058</u>	<u>\$ 10,058</u>	<u>\$ -</u>

See independent auditors' report.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Changes in Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
**(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	\$ 5,208,395	\$ 5,120,711	\$ 5,464,174	\$ 5,464,174	\$ 5,561,441	\$ 5,686,298	\$ 5,768,876	\$ 5,870,539	\$ 5,978,827	\$ 6,074,680
Tuition charges	-	-	-	-	6,073	-	-	11,511	16,672	11,314
Rents and royalties	-	-	-	-	-	-	-	-	-	3,800
Interest earnings	381,194	117,180	23,957	3,337	8,743	5,416	4,607	4,886	5,317	6,651
Miscellaneous	49,794	14,852	28,992	3,511	26,468	5,724	27,963	8,938	40,412	55,540
State sources	912,351	763,595	763,959	2,582,609	1,271,308	768,898	764,613	830,410	1,048,292	1,179,856
Federal sources	162,529	151,560	203,342	57,357	194,141	140,773	118,759	112,945	109,312	118,672
<b>Total revenues</b>	<b>6,714,263</b>	<b>6,167,898</b>	<b>6,484,424</b>	<b>8,110,988</b>	<b>7,068,174</b>	<b>6,607,109</b>	<b>6,684,818</b>	<b>6,839,229</b>	<b>7,198,832</b>	<b>7,450,513</b>
<b>Expenditures</b>										
<b>Instruction</b>										
Regular instruction	1,780,282	1,818,037	2,004,162	1,529,447	1,508,190	1,785,923	2,019,154	1,900,067	2,471,583	2,159,749
Special education instruction	553,014	588,051	456,114	557,104	585,297	579,101	654,723	549,939	448,868	507,122
Other special instruction	73,011	86,438	90,257	46,409	46,643	46,930	49,567	49,313	79,251	90,570
Other instruction	23,429	24,865	25,203	-	-	2,250	10,504	23,360	31,878	42,872
<b>Support services</b>										
Tuition	277,160	322,232	367,956	265,820	189,108	241,337	242,446	222,436	255,220	148,673
Student & istr. related services	371,007	397,629	484,640	497,188	430,488	468,239	511,373	483,340	503,288	592,148
General administration	300,633	329,970	303,698	244,670	267,257	279,314	262,144	245,585	263,879	286,011
School administration services	80,525	83,210	23,080	55,574	61,567	56,675	56,249	68,111	64,257	71,273
Central services	130,412	140,987	141,035	136,457	117,415	220,052	155,364	158,052	167,526	170,175
Admin information technology	3,080	17,125	7,103	6,967	-	-	-	-	-	-
Plant operations & maintenance	506,703	538,862	508,902	456,597	546,029	567,218	463,225	469,402	479,944	660,124
Pupil transportation	407,501	431,765	440,502	347,574	370,143	312,120	308,916	293,789	135,893	479,708
Employee benefits	643,091	681,059	703,065	775,132	695,983	723,532	726,017	740,667	664,802	661,874
On-behalf TPAF pension & Social Security contribution	487,799	357,805	368,631	334,228	420,217	454,245	390,098	444,433	586,349	654,951
<b>Capital outlay</b>										
Capital projects	73,129	295,315	2,027,282	7,379,974	766,186	3,672	-	-	-	-
Special revenue funds	213,519	196,826	234,497	86,341	198,325	156,464	147,083	142,654	126,913	147,159
<b>Debt service</b>										
Principal	150,000	250,000	355,000	370,000	385,000	400,000	450,000	440,000	460,000	475,000
Interest & other charges	313,929	308,679	299,929	290,288	275,063	282,183	230,242	236,011	219,686	205,886
<b>Total expenditures</b>	<b>6,388,224</b>	<b>6,868,855</b>	<b>8,841,056</b>	<b>13,379,770</b>	<b>6,898,076</b>	<b>6,912,308</b>	<b>6,807,992</b>	<b>6,519,589</b>	<b>7,020,593</b>	<b>7,473,384</b>

See independent auditors' report.

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

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Excess (deficiency) of revenues over (under) expenditures	\$ 326,039	\$ (700,957)	\$ (2,356,632)	\$ (5,268,782)	\$ 170,098	\$ (305,199)	\$ (123,174)	\$ 319,640	\$ 178,239	\$ (22,871)
Other financing sources (uses)										
Capital leases (non-budgeted)	-	-	-	-	-	167,400	123,493	-	148,060	-
Proceeds from bond issue	-	-	-	-	-	5,380,000	-	-	-	-
Payment to refunding bond escrow	-	-	-	-	-	(5,788,917)	-	-	-	-
Premium on bond issue	-	-	-	-	-	487,737	-	-	-	-
Special item-insurance claim proceeds for storm damage	-	-	-	-	-	18,228	-	-	-	-
Transfers in (out)	-	-	-	-	3,639	(28,000)	(96,306)	(23,460)	-	(25,006)
Total other financing sources (uses)	-	-	-	-	3,639	236,448	27,187	(23,460)	148,060	(25,006)
Net change in fund balances	<u>\$ 326,039</u>	<u>\$ (700,957)</u>	<u>\$ (2,356,632)</u>	<u>\$ (5,268,782)</u>	<u>\$ 173,737</u>	<u>\$ (68,751)</u>	<u>\$ (95,987)</u>	<u>\$ 296,180</u>	<u>\$ 326,299</u>	<u>\$ (47,877)</u>
Debt service as a percentage of non-capital expenditures	7.93%	9.29%	10.63%	12.37%	12.14%	11.58%	11.34%	11.67%	10.82%	10.20%

Source: District Records

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

See independent auditors' report.

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

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Interest income	\$ 15,191	\$ 1,479	\$ 338	\$ 5	\$ 7,793	\$ 5,416	\$ 4,604	\$ 4,883	\$ 5,317	\$ 6,651
Tuition	-	-	-	-	6,073	-	-	11,511	16,672	11,314
Building use fees/land rent	400	800	-	1,200	800	-	-	250	472	3,800
Benefit reimbursements	-	-	11,589	-	-	-	-	-	-	-
Prior year refunds	31,268	264	1,981	1,160	878	-	-	-	9,007	20,389
Photo commissions	3,234	1,402	643	-	-	-	-	-	-	-
Vending machine commissions	60	-	-	-	-	-	-	-	-	-
Outstanding checks voided	-	-	12,583	-	-	-	-	-	-	400
Book fines	98	175	-	180	18	-	-	-	-	106
Accounts payable canceled	13,077	3,597	-	-	530	5,313	-	4,210	-	-
Donations	354	192	-	900	300	-	-	-	-	-
Miscellaneous other	280	3,015	487	13	19	353	18,051	-	-	9,472
Miscellaneous refunds	-	-	-	-	160	-	-	-	-	-
Copy fees	149	90	-	14	8	-	-	-	-	-
Property damage recovery	-	4,399	-	-	-	-	-	-	-	-
Sale of scrap metal	-	-	-	-	321	-	-	-	-	-
Fund 20 adjustment	-	-	-	-	23,389	-	-	-	-	-
Close out old accounts	-	-	-	-	-	-	-	2,635	-	8,068
Sale of assets	-	-	-	-	-	-	-	1,843	30,933	578
Shared services	-	-	-	-	-	-	-	-	-	13,750
E-rate	-	-	-	-	-	-	-	-	-	1,997
Chromebook repairs	-	-	-	-	-	-	-	-	-	414
<b>Annual totals</b>	<b>\$ 64,111</b>	<b>\$ 15,413</b>	<b>\$ 27,621</b>	<b>\$ 3,472</b>	<b>\$ 40,289</b>	<b>\$ 11,082</b>	<b>\$ 22,655</b>	<b>\$ 25,332</b>	<b>\$ 62,401</b>	<b>\$ 76,939</b>

Source: District Records

See independent auditors' report.

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

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Vacant land	\$ 6,368,400	\$ 5,601,000	\$ 6,663,200	\$ 5,265,200	\$ 5,138,600	\$ 4,176,400	\$ 3,902,400	\$ 3,667,800	\$ 3,383,900	\$ 2,752,600
Residential	377,968,800	379,994,200	393,200,000	389,984,000	383,115,900	383,146,300	385,013,700	386,011,200	387,268,600	386,549,700
Farm regular	118,769,600	122,033,500	111,936,100	113,262,700	105,795,900	107,188,300	104,069,500	104,457,900	105,564,300	108,880,800
Q farm	4,278,739	4,256,600	3,983,138	4,106,718	4,108,204	4,096,225	4,400,974	4,134,477	4,139,397	4,111,735
Commercial	38,588,100	38,588,100	38,203,700	38,189,100	38,119,400	37,179,300	37,219,300	36,719,300	36,411,900	36,421,500
Industrial	2,308,800	2,308,800	2,308,800	2,340,800	2,328,900	2,328,900	2,328,900	2,328,900	2,328,900	2,028,900
Apartment	1,113,400	1,086,500	1,086,500	1,086,500	1,000,800	1,000,800	1,029,000	1,037,400	1,037,400	1,037,400
<b>Total assessed value</b>	<b>549,395,839</b>	<b>553,868,700</b>	<b>557,381,438</b>	<b>554,235,018</b>	<b>539,607,704</b>	<b>539,116,225</b>	<b>537,963,774</b>	<b>538,356,977</b>	<b>540,134,397</b>	<b>541,782,635</b>
Public utilities (a)	2,270,558	2,142,266	2,359,287	2,488,136	2,520,284	2,523,005	1,403,600	1,403,600	1,403,600	1,403,600
<b>Net valuation taxable</b>	<b>\$ 551,666,397</b>	<b>\$ 556,010,966</b>	<b>\$ 559,740,725</b>	<b>\$ 556,723,154</b>	<b>\$ 542,127,988</b>	<b>\$ 541,639,230</b>	<b>\$ 539,367,374</b>	<b>\$ 539,760,577</b>	<b>\$ 541,537,997</b>	<b>\$ 543,186,235</b>
Estimated actual county equalized value	\$ 660,805,182	\$ 608,066,057	\$ 604,342,764	\$ 579,859,550	\$ 578,269,854	\$ 555,641,393	\$ 579,840,222	\$ 553,451,361	\$ 555,651,547	\$ 552,917,585
Percentage of net valuation to estimated actual equalized value	83.48%	91.44%	92.62%	96.01%	93.75%	97.48%	93.02%	97.53%	97.46%	98.24%
<b>Total direct school tax rate (b)</b>	<b>\$ 0.94</b>	<b>\$ 0.93</b>	<b>\$ 0.98</b>	<b>\$ 0.98</b>	<b>\$ 1.04</b>	<b>\$ 1.04</b>	<b>\$ 1.08</b>	<b>\$ 1.10</b>	<b>\$ 1.11</b>	<b>\$ 1.17</b>

Source: Municipal Tax Assessor

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

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

See independent auditors' report.

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

Assessment Year	School District Direct Rate			Regional School Rate	Overlapping Rates			Total Direct & Overlapping Tax Rate
	Basic Rate (a)	General Obligation Debt Service (b)	(From J-6) Total Direct School Tax Rate		Municipality	County	Fire District	
2008	\$ 0.880	\$ 0.060	\$ 0.940	\$ 0.620	\$ 0.310	\$ 0.400	\$ 0.050	\$ 2.320
2009	0.890	0.040	0.930	0.590	0.310	0.380	0.050	2.260
2010	0.870	0.110	0.980	0.570	0.310	0.370	0.050	2.280
2011	0.860	0.120	0.980	0.600	0.310	0.360	0.050	2.300
2012	0.920	0.120	1.040	0.640	0.310	0.380	0.050	2.420
2013	0.940	0.100	1.040	0.630	0.310	0.380	0.060	2.420
2014	0.960	0.120	1.080	0.670	0.320	0.400	0.060	2.530
2015	0.970	0.130	1.100	0.610	0.330	0.380	0.060	2.480
2016	0.994	0.116	1.110	0.597	0.335	0.381	0.062	2.485
2017	1.050	0.122	1.172	0.602	0.344	0.378	0.063	2.559

Sources: Municipal Tax Collector

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

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

See independent auditors' report.

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

	2017			2008		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
National Project Resources LP	\$ 20,000,000	1	3.68%	\$ 20,000,000	1	3.63%
IHM Clinton LLC - Hampton Inn Clinton	6,500,000	2	1.20%	-		-
AT&T Communications	2,531,200	3	0.47%	3,125,000	3	0.57%
Individual Property Owner	2,361,200	4	0.43%	2,550,700	4	0.46%
Individual Property Owner	1,854,800	5	0.47%	1,960,227	5	0.36%
Individual Property Owner	1,845,500	6	0.43%	1,945,127	6	0.35%
Individual Property Owner	1,630,600	7	0.34%	1,786,086	7	0.32%
Individual Property Owner	1,530,500	8	0.34%	1,773,300	8	0.32%
Individual Property Owner	1,364,300	9	0.30%	1,729,134	9	0.31%
Individual Property Owner	1,358,500	10	0.25%	1,586,300	10	0.29%
Franklin Hotel Associates	-		-	7,000,000	2	1.27%
	<u>\$ 40,976,600</u>		<u>7.91%</u>	<u>\$ 43,455,874</u>		<u>7.88%</u>

Source: Municipal Tax Assessor

See independent auditors' report.

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

Year Ending December 31,	Taxes Levied for the Year	Collected within the Year of the Levy (a)	
		Amount	Percentage of Levy
2007	\$ 12,872,150	\$ 12,700,519	98.67%
2008	12,922,328	12,747,681	98.65%
2009	12,669,229	12,434,926	98.15%
2010	12,756,097	12,556,691	98.44%
2011	12,808,841	12,675,391	98.96%
2012	13,129,128	12,844,413	97.83%
2013	13,352,401	13,103,728	98.14%
2014	13,688,371	13,501,045	98.63%
2015	13,440,706	13,240,322	98.51%
2016	13,503,613	13,277,164	98.32%

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

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

See independent auditors' report.



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

Fiscal Year Ending June 30,	Governmental Activities				Business-Type	Total District	% of Personal Income (a)	Per Capita (a)
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Activities Capital Leases			
2008	\$ 7,994,000	\$ -	\$ -	\$ -	\$ -	\$ 7,994,000	3.75%	\$ 2,564
2009	7,744,000	-	-	-	-	7,744,000	3.45%	2,475
2010	7,389,000	-	-	-	-	7,389,000	3.46%	2,276
2011	7,019,000	-	-	-	-	7,019,000	3.31%	2,164
2012	6,634,000	-	-	-	-	6,634,000	2.88%	2,080
2013	6,225,000	-	110,837	-	-	6,335,837	2.61%	1,936
2014	5,775,000	-	153,724	-	-	5,928,724	2.46%	1,825
2015	5,335,000	-	74,424	-	-	5,409,424	2.16%	1,669
2016	4,875,000	-	150,319	-	-	5,025,319	1.93%	1,563
2017	4,400,000	-	76,143	-	-	4,476,143	N/A	1,388

NOTES: (1) Details regarding the district's outstanding debt can be found in the Notes to the Financial Statements.

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

See independent auditors' report.

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

Fiscal Year Ending June 30,	General Bonded Debt Outstanding			% of Actual Taxable Value of Property (a)	Per Capita (b)
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2008	\$ 7,994,000	\$ -	\$ 7,994,000	1.45%	\$ 2,564
2009	7,744,000	-	7,744,000	1.39%	2,475
2010	7,389,000	-	7,389,000	1.32%	2,276
2011	7,019,000	-	7,019,000	1.26%	2,164
2012	6,634,000	-	6,634,000	1.22%	2,080
2013	6,225,000	-	6,225,000	1.15%	1,936
2014	5,775,000	-	5,775,000	1.07%	1,825
2015	5,335,000	-	5,335,000	0.99%	1,669
2016	4,875,000	-	4,875,000	0.90%	1,563
2017	4,400,000	-	4,400,000	0.81%	1,388

NOTES: Details regarding the district's outstanding debt can be found in the Notes to the Financial Statements.

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

See independent auditors' report.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Direct and Overlapping Governmental Activities Debt**  
**As of December 31, 2016**

Governmental unit	<u>Debt Outstanding</u>	<u>Estimated % Applicable (a)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Municipality	\$ 472,843	100.00%	\$ 472,843
Regional High School	755,000	6.80%	51,355
County general obligation debt	75,793,752	2.61%	<u>1,981,762</u>
Subtotal, overlapping debt			2,505,960
School District direct debt			<u>4,875,000</u>
Total direct and overlapping debt			<u><u>\$ 7,380,960</u></u>

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

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

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

See independent auditors' report.

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

Legal Debt Margin Calculation for Fiscal Year, 2017

		Equalized Valuation Basis
	2016	\$ 549,811,072
	2015	552,387,623
	2014	551,644,559
		\$ 1,653,843,254
Average equalized valuation of taxable property		\$ 551,281,085
Debt limit (3.0% of average equalization value)	(a)	\$ 16,538,433
Total net debt applicable to limit		4,400,000
Legal debt margin		\$ 12,138,433

	Fiscal Year				
	2013	2014	2015	2016	2017
Debt limit	\$ 17,252,866	\$ 17,243,116	\$ 16,847,721	\$ 16,836,026	\$ 16,538,433
Total net debt applicable	6,225,000	5,775,000	5,335,000	4,875,000	4,400,000
Legal debt margin	\$ 11,027,866	\$ 11,468,116	\$ 11,512,721	\$ 11,961,026	\$ 12,138,433
Total net debt applicable to the limit as a percentage of debt limit	36.08%	33.49%	31.67%	28.96%	26.60%

	Fiscal Year				
	2008	2009	2010	2011	2012
Debt limit	\$ 18,639,496	\$ 19,301,004	\$ 18,999,516	\$ 18,146,421	\$ 17,697,304
Total net debt applicable	10,532,415	10,282,415	9,927,415	7,572,162	6,761,747
Legal debt margin	\$ 8,107,081	\$ 9,018,589	\$ 9,072,101	\$ 10,574,259	\$ 10,935,557
Total net debt applicable to the limit as a percentage of debt limit	56.51%	53.27%	52.25%	41.73%	38.21%

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

(a) Limit Set by N.J.S.A. 18A:24-19

See independent auditors' report.

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

Year	Population (a)	Personal Income (b)	Per Capita Personal Income (c)	Unemployment Rate (d)
2008	3,247	\$ 224,224,832	\$ 69,056	3.6%
2009	3,243	213,810,990	65,930	6.3%
2010	3,190	211,870,230	66,417	6.6%
2011	3,273	230,068,989	70,293	6.5%
2012	3,249	242,446,878	74,622	6.7%
2013	3,241	240,994,278	74,358	6.7%
2014	3,216	250,667,904	77,944	5.2%
2015	3,229	260,770,811	80,759	3.3%
2016	3,218	N/A	N/A	3.0%
2017	N/A	N/A	N/A	N/A

Sources:

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

See independent auditors' report.

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

2017

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

2008

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

See independent auditors' report.

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

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Instruction										
Regular	22.7	21.1	21.1	19.6	19.2	20.8	22.4	25.0	26.0	24.0
Special education	6.3	6.2	6.2	5.6	6.8	5.6	5.6	3.0	3.0	3.0
Other special education	7.8	12.0	10.0	7.8	8.5	11.7	-	-	1.4	2.0
Other instruction - aides	-	-	-	-	-	3.0	1.5	1.1	-	-
Support services										
Student and instruction related services	8.7	8.7	8.7	7.1	3.4	3.4	3.0	3.0	2.0	2.0
General administration	2.0	2.0	2.0	1.9	1.7	2.0	2.0	2.0	2.0	2.0
School administration services	1.7	1.7	1.7	0.7	1.0	1.0	1.0	1.0	1.0	1.0
Central services	2.0	2.0	2.0	2.0	1.0	1.1	1.1	1.1	2.0	2.0
Other support services	-	-	-	-	-	2.0	2.0	2.0	4.0	4.0
Food service	-	-	-	-	-	0.3	-	-	-	-
Child care	-	-	-	-	0.5	0.5	0.5	0.5	-	-
Total	<u>51.2</u>	<u>53.7</u>	<u>51.7</u>	<u>44.7</u>	<u>42.1</u>	<u>51.4</u>	<u>39.1</u>	<u>38.7</u>	<u>41.4</u>	<u>40.0</u>

Source: District Personnel Records

See independent auditors' report.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT  
Operating Statistics  
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures (a)</u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff ( b)</u>	<u>Teacher Ratio</u>	<u>Average Daily Enrollment (ADE) ( c )</u>	<u>Average Daily Attendance (ADA) ( c )</u>	<u>% Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2008	347	\$ 5,851,166	\$ 16,862	5.83%	39.4	1:8.81	346.9	332.0	-1.62%	95.70%
2009	343	6,014,861	17,536	4.00%	39.0	1.8.80	343.0	329.1	-1.12%	95.95%
2010	341	6,158,845	18,061	2.99%	41.0	1:10.80	340.7	326.7	-0.67%	95.89%
2011	309	5,339,508	17,280	-4.33%	27.0	1:11.44	304.2	291.0	-10.71%	95.66%
2012	305	5,436,662	17,825	3.15%	27.5	1:11.09	296.9	286.1	-2.40%	96.36%
2013	293	5,893,400	20,114	12.84%	26.4	1:11.09	283.8	272.7	-4.41%	96.09%
2014	295	5,996,863	20,328	1.07%	28.0	1:10.54	294.9	284.0	3.91%	96.30%
2015	306	5,791,148	18,925	-6.90%	28.6	1:10.70	294.7	284.2	-0.07%	96.44%
2016	269	6,279,651	23,344	23.35%	26.0	1:10.35	292.7	281.9	-0.68%	96.32%
2017	296	6,672,409	22,542	-3.44%	27.0	1:10.96	283.9	273.4	-3.01%	96.30%

Source: District Records

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

See independent auditors' report.



**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**School Building Information**  
**Last Ten Fiscal Years**

District Building	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Elementary (1925)										
Square feet	52,142	52,142	52,142	52,142	71,296	71,296	71,296	71,296	71,296	71,296
Capacity (students)	346.0	346.0	346.0	346.0	446.0	448.0	448.0	448.0	448.0	448.0
Enrollment	347.0	343.0	341.0	309.0	305.0	293.0	295.0	306.0	269.0	296.0

Number of schools at June 30, 2017

  Elementary                               1

Source: District Facilities Office

N/A = Not Available

NOTE: Year of original construction is shown in parentheses. Increase in square footage and capacity are the result of renovations and additions. Enrollment is based on the annual October District count.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Schedule of Required Maintenance Expenditures by School Facility**  
**Last Ten Fiscal Years**

Undistributed expenditures - Required maintenance for school facilities

<u>Fiscal Year Ending</u>	<u>Amount</u>	<u>Total</u>
2008	\$ 42,264	\$ 42,264
2009	90,647	90,647
2010	62,758	62,758
2011	38,025	38,025
2012	68,662	68,662
2013	53,294	53,294
2014	89,143	89,143
2015	88,228	88,228
2016	63,276	63,276
2017	209,497	209,497
Total school facilities	<u>\$ 805,794</u>	<u>\$ 805,794</u>

\* School Facilities As Defined Under EFCFA.  
(N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3)

Source: District Records

See independent auditors' report.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Insurance Schedule**  
**June 30, 2017**  
**(Unaudited)**

	<u>Coverage</u>	<u>Deductible</u>
School Commercial Package Policy - School Alliance Insurance Fund		
Property - Building Blanket and Contents (Fund Limit)	\$ 250,000,000	\$ 2,500
General and Auto Liability Coverage	5,000,000	1,000
Workers Compensation		
Policy Limit	5,000,000	-
Blanket Dishonesty Bond		
Per Loss	500,000	1,000
School Board Legal Liability		
Per Occurrence	5,000,000	5,000
Public Employees' Faithful Performance - Selective Insurance		
Treasurer of School Monies	175,000	-
School Board Secretary	200,000	-

Source: District Records

See independent auditors' report.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Franklin Township School District, County of Hunterdon, the State of New Jersey, (the District), as of and for the year ended June 30, 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 November 15, 2017.

**Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency as findings number 2017-001.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as finding number 2017-001.


### **Response to Findings**

Franklin Township School District's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

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

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

November 15, 2017  
Flemington, New Jersey



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

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

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

We have audited the Franklin Township School District's, (the District), compliance with the types of compliance requirements described in the New Jersey OMB Circular Letter 15-08 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the District's major state programs for the year ended June 30, 2017. Franklin Township School District's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's 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; and the audit requirements of Title 2 U.S. *Code of State Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for State Awards* (Uniform Guidance); and New Jersey OMB Circular 15-08. Those standards, the Uniform Guidance and OMB Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major 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.

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

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

### **Report on Internal Control over Compliance**

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

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

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

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

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



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

November 15, 2017  
Flemington, New Jersey



**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards - Schedule A**  
**For the Fiscal Year Ended June 30, 2017**

Grantor/Program Title	Federal CFDA Number	FAIN Number	Project Number	Program or Award Amount	Grant Period		Balance 06/30/16	Carryover Amount	Cash Received	Budgetary Expenditure	Adjustment/Repayment of Prior Year Balance	Balance June 30, 2017		
					From	To						Accounts Receivable	Deferred Revenue	Due to Grantor
U.S. Department of Education passed through State Department of Education														
Special revenue fund														
Title I A	84.010A	S010S160030	NCLB-1600-17	\$ 6,620	07/01/16	06/30/17	\$ -	\$ -	\$ 6,620	\$ 6,620	\$ -	\$ -	\$ -	\$ -
Title II A	84.367A	S367A160029	NCLB-1600-17	8,522	07/01/16	06/30/17	-	-	6,058	6,058	-	-	-	-
Title II A	84.367A	S367A150029	NCLB-1600-16	11,044	07/01/15	06/30/16	(4,222)	-	7,789	2,286	-	-	1,281	-
Rural education achievement program	84.358A	S358B160030	S358A-2489-16	26,679	07/01/16	09/30/17	-	-	26,679	26,679	-	-	-	-
IDEA Basic	84.027	H027A160100	IDEA-1600-17	82,912	07/01/16	06/30/17	-	-	80,577	73,777	-	-	2,308	4,492
IDEA Basic carry over	84.027	H027A150100	IDEA-1600-16	83,523	07/01/15	06/30/16	7,052	-	-	-	-	-	7,052	-
IDEA Preschool	84.173	H173S160114	IDEA-1600-17	4,444	07/01/16	06/30/17	-	-	4,444	3,252	-	-	1,192	-
Total special revenue fund							<u>2,830</u>	<u>-</u>	<u>132,167</u>	<u>118,672</u>	<u>-</u>	<u>-</u>	<u>11,833</u>	<u>4,492</u>
U.S. Department of Agriculture passed through State Department of Agriculture														
Enterprise fund														
Child nutrition center														
School breakfast program	10.553	1616NJ304N1099	N/A	261	07/01/15	06/30/16	(19)	-	19	-	-	-	-	-
National school lunch program non-cash assistance (commodities)	10.555	17NJ304N1099	N/A	4,222	10/01/16	09/30/17	-	-	4,222	2,981	-	-	1,241	-
National school lunch program non-cash assistance (commodities)	10.555	1616NJ304N1099	N/A	8,608	07/01/15	06/30/16	3,424	-	-	3,424	-	-	-	-
National school lunch program cash assistance	10.555	17NJ304N1099	N/A	6,859	10/01/16	09/30/17	-	-	6,411	6,859	-	(448)	-	-
National school lunch program cash assistance	10.555	1616NJ304N1099	N/A	7,047	07/01/15	06/30/16	(403)	-	403	-	-	-	-	-
Total enterprise fund							<u>3,002</u>	<u>-</u>	<u>11,055</u>	<u>13,264</u>	<u>-</u>	<u>(448)</u>	<u>1,241</u>	<u>-</u>
Total Federal financial assistance							<u>\$ 5,832</u>	<u>\$ -</u>	<u>\$ 143,222</u>	<u>\$ 131,936</u>	<u>\$ -</u>	<u>\$ (448)</u>	<u>\$ 13,074</u>	<u>\$ 4,492</u>

See independent auditors' report

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Schedule of Expenditures of State Financial Assistance - Schedule B**  
**For the Fiscal Year Ended June 30, 2017**

Grantor/Program Title	Project Number	Program or Award Amount	Grant Period From	Grant Period To	Balance June 30, 2015		Cash Received	Budgetary Expenditure	Adjustment	Repayment	Balance June 30, 2016			Memo	
					Deferred Rev. (Accts. Rec)	Due to Grantor				of Prior Year Balances	Accounts Receivable	Deferred Revenue	Due to Grantor	Budgetary Receivable	Cumulative Expenditure
State Department of Education															
General fund															
Special education categorical aid	17-495-034-5120-089	\$ 184,932	07/01/16	06/30/17	\$ -	\$ -	\$ 169,495	\$ 184,932	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,437	\$ 184,932
School choice aid	17-495-034-5120-068	90,286	07/01/16	06/30/17	-	-	82,749	90,286	-	-	-	-	-	7,537	90,286
Security aid	17-495-034-5120-084	16,949	07/01/16	06/30/17	-	-	15,534	16,949	-	-	-	-	-	1,415	16,949
Transportation aid	17-495-034-5120-014	32,888	07/01/16	06/30/17	-	-	30,143	32,888	-	-	-	-	-	2,745	32,888
PARCC Readiness aid	17-495-034-5120-098	2,690	07/01/16	06/30/17	-	-	2,466	2,690	-	-	-	-	-	224	2,690
Per pupil growth aid	17-495-034-5120-097	2,690	07/01/16	06/30/17	-	-	2,466	2,690	-	-	-	-	-	224	2,690
Professional learning community aid	17-495-034-5120-101	2,970	07/01/16	06/30/17	-	-	2,721	2,970	-	-	-	-	-	249	2,970
Extraordinary aid	16-495-034-5120-044	114,547	07/01/15	06/30/16	(114,547)	-	114,547	-	-	-	-	-	-	-	114,547
Extraordinary aid	17-495-034-5120-044	161,562	07/01/16	06/30/17	-	-	-	161,562	-	-	(161,562)	-	-	-	161,562
Non-public transportation aid	16-495-034-5120-014	2,351	07/01/15	06/30/16	(2,351)	-	2,351	-	-	-	-	-	-	-	2,351
Non-public transportation aid	17-495-034-5120-014	2,224	07/01/16	06/30/17	-	-	-	2,224	-	-	(2,224)	-	-	-	2,224
On behalf TPAF pension contribution - Post retirement medical	17-495-034-5094-001	215,415	07/01/16	06/30/17	-	-	215,415	215,415	-	-	-	-	-	-	215,415
On behalf TPAF pension contribution - Non-contributory insurance	17-495-034-5094-004	9,040	07/01/16	06/30/17	-	-	9,040	9,040	-	-	-	-	-	-	9,040
On behalf TPAF pension contribution - Teachers' pension & annuity fund	17-495-034-5094-002	249,491	07/01/16	06/30/17	-	-	249,491	249,491	-	-	-	-	-	-	249,491
On behalf TPAF pension contribution - long-term disability insurance	17-495-034-5094-004	654	07/01/16	06/30/17	-	-	654	654	-	-	-	-	-	-	654
Reimbursed TPAF Social Security contribution	17-495-034-5094-003	180,351	07/01/16	06/30/17	-	-	171,310	180,351	-	-	(9,041)	-	-	-	180,351
Reimbursed TPAF Social Security contribution	16-495-034-5094-003	185,367	07/01/15	06/30/16	(30,388)	-	26,923	-	(3,465)	-	-	-	-	-	185,367
Total general fund					(147,286)	-	1,095,305	1,152,142	(3,465)	-	(172,827)	-	-	27,831	1,454,407
Special revenue fund															
Nonpublic technology initiative aid	17-100-034-5120-373	2,158	07/01/16	06/30/17	-	-	2,158	2,136	-	-	-	-	22	-	2,136
Nonpublic technology initiative aid	16-100-034-5120-373	1,924	07/01/16	06/30/17	-	102	-	-	-	102	-	-	-	-	1,822
Nonpublic textbook aid	17-100-034-5120-064	4,784	07/01/16	06/30/17	-	-	4,784	4,530	-	-	-	-	254	-	4,530
Nonpublic textbook aid	16-100-034-5120-064	4,225	07/01/15	06/30/16	-	94	-	-	-	94	-	-	-	-	4,131
Nonpublic nursing services	17-100-034-5120-070	7,470	07/01/16	06/30/17	-	-	7,470	7,470	-	-	-	-	-	-	-
Nonpublic security aid	17-100-034-5120-509	4,150	07/01/15	06/30/16	-	-	4,150	2,311	-	-	-	-	1,839	-	2,311
Nonpublic security aid	16-100-034-5120-509	1,850	07/01/15	06/30/16	-	190	-	-	-	190	-	-	-	-	1,660
English as a secondary language	17-100-034-5120-067	914	07/01/16	06/30/17	-	-	914	914	-	-	-	-	-	-	914
Compensatory education	16-100-034-5120-067	1,692	07/01/15	06/30/16	-	1,692	-	-	-	1,692	-	-	-	-	-
Non-public handicapped aid															
Examination and classification	17-100-034-5120-066	6,844	07/01/16	06/30/17	-	-	6,844	4,501	-	-	-	-	2,343	-	4,501
Examination and classification	16-100-034-5120-066	5,968	07/01/15	06/30/16	-	683	-	-	-	683	-	-	-	-	5,285
Supplemental instruction	17-100-034-5120-066	785	07/01/16	06/30/17	-	-	785	-	-	-	-	-	785	-	-
Supplemental instruction	16-100-034-5120-066	2,970	07/01/15	06/30/16	-	2,970	-	-	-	2,970	-	-	-	-	-
Corrective speech	17-100-034-5120-066	3,534	07/01/16	06/30/17	-	-	3,534	1,767	-	-	-	-	1,767	-	1,767
Corrective speech	16-100-034-5120-066	7,525	07/01/15	06/30/16	-	5,853	-	-	-	5,853	-	-	-	-	1,672
Total special revenue fund					-	11,584	30,639	23,629	-	11,584	-	-	7,010	-	30,729

See independent auditors' report.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Schedule of Expenditures of State Financial Assistance - Schedule B (continued)**  
**For the Fiscal Year Ended June 30, 2017**

Grantor/Program Title	Project Number	Program or Award Amount	Grant Period		Balance June 30, 2015		Cash Received	Budgetary Expenditure	Adjustment	Repayment of Prior Year Balances	Balance June 30, 2016			Memo		
			From	To	Deferred Rev. (Accts. Rec)	Due to Grantor					Accounts Receivable	Deferred Revenue	Due to Grantor	Budgetary Receivable	Cumulative Expenditure	
State Department of Agriculture Enterprise fund																
State school lunch program	16-100-010-3350-023	\$ 518	07/01/15	06/30/16	\$ (31)	\$ -	\$ 31	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 518
State school lunch program	17-100-010-3350-023	459	07/01/16	06/30/17	-	-	428	459	-	-	(31)	-	-	-	-	459
Total enterprise fund					<u>(31)</u>	<u>-</u>	<u>459</u>	<u>459</u>	<u>-</u>	<u>-</u>	<u>(31)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>977</u>
Total state financial assistance					<u>\$ (147,317)</u>	<u>\$ 11,584</u>	<u>\$ 1,126,403</u>	1,176,230	<u>\$ (3,465)</u>	<u>\$ 11,584</u>	<u>\$ (172,858)</u>	<u>\$ -</u>	<u>\$ 7,010</u>	<u>\$ 27,831</u>	<u>\$ 1,486,113</u>	
Less: On behalf TPAF pension system contributions								(473,946)								
Total for State financial assistance - major program determination								<u>\$ 702,284</u>								

See independent auditors' report.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance**  
**June 30, 2017**

Note 1 - General

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

Note 2 - Basis of accounting

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

Note 3 - Relationship of financial statements

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$407 for the General Fund and \$4,492 for the Special Revenue Fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the General and Special Revenue Funds.

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ 1,151,735	\$ 1,151,735
Special Revenue Fund	118,672	28,121	146,793
Food Service Fund	13,264	459	13,723
	<u>\$ 131,936</u>	<u>\$ 1,180,315</u>	<u>\$ 1,312,251</u>

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance**  
**June 30, 2017**

- Note 4 - Relationship to Federal and State financial reports  
Amounts reported in the accompanying schedules agree with the amounts reported in the related Federal and State financial reports.
- Note 5 - Other  
Revenues and expenditures reported under the USDA Commodities Program represent current year distributions, respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the State on behalf of the District for the year ended June 30, 2017. TPAF Social Security Contribution represents the amount reimbursed by the State for the employer's share of Social Security Contributions for TPAF members for the year ended June 30, 2017.
- Note 6 - Adjustment to Schedule K-4  
For the grant period July 1, 2015 to June 30, 2016, the District is reporting an Reimbursed TPAF Social Security contribution adjustment for \$3,465 due to the reduction of the prior year expenditure.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs - Section I**  
**For the Fiscal Year Ended June 30, 2017**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal Control Over Financial Reporting:

1. Were material weakness(es) identified? \_\_\_ Yes    X No

2. Were significant deficiencies identified? X Yes    \_\_\_ No

Noncompliance material to basic financial statements noted? \_\_\_ Yes    X No

Federal Awards Not Applicable

Internal Control Over Major Programs:

1. Were material weakness(es) identified? \_\_\_ Yes    \_\_\_ No

2. Were significant deficiencies identified? \_\_\_ Yes    \_\_\_ None reported

What was the type of auditor's report issued on compliance for major programs? \_\_\_\_\_

Were any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 section .516(a)? \_\_\_ Yes    \_\_\_ No

Identification of Major Programs:

CFDA Number(s)	FEIN Number(s)	Name of Federal Program or Cluster
<i>Not Applicable</i>	<i>Not Applicable</i>	<i>Not Applicable</i>

What was the dollar threshold used to distinguish between Type A and Type B programs? \_\_\_\_\_

Did the auditee qualify as a low-risk auditee? \_\_\_ Yes    \_\_\_ No

**FRANKLIN TOWNSHIP SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs - Section I  
For the Fiscal Year Ended June 30, 2017**

Section I - Summary of Auditor's Results (continued)

State Awards

What was the dollar threshold used to distinguish between Type A and Type B programs? \$750,000

Did the auditee qualify as a low-risk auditee? X Yes    \_\_\_ No

Internal Control Over Major Programs:

- 1. Were material weakness(es) identified?    \_\_\_ Yes    X No
- 2. Were there significant deficiencies identified that are not considered to be material weaknesses?    \_\_\_ Yes    X None reported

What was the type of auditor's report issued on compliance for major programs? Unmodified

Were any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular Letter 15-08 as applicable?    \_\_\_ Yes    X No

Identification of Major Programs:

<u>State Grant/Project Numbers</u>	<u>Name of State Program</u>
<i>17-495-034-5120-089</i>	<i>State Aid Public Cluster:</i>
<i>17-495-034-5120-084</i>	<i>Special Education Categorical Aid</i>
<i>17-495-034-5120-068</i>	<i>Security Aid</i>
<i>17-495-034-5120-097</i>	<i>School Choice Aid</i>
<i>17-495-034-5120-098</i>	<i>Per Pupil Growth Aid</i>
<i>17-495-034-5120-101</i>	<i>PARCC Readiness Aid</i>
	<i>Professional Learning Community Aid</i>

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs - Sections II and III**  
**For the Fiscal Year Ended June 30, 2017**

Section II - Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards and with audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey.

Finding 2017-001

Criteria

Federal Grant funds are to be requested for reimbursement only for expenditures that have already occurred.

Condition

The District did not comply with procedures for reimbursement of Federal grant expenditure requirements.

Context

As part of our audit procedures it was noted Grant funds were requested and received prior to expenditures.

Cause

Unknown

Effect

The District did not comply with procedures for reimbursement of Federal and other Grant expenditure requirements.

Recommendation

Procedures should be implemented to ensure that Federal grant funds are not reimbursed for more than or prior to expenditures.

Views of Responsible Officials and Planned Corrective Action (unaudited)

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

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

There were no findings or questioned costs for the year ended June 30, 2017.



**FRANKLIN TOWNSHIP SCHOOL DISTRICT  
Summary Schedule of Prior-year Audit Findings  
and Questioned Costs as Prepared by Management  
For the Fiscal Year Ended June 30, 2017**

Status of Prior Year Findings

There were no prior year findings or questioned costs.