

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**



Somerset, New Jersey

COMPREHENSIVE ANNUAL

FINANCIAL REPORT

of the

Franklin Township Public Schools

Somerset, New Jersey

For The Fiscal Year Ended June 30, 2017

Prepared by

Business Office

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INTRODUCTORY SECTION

FRANKLIN TOWNSHIP PUBLIC SCHOOLS

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JONATHAN TOTH
ASSISTANT SUPERINTENDENT FOR BUSINESS
& BOARD SECRETARY

November 8, 2017

Honorable President and
Members of the Board of Education
Franklin Township School District and the
Citizens of Franklin Township
1755 Amwell Road
Somerset, New Jersey

Dear Board Members and Constituents of Franklin Township:

The Comprehensive Annual Financial Report (CAFR) of the Franklin Township School District (District) for the fiscal year ended June 30, 2017 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (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 of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

Governmental Accounting Standards Board (GASB) 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 conjunction with it. Franklin Township Public School's MD&A can be found immediately following the "Independent Auditor's Report".

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single-audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the independent auditor's report, management's discussion and analysis (MD&A) and the basic financial statements including the district-wide financial statements presented in conformity with Governmental Accounting Standards Board Statement No. 34. The basic financial statements also include individual fund financial statements, notes to the financial statements and required supplemental information (RSI). The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996, and the U.S. Uniform Guidance and the state Treasury Circular Letter 15-08 OMB, "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

The Franklin Township Public Schools is an independent reporting entity within the criteria adopted by the Government Accounting Standards Board (GASB). All funds of the district are included in this report. The Franklin Township Board of Education and all its schools constitute the district's reporting entity. The District has no component units included in this report which meet the criteria of legally separate entities for which the District is financially accountable. In addition, the District is not includable in any other reporting entity as a component unit. Also, within the boundaries of the School District are two charter schools (Thomas Edison Energy Smart Charter School, Central Jersey College Prep Charter School) which are operated independently of the District and which do not meet the criteria of a component unit.

The Franklin Township Public School District is a Pre-K-12 educational system, comprised of nine (9) schools, approximately 7,200 students, and approximately one thousand two hundred (1,200) staff. In addition, the budget supports approximately 691 Charter School Students and 170 Out-of-District Special Education students. The district also provides transportation services to approximately 715 non-public students and aid-in-lieu payments to 500 non-public students.

The school system provides a comprehensive educational program including: advanced placement courses, academic intervention services, bilingual instruction in Spanish, English as a second language, differentiated instruction, and special education.

Extended day programs are offered at all schools and include academic enrichment, tutorial support, performing arts groups, and recreational activities. A fee-based before and after school child care program is provided in grades K-6. At the secondary level an extensive interscholastic athletic program for individual and team sports and a wide variety of co-curricular activities including a performing arts program composed of an orchestra, marching, concert, and jazz bands, guitar ensemble, chorus, madrigal singers, art exhibits and theatrical productions.

ECONOMIC CONDITION AND OUTLOOK

Franklin Township has experienced a period of growth and expansion. The 2000 census of Franklin Township indicated a population of 50,903. The 2010 census of Franklin Township indicated a population of 62,300. This represents a 22.4% increase in the population over a ten (10) year period.

The school district had engaged the services of Whitehall Associates in the fall of 2016 to conduct an updated enrollment projection. The consultant's report to the Board of Education is on file at the Board Office.

MAJOR BUILDING PROJECTS/RENOVATIONS 2016-17

The status of major building projects and/or renovations for the 2016-2017 school year is as follows:

- Conerly Road School – Replacement of the roof - \$649,000 - Completed
- Elizabeth Avenue School – Furnish and Install 3 new roof top compressors - \$17,196 – In Progress
- Franklin High School – Sand Screen/Refinish gymnasium floor - \$6,050 – Completed
- Franklin High School – Install new light bulbs – Auditorium - \$3,800 - Completed
- Franklin High School – Install 3 new compressors - \$17,196 - Completed
- Franklin High School – New Concession Building - \$1,144,000 – In Progress
- Franklin Middle School – Sand Screen/Refinish gymnasium floor - \$2,350 - Completed

- Franklin Middle School – Remove Asbestos Tile Floors - \$26,900 - Completed
- Franklin Middle School – Install new VCT in room - \$15,276 - Completed
- Franklin Middle School – Install new carpet Music room and faculty rooms - \$21,612 - Completed
- Franklin Middle School – Install new panic bars on rear exit doors - \$20,460 - Completed
- Sampson G. Smith School – Sand Screen/Refinish gymnasium floor - \$2,700 - Completed
- Pine Grove Manor – Replacement of the Roof - \$323,000 - Completed
- Middlebush Administration Building – Replacement of the Roof - \$275,786 - Completed
- Sampson G. Smith School – Unit Ventilator Replacement - \$411,242 – In Progress
- Franklin Middle School - Masonry Repairs - \$56,350 – In Progress
- Franklin Middle School – Parking Lot Reconstruction - \$1,082,113 – In Progress
- Sampson G. Smith School – Partial Roof Replacement - \$238,000 – In Progress
- Sampson G. Smith School – Corridor Ceiling Replacement - \$119,962 – In Progress
- Sampson G. Smith School – Remodeled Kitchen - \$860,034 – In Progress

UPDATE ON REFERENDUM PROJECTS

During the school year, the district started to implement by going out to bid and awarding contracts for many of the referendum projects approved in the December 2014 Referendum, including:

- Sampson G. Smith Additions and Renovations – Total Award - \$10,370,000 – In Progress
- Hillcrest Additions and Renovations – Total Award - \$2,073,000 - Completed
- Elizabeth Avenue Additions and Renovations – Total Award - \$12,024,324 – In Progress
- Franklin Park School Covered Walkway – Total Award - \$369,413 - Completed
- Claremont Road Elementary School New Construction – Total Award – \$36,272,550 – In Progress
- Pine Grove Manor Elevator Addition – Total Award - \$683,000 – In Progress

Various minor projects, as defined in the referendum, including doors and windows will be addressed in the ensuing year.

UPDATE ON ENERGY SAVINGS IMPROVEMENT PROGRAM PROJECTS

In the Spring of 2015 the district began an Energy Savings Improvement Program. The purpose of this program is to install energy savings equipment and systems that will reduce the energy use of the district and reduce expenditures. Funds for the program were obtained through state approved borrowing. Repayment for the loan will be through State Grants and the savings generated by reduced energy consumption. Projects that were undertaken include the installation of new energy efficient boilers in most of the schools, the installation of energy savings lighting fixtures and the installation of building energy management systems that control the temperature in buildings and when boilers should be turned on and off. All projects are currently being finalized.

MAJOR ACCOMPLISHMENTS

On July 1, 2015, Dr. John Ravally began his tenure at Franklin Township Public Schools and, since then, he and the district's senior leadership have worked to bring stability in governance, operations, personnel,

instruction/program, and finance. This new era of stability has manifested itself in very tangible ways; for example, when Dr. Ravally arrived, there were nine district-level and building administrators who served in an interim capacity. Steadily and methodically, with input from a variety of stakeholders at every level in the district and from all quarters outside the district, Dr. Ravally recommended talented, highly qualified staff to fill the positions. In this process he was also able to solidify his relationships with district leaders and translate their input into what is now a very clear sense of direction for teaching and learning in the district.

There are many accomplishments of which this district is proud, including

- Receiving the Future Ready Schools distinction in six of the district's nine schools, an honor that indicates each school's clearly articulated vision for the strategic incorporation of technology in teaching and learning.
- Seeing two schools, SGS and FMS, taken off the NJDOE "Focus" status list as a result of strong leadership practices taking place among administrative and instructional staff members.
- Receiving an NJDOE Model Program designation for two outstanding programs in our district: English Language Learners and Fine, Visual, and Performing Arts.
- Being recognized by the Somerset County Educational Specialist for Franklin's use of the Instructional Rounds process. State officials from across New Jersey and several districts interested in learning more about this process have been granted access to our district leaders and instructional staff to learn more about the way we have been able to turn data gathered from the Rounds process into improved instruction and enhanced student learning.
- Being recognized by Junior Achievement of New Jersey that FTPS offers one of the most comprehensive K-12 financial literacy curricula in the state, due to its highly involved Junior Achievement program at FHS, which includes visits from high school students to all district schools in Grades K-8, for which they teach financial literacy lessons. This program also allows local and national business leaders to teach literacy lessons to our students. Not coincidentally, a number of our students have won prestigious national financial literacy contests.
- In 2017, the district's # of AP tests and the frequency of high scores were considerably higher than the previous year's numbers, with 630 exams taken (up from 568 in 2016) and 69% of all exams receiving a score of 3 or higher (up from 59% in 2016).
- Being recognized in recent years for having been placed on the College Board's Annual AP District Honor Roll for increasing access to Advanced Placement courses for a broader number of students while simultaneously maintaining or improving the rate at which the AP students earned scores of 3 or higher on AP exams.
- Reinstating and expanding a rigorous Gifted and Talented program for our students, with plans for further expansion in 2017-18 and beyond.
- Offering 22 AP classes, several concurrent enrollment programs with local colleges and universities, and a comprehensive slate of extra and co-curricular activities throughout a nine-school district that is in the midst of expanding to ten schools, while simultaneously competing with private and charter schools for Franklin's students.

Special congratulations to the nine teachers selected as recipients of the Franklin Township Teacher of the Year Recognition Award. The recipients for 2016-2017 are

Emily Amon	Franklin Park
Lorena Gonzalez	Pine Grove Manor
Cindy Jimenez	Elizabeth Avenue
Felicia Osley	Conerly Road
Jan Rollinson	MacAfee Road
Ann Marie Walsh	Hillcrest

Keith Stewart
Melinda Rosso
Jennifer Jones

Sampson G. Smith
Franklin Middle
Franklin High School

In August of 2017, the district secured a grant for \$1.3 million to further expand the Pre-K program in our district. As a result, all families enrolled in the program were able to send their children to Pre-K at not tuition cost. In 2014-15 a decision was made to expand the Pre-k program. Longitudinal research has shown that students who have had Pre-k education gain 3/4 of a grade level by 5th grade over their peers who have not had Pre-k. The expansion in 2015-16 was accomplished by making all pre K classes full day, cutting midday bus runs and consolidating some kindergarten classes to find space and save money.

ANNUAL STANDARDIZED TESTING REPORT

Franklin Township Public Schools issues an annual test report based on academic assessments of all students in testing years (grades 3-8, 11).

Under the Federal requirements of No Child Left Behind, our district administers State assessments in grades 3, 4, 5, 6, 7 and 8 (NJ Assessment of Skills and Knowledge) and 11 (High School Proficiency Assessment) as well as grade 4 & 8 (NJ Assessment of Skills and Knowledge Science) and the New Jersey Biology Competency Test. The test results are disaggregated by the following indicators: total population, students with disabilities, limited English proficient, economically disadvantaged, as well as ethnic subgroups.

A comprehensive report, which is on file in the office of the Superintendent, is issued annually to the public and Board of Education. A copy is included in the district Quality Single Accountability Continuum Report as required by the State.

During the spring of 2017, Franklin Township administered the Partnership for Assessment of Readiness for College and Careers (PARCC) to grades 3-11. Students participated in the two part online assessments. The district was well prepared for the assessment and was well supported through the technology department. Franklin Township Public Schools issues an annual test report based on academic assessments of all students in testing years (grades 3-8, 11).

RELEVANT FINANCIAL POLICIES

The operations of the Franklin Township Public Schools are financed through a combination of local property taxes, state and federal aid and other local miscellaneous revenue. Property taxes, the largest local revenue source (80%) for the District, have steadily increased over the past five years.

The second largest revenue source (approximately 17% of revenue) for the district is State aid grants. Over seven and a half million of the aid pertains to on-behalf payments made by the State for pension and social security, of those district employees enrolled in the teachers' pension plan. The other significant sources of aid pertain to funding for special education, and equalization aid. In addition, approximately 2% of the District's revenue is comprised of federal aid/grants.

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 approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Budgets approved for capital improvement projects are accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

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

LONG-TERM FINANCIAL PLANNING

Each year, as part of the annual budget development process, the administration sets forth the District's statement of priorities. This statement is used to document a District's initiatives, goals and priorities and how they relate to the budget process. The goals presented often balance fiscal and program issues. The mission of the Franklin Township Public School District is: Franklin Township Public Schools embraces its diversity, fosters excellent educational innovation and empowers all students to achieve their highest potential.

The budget process is a collaborative effort between District administrators, building principals and staff members with input from parents and community members, as well. With the economic crisis in New Jersey, everything changed drastically for all school districts in our state. Budgeting is the process of allocating finite resources to the prioritized needs of our district.

2017-2018 Proposed Budget Goals

- To support district programs the Board will utilize it's 2% spending growth adjustment, State Department of Education authorized budgetary spending growth adjustments and banked cap.

- Anticipate the utilization of any unspent 2016-2017 general fund budget to be allocated to supplement the referendum budget.
- Budget for high quality professional development for all staff to support academic programs, and identify through the budget process appropriate professional development facilities.
- Budget to support and expend extra-curricular offerings, enrichment activities, gifted/talented programs, and technology access to support 21st century skill development and college/career readiness.
- Budget to support the restructuring and rezoning of the district, as well as enhanced communication efforts.
- Budget additional resources and utilize current capital reserve funds to target facilities revitalization.
- Budget to expand efforts to protect all district students, staff, and property.

After State approval of the proposed budget, on April 27, 2017 the Board unanimously adopted the 2017-18 budget. The General Fund Tax Levy increased by 2%. The Debt Service Budget decreased by 3.28% due to the refinancing of outstanding 2006 bonds. The tax rate decreased by \$0.007 due to an increase in assessed valuation of over \$264,000,000.

INDEPENDENT AUDIT

State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Lerch, Vinci & Higgins, LLP was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related U.S. Uniform Guidance and New Jersey OMB Circular 15-08. The auditor's report on the financial statements and combining individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Franklin Township School District for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2016. This is the twentieth consecutive year that the District received this award. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

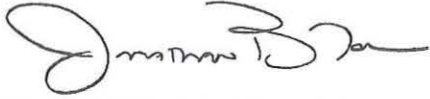
ACKNOWLEDGEMENTS

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. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial and accounting staff.

Respectfully submitted,



Dr. John Ravally
Superintendent of Schools



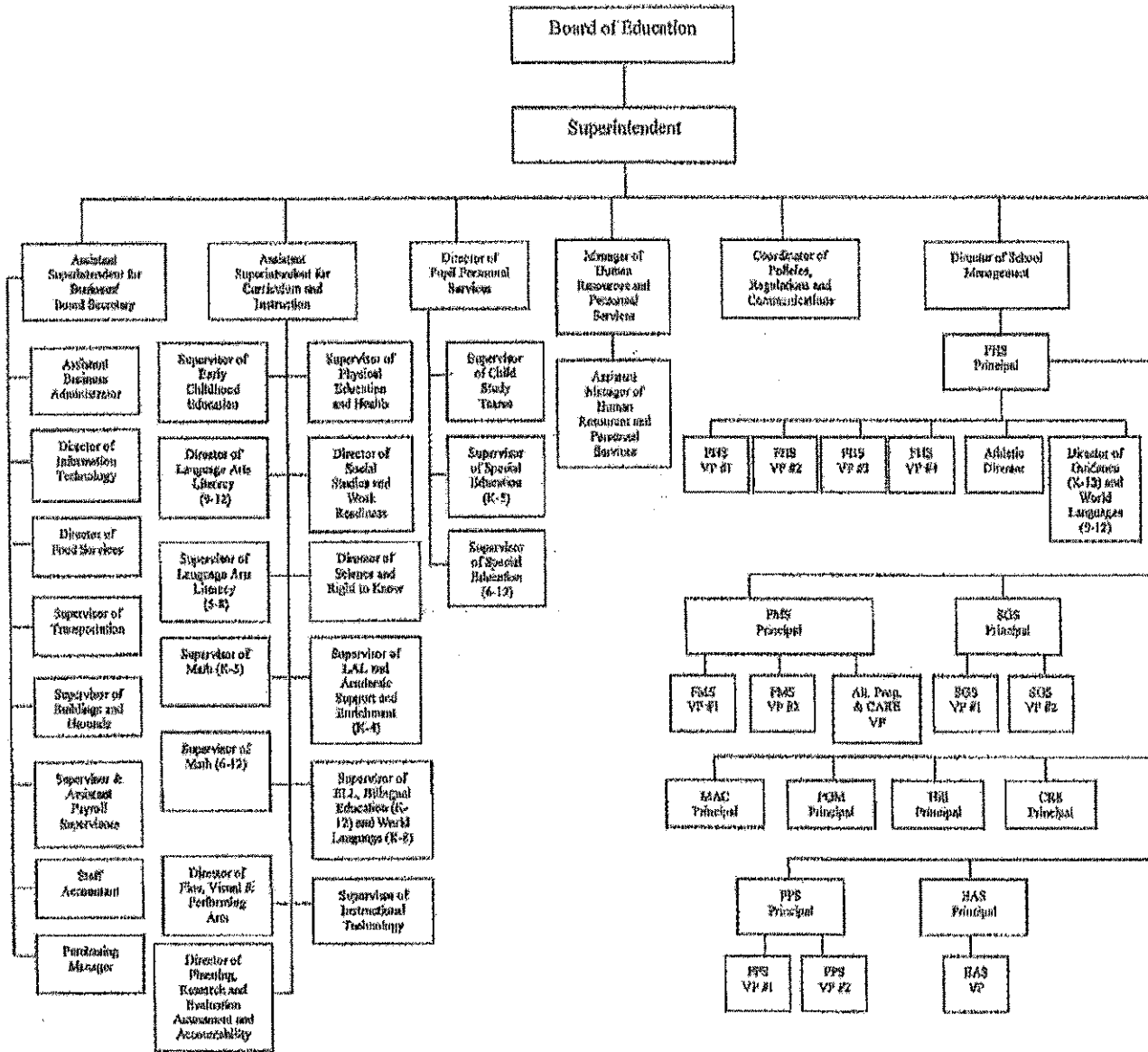
Jonathan Toth
Assistant Superintendent for Business &
Board Secretary

POLICY

FRANKLIN TOWNSHIP BOARD OF EDUCATION

ADMINISTRATION
1110/page 1 of 1
Organizational Chart

1110 ORGANIZATIONAL CHART



Adopted:



ROSTER OF OFFICIALS
June 30, 2017

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Edward Potosnak, President	2018
Nancy LaCorte	2020
Christine Danielsen	2020
Laurie Merris	2019
Richard Seamon	2019
Ardaman Singh	2020
Patricia Stanley	2018
Margaret Steele	2019
Latee Walton-McCleod	2018

Other Officials

Dr. John Ravally, Superintendent of Schools

James H. Strimple, Jr., Interim Asst. Supt. for Business/Board Secretary

Kim M. Esterman, treasurer

FRANKLIN TOWNSHIP PUBLIC SCHOOLS

CONSULTANTS AND ADVISORS

Architect

Design Resources Group, AIA, Inc.
371 Hoes Lane
Piscataway, NJ 08854

Audit Firm

Lerch, Vinci, Higgins, LLP.
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Lawrenceville, NJ 08648

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Official Depositories

TD Bank
3221 Route 27
Franklin Park, NJ 08823

First Bank
225 Demott Lane
Somerset, NJ 08873



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Franklin Township Public Schools
New Jersey**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016



Executive Director/CEO

FINANCIAL SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
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ANDREW D. PARENTE, CPA, RMA, PSA

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

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Trustees
Franklin Township Public Schools
Somerset, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Franklin Township Public Schools, as of and for the fiscal year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Franklin Township Public Schools' basic financial statements. The introductory section, combining fund financial statements, financial schedules, statistical section, schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Franklin Township Public Schools.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated November 6, 2017 on our consideration of the Franklin Township Public Schools' 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 the effectiveness of the Franklin Township Public Schools' 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 Franklin Township Public Schools' internal control over financial reporting and compliance.

Leach, Vinci & Higgins, LLP

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



Donna L. Japhet
Public School Accountant
PSA Number CS02314

Fair Lawn, New Jersey
November 6, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
SOMERSET, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017**

This section of the Franklin Township Public Schools' comprehensive annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2017. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follows this section.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Certain comparative information between the current year (2016-2017) and the prior year (2015-2016) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2016-2017 fiscal year include the following:

- The assets and deferred outflows of resources of the Franklin Township Public Schools exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$25,559,379 (net position).
- Overall revenues were \$206,981,089. General revenues accounted for \$145,434,796 or 70% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$61,546,293 or 30% of total revenues.
- The school district had \$196,657,967 in expenses for governmental activities; only \$56,663,232 of these expenses was offset by program specific charges, grants or contributions. General revenues (predominantly property taxes) and transfers of \$145,609,154 were adequate to provide for these programs.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$74,442,878.
- The General Fund fund balance at June 30, 2017 was \$17,509,255 an increase of \$3,978,186 when compared with the beginning balance at July 1, 2016 of \$13,531,069.

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
SOMERSET, NEW JERSEY**

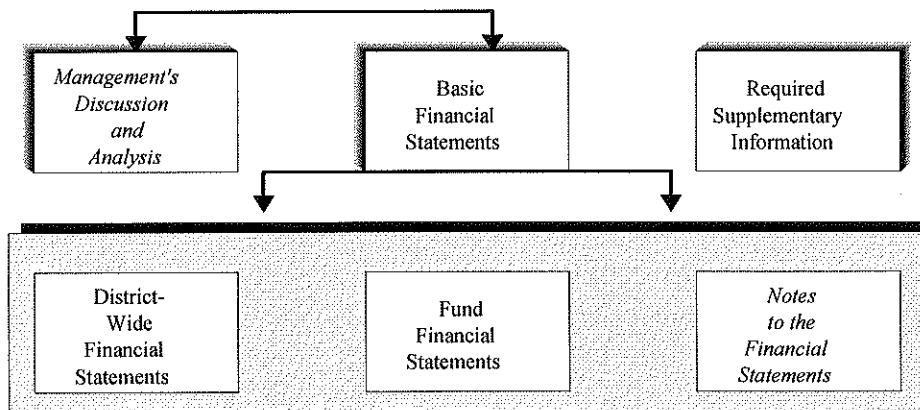
**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017**

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the District:

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

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The chart below shows how the various parts of this annual report are arranged and related to one another.



**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
SOMERSET, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017**

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

Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as regular and special education and building maintenance, food service and community education.	Activities the district operates similar to private businesses: Enterprise funds	Instances in which the district administers resources on behalf of someone else, such as Unemployment, Payroll Agency, and Student Activities
Required financial statements	Statements of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and Changes in Fund balances	Statement of Net Position Statement of Revenue, Expenses, and Changes in Fund Net Position Statement of Cash Flows	Statements of Fiduciary Net Position Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability/Deferred inflows/outflows of resources information	All asset, liabilities, and deferred inflows/outflows, both financial and capital short-term and long-term	Generally assets expected to be utilized and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All asset, liabilities, and deferred inflows/outflows, both financial and capital short-term and long-term	All assets and liabilities, both short-term and long-term funds do not currently contain capital assets
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions and dedications during the year, regardless of when cash is received or paid.

District-Wide Financial Statements

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

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

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
SOMERSET, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017**

District-Wide Financial Statements (continued)

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

In the district-wide financial statements the District's activities are shown in two categories:

- *Governmental Activities* – Most of the District's basic services are included here, such as regular and special education, transportation, administration and plant operations and maintenance. Property taxes and state aids finance most of these activities.
- *Business Type Activities* – These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The District's Food Service Fund and Cultural Arts Recreation Enrichment Fund (C.A.R.E.) Fund are included under this category.

Fund Financial Statements

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

- Some funds are required by State law and bond covenants.
- The District establishes other funds in accordance with the State of New Jersey Uniform Chart of Accounts to control and manage money for particular purposes or to show that it is properly using certain revenues (federal and state grants).

The District has three kinds of funds:

- *Governmental Funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statements that explains the relationship (or differences) between them.
- *Proprietary Funds* – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements.

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
SOMERSET, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017**

Fund Financial Statements (continued)

Enterprise Funds – This fund is established to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that costs of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges. The District currently has two enterprise funds:

- Food Service (Cafeteria)
- Cultural Arts Recreation Enrichment (C.A.R.E.)

• *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found following the financial statements.

Other Information

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget process. The District adopts an annual expenditure budget for the general, special revenue and debt service funds. A budgetary comparison statement has been provided for these funds as required supplementary information. The required supplementary information can be found following the notes to the financial statements.

Combining statements and schedules are presented immediately following the major budgetary comparisons.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$25,559,379 and \$19,705,180 as of June 30, 2017 and June 30, 2016, respectively.

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
SOMERSET, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017**

By far the largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Net Position					
	June 30, 2017 and 2016					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current Assets	\$ 82,397,193	\$ 97,733,977	\$ 2,135,854	\$ 2,266,429	\$ 84,533,047	\$ 100,000,406
Capital Assets, Net	110,603,593	88,968,015	814,088	418,684	111,417,681	89,386,699
Total Assets	<u>193,000,786</u>	<u>186,701,992</u>	<u>2,949,942</u>	<u>2,685,113</u>	<u>195,950,728</u>	<u>189,387,105</u>
Deferred Amounts on Refunding of Debt	1,342,997	1,571,275	-	-	1,342,997	1,571,275
Deferred Amounts on Net Pension Liability	16,424,344	6,872,700	1,126,145	495,072	17,550,489	7,367,772
Total Deferred Outflows of Resources	<u>17,767,341</u>	<u>8,443,975</u>	<u>1,126,145</u>	<u>495,072</u>	<u>18,893,486</u>	<u>8,939,047</u>
Total Assets and Deferred Outflows of Resources	<u>210,768,127</u>	<u>195,145,967</u>	<u>4,076,087</u>	<u>3,180,185</u>	<u>214,844,214</u>	<u>198,326,152</u>
Long-Term Liabilities	173,958,652	168,578,362	4,142,059	3,430,593	178,100,711	172,008,955
Other Liabilities	9,401,078	5,453,752	220,979	323,647	9,622,057	5,777,399
Total Liabilities	<u>183,359,730</u>	<u>174,032,114</u>	<u>4,363,038</u>	<u>3,754,240</u>	<u>187,722,768</u>	<u>177,786,354</u>
Deferred Commodities Revenue			17,101	13,755	17,101	13,755
Deferred Amounts on Net Pension Liability	1,445,831	765,706	99,135	55,157	1,544,966	820,863
Total Deferred Inflows of Resources	<u>1,445,831</u>	<u>765,706</u>	<u>116,236</u>	<u>68,912</u>	<u>1,562,067</u>	<u>834,618</u>
Total Liabilities and Deferred Inflows of Resources	<u>184,805,561</u>	<u>174,797,820</u>	<u>4,479,274</u>	<u>3,823,152</u>	<u>189,284,835</u>	<u>178,620,972</u>
Net Investment in Capital Assets	51,827,177	48,328,719	814,088	418,684	52,641,265	48,747,403
Restricted	18,044,824	12,383,678			18,044,824	12,383,678
Unrestricted	(43,909,435)	(40,364,250)	(1,217,275)	(1,061,651)	(45,126,710)	(41,425,901)
Total Net Position	<u>\$ 25,962,566</u>	<u>\$ 20,348,147</u>	<u>\$ (403,187)</u>	<u>\$ (642,967)</u>	<u>\$ 25,559,379</u>	<u>\$ 19,705,180</u>

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
SOMERSET, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017**

**Changes in Net Position
For The Fiscal Years Ended June 30, 2017 and 2016**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues						
Program Revenues						
Charges for Services	\$ 540,675	\$ 537,540	\$ 2,205,506	\$ 2,155,855	\$ 2,746,181	\$ 2,693,395
Operating Grants and Contributions	55,288,979	43,431,077	2,677,555	2,613,245	57,966,534	46,044,322
Capital Grants and Contributions	833,578	1,966,585			833,578	1,966,585
General Revenues						
Property Taxes	138,027,919	134,140,810			138,027,919	134,140,810
State Aid	6,118,413	5,606,723			6,118,413	5,606,723
Other	1,283,672	604,754	4,792	2,073	1,288,464	606,827
Total Revenues	<u>202,093,236</u>	<u>186,287,489</u>	<u>4,887,853</u>	<u>4,771,173</u>	<u>206,981,089</u>	<u>191,058,662</u>
Expenses						
Instruction						
Regular	78,178,024	73,391,280			78,178,024	73,391,280
Special Education	32,394,349	30,163,329			32,394,349	30,163,329
Vocational Education-Tuition	207,875	215,633			207,875	215,633
School Sponsored Activities and Athletics	2,576,267	2,961,270			2,576,267	2,961,270
Other Instruction	8,437,515	4,264,395			8,437,515	4,264,395
Support Services						
Student and Instruction Related Services	23,648,296	21,534,055			23,648,296	21,534,055
School Administrative Services	9,044,353	8,048,181			9,044,353	8,048,181
General Administrative Services	2,602,963	2,519,964			2,602,963	2,519,964
Plant Operations and Maintenance	17,727,151	17,306,672			17,727,151	17,306,672
Pupil Transportation	14,113,143	13,746,290			14,113,143	13,746,290
Business and Other Support Services	3,962,167	3,086,455			3,962,167	3,086,455
Interest on Long-Term Debt	3,765,864	3,910,083			3,765,864	3,910,083
Food Service			3,679,443	3,903,479	3,679,443	3,903,479
Other-Business Activities	-	-	789,480	720,952	789,480	720,952
Total Expenses	<u>196,657,967</u>	<u>181,147,607</u>	<u>4,468,923</u>	<u>4,624,431</u>	<u>201,126,890</u>	<u>185,772,038</u>
Increase/(Decrease) in Net Position						
Before Transfers	5,435,269	5,139,882	418,930	146,742	5,854,199	5,286,624
Transfers	<u>179,150</u>	<u>-</u>	<u>(179,150)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	5,614,419	5,139,882	239,780	146,742	5,854,199	5,286,624
Net Position, Beginning of Year	<u>20,348,147</u>	<u>15,208,265</u>	<u>(642,967)</u>	<u>(789,709)</u>	<u>19,705,180</u>	<u>14,418,556</u>
Net Position, End of Year	<u>\$ 25,962,566</u>	<u>\$ 20,348,147</u>	<u>\$ (403,187)</u>	<u>\$ (642,967)</u>	<u>\$ 25,559,379</u>	<u>\$ 19,705,180</u>

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
SOMERSET, NEW JERSEY**

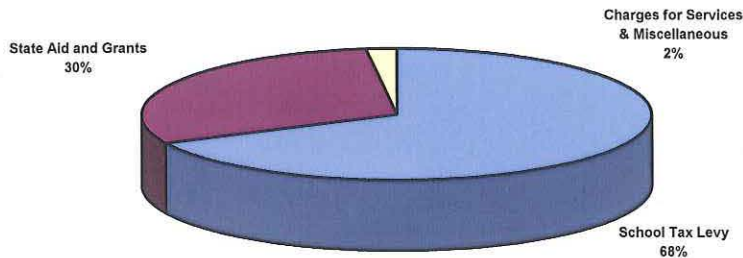
**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017**

Governmental Activities. The District's total governmental activities' revenues, which includes State and Federal grants, were \$202,093,236 and \$186,287,489 for the fiscal years ended June 30, 2017 and June 30, 2016, respectively. Property taxes of \$138,027,919 and \$134,140,810 represented 68% and 72% of revenues. Another portion of revenues came from State and Federal aid; total State, Federal and formula aid was \$61,407,392 and \$49,037,800 which was represented 30% and 26% of the revenues for fiscal years ended June 30, 2017 and 2016, respectively. The significant increase in this revenue type is attributable to the adjustment to the On-Behalf TPAF contribution to recognize the actuarially determined amount that should have been contributed on behalf of the District. This adjustment which increases both the revenues and expenses of the governmental activities was \$24,644,502 for the fiscal year ended June 30, 2017 compared to \$16,293,361 for the fiscal year ended June 30, 2016. The District also had \$833,578 and \$1,966,585 of capital grants and contributions for the fiscal years ended June 30, 2017 and 2016, respectively. The balance of revenues for fiscal year June 30, 2017 and 2016, respectively is charges for transportation services (\$4,041 and \$17,680), charges for tuition (\$501,492 and \$492,641), charges for rentals (\$35,142 and \$27,219) and miscellaneous income (\$1,283,672 and \$604,754) which includes items such as investment earnings, prior year refunds, etc.

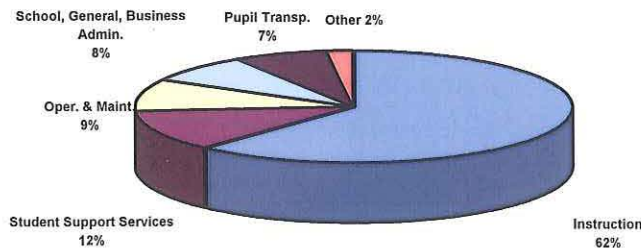
The total cost of all governmental activities programs and services was \$196,657,967 and \$181,147,607. The District's expenses are predominantly related to educating and caring for students. Instruction totaled \$121,794,030 and \$110,995,907 (62% and 61%) of total expenses, respectively. Student and Instruction Related Services totaled \$23,648,296 and \$21,534,055 or (12 and 12%) of total expenses. Plant operations and maintenance services totaled \$17,727,151 and \$17,306,672 (9% and 9%) of total expenses. Pupil Transportation total \$14,113,143 and \$13,746,290 or (7% and 8%) of total expenses. Administrative services were \$15,609,483 and \$13,654,600 or (8% and 8%) of total expenses. Interest on Long-Term Debt totaled \$3,765,864 and \$3,910,083 or (2% and 2%) of total expenses.

Total governmental activities revenues and transfers exceed expenses resulting in net position increasing \$5,614,419 from the previous year.

Revenues by Source- Governmental Activities
For Fiscal Year 2017



Expenses by Type- Governmental Activities
For Fiscal Year 2017



**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
SOMERSET, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017**

Total and Net Cost of Governmental Activities. The District's total cost of services was \$196,657,967 and \$181,147,607 for the fiscal years ended June 30, 2017 and 2016. After applying program revenues, derived from charges for services of \$540,675 and \$537,540, and operating grants and contributions of \$55,288,979 and \$43,431,077, and capital grants and contributions of \$833,578 and \$1,966,585, the net cost of services of the District is \$139,994,735 and \$135,212,405, respectively

**Total and Net Cost of Governmental Activities
For the Fiscal Years Ended June 30, 2017 and 2016**

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Instruction				
Regular	\$ 78,178,024	\$ 73,391,280	\$ 50,460,137	\$ 50,774,160
Special Education	32,394,349	30,163,329	16,237,970	15,767,253
Vocational Education-Tuition	207,875	215,633	207,875	215,633
School Sponsored Activities and Athletics	2,576,267	2,961,270	1,689,634	2,961,270
Other Instruction	8,437,515	4,264,395	5,280,473	3,087,024
Support Services				
Student and Instruction Related Services	23,648,296	21,534,055	21,130,742	20,088,407
School Administrative Services	9,044,353	8,048,181	6,968,843	6,286,839
General Administrative Services	2,602,963	2,519,964	2,602,963	2,519,964
Plant Operations and Maintenance	17,727,151	17,306,672	15,269,145	13,769,825
Pupil Transportation	14,113,143	13,746,290	13,003,810	12,745,492
Business and Other Support Services	3,962,167	3,086,455	3,962,167	3,086,455
Interest on Long-Term Debt	<u>3,765,864</u>	<u>3,910,083</u>	<u>3,180,976</u>	<u>3,910,083</u>
 Total	 <u>\$ 196,657,967</u>	 <u>\$ 181,147,607</u>	 <u>\$ 139,994,735</u>	 <u>\$ 135,212,405</u>

Business-Type Activities – The District's total business-type activities revenues were \$4,887,853 and \$4,771,173 for the fiscal years ended June 30, 2017 and 2016, respectively. Charges for services accounted for 45% and 45% of total revenues for the fiscal years, respectively. Operating grants and contributions of \$2,677,555 and \$2,613,245 accounted for 55% and 55% of total revenue for each of the fiscal years. The balance of the revenues, \$4,792 and \$2,073, represents investment earnings.

The total cost of all business-type activities programs and services was \$4,468,923 and \$4,624,431 for the fiscal years ended June 30, 2017 and 2016. The District's expenses are related to Food Service programs provided to all students, teachers and administrators and the operation of the C.A.R.E. program within the District.

Total business-type activities revenues exceeded expenses and transfers increasing net position by \$239,780 over the last year.

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
SOMERSET, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year ended June 30, 2017, its governmental funds reported a combined fund balance of \$74,442,878. At June 30, 2016, the fund balance was \$93,738,887.

Revenues and other financing sources (net) for the District's governmental funds were \$177,627,884, while total expenditures were \$196,923,893 thereby decreasing fund balance by \$19,296,009 for the fiscal year ended June 30, 2017.

General Fund - The General Fund is the chief operating fund of the District and includes the primary operations in providing educational services to students from pre-kindergarten through grade 12 including pupil transportation activities and capital outlay projects.

The following schedule presents a summary of General Fund Revenues.

	Fiscal Year Ended <u>June 30, 2017</u>	Fiscal Year Ended <u>June 30, 2016</u>	Amount of Increase (Decrease)	Percent Change
Local Sources				
Property Tax Levy	\$ 129,856,369	\$ 127,310,166	\$ 2,546,203	2%
Interest	109,925	44,158	65,767	149%
State/Federal Sources	29,767,248	28,072,472	1,694,776	6%
Miscellaneous	<u>1,217,023</u>	<u>865,207</u>	<u>351,816</u>	41%
Total General Fund Revenues	<u>\$ 160,950,565</u>	<u>\$ 156,292,003</u>	<u>\$ 4,658,562</u>	3%

Total General Fund Revenues increased by \$4,658,562 or 3% over the previous year.

Local property taxes increased 2% over the previous year. State and federal aid revenues increased \$1,694,776 or 6% predominantly attributable to an increase in state On-Behalf TPAF pension costs contributed by the state.

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
SOMERSET, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017**

Interest income revenues increased due to an increase in interest rates on bank balances and higher available cash balances.

Miscellaneous revenues increased due to onetime revenues such as cancellation of prior year payables and refunds on prior year expenditures.

The following schedule presents a summary of General Fund expenditures.

	Fiscal Year Ended <u>June 30, 2017</u>	Fiscal Year Ended <u>June 30, 2016</u>	Amount of Increase (Decrease)	Percent Change
Instruction	\$ 92,727,846	\$ 88,987,910	\$ 3,739,936	4%
Support and Undistributed Services	60,341,242	58,693,334	1,647,908	3%
Capital Outlay	1,382,967	110,151	1,272,816	1156%
Debt Service	<u>1,385,006</u>	<u>1,176,312</u>	<u>208,694</u>	18%
Total Expenditures	<u>\$ 155,837,061</u>	<u>\$ 148,967,707</u>	<u>\$ 6,869,354</u>	5%

Total General Fund expenditures increased \$6,869,354 or 5% from the previous year.

In 2016-2017, General Fund revenues and other financing sources exceeded expenditures and other financing uses by \$3,978,186. As a result, total fund balance increased to \$17,509,255 at June 30, 2017. After deducting transfers and reserves, the unrestricted, unassigned fund balance increased from \$284,642 at June 30, 2016 to a balance of \$580,418 at June 30, 2017.

Special Revenue Fund - The Special Revenue Fund includes all restricted Federal, State and Local sources utilized in the operations of the district in providing educational services to students with special needs.

Revenues of the Special Revenue Fund were \$5,825,866 for the year ended June 30, 2017. Federal sources accounted for the majority of Special Revenue Fund's revenue which represented 59% of the total revenue for the year.

Total Special Revenue Fund revenues increased \$1,153,899 or 25% from the previous year. State sources increased \$723,284 or 60% and Federal sources decreased \$14,076 or less than 1%. Local sources increased \$444,691. There was also a transfer of \$69,588 from the general operating fund budget for the fiscal year ended June 30, 2017. This was to fund the inclusion of pre-kindergarten students.

Expenditures of the Special Revenue Fund were \$5,895,454. Instructional expenditures were \$5,638,587 or 96%. Expenditures for the support services were \$256,867 or 4% of total expended for the year ended June 30, 2017.

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
SOMERSET, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017**

Capital Projects - The capital projects revenues and other financing sources were less than expenditures and other financing uses by \$23,464,981 decreasing fund balance to \$56,724,561 at June 30, 2017. The decrease is primarily due to the expenditure of funds related to the referendum projects as well as various other capital projects.

Proprietary Funds

The District maintains the Enterprise Funds to account for activities which are supported in part through user fees.

Enterprise Fund - The District uses Enterprise Funds to report activities related to the Food Services programs as well as the Cultural Arts Recreation Enrichment (CARE) Program. The District's Enterprise Funds provides the same type of information found in the district-wide financial statements, business-type activities, but in more detail. Factors concerning the finances of this Fund have already been addressed in the discussion of the District's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget is prepared according to New Jersey Department of Education guidelines, and is based on accounting for certain transactions on the basis of cash receipts, disbursements and encumbrances. The most significant budgetary fund is the General Fund.

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

- Implementing budgets for specially funded projects, which include both federal and state grants and reinstating prior year purchase orders being carried over.

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
SOMERSET, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017**

CAPITAL ASSETS

The District's investment in capital assets for its governmental and business-type activities as of June 30, 2017 amounts to \$111,417,681 (net of accumulated depreciation). The capital assets consist of land improvements, buildings and building improvements, construction in progress, computers, specialized machinery and various other types of equipment. Depreciation charges for fiscal year 2016-2017 amounted to \$3,011,599 for governmental activities and \$49,265 for business-type activities.

Capital Assets at June 30, 2017 and 2016
(Net of Accumulated Depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ 832,000	\$ 832,000			\$ 832,000	\$ 832,000
Construction in Progress	34,034,176	11,735,439			34,034,176	11,735,439
Improvements Other Than Buildings	3,001,864	3,393,372			3,001,864	3,393,372
Building and Building Improvements	66,945,369	67,925,189			66,945,369	67,925,189
Machinery and Equipment	<u>5,790,184</u>	<u>5,082,015</u>	<u>\$ 814,088</u>	<u>\$ 418,684</u>	<u>6,604,272</u>	<u>5,500,699</u>
Total Capital Assets, Net	<u>\$ 110,603,593</u>	<u>\$ 88,968,015</u>	<u>\$ 814,088</u>	<u>\$ 418,684</u>	<u>\$ 111,417,681</u>	<u>\$ 89,386,699</u>

Additional information on the District's capital assets are presented in the "Notes to the Financial Statements" of this report.

LONG TERM LIABILITIES

At year end, the District's long-term liabilities of the governmental activities consisted of compensated absences payable of \$1,926,674, claims and judgments payable of \$520,994; bonds payable, including unamortized premium, of \$103,871,825, lease purchase agreements payable of \$7,229,000, and net pension liability of \$60,410,159. The District's long-term liabilities for the business-type activities consisted of net pension liability of \$4,142,059.

Additional information on the District's long-term liabilities is presented in the "Notes to the Financial Statements" of this report.

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
SOMERSET, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Many factors were considered by the District's administration during the process of developing the fiscal year 2017-2018 budget. The primary factors were the District's projected student population, anticipated state and federal aid as well as increasing special education costs, out of district tuition, tuition for charter schools, energy and employee related benefit costs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information contact the Business Office, Franklin Township Public School, 1755 Amwell Road, Somerset, NJ 08873.

BASIC FINANCIAL STATEMENTS

FRANKLIN TOWNSHIP PUBLIC SCHOOLS
STATEMENT OF NET POSITION
AS OF JUNE 30, 2017

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 77,551,761	\$ 2,109,580	\$ 79,661,341
Receivables, net	4,282,446	126,819	4,409,265
Inventory		51,536	51,536
Internal Balances	152,081	(152,081)	
Prepaid Items	12,200		12,200
Restricted Cash with Fiscal Agents	398,705		398,705
Capital Assets			
Not Being Depreciated	34,866,176		34,866,176
Being Depreciated, Net	<u>75,737,417</u>	<u>814,088</u>	<u>76,551,505</u>
Total Assets	<u>193,000,786</u>	<u>2,949,942</u>	<u>195,950,728</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amounts on Refunding of Debt	1,342,997	-	1,342,997
Deferred Amounts on Net Pension Liability	<u>16,424,344</u>	<u>1,126,145</u>	<u>17,550,489</u>
Total Deferred Outflows of Resources	<u>17,767,341</u>	<u>1,126,145</u>	<u>18,893,486</u>
Total Assets and Deferred Outflows of Resources	<u>210,768,127</u>	<u>4,076,087</u>	<u>214,844,214</u>
LIABILITIES			
Accounts Payable and Other Current Liabilities	6,315,125	144,537	6,459,662
Payable to Governments	13,855		13,855
Accrued Interest Payable	1,446,763		1,446,763
Unearned Revenue	1,625,335	76,442	1,701,777
Noncurrent Liabilities			
Due Within One Year	6,015,000		6,015,000
Due Beyond One Year	<u>167,943,652</u>	<u>4,142,059</u>	<u>172,085,711</u>
Total Liabilities	<u>183,359,730</u>	<u>4,363,038</u>	<u>187,722,768</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Commodities Revenue		17,101	17,101
Deferred Amounts on Net Pension Liability	<u>1,445,831</u>	<u>99,135</u>	<u>1,544,966</u>
Total Deferred Inflows of Resources	<u>1,445,831</u>	<u>116,236</u>	<u>1,562,067</u>
Total Liabilities and Deferred Inflows of Resources	<u>184,805,561</u>	<u>4,479,274</u>	<u>189,284,835</u>
NET POSITION			
Net Investment in Capital Assets	51,827,177	814,088	52,641,265
Restricted for			
Capital Projects	16,834,369		16,834,369
Other	1,000,000		1,000,000
Debt Service	210,455		210,455
Unrestricted	<u>(43,909,435)</u>	<u>(1,217,275)</u>	<u>(45,126,710)</u>
Total Net Position	<u>\$ 25,962,566</u>	<u>\$ (403,187)</u>	<u>\$ 25,559,379</u>

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

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Instruction							
Regular	\$ 78,178,024	\$ 7,245	\$ 27,710,642		\$ (50,460,137)		\$ (50,460,137)
Special Education	32,394,349	494,247	15,662,132		(16,237,970)		(16,237,970)
Vocational Education- Tuition	207,875				(207,875)		(207,875)
School Sponsored Activities and Athletics	2,576,267		886,633		(1,689,634)		(1,689,634)
Other Instruction	8,437,515		3,157,042		(5,280,473)		(5,280,473)
Support Services							
Student & Instruction Related Services	23,648,296		2,517,554		(21,130,742)		(21,130,742)
School Administrative Services	9,044,353		2,075,510		(6,968,843)		(6,968,843)
General Administrative Services	2,602,963				(2,602,963)		(2,602,963)
Plant Operations and Maintenance	17,727,151	35,142	1,589,286	\$ 833,578	(15,269,145)		(15,269,145)
Pupil Transportation	14,113,143	4,041	1,105,292		(13,003,810)		(13,003,810)
Business/Central & Other Support Services	3,962,167				(3,962,167)		(3,962,167)
Interest on Long-Term Debt	3,765,864	-	584,888	-	(3,180,976)	-	(3,180,976)
Total Governmental Activities	<u>196,657,967</u>	<u>540,675</u>	<u>55,288,979</u>	<u>833,578</u>	<u>(139,994,735)</u>	<u>-</u>	<u>(139,994,735)</u>
Business-Type Activities							
Food Service	3,679,443	1,273,769	2,677,555			\$ 271,881	271,881
C.A.R.E.	789,480	931,737	-	-	-	142,257	142,257
Total Business-Type Activities	<u>4,468,923</u>	<u>2,205,506</u>	<u>2,677,555</u>	<u>-</u>	<u>-</u>	<u>414,138</u>	<u>414,138</u>
Total Primary Government	<u>\$ 201,126,890</u>	<u>\$ 2,746,181</u>	<u>\$ 57,966,534</u>	<u>\$ 833,578</u>	<u>(139,994,735)</u>	<u>414,138</u>	<u>(139,580,597)</u>

FRANKLIN TOWNSHIP PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Total Primary Government (Carried forward)	\$ (139,994,735)	\$ 414,138	\$ (139,580,597)
General Revenues			
Property Taxes			
Property Taxes, Levied for General Purposes	129,856,369		129,856,369
Taxes Levied for Debt Service	8,171,550		8,171,550
State Aid Unrestricted	6,118,413		6,118,413
Investment Earnings	607,324	4,792	612,116
Miscellaneous Income	676,348	-	676,348
Transfers	179,150	(179,150)	-
Total General Revenues and Transfers	145,609,154	(174,358)	145,434,796
Change in Net Position	5,614,419	239,780	5,854,199
Net Position, Beginning of Year	20,348,147	(642,967)	19,705,180
Net Position, End of Year	\$ 25,962,566	\$ (403,187)	\$ 25,559,379

FUND FINANCIAL STATEMENTS

FRANKLIN TOWNSHIP PUBLIC SCHOOLS
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Cash Equivalents	\$ 17,897,644		\$ 59,445,055	\$ 209,062	\$ 77,551,761
Due from Other Funds	870,297				870,297
Receivables from Other Governments	454,131	\$ 751,661	2,947,065		4,152,857
Other Receivables	117,394	12,195			129,589
Prepaid Items	12,200				12,200
Restricted Cash with Fiscal Agents	<u>123,000</u>	<u>-</u>	<u>275,705</u>	<u>-</u>	<u>398,705</u>
 Total Assets	 <u>\$ 19,474,666</u>	 <u>\$ 763,856</u>	 <u>\$ 62,667,825</u>	 <u>\$ 209,062</u>	 <u>\$ 83,115,409</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 1,626,758	\$ 236,489	4,108,343		\$ 5,971,590
Accrued Liability for Insurance Claims	328,643				328,643
Deposits Payable	10	14,882			14,892
Due to Other Funds		221,248	496,968		718,216
Payable to State Government		13,855			13,855
Unearned Revenue	<u>10,000</u>	<u>277,382</u>	<u>1,337,953</u>	<u>-</u>	<u>1,625,335</u>
 Total Liabilities	 <u>1,965,411</u>	 <u>763,856</u>	 <u>5,943,264</u>	 <u>-</u>	 <u>8,672,531</u>
Fund Balances					
Nonspendable					
Prepaid Items	12,200				12,200
Restricted					
Excess Surplus	1,793,477				1,793,477
Excess Surplus- Designated for					
Subsequent Year's Expenditures (2017/18 Budget)	2,777,212				2,777,212
Capital Reserve	6,513,813				6,513,813
Capital Reserve-Designated for					
Subsequent Year's Expenditures (2017/18 Budget)	4,578,800				4,578,800
Maintenance Reserve	1,000,000				1,000,000
Capital Projects			56,723,168		56,723,168
Debt Service			1,393	\$ 209,062	210,455
Assigned					
Purchases on Order	253,335				253,335
Unassigned					
General Fund	<u>580,418</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>580,418</u>
 Total Fund Balances	 <u>17,509,255</u>	 <u>-</u>	 <u>56,724,561</u>	 <u>209,062</u>	 <u>74,442,878</u>
 Total Liabilities and Fund Balances	 <u>\$ 19,474,666</u>	 <u>\$ 763,856</u>	 <u>\$ 62,667,825</u>	 <u>\$ 209,062</u>	 <u>\$ 83,115,409</u>

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

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2017**

Total Fund Balance (Exhibit B-1)		\$ 74,442,878
<p>Amounts reported for <i>governmental activities</i> in the Statement of Net Position (A-1) are different because:</p>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$161,606,119 and the accumulated depreciation is \$51,002,526.		110,603,593
The District has financed capital assets through the issuance of serial bonds and capital lease/lease purchase obligations. The interest accrual at year end is:		(1,446,763)
Amounts resulting from the refunding of debt are reported as deferred outflows of resources on the statement of net position and amortized over the life of the debt.		1,342,997
Long-term liabilities, including bonds payable and net pension liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 2A)		(173,958,652)
<p>Certain amounts resulting from the measurement of the net pension liability are reported as either deferred inflows of resources or deferred outflows of resources on the statement of net position and deferred over future years.</p>		
Deferred Outflows of Resources	\$ 16,424,344	
Deferred Inflows of Resources	<u>(1,445,831)</u>	
		<u>14,978,513</u>
Net Position of Governmental Activities (Exhibit A-1)		<u>\$ 25,962,566</u>

FRANKLIN TOWNSHIP PUBLIC SCHOOLS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Local Sources					
Local Property Tax Levy	\$ 129,856,369			\$ 8,171,550	\$ 138,027,919
Interest	109,925		\$ 497,399		607,324
Tuition	501,492				501,492
Transportation Fees	4,041				4,041
Miscellaneous	711,490	\$ 460,752	-	-	1,172,242
Total - Local Sources	131,183,317	460,752	497,399	8,171,550	140,313,018
State Sources	29,569,239	1,920,862	833,578	1,169,776	33,493,455
Federal Sources	198,009	3,444,252	-	-	3,642,261
Total Revenues	160,950,565	5,825,866	1,330,977	9,341,326	177,448,734
EXPENDITURES					
Current					
Regular Instruction	58,037,689	4,003,753			62,041,442
Special Education Instruction	25,923,286	1,634,834			27,558,120
Vocational Education Instruction- Tuition	207,875				207,875
Other Instruction	6,538,363				6,538,363
School-Sponsored Activities and Athletics	2,020,633				2,020,633
Support Services					
Student and Instruction Related Services	20,283,084	256,867			20,539,951
School Administrative Services	7,244,714				7,244,714
General Administrative Services	2,420,246				2,420,246
Plant Operations and Maintenance	13,495,700		2,776,628		16,272,328
Pupil Transportation	13,456,970				13,456,970
Business Central Services	3,440,528				3,440,528
Debt Service					
Principal	1,006,529			5,685,000	6,691,529
Interest and Other Charges	378,477			3,465,540	3,844,017
Capital Outlay	1,382,967	-	23,264,210	-	24,647,177
Total Expenditures	155,837,061	5,895,454	26,040,838	9,150,540	196,923,893
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,113,504	(69,588)	(24,709,861)	190,786	(19,475,159)
OTHER FINANCING SOURCES (USES)					
Transfers In	599,730	69,588	1,949,610	-	2,618,928
Transfers Out	(1,735,048)	-	(704,730)	-	(2,439,778)
Total Other Financing Sources and Uses	(1,135,318)	69,588	1,244,880	-	179,150
Net Change in Fund Balances	3,978,186	-	(23,464,981)	190,786	(19,296,009)
Fund Balance, Beginning of Year	13,531,069	-	80,189,542	18,276	93,738,887
Fund Balance, End of Year	\$ 17,509,255	\$ -	\$ 56,724,561	\$ 209,062	\$ 74,442,878

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

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
WITH THE DISTRICT-WIDE STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Total Net Change in Fund Balances - Governmental Funds (Exhibit B-2) \$ (19,296,009)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement and allocated over their estimated useful lives as annual depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current period.

Capital Outlay	\$ 24,647,177	
Depreciation Expense	<u>(3,011,599)</u>	
		21,635,578

In the statement of activities, certain operating expenses - compensated absences, claims and judgements for self insurance claims and net pension expense- are measured by the amounts earned or incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (paid):

Compensated Absences, Net	(160,248)	
Claims and Judgements for Self-Insurance, Net	579,840	
Increase in Governmental Activities Pension Expense	<u>(3,914,424)</u>	
		(3,494,832)

The issuance of long term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Additionally, governmental funds report the effect of premiums, discounts and similar items when the debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount represents the net effect of these activities: (See Note 2B)

6,691,529

Governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Amortization of Original Issue Premium		294,532
Amortization of Deferred Amount on Refunding of Debt		<u>(228,278)</u>

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

Decrease in Accrued Interest		<u>11,899</u>
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Change in Net Position of Governmental Activities (Exhibit A-2) **\$ 5,614,419**

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

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
AS OF JUNE 30, 2017**

	<u>Food Service</u>	<u>C.A.R.E.</u>	<u>Business-Type Activities Enterprise Fund Totals</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 1,480,793	\$ 628,787	\$ 2,109,580
Intergovernmental Receivable			
State	5,664		5,664
Federal	121,155		121,155
Inventories	51,536	-	51,536
	<u>1,659,148</u>	<u>628,787</u>	<u>2,287,935</u>
Total Current Assets			
Capital Assets			
Equipment	1,641,203	50,780	1,691,983
Less: Accumulated Depreciation	(832,193)	(45,702)	(877,895)
	<u>809,010</u>	<u>5,078</u>	<u>814,088</u>
Total Capital Assets, Net			
Total Assets	<u>2,468,158</u>	<u>633,865</u>	<u>3,102,023</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amounts on Net Pension Liability	<u>1,058,417</u>	<u>67,728</u>	<u>1,126,145</u>
Total Deferred Outflows of Resources	<u>1,058,417</u>	<u>67,728</u>	<u>1,126,145</u>
Total Assets and Deferred Outflows of Resources	<u>3,526,575</u>	<u>701,593</u>	<u>4,228,168</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	11,469		11,469
Deposits Payable		133,068	133,068
Unearned Revenue	76,442		76,442
Due to Other Funds	148,935	3,146	152,081
	<u>236,846</u>	<u>136,214</u>	<u>373,060</u>
Total Current Liabilities			
Long Term Liabilities			
Net Pension Liability	<u>3,892,950</u>	<u>249,109</u>	<u>4,142,059</u>
Total Long Term Liabilities	<u>3,892,950</u>	<u>249,109</u>	<u>4,142,059</u>
Total Liabilities	<u>4,129,796</u>	<u>385,323</u>	<u>4,515,119</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Commodities Revenue	17,101	-	17,101
Deferred Amounts on Net Pension Liability	93,173	5,962	99,135
	<u>110,274</u>	<u>5,962</u>	<u>116,236</u>
Total Deferred Inflows of Resources			
Total Liabilities and Deferred Inflows of Resources	<u>4,240,070</u>	<u>391,285</u>	<u>4,631,355</u>
NET POSITION			
Investment in Capital Assets	809,010	5,078	814,088
Unrestricted	(1,522,505)	305,230	(1,217,275)
Total Net Position	<u>\$ (713,495)</u>	<u>\$ 310,308</u>	<u>\$ (403,187)</u>

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

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Food Service</u>	<u>C.A.R.E.</u>	<u>Business-Type Activities Enterprise Fund Totals</u>
OPERATING REVENUES			
Charges for Services			
Daily Sales- Reimbursable Programs	\$ 832,676		\$ 832,676
Daily Sales- Non-Reimbursable Programs	390,353		390,353
Special Functions	38,992		38,992
Program Fees		\$ 931,737	931,737
Miscellaneous	11,748	-	11,748
Total Operating Revenues	<u>1,273,769</u>	<u>931,737</u>	<u>2,205,506</u>
OPERATING EXPENSES			
Cost of Sales- Reimbursable Programs	1,433,046		1,433,046
Cost of Sales- Non-Reimbursable Programs	140,546		140,546
Salaries and Employee Benefits	1,463,943	695,290	2,159,233
Pension	215,798	32,818	248,616
Other Purchased Services	83,895	19,708	103,603
Supplies and Materials	226,878	8,636	235,514
Depreciation	44,187	5,078	49,265
Miscellaneous	71,150	27,950	99,100
Total Operating Expenses	<u>3,679,443</u>	<u>789,480</u>	<u>4,468,923</u>
Operating Income/(Loss)	<u>(2,405,674)</u>	<u>142,257</u>	<u>(2,263,417)</u>
NONOPERATING REVENUES			
State Sources			
School Lunch Program	41,322		41,322
Federal Sources			
National School Lunch Program	1,609,971		1,609,971
Breakfast Program	741,020		741,020
Food Distribution Program	285,242		285,242
Interest Earnings	3,312	1,480	4,792
Total Nonoperating Revenues	<u>2,680,867</u>	<u>1,480</u>	<u>2,682,347</u>
OTHER FINANCING SOURCES (USES)			
Transfers Out	(284,150)	-	(284,150)
Transfers In	105,000	-	105,000
Total Other Financing Sources/(Uses)	<u>(179,150)</u>	<u>-</u>	<u>(179,150)</u>
Change in Net Position	96,043	143,737	239,780
Net Position (Deficit), Beginning of Year	<u>(809,538)</u>	<u>166,571</u>	<u>(642,967)</u>
Net Position (Deficit), End of Year	<u>\$ (713,495)</u>	<u>\$ 310,308</u>	<u>\$ (403,187)</u>

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

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Food Service</u>	<u>C.A.R.E.</u>	<u>Business-Type Activities Enterprise Fund Totals</u>
Cash Flows from Operating Activities			
Cash Received from Customers	\$ 1,288,581	\$ 931,737	\$ 2,220,318
Cash Payments for Registration Deposits		(900)	(900)
Cash Payments for Employees' Salaries and Benefits	(1,335,342)	(695,290)	(2,030,632)
Cash Payments to Suppliers for Goods and Services	(2,090,070)	(150,938)	(2,241,008)
Net Cash Provided/(Used) by Operating Activities	<u>(2,136,831)</u>	<u>84,609</u>	<u>(2,052,222)</u>
Cash Flows from Noncapital Financing Activities			
Transfer to Other Fund	(284,150)		(284,150)
Transfer from Other Fund	105,000		105,000
Cash Received from State and Federal Subsidy Reimbursements	2,438,261	-	2,438,261
Net Cash Provided by Noncapital Financing Activities	<u>2,259,111</u>	<u>-</u>	<u>2,259,111</u>
Cash Flows from Capital and Related Financing Activities			
Purchase of Capital Assets	(444,669)	-	(444,669)
Net Cash Used by Capital Financing Activities	<u>(444,669)</u>	<u>-</u>	<u>(444,669)</u>
Cash Flows from Investing Activities			
Interest on Investments	3,312	1,480	4,792
Net Cash Provided by Investing Activities	<u>3,312</u>	<u>1,480</u>	<u>4,792</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(319,077)	86,089	(232,988)
Cash and Cash Equivalents, Beginning of Year	1,799,870	542,698	2,342,568
Cash and Cash Equivalents, End of Year	<u>\$ 1,480,793</u>	<u>\$ 628,787</u>	<u>\$ 2,109,580</u>
Reconciliation of Operating Income/(Loss) to Net Cash Provided/ (Used) by Operating Activities			
Operating Income/(Loss)	\$ (2,405,674)	\$ 142,257	\$ (2,263,417)
Adjustments to Reconcile Operating Loss to Net Cash Provided/(Used) by Operating Activities			
Depreciation	44,187	5,078	49,265
Food Distribution (USDA Commodities) Nat'l School Lunch	285,242		285,242
Change in Assets, Liabilities and Deferred Inflows/Outflows of Resources			
Increase/(Decrease) in Accounts Payable	(90,492)	(1,682)	(92,174)
Increase/(Decrease) in Unearned Revenue	(9,594)		(9,594)
(Increase)/Decrease in Other Receivables	5,219		5,219
(Increase)/Decrease in Inventories	3,695		3,695
Increase/(Decrease) in Deposits Payable		(900)	(900)
Increase/(Decrease) in Due to Other Funds	(71,786)	(85,489)	(157,275)
Increase/(Decrease) in Net Pension Liability	648,185	63,281	711,466
(Increase)/Decrease in Deferred Outflows of Resources	(590,162)	(40,911)	(631,073)
Increase/(Decrease) in Deferred Inflows of Resources	44,349	2,975	47,324
Total Adjustments	<u>268,843</u>	<u>(57,648)</u>	<u>211,195</u>
Net Cash Provided/(Used) by Operating Activities	<u>\$ (2,136,831)</u>	<u>\$ 84,609</u>	<u>\$ (2,052,222)</u>
Non-Cash Investing, Capital and Related Financing Activities			
Fair Value of Food Distribution Program- National School Lunch Program	\$ 288,588		

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

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2017**

	<u>Unemployment Compensation Trust</u>	<u>Scholarship Fund</u>	<u>Agency Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 1,269,941	\$ 1,364	\$ 3,758,120
Total Assets	<u>1,269,941</u>	<u>1,364</u>	<u>\$ 3,758,120</u>
LIABILITIES			
Due to Student Groups			\$ 276,004
Flexible Spending (Sect. 125) Account			47,524
Payroll Deductions and Withholdings			7,763
Accrued Salaries & Wages			3,426,829
Intergovernmental Payable	<u>12,779</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>12,779</u>	<u>-</u>	<u>\$ 3,758,120</u>
NET POSITION			
Restricted For Scholarships		<u>\$ 1,364</u>	
Held in Trust for Unemployment Claims and Other Purposes	<u>\$ 1,257,162</u>		

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Unemployment Compensation Trust</u>	<u>Scholarship Fund</u>
ADDITIONS		
Employee Contributions	\$ 126,670	
Investment Earnings		
Interest	<u>2,229</u>	<u>\$ 2</u>
Total Additions	<u>128,899</u>	<u>2</u>
DEDUCTIONS		
Unemployment Claims and Contrib.	<u>118,714</u>	<u>-</u>
Total Deductions	<u>118,714</u>	<u>-</u>
Change in Net Position	10,185	2
Net Position, Beginning of Year	<u>1,246,977</u>	<u>1,362</u>
Net Position, End of Year	<u>\$ 1,257,162</u>	<u>\$ 1,364</u>

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

NOTES TO THE FINANCIAL STATEMENTS

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

B. New Accounting Standards

During fiscal year 2017, the District adopted the following GASB statements:

- GASB No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability.
- GASB No. 77, *Tax Abatement Disclosures*. The requirements of this Statement will improve financial reporting by providing disclosure of information about the nature and magnitude of tax abatements that will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition.
- GASB No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14. *The Financial Reporting Entity, as amended*.

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

- GASB No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pension*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

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

- GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will be effective beginning with the fiscal year ending June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.
- GASB No. 84, *Fiduciary Activities*, will be effective with the fiscal year ending June 30, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement established criteria for identifying fiduciary activities of all state and local governments.
- GASB No. 85, *Omnibus 2017*, will be effective with the fiscal year ending June 30, 2018. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits (pensions and other post-employment benefits (OPEB)).
- GASB No. 86, *Certain Debt Extinguishment Issues*, will be effective with the fiscal year ending June 30, 2018. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.
- GASB No. 87, *Leases*, will be effective with the fiscal year ending June 30, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

C. Basis of Presentation - Financial Statements

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

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

District-Wide Financial Statements

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

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

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

Fund Financial Statements

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

The District reports the following major governmental funds:

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

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

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

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

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

Fund Financial Statements (Continued)

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

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

The *cultural arts recreation enrichment (CARE) fund* accounts for the activities of the District's operations of the extended school day program activities.

Additionally, the government reports the following fund types:

The *fiduciary trust fund* is used to account for resources legally held in trust for private donations for scholarship awards and agency fund. All resources of the fund, including any earnings on invested resources, may be used to support the intended purpose. There is no requirement that any portion of these resources be preserved as capital. The agency funds account for assets held by the District as an agent for student activities, payroll deductions and withholding and state unemployment insurance claims. The funds for the student activities fund are solely for noninstructional student activities and the school administration does not have management involvement. The funds for the state unemployment insurance claims funds are held to reimburse the State for unemployment benefits for terminated employees. The payroll funds are held to remit withholdings to respective state, federal and other agencies.

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

Reclassifications

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

D. Measurement Focus and Basis of Accounting

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

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

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

1. *Cash, Cash Equivalents and Investments*

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

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

2. *Receivables*

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

3. *Inventories*

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

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

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

4. *Prepaid Items*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both district-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

5. *Restricted Assets*

Certain assets are classified as restricted on the balance sheet because they are maintained in separate bank accounts for Lease-Purchase Agreements for capital projects.

6. *Capital Assets*

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

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

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

<u>Assets</u>	<u>Years</u>
Land Improvements	20
Buildings	20-50
Building Improvements	20
Heavy Equipment	10-20
Office Equipment and Furniture	7-10
Computer Equipment	5

7. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Board has two items which arise only under the accrual basis of accounting that qualify for reporting in this category. One item is the deferred amounts on refunding of debt which results from the loss on a debt refunding reported in the district-wide statement of net position. Deferred amounts on debt refunding result from the loss on the transaction when the debt's reacquisition price is greater than the carrying value of the refunded debt. These amounts are deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item that qualifies for reporting in this category is the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the district-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; (4) changes in proportion and differences between employer contributions and proportionate share of contributions; and (5) contributions made subsequent to the measurement date. These amounts are deferred and amortized over future years.

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

7. Deferred Outflows/Inflows of Resources (Continued)

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

8. Compensated Absences

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

9. Pensions

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

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

FRANKLIN TOWNSHIP PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

10. Long-Term Obligations

In the district-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Gains resulting from debt refundings are classified as deferred inflows of resources and losses are reported as deferred outflows of resources. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Gains and losses resulting from debt refundings are also deferred and amortized over the life of the refunded bonds or new bonds whichever is less using the effective interest method. Bonds payable are reported including the unamortized bond premium or discount. Bond issuance costs (other than for prepaid insurance) are treated as an expense.

11. Net Position/Fund Balance

District-Wide Statements

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

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

Governmental Fund Statements

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

Nonspendable Fund Balance – Amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.

Prepaid Items – Represents the portion of fund balance not available for future spending related to costs associated with and chargeable to future accounting periods.

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

11. Net Position/Fund Balance (Continued)

Governmental Fund Statements (Continued)

Restricted Fund Balance – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Excess Surplus – This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2017 audited excess surplus that is required to be appropriated in the 2018/2019 original budget certified for taxes.

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

Capital Reserve – This restriction was created by the District in accordance with NJAC 6A:23A-14.1 to fund future capital expenditures (See Note 3.)

Capital Reserve - Designated for Subsequent Year's Expenditures – This designation was created to dedicate the portion of capital reserve fund balance appropriated in the adopted 2017/2018 District budget certified for taxes.

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

Capital Projects – Represents fund balance restricted specifically for capital acquisitions and improvements in the Capital Projects Fund.

Debt Service – Represents fund balance restricted specifically for the repayment of long-term debt principal and interest in the Debt Service Fund.

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

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

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

In the general operating fund and other governmental funds (capital projects and debt service fund types), it is the District's policy to consider restricted resources to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted (i.e., committed, assigned or unassigned) fund balances are available, followed by committed and then assigned fund balances. Unassigned amounts are used only after the other resources have been used.

12. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

12. *Fund Balance Policies (Continued)*

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board of Trustees is the highest level of decision-making authority for the government that can, by adoption of a resolution or formal Board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Board has authorized the School Business Administrator/Board Secretary to assigned fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

F. Revenues and Expenditures/Expenses

1. *Program Revenues*

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

2. *Property Taxes*

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

3. *Tuition Revenues and Expenditures*

Tuition Revenues - Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final costs are determined and certified by the State Department of Education.

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

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Revenues and Expenditures/Expenses (Continued)

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

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

NOTE 2 RECONCILIATION OF DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the district-wide statement of net position

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position– governmental activities as reported in the district-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable and net pension liability, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$(173,958,652) difference are as follows:

Bonds Payable	\$ (101,510,000)
Add: Issuance Premium (to be Amortized as Interest Expense)	(2,361,825)
Lease Purchase Payable	(7,229,000)
Claims and Judgments	(520,994)
Compensated Absences	(1,926,674)
Net Pension Liability	<u>(60,410,159)</u>
 Net Adjustment to Reduce Fund Balance - Total Governmental Funds to Arrive at Net Position - Governmental Activities	 <u>\$ (173,958,652)</u>

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 2 RECONCILIATION OF DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the district-wide statement of activities

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$6,691,529 difference are as follows:

Principal repayments:

General obligation bonds	5,685,000
Down payment on lease purchase agreements	<u>1,006,529</u>

Net Adjustment to Increase Net Changes in Fund Balances - Total

Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	<u>\$ 6,691,529</u>
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NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

Budget adoptions and amendments are recorded in the District's board minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. The Board approved several budget transfers during 2016/2017. Also, during 2016/2017 the Board increased the original general fund budget by \$761,511 and the original special revenue fund budget by \$561,311. The increase was funded by the reappropriation of prior year general fund encumbrances, the appropriation of prior year ARRA SEMI and the appropriation of capital reserve withdrawals. The increase in the special revenue fund was funded by additional grant awards. During the fiscal year the Board authorized and approved additional fund balance appropriation of \$142,136 representing the prior year ARRA SEMI funds from the general fund on May 25, 2017. The appropriations of capital reserve withdrawals were approved by the Board on October 24, 2016, November 17, 2016, December 22, 2016, April 27, 2017 and May 25, 2017, respectively.

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

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

B. Deficit Fund Equity

The Food Service Enterprise Fund has a cumulative deficit in net position of \$713,495 as of June 30, 2017. The deficit is due to the District's accrual of the long-term liability associated with the fund's proportionate share of the District's total PERS net pension liability as required under GASB Statement No. 68. The deficit alone does not indicate that the food service operations are facing financial difficulties. The District is required to pay an annual contribution of which a portion is being paid by food service operations.

C. Capital Reserve

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

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

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Capital Reserve (Continued)

The activity of the capital reserve for the fiscal year ended June 30, 2017 is as follows:

Balance, July 1, 2016		\$ 8,052,176
Increased by:		
Interest Earnings - Transferred from Capital Projects Fund	\$ 496,968	
Interest Earnings	6,167	
Unexpended Capital Projects Balances Returned	102,762	
Deposits Approved by Board Resolution	<u>4,400,000</u>	
Total Increases		<u>5,005,897</u>
		13,058,073
Decreased by:		
Withdrawals by Budget Appropriation	\$ 1,464,340	
Withdrawals by Board Resolution	<u>501,120</u>	
Total Withdrawals		<u>1,965,460</u>
Balance, June 30, 2017		<u>\$ 11,092,613</u>
Designated for Subsequent Year's Expenditures (2017/18 Budget)	\$ 4,578,800	
Available Capital Reserve	<u>6,513,813</u>	
		<u>\$ 11,092,613</u>

The withdrawals from the capital reserve were for use in department approved facilities projects, consistent with the district's Long Range Facilities Plan.

D. Maintenance Reserve

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

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

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

D. Maintenance Reserve (Continued)

The activity of the maintenance reserve for the fiscal year ended June 30, 2017 is as follows:

Increased by:		
Deposits Approved by Board Resolution	<u>\$ 1,000,000</u>	
Total Increases		<u>1,000,000</u>
Balance, June 30, 2017		<u>\$ 1,000,000</u>

The June 30, 2017 comprehensive maintenance plan indicated a maximum maintenance reserve amount of \$6,263,875.

E. Calculation of Excess Surplus

In accordance with N.J.S.A. 18A:7F-7, as amended, the restricted fund balance for Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund fund balance in excess of 2% of budget expenditures at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The excess fund balance at June 30, 2017 is \$4,570,689. Of this amount, \$2,777,212 was designated and appropriated in the 2017/2018 original budget certified for taxes and the remaining amount of \$1,793,477 will be appropriated in the 2018/2019 original budget certified for taxes.

NOTE 4 DETAILED NOTES ON ALL FUNDS

A. Cash Deposits and Investments

Cash Deposits

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

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

A. Cash Deposits and Investments (Continued)

Cash Deposits (Continued)

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2017, the book value of the Board's deposits were \$85,089,471 and bank and brokerage firm balances of the Board's deposits amounted to \$89,785,558. The Board's deposits which are displayed on the various fund balance sheets as "cash and cash equivalents" or "Restricted Cash with Fiscal Agents" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ 89,785,558
	<u>\$ 89,785,558</u>

Investments

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

As of June 30, 2017, the Board had no outstanding investments.

Custodial Credit Risk – Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the Board will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Board does not have a policy for custodial risk.

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

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

Interest earnings from the unexpended lease purchase proceeds in the Capital Projects Fund are restricted to be used for the repayment of the lease. Interest earnings on bond proceeds in the Capital Projects Fund were assigned to the Capital Reserve in the General Fund in accordance with a Board Resolution.

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables

Receivables as of June 30, 2017 for the district's individual major funds are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Food Service</u>	<u>Total</u>
Receivables:					
Accounts	\$ 117,394	\$ 12,195			\$ 129,589
Intergovernmental					
Federal		749,532		\$ 121,155	870,687
State	390,226	2,129	\$ 2,947,065	5,664	3,345,084
State - Tuition	<u>63,905</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,905</u>
Total Receivables	<u>\$ 571,525</u>	<u>\$ 763,856</u>	<u>\$ 2,947,065</u>	<u>\$ 126,819</u>	<u>\$ 4,409,265</u>

C. Unearned Revenue

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

	<u>Total</u>
General Fund	
Rental Fees	\$ 10,000
Special Revenue Fund	
Unencumbered Grant Draw Downs	277,382
Capital Projects Fund	
Unrealized School Facilities Grants	<u>1,337,953</u>
Total Unearned Revenue for Governmental Funds	<u>\$ 1,625,335</u>

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017 was as follows:

	Balance, <u>July 1, 2016</u>	<u>Increases</u>	<u>Transfers</u>	Balance, <u>June 30, 2017</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 11,735,439	\$ 23,264,210	\$ (965,473)	\$ 34,034,176
Land	<u>832,000</u>	<u>-</u>	<u>-</u>	<u>832,000</u>
Total Capital Assets, Not Being Depreciated	<u>12,567,439</u>	<u>23,264,210</u>	<u>(965,473)</u>	<u>34,866,176</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	104,190,883	313,407	965,473	105,469,763
Improvements Other Than Buildings	9,693,053			9,693,053
Machinery and Equipment	<u>10,507,567</u>	<u>1,069,560</u>	<u>-</u>	<u>11,577,127</u>
Total Capital Assets Being Depreciated	<u>124,391,503</u>	<u>1,382,967</u>	<u>965,473</u>	<u>126,739,943</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(36,265,694)	(2,258,700)		(38,524,394)
Improvements Other Than Buildings	(6,299,681)	(391,508)		(6,691,189)
Machinery and Equipment	<u>(5,425,552)</u>	<u>(361,391)</u>	<u>-</u>	<u>(5,786,943)</u>
Total Accumulated Depreciation	<u>(47,990,927)</u>	<u>(3,011,599)</u>	<u>-</u>	<u>(51,002,526)</u>
Total Capital Assets, Being Depreciated, Net	<u>76,400,576</u>	<u>(1,628,632)</u>	<u>-</u>	<u>75,737,417</u>
Governmental Activities Capital Assets, Net	<u>\$ 88,968,015</u>	<u>\$ 21,635,578</u>	<u>\$ -</u>	<u>\$ 110,603,593</u>

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

	Balance, <u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	Balance, <u>June 30, 2017</u>
Business-Type Activities:				
Capital Assets, Being Depreciated:				
Machinery and Equipment	\$ 1,247,314	\$ 444,669	-	\$ 1,691,983
Total Capital Assets Being Depreciated	<u>1,247,314</u>	<u>444,669</u>	<u>-</u>	<u>1,691,983</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	<u>(828,630)</u>	<u>(49,265)</u>	<u>-</u>	<u>(877,895)</u>
Total Accumulated Depreciation	<u>(828,630)</u>	<u>(49,265)</u>	<u>-</u>	<u>(877,895)</u>
Total Capital Assets, Being Depreciated, Net	<u>418,684</u>	<u>395,404</u>	<u>-</u>	<u>814,088</u>
Business-Type Activities Capital Assets, Net	<u>\$ 418,684</u>	<u>\$ 395,404</u>	<u>\$ -</u>	<u>\$ 814,088</u>

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

Governmental Activities:	
Instruction	
Regular	\$ 1,355,220
Special Education	421,623
Total Instruction	<u>1,776,843</u>
Support Services	
Student and Instruction Related Services	30,116
School Administrative Services	60,232
General Administrative Services	60,232
Plant Operations and Maintenance	331,276
Pupil Transportation	632,436
Business/Central & Other Support Services	120,464
Total Support Services	<u>1,234,756</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 3,011,599</u>
Business-Type Activities:	
Food Service Fund	\$ 44,187
C.A.R.E. Enterprise Fund	5,078
Total Depreciation Expense-Business-Type Activities	<u>\$ 49,265</u>

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

Construction and Other Significant Commitments

The District has the following active construction projects as of June 30, 2017:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Capital Projects Fund		
Upgrades to kitchen, cafeteria and auditorium at Sampson G. Smith	184,888	15,231
Lighting Replacements/Retrofits at all locations	1,313,656	121,944
Mechanical Upgrades at all locations	1,177,712	73,871
Boiler Replacements/mechanical upgrades/replacements at various locations	2,674,142	133,858
Boiler Replacement at Sampson G. Smith	390,818	24,182
Architectural Services for Claremont School	1,861,916	405,119
Architectural Service for Referendum	718,883	47,624
Construction Management Company	349,192	535,909
Asbestos Safety Control Monitor	64,954	39,426
Unit ventilator replacement at Sampson G. Smith	377,017	37,983
Sampson G Smith Additions	7,075,182	3,498,477
Additions and alterations at Hillcrest School	2,059,664	73,268
Asbestos Removal at various schools	139,013	3,000
Covered Walkway at Franklin Park School	352,327	19,044
Elizabeth Avenue School Revoations	3,537,442	8,506,089
Claremont School construction	5,300,894	30,971,656
Pine Grove Manor Elevator Project	122,896	560,104
Franklin Middle School Parking Lot reconstruction	<u>14,700</u>	<u>1,114,299</u>
 Total Construction Commitments	 <u>\$ 18,387,037</u>	 <u>\$ 46,181,084</u>

Encumbrances. As discussed in Note 3A, Budgetary information, Budgetary basis of accounting, encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

General Fund	\$ 253,335
Capital Projects Fund	<u>43,133,723</u>
 Total	 <u>\$43,387,058</u>

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2017, is as follows:

Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	C.A.R.E. Enterprise Fund	\$ 3,146
General Fund	Special Revenue Fund	221,248
General Fund	Capital Projects Fund	496,968
General Fund	Food Service Enterprise Fund	<u>148,935</u>
Total		<u>\$ 870,297</u>

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

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

Interfund Transfers

	<u>Transfer In:</u>				<u>Total</u>
	<u>Capital Projects Fund</u>	<u>Special Revenue Fund</u>	<u>General Fund</u>	<u>Food Service Enterprise Fund</u>	
Transfer Out:					
General Fund	\$ 1,665,460	\$ 69,588			\$ 1,735,048
Capital Projects Fund	-	-	\$ 599,730	\$ 105,000	704,730
Food Service Enterprise Fund	<u>284,150</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>284,150</u>
Total Transfers Out	<u>\$ 1,949,610</u>	<u>\$ 69,588</u>	<u>\$ 599,730</u>	<u>\$ 105,000</u>	<u>\$ 2,723,928</u>

The above transfers are the result of revenues earned and/or other financing sources received in one fund to finance expenditures in another fund.

F. Leases

Capital Leases/Lease Purchase Agreements

The District is leasing trailers and various energy initiative program projects totaling \$11,384,000 under lease purchase agreements. The leases are for terms of 5 to 20 years.

The capital assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Machinery and Equipment	<u>\$ 10,963,938</u>

The unexpended proceeds from lease purchase agreements in the amount of \$275,705 at June 30, 2017 are held with the Fiscal Agent.

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

F. Leases (Continued)

Capital Leases/Lease Purchase Agreements (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017 were as follows:

<u>Fiscal Year Ending June 30</u>	<u>Governmental Activities</u>
2018	\$ 415,559
2019	432,200
2020	441,305
2021	452,929
2022	465,018
2023-2027	2,487,189
2028-2032	2,780,465
2033-2035	<u>1,848,938</u>
Total minimum lease payments	9,323,603
Less: amount representing interest	<u>(2,094,603)</u>
Present value of minimum lease payments	<u>\$ 7,229,000</u>

G. Long-Term Debt

General Obligation Bonds

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

Bonds payable at June 30, 2017 are comprised of the following issues:

\$24,970,000, 2009 Refunding Bonds, due in annual installment of \$45,000 to \$2,340,000 through August 15, 2023, interest at 4.00% to 5.00%	\$ 13,830,000
\$81,480,000, 2015 School Bonds, due in annual installments of \$3,500,000 to \$5,000,000 through February 1, 2035, interest at 3.00 to 4.00%	78,980,000
\$8,700,000, 2016 Refunding Bonds, due in annual installments of \$2,140,000 to \$2,220,000 through August 15, 2026, interest at 3.00 to 4.00%	<u>8,700,000</u>
	<u>\$ 101,510,000</u>

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-Term Debt (Continued)

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

Governmental Activities:

Fiscal Year Ending June 30,	Serial Bonds		Total
	Principal	Interest	
2018	\$ 5,695,000	\$ 3,299,225	\$ 8,994,225
2019	5,835,000	3,090,325	8,925,325
2020	6,020,000	2,875,150	8,895,150
2021	6,115,000	2,646,375	8,761,375
2022	6,220,000	2,414,550	8,634,550
2023-2027	32,260,000	8,885,725	41,145,725
2028-2032	24,365,000	4,449,175	28,814,175
2033-2035	<u>15,000,000</u>	<u>821,875</u>	<u>15,821,875</u>
Total	<u>\$ 101,510,000</u>	<u>\$ 28,482,400</u>	<u>\$ 129,992,400</u>

Statutory Borrowing Power

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2017 was as follows:

4% of Equalized Valuation Basis (Municipal)	\$ 363,506,706
Less: Net Debt (Including Authorized But Not Issued)	<u>101,510,257</u>
Remaining Borrowing Power	<u>\$ 261,996,449</u>

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

H. Other Long-Term Liabilities

Changes in Long-Term Liabilities

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

	Balance, July 1, 2016	<u>Additions</u>	<u>Reductions</u>	Balance, June 30, 2017	Due Within One Year
Governmental Activities:					
Bonds Payable	\$ 107,195,000		\$ (5,685,000)	\$ 101,510,000	\$ 5,695,000
Add:					
Unamortized Premium	<u>2,656,357</u>	-	(294,532)	<u>2,361,825</u>	-
Bonds Payable, Gross	109,851,357		(5,979,532)	103,871,825	5,695,000
Lease Purchase Payable	8,235,529		(1,006,529)	7,229,000	220,000
Claims and Judgments	1,100,834		(579,840)	520,994	-
Compensated Absences	1,766,426	\$ 201,798	(41,550)	1,926,674	100,000
Net Pension Liability	<u>47,624,216</u>	<u>14,597,986</u>	<u>(1,812,043)</u>	<u>60,410,159</u>	-
Governmental Activities Long-Term Liabilities	<u>\$ 168,578,362</u>	<u>\$ 14,799,784</u>	<u>\$ (9,419,494)</u>	<u>\$ 173,958,652</u>	<u>\$ 6,015,000</u>
Business-Type Activities:					
Net Pension Liability	<u>\$ 3,430,593</u>	<u>\$ 835,710</u>	<u>\$ (124,244)</u>	<u>\$ 4,142,059</u>	-
Business-Type Activity Long-Term Liabilities	<u>\$ 3,430,593</u>	<u>\$ 835,710</u>	<u>\$ (124,244)</u>	<u>\$ 4,142,059</u>	-

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

NOTE 5 OTHER INFORMATION

A. Risk Management

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

The District has established a worker's compensation plan for its employees. Transactions related to the plan are accounted for in the General Fund. The District funds the entire cost of the plan. Claims are paid directly by the plan up to a maximum of \$700,000 for any one accident or occurrence, with any excess benefit being reimbursed through a Re-Insurance Agreement with Safety National Casualty Corporation. The reinsurance policy also contains an aggregate loss provision in the amount of \$1,000,000 employer's limits. A contingent liability exists with respect to reinsurance, which would become an actual liability in the event the reinsuring company may not be able to meet their obligations to the District under existing reinsurance agreements.

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

A. Risk Management (Continued)

Estimates of claims payable and of claims incurred, but not reported (IBNR) at June 30, 2017, are reported as claims and judgments payable and accrued liability for insurance claims, respectively. These estimates were determined based on claim information supplied by the claims administrator and actuary. The unpaid claims liability of \$849,637 reported at June 30, 2017 is based on the requirements of the Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the balances of claims liabilities for the workmen’s compensation plan for the fiscal years ended June 30, 2017 and 2016 are as follows:

Governmental Activities:	<u>Fiscal Year Ended</u>	
	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Unpaid Claims, Beginning of Year	\$ 1,428,386	\$ 1,344,700
Incurred Claims	105,839	793,806
Claim Payments	<u>(684,588)</u>	<u>(710,120)</u>
Unpaid Claims, End of Year	<u>\$ 849,637</u>	<u>\$ 1,428,386</u>
General Fund		
Other Current Liabilities	\$ 328,643	\$ 327,552
Governmental Activities		
Noncurrent Liabilities	<u>520,994</u>	<u>1,100,834</u>
	<u>\$ 849,637</u>	<u>\$ 1,428,386</u>

The District is a member of the New Jersey School Board’s Association Insurance Group (NJSBAIG). The Group is a risk sharing public entity pool, established for the purpose of insuring against various types of insurance coverage including property, liability, student activity, and surety bond claims.

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

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

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

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

A. Risk Management (Continued)

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

Fiscal Year Ended <u>June 30,</u>	<u>Contributions/ Interest Earnings</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2017	\$ 128,899	\$ 118,714	\$ 1,257,162
2016	131,571	135,026	1,246,977
2015	113,009	233,996	1,250,432

B. Contingent Liabilities

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

Federal and State Awards – The Board participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Board may be required to reimburse the grantor government. As of June 30, 2017, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Board believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

C. Federal Arbitrage Regulations

The District is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At June 30, 2017, the District has not estimated its arbitrage earnings due to the IRS, if any.

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans

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

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

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

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

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

Other Pension Funds

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

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

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

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

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Basis of Accounting

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

Investment Valuation

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

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

Funding Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the aggregate funded ratio for the State administered TPAF and local PERS retirement systems, is 28 percent with an unfunded actuarial accrued liability of \$108.6 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded TPAF system is 22.33 percent and \$79.0 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS is 40.14 percent and \$29.6 billion, respectively.

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

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

Actuarial Methods and Assumptions

In the July 1, 2015 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (a) an investment rate of return for the retirement systems of 7.65 percent and (b) projected salary increases applied through the year 2026 of 1.65-5.15 percent based on age for the PERS and varying percentages based on experience for TPAF.

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 7.06% for PERS, 7.06% for TPAF and 5.50% for DCRP of the employee's annual compensation.

Annual Pension Costs (APC)

Per the requirements of GASB Statement No. 27 *Accounting for Pensions by State and Local Government Employees*, for the fiscal year ended June 30, 2017 for TPAF, which is a cost sharing plan with special funding situations, the annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the fiscal years ended June 30, 2017, 2016 and 2015 the Board was required to contribute for PERS and DCRP and the State of New Jersey was required to contribute for TPAF, respectively for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) the following amounts:

Fiscal Year Ended June 30,	<u>PERS</u>	On-behalf <u>TPAF</u>	<u>DCRP</u>
2017	\$ 1,936,287	\$ 5,815,963	\$ 18,529
2016	1,955,339	4,126,060	13,826
2015	1,874,537	2,860,571	11,706

In addition for fiscal year 2016/2017 the District contributed \$10,453 for PERS and the State contributed \$16,856 for TPAF for Long Term Disability Insurance Premium (LTDI).

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

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$3,982,211 during the fiscal year ended June 30, 2017 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount has been recognized in the district-wide financial statements (accrual basis) and the governmental fund financial statements (modified accrual basis) as a revenue and expense/expenditure in accordance with GASB No. 24.

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS)

At June 30, 2017, the District reported in the statement of net position (accrual basis) a liability of \$64,552,218 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2016, the District's proportionate share was .21796 percent, which was a decrease of .00948 percent from its proportionate share measured as of June 30, 2015 of .22744 percent.

For the fiscal year ended June 30, 2017, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$5,975,080 for PERS. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to PERS pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 1,200,476	
Changes of Assumptions	13,371,771	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2,461,435	
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	<u>516,807</u>	<u>\$ 1,544,966</u>
Total	<u>\$ 17,550,489</u>	<u>\$ 1,544,966</u>

At June 30, 2017, the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

Fiscal Year Ending <u>June 30,</u>	<u>Total</u>
2018	\$ 3,672,806
2019	3,672,806
2020	4,302,488
2021	3,411,483
2022	945,940
Thereafter	<u>-</u>
	<u>\$ 16,005,523</u>

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The District's 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:

	<u>PERS</u>
Inflation Rate	3.08%
Salary Increases:	
Through 2026	1.65-4.15% Based on Age
Thereafter	2.65-5.15% Based on Age
Investment Rate of Return	7.65%
Mortality Rate Table	RP-2000

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

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US 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 US	5.00%	-0.25%
REIT	5.25%	5.63%

Discount Rate

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

<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2017	June 30, 2016	3.98%

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF)

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

For the fiscal year ended June 30, 2017, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$30,460,465 for TPAF. This amount has been included in the district-wide statement of activities (accrual basis) as a revenue and expense in accordance with GASB No. 24.

At June 30, 2017 the State's proportionate share of the net pension liability attributable to the District is \$405,403,933. The nonemployer allocation percentages are based on the ratio of the State's contributions made as an employer and nonemployer towards the actuarially determined contribution amount adjusted by locations who participated in the State early retirement incentives to total contributions to TPAF during the year ended June 30, 2016. At June 30, 2016, the state's share of the net pension liability attributable to the District was .51535 percent, which was a decrease of .01376 percent from its proportionate share measured as of June 30, 2015 of .52911 percent.

Actuarial Assumptions

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

	<u>TPAF</u>
Inflation Rate	2.50%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.65%

Assumptions for mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational bases based on a 60-year average of Social Security data from 1953 to 2013.

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

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Cash	5.00%	0.39%
US Government Bonds	1.50%	1.28%
US Credit Bonds	13.00%	2.76%
US Mortgages	2.00%	2.38%
US Inflation-Indexed Bonds	1.50%	1.41%
US High Yield Bonds	2.00%	4.70%
US Equity Market	26.00%	5.14%
Foreign-Developed Equity	13.25%	5.91%
Emerging Markets 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	0.50%	2.87%
Hedge Funds - MultiStrategy	5.00%	3.70%
Hedge Funds - Equity Hedge	3.75%	4.72%
Hedge Funds - Distressed	3.75%	3.49%

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Discount Rate

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

<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2017	June 30, 2016	3.22%

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

Period of Projected Benefit Payments for which the Following Rates were Applied:	
Long-Term Expected Rate of Return	Through June 30, 2029
Municipal Bond Rate *	From July 1, 2029 and Thereafter

* The municipal bond return rate used is 2.85% as of the measurement date of June 30, 2016. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Net Pension Liability

The following presents the State's proportionate share of the TPAF net pension liability attributable to the District calculated using the discount rate of 3.22% as well as what the State's proportionate share of the TPAF net pension liability attributable to the District that would be if it were calculated using a discount rate that is 1-percentage-point lower (2.22 percent) or 1-percentage-point higher (4.22 percent) than the current rate:

	1% Decrease (<u>2.22%</u>)	Current Discount Rate (<u>3.22%</u>)	1% Increase (<u>4.22%</u>)
State's Proportionate Share of the TPAF Net Pension Liability Attributable to the District	\$ 484,142,894	\$ 405,403,933	\$ 341,103,410

The sensitivity analysis was based on the State's proportionate share of the net pension liability attributable to the District at June 30, 2016. A sensitivity analysis specific to the State's proportionate share of the net pension liability attributable to the District at June 30, 2016 was not provided by the pension system.

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Pension Plan Fiduciary Net Position

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

E. Post-Retirement Medical Benefits

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

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and TPAF are combined and reported as Pension and Other employee Benefit Trust Funds in the State's Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, and the PRM of the PERS are combined and reported as a Health Benefits Program Fund – State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF-Local are combined and reported as Health Benefits Program Fund –Local Government classified as a cost-sharing multiple-employer plan in the State's CAFR. The post-retirement benefit programs had a total of 584 state and local participating employers and contributing entities for Fiscal Year 2016.

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

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

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

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Basis of Accounting

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

Significant Legislation

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

Investment Valuation

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

Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the State had a \$84.3 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) which is made up to \$25.9 billion for state active and retired members and \$41.6 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

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

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

Actuarial Methods and Assumptions

In the July 1, 2015, OPEB actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included an assumed investment rate of return of 4.50 percent.

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Post-Retirement Medical Benefits Contributions

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively to fund post-retirement medical benefits for those State employees and education employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2016, there were 110,512, retirees receiving post-retirement medical benefits and the State contributed \$1.37 billion on their behalf. The cost of these benefits is funded through contributions by the State and in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

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

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SEHBP. That report may be obtained from the Treasury website at: <http://www.nj.gov/treasury/pensions/pdf/financial/2016divisioncombined.pdf>.

The State sets the contribution rate based on a pay as you go basis and not on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF retirees' post-retirement benefits on behalf of the School District for the fiscal years ended June 30, 2017, 2016 and 2015 were \$4,846,021, \$4,912,997 and \$4,541,157, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey.

F. Tax Abatements

As defined by the Governmental Accounting Standards Board (GASB), a tax abatement is an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. School districts are not authorized by New Jersey statute to enter into tax abatement agreements. However, the county or municipality in which the school district is situated may have entered into tax abatement agreements, and that potential school tax revenue must be disclosed in these financial statements. If the county or municipality entered into tax abatement agreements, those agreements will not directly affect the school district's local tax revenue because N.J.S.A. 54:4-75 and N.J.S.A. 54:4-76 require that amounts so forgiven must effectively be recouped from other taxpayers and remitted to the school district.

For Franklin Township Public Schools, the District's share of abated taxes resulting from the municipality/county having entered into a tax abatement agreement is indeterminate.

BUDGETARY COMPARISON SCHEDULES

REQUIRED SUPPLEMENTARY INFORMATION - PART II

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Original Budget	Adjustments	Final Budget	Actual	Variance Final Budget To Actual
REVENUES					
Local Sources					
Local Property Tax Levy	\$ 129,856,369		\$ 129,856,369	\$ 129,856,369	
Interest			20,000	103,758	\$ 83,758
Interest- Capital Reserve	2,000		2,000	6,167	4,167
Tuition - Other LEAs Within the State	100,000		100,000	7,245	(92,755)
Tuition - Other Sources	96,000		96,000	494,247	398,247
Transportation Fees				4,041	4,041
Rentals				35,142	35,142
Miscellaneous	110,200	-	90,200	676,348	586,148
Total - Local Sources	130,164,569	-	130,164,569	131,183,317	1,018,748
State Sources					
Special Education Aid	5,044,696		5,044,696	5,044,696	-
Equalization Aid	5,500,347		5,500,347	5,500,347	-
Security Aid	1,581,446		1,581,446	1,581,446	-
Transportation Aid	917,058		917,058	917,058	-
PARCC Readiness Aid	80,870		80,870	80,870	-
Per Pupil Growth Aid	80,870		80,870	80,870	-
Professional Learning Community Aid	77,870		77,870	77,870	-
Extraordinary Aid	1,200,000		1,200,000	1,624,255	424,255
Additional Nonpublic Transportation Aid				194,411	194,411
On-Behalf TPAF Pension System Contr. (Non-budgeted) Normal Cost & Accrued Liab.				5,612,605	5,612,605
On-Behalf TPAF Pension System Contr. (Non-budgeted) Non-Contributory Insurance				203,358	203,358
On-Behalf TPAF Pension System Contr. (Non-budgeted) Long Term Disability Insurance				16,856	16,856
On-Behalf TPAF Pension System Contr. (Non-budgeted) Post-Retirement Medical Contributions				4,846,021	4,846,021
Reimbursed TPAF Soc. Sec. Contr. (Non-budgeted)	-	-	-	3,982,211	3,982,211
Total - State Sources	14,483,157	-	14,483,157	29,762,874	15,279,717
Federal Sources					
Medicaid Reimbursement	163,225	-	163,225	192,258	29,033
Semi-ARRA	-	-	-	5,751	5,751
Total-Federal Sources	163,225	-	163,225	198,009	34,784
Total Revenues	144,810,951	-	144,810,951	161,144,200	16,333,249
EXPENDITURES					
CURRENT EXPENDITURES					
Instruction - Regular Programs					
Salaries of Teachers					
Kindergarten	1,632,874	\$ 14,200	1,647,074	1,643,761	3,313
Grades 1-5	11,559,475	(608,800)	10,950,675	10,936,486	14,189
Grades 6-8	6,798,558	241,600	7,040,158	7,040,069	89
Grades 9-12	8,854,206	469,700	9,323,906	9,322,563	1,343
Home Instruction					
Salaries of Teachers	45,000	19,400	64,400	64,374	26
Purchased Professional - Educational Services	45,000	(10,000)	35,000	21,882	13,118
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	21,000	(21,000)	-	-	-
Purchased Professional - Educational Services	1,690,900	(202,488)	1,488,412	1,487,766	646
Purchased Technical Services	239,319	66,000	305,319	296,850	8,469
Other Purchased Services	2,039,576	157,230	2,196,806	2,189,635	7,171
General Supplies	1,118,675	(31,278)	1,087,397	1,064,800	22,597
Textbooks	138,036	22,227	160,263	153,487	6,776
Other Objects	16,933	(2,512)	14,421	10,220	4,201
Total Regular Programs	34,199,552	114,279	34,313,831	34,231,893	81,938
Special Education					
Cognitive-Moderate					
Salaries of Teachers	68,515	(6,000)	62,515	61,338	1,177
Other Salaries of Instruction	32,794	2,600	35,394	35,374	20
Purchased Prof-Ed. Services		47	47	47	-
General Supplies	1,500	1,000	2,500	2,500	-
Total Cognitive-Moderate	102,809	(2,353)	100,456	99,259	1,197

FRANKLIN TOWNSHIP PUBLIC SCHOOLS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Original Budget	Adjustments	Final Budget	Actual	Variance Final Budget To Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Learning and/or Language Disabilities					
Salaries of Teachers	\$ 1,510,204	\$ 344,100	\$ 1,854,304	\$ 1,850,687	\$ 3,617
Other Salaries for Instruction	469,476	17,600	487,076	485,565	1,511
Purchased Professional - Educational Services	95,000	39,000	134,000	132,293	1,707
General Supplies	33,000	(1,000)	32,000	31,952	48
Total Learning and/or Language Disabilities	2,107,680	399,700	2,507,380	2,500,497	6,883
Resource Room/Resource Center					
Salaries of Teachers	5,435,710	(491,700)	4,944,010	4,933,237	10,773
Other Salaries for Instruction	674,018	(50,800)	623,218	616,847	6,371
Purchased Professional - Educational Services	220,000	(17,000)	203,000	201,960	1,040
General Supplies	23,000	500	23,500	23,500	-
Total Resource Room/Resource Center	6,352,728	(559,000)	5,793,728	5,775,544	18,184
Autism					
Salaries of Teachers	353,828	106,500	460,328	448,487	11,841
Other Salaries for Instruction	404,874	135,000	539,874	539,568	306
Purchased Professional - Educational Services	8,000	48,940	56,940	56,849	91
Other Purchased Services	-	150	150	-	150
General Supplies	6,000	2,000	8,000	7,488	512
Total Autism	772,702	292,590	1,065,292	1,052,392	12,900
Preschool Disabilities - Full-Time					
Salaries of Teachers	397,857	227,100	624,957	624,327	630
Other Salaries for Instruction	123,567	36,300	159,867	159,780	87
Purchased Professional - Educational Services	4,000	21,000	25,000	24,786	214
General Supplies	16,000	12,740	28,740	24,501	4,239
Total Preschool Disabilities - Full-Time	541,424	297,140	838,564	833,394	5,170
Home Instruction					
Salaries of Teachers	40,000	-	40,000	39,935	65
Purchased Professional-Educational Services	100,000	(33,000)	67,000	51,912	15,088
Total Home Instruction	140,000	(33,000)	107,000	91,847	15,153
Total Special Education	10,017,343	395,077	10,412,420	10,352,933	59,487
Basic Skills/Remedial - Instruction					
Salaries of Teachers	2,027,515	(157,275)	1,870,240	1,865,049	5,191
Purchased Professional-Educational Services	20,000	54,275	74,275	74,156	119
General Supplies	5,600	171	5,771	5,771	-
Other Objects	720	(171)	549	526	23
Total Basic Skills/Remedial - Instruction	2,053,835	(103,000)	1,950,835	1,945,502	5,333
Bilingual Education - Instruction					
Salaries of Teachers	1,843,868	48,500	1,892,368	1,873,606	18,762
Other Salaries for Instruction	32,794	-	32,794	32,794	-
Purchased Professional - Educational Services	-	66,950	66,950	66,677	273
General Supplies	46,122	(10,000)	36,122	23,849	12,273
Total Bilingual Education - Instruction	1,922,784	105,450	2,028,234	1,996,926	31,308
School Sponsored Co/Extra Curricular Activities					
Salaries	383,192	(50,000)	333,192	309,442	23,750
Purchased Services	14,450	-	14,450	2,702	11,748
Supplies and Materials	20,747	35,022	55,769	55,289	480
Other Objects	55,900	7,991	63,891	57,114	6,777
Total School Sponsored Co/Extra Curricular Activities	474,289	(6,987)	467,302	424,547	42,755

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Original Budget	Adjustments	Final Budget	Actual	Variance Final Budget To Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
School Sponsored Athletics					
Salaries	\$ 756,342	\$ 26,710	\$ 783,052	\$ 782,970	\$ 82
Purchased Services	43,084	(5,681)	37,403	36,563	840
Supplies and Materials	77,245	5,127	82,372	81,160	1,212
Other Objects	130,274	(5,700)	124,574	124,570	4
Total School Sponsored Athletics	1,006,945	20,456	1,027,401	1,025,263	2,138
Alternative Education Programs- Instruction					
Salaries of Teachers	285,000	3,000	288,000	287,761	239
Other Salaries for Instruction	20,000	-	20,000	16,267	3,733
Purchased Professional and Technical Services	4,500	150	4,650	4,650	-
General Supplies	4,776	6,850	11,626	8,783	2,843
Textbooks	1,500	(1,500)	-	-	-
Other Objects	5,500	(5,500)	-	-	-
Total Alternative Education Programs- Instruction	321,276	3,000	324,276	317,461	6,815
Alternative Education Programs- Support Services					
Salaries	83,030	26,100	109,130	109,107	23
Purchased Professional and Technical Services	200	-	200	200	-
Supplies	-	1,000	1,000	220	780
Total Alternative Education Programs- Support Services	83,230	27,100	110,330	109,527	803
Total - Instruction	50,079,254	555,375	50,634,629	50,404,052	230,577
Undistributed Expenditures					
Instruction					
Tuition to Other LEAs Within State-Regular	298,800	(549)	298,251	197,347	100,904
Tuition to Other LEAs Within State-Special	3,028,465	(264,800)	2,763,665	2,633,134	130,531
Tuition to County Vocational School Districts-Reg.	163,000	25,000	188,000	179,675	8,325
Tuition to County Vocational School Districts-Spec.	195,634	(56,000)	139,634	28,200	111,434
Tuition to County Spec. Svcs. Districts & Reg. Day	396,851	(94,000)	302,851	185,754	117,097
Tuition to Private Schools for the Disabled W/in State	7,019,964	(146,000)	6,873,964	6,549,070	324,894
Tuition to Private Schools Disabled and Other LEA's, Spl, O/S	60,854	138,233	199,087	199,068	19
Tuition - State Facilities	72,204	-	72,204	72,204	-
Tuition-Other	955,336	(141,433)	813,903	812,823	1,080
Total Undistributed Expenditures - Instruction	12,191,108	(539,549)	11,651,559	10,857,275	794,284
Attendance and Social Work Services					
Salaries	88,745	-	88,745	80,436	8,309
Total Attendance and Social Work Services	88,745	-	88,745	80,436	8,309
Health Services					
Salaries	1,179,135	53,000	1,232,135	1,227,878	4,257
Purchased Professional and Technical Svcs.	34,115	60,000	94,115	64,205	29,910
Other Purchased Services	900	180	1,080	1,080	-
Supplies and Materials	21,830	6,300	28,130	26,018	2,112
Total Health Services	1,235,980	119,480	1,355,460	1,319,181	36,279
Speech, OT, PT & Related Services					
Salaries	1,156,188	(24,000)	1,132,188	1,131,240	948
Purchased Professional- Educational Services	990,000	441,500	1,431,500	1,336,845	94,655
Supplies and Materials	7,500	4,500	12,000	11,744	256
Total Speech, OT, PT & Related Services	2,153,688	422,000	2,575,688	2,479,829	95,859
Other Support Services- Students Extra Service					
Salaries	715,735	95,500	811,235	810,868	367
Purchased Professional Ed. Services	931,000	(43,290)	887,710	819,029	68,681
Total Other Support Services- Students Extra Service	1,646,735	52,210	1,698,945	1,629,897	69,048

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Original Budget	Adjustments	Final Budget	Actual	Variance Final Budget To Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Guidance					
Salaries of Other Professional Staff	\$ 1,962,836	\$ (22,000)	\$ 1,940,836	\$ 1,904,533	\$ 36,303
Salaries of Secretarial and Clerical Assistants	244,192	18,000	262,192	261,996	196
Purchased Professional and Ed. Svcs.	229,504	(23,605)	205,899	183,673	22,226
Other Purchased Services	5,136	508	5,644	3,230	2,414
Supplies and Materials	45,096	25,630	70,726	62,377	8,349
Other Objects	50,891	(19,475)	31,416	23,882	7,534
Total Guidance	<u>2,537,655</u>	<u>(20,942)</u>	<u>2,516,713</u>	<u>2,439,691</u>	<u>77,022</u>
Child Study Teams					
Salaries of Other Professional Staff	2,785,025	(139,000)	2,646,025	2,642,423	3,602
Salaries of Secretarial and Clerical Assistants	338,118	800	338,918	338,902	16
Other Salaries	9,000	(9,000)	-	-	-
Purchased Professional-Educational Services	100,000	14,500	114,500	104,487	10,013
Other Purchased Professional & Technical Svcs.	22,000	-	22,000	21,864	136
Other Purchased Services	12,196	(12,196)	-	-	-
Residential Costs	67,000	1,000	68,000	18,900	49,100
Miscellaneous Purchased Services	-	12,196	12,196	6,395	5,801
Supplies and Materials	15,900	3,600	19,500	19,199	301
Other Objects	345	50	395	395	-
Total Child Study Teams	<u>3,349,584</u>	<u>(128,050)</u>	<u>3,221,534</u>	<u>3,152,565</u>	<u>68,969</u>
Impvt. of Instruction Services-Other Support Services					
Salaries of Supervisors of Instruction	1,290,636	35,500	1,326,136	1,325,720	416
Salaries of Other Professional Staff	161,703	27,462	189,165	188,926	239
Salaries of Sec. and Clerical Assist.	238,734	29,000	267,734	267,355	379
Other Salaries	60,336	-	60,336	60,335	1
Salaries of Facilitators, Math & Literacy Coaches	1,464,016	-	1,464,016	1,459,647	4,369
Unused Vacation Payment to Terminated/Retired Staff	-	17,180	17,180	17,180	-
Purchased Professional-Educational Services	37,250	(5,000)	32,250	29,350	2,900
Other Purchased Services	20,537	1,528	22,065	14,090	7,975
Supplies and Materials	10,783	(1,163)	9,620	6,083	3,537
Other Objects	3,089	2,225	5,314	4,066	1,248
Total Impvt. of Instruction Svcs./Other Support Svcs.- Instructional Staff	<u>3,287,084</u>	<u>106,732</u>	<u>3,393,816</u>	<u>3,372,752</u>	<u>21,064</u>
Educational Media Services/School Library					
Salaries	609,223	(42,500)	566,723	551,931	14,792
Purchased Professional & Technical Svcs.	500	16,900	17,400	17,219	181
Supplies and Materials	79,522	2,101	81,623	81,244	379
Total Educational Media Services/School Library	<u>689,245</u>	<u>(23,499)</u>	<u>665,746</u>	<u>650,394</u>	<u>15,352</u>
Instructional Staff Training Services					
Salaries Other Professional Staff	62,615	(13,000)	49,615	38,305	11,310
Purchased Professional - Educational Services	133,567	(18,776)	114,791	82,298	32,493
Purchased Professional & Technical Svcs.	-	301	301	301	-
Other Purchased Services	58,367	(9,571)	48,796	25,779	23,017
Supplies and Materials	22,940	412	23,352	19,392	3,960
Total Instructional Staff Training Services	<u>277,489</u>	<u>(40,634)</u>	<u>236,855</u>	<u>166,075</u>	<u>70,780</u>
Support Svcs. General Administration					
Salaries	662,137	-	662,137	657,159	4,978
Legal Services	299,600	99,000	398,600	251,942	146,658
Audit Fees	65,300	(2,000)	63,300	62,885	415
Architectural/Engineering Services	20,000	25,340	45,340	32,692	12,648
Other Purchased Professional Svcs.	59,200	17,930	77,130	76,700	430
Purchased Technical Services	114,350	(3,045)	111,305	109,870	1,435
Communications/Telephone	332,845	14,500	347,345	345,734	1,611
BOE Other Purchased Services	6,353	(5,000)	1,353	953	400
Misc. Purchased Services	427,136	57,370	484,506	483,151	1,355
General Supplies	17,500	(5,000)	12,500	9,581	2,919
BOE In House Training/ Meeting Supplies	5,922	(5,000)	922	240	682
Judgments Against the School District	30,000	84,500	114,500	111,156	3,344
Miscellaneous Expenditures	9,663	965	10,628	8,967	1,661
BOE Membership Dues and Fees	31,760	(4,000)	27,760	26,898	862
Total Support Services General Administration	<u>2,081,766</u>	<u>275,560</u>	<u>2,357,326</u>	<u>2,177,928</u>	<u>179,398</u>

FRANKLIN TOWNSHIP PUBLIC SCHOOLS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Original Budget	Adjustments	Final Budget	Actual	Variance Final Budget To Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Support Services School Administration					
Salaries of Principals/Asst. Principals	\$ 2,546,913	\$ 33,000	\$ 2,579,913	\$ 2,557,212	\$ 22,701
Salaries of Other Professional Staff	819,063	(40,000)	779,063	762,190	16,873
Salaries of Secretarial and Clerical Assistants	1,606,286	-	1,606,286	1,591,696	14,590
Other Salaries	17,500	10,000	27,500	27,084	416
Unused Vacation Payment to Terminated/Retired Staff		62,813	62,813	23,535	39,278
Purchased Professional and Technical Services	2,000	300	2,300	2,000	300
Other Purchased Services	13,993	4,905	18,898	17,658	1,240
Supplies and Materials	58,165	(2,116)	56,049	55,487	562
Other Objects	21,719	(7,960)	13,759	8,576	5,183
Total Support Services School Adm.	5,085,639	60,942	5,146,581	5,045,438	101,143
Central Services					
Salaries	1,340,151	21,800	1,361,951	1,354,637	7,314
Unused Vacation Payments to Terminated/Retired Staff		26,155	26,155	26,155	-
Purchased Professional Services	5,000	2,000	7,000	7,000	-
Purchased Technical Services	91,321	63,400	154,721	151,487	3,234
Miscellaneous Purchased Services	54,557	(14,500)	40,057	29,379	10,678
Supplies and Materials	35,888	18,500	54,388	51,017	3,371
Miscellaneous Expenditures	54,456	(8,500)	45,956	14,710	31,246
Total Central Services	1,581,373	108,855	1,690,228	1,634,385	55,843
Admin. Info. Technology					
Salaries	777,303	20,500	797,803	797,760	43
Purchased Technical Services	49,335	136,195	185,530	67,276	118,254
Other Purchased Services	116,602	99,425	216,027	80,428	135,599
Supplies and Materials	341,130	(266,486)	74,644	67,012	7,632
Total Admin. Info. Technology	1,284,370	(10,366)	1,274,004	1,012,476	261,528
Required Maintenance for School Facilities					
Cleaning, Repair and Maintenance Services	425,151	95,673	520,824	333,623	187,201
General Supplies	251,723	55,000	306,723	218,542	88,181
Other Objects	20,630	2,231	22,861	19,629	3,232
Total Required Maintenance for School Facilities	697,504	152,904	850,408	571,794	278,614
Custodial Services					
Salaries	4,316,150	3,000	4,319,150	4,314,042	5,108
Salaries of Non-Instructional Aides	437,162	(32,000)	405,162	382,755	22,407
Purchased Professional and Technical Services	8,001	4,240	12,241	12,240	1
Cleaning, Repair and Maintenance Services	328,743	68,030	396,773	275,953	120,820
Other Purchased Property Services	982,000	18,000	1,000,000	992,220	7,780
Insurance	383,314	15,153	398,467	384,032	14,435
General Supplies	198,974	(8,000)	190,974	133,453	57,521
Energy (Natural Gas)	696,073	(13,000)	683,073	428,688	254,385
Energy (Electricity)	1,565,195	(27,653)	1,537,542	1,330,763	206,779
Energy (Oil)	10,000	(200)	9,800	2,944	6,856
Energy (Gasoline)	25,000	-	25,000	12,116	12,884
Other Objects	1,440	3,700	5,140	3,874	1,266
Interest- Energy Savings Impr Prog Bonds	201,575	-	201,575	201,575	-
Principal- Energy Savings Impr Prog Bonds	218,000	-	218,000	218,000	-
Total Custodial Services	9,371,627	31,270	9,402,897	8,692,655	710,242
Care & Upkeep of Grounds					
Salaries	557,278	(15,000)	542,278	538,123	4,155
Cleaning, Repair and Maintenance Services	139,436	-	139,436	108,448	30,988
General Supplies	59,822	20,000	79,822	73,436	6,386
Total Care & Upkeep of Grounds	756,536	5,000	761,536	720,007	41,529
Security					
Salaries	1,969,169	(87,000)	1,882,169	1,817,489	64,680
Purchased Professional and Technical Services	356,328	20,600	376,928	369,596	7,332
Cleaning, Repair and Maintenance Services	79,200	(21,232)	57,968	44,211	13,757
General Supplies	32,540	(3,000)	29,540	28,207	1,333
Total Security	2,437,237	(90,632)	2,346,605	2,259,503	87,102

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Original Budget	Adjustments	Final Budget	Actual	Variance Final Budget To Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Student Transportation Services					
Salaries of Non-Instructional Aides	\$ 150,657	\$ -	\$ 150,657	\$ 150,410	\$ 247
Salaries for Pupil Transportation (Between Home and School) - Regular	201,196	7,000	208,196	207,883	313
Salaries for Pupil Transportation (Between Home and School) - Special Educ.	408,012	83,000	491,012	490,778	234
Management Fee- ESC & CTSA Trans. Program	160,149	-	160,149	145,726	14,423
Other Purchased Prof. and Technical Serv.	998,614	(316,760)	681,854	647,635	34,219
Cleaning Repair and Maintenance Svcs.	220,813	(33,400)	187,413	172,171	15,242
Contracted Services (Between Home and School) - Vendors	6,782,314	(1,008,700)	5,773,614	5,503,973	269,641
Contracted Services (Other Than Between Home and School) - Vendors	424,937	28,958	453,895	444,599	9,296
Contracted (Between Home & School) Joint Agr.	15,912	6,200	22,112	22,100	12
Contracted Services (Special Ed. Students) Vendors	293,750	1,118,756	1,412,506	1,223,219	189,287
Contracted Services (Special Ed. Students) Joint Agr.	-	62,072	62,072	61,819	253
Contracted Services (Reg. Students)-ESCs & CTSA	577,880	180,500	758,380	639,088	119,292
Contracted Services (Spl. Ed. Students)-ESCs & CTSA	2,989,549	(8,572)	2,980,977	2,978,785	2,192
Contracted Service- Aid in Lieu Payments-Nonpub	480,896	(50,000)	430,896	426,122	4,774
Contracted Service- Aid in Lieu Payments-Charter	30,056	-	30,056	23,868	6,188
Misc. Purchased Svcs. - Transportation	72,489	-	72,489	1,072	71,417
General Supplies	9,313	(875)	8,438	3,339	5,099
Other Objects	2,503	700	3,203	1,300	1,903
Total Student Transportation Svcs.	13,819,040	68,879	13,887,919	13,143,887	744,032
Unallocated Benefits- Employee Benefits					
Group Insurance	1,200	5,800	7,000	6,949	51
Social Security Contribution	1,619,000	-	1,619,000	1,355,569	263,431
Other Retirement Contributions-Regular (DCRP)	30,000	-	30,000	18,529	11,471
Other Retirement Contributions- PERS	2,119,934	(97,424)	2,022,510	1,824,555	197,955
Unemployment Compensation	138,219	(19,275)	118,944	-	118,944
Workmen's Compensation	715,810	200,000	915,810	684,588	231,222
Health Benefits	17,287,283	(1,430,455)	15,856,828	15,292,466	564,362
Tuition Reimbursement	110,000	-	110,000	56,201	53,799
Other Employee Benefits	246,840	(164,000)	82,840	63,311	19,529
Unused Vacation Payment to Terminated/Retired Staff	-	151,839	151,839	24,370	127,469
Total Unallocated Benefits- Employee Benefits	22,268,286	(1,353,515)	20,914,771	19,326,538	1,588,233
On-behalf TPAF Pension System Contri. (Non-Budgeted)					
Normal Cost and Accrued Liability				5,612,605	(5,612,605)
On-behalf TPAF Pension System Contri. (Non-Budgeted)					
Non-Contributory Insurance				203,358	(203,358)
On-behalf TPAF Pension System Contri. (Non-Budgeted)					
Long Term Disability Insurance				16,856	(16,856)
On-behalf TPAF Pension System Contri. (Non-Budgeted)					
Post-Retirement Medical Contributions				4,846,021	(4,846,021)
On-behalf Reimbursed TPAF Social Security (Non-budgeted)				3,982,211	(3,982,211)
Total On-Behalf TPAF Contributions	-	-	-	14,661,051	(14,661,051)
Total Undistributed Expenditures	86,840,691	(803,355)	86,037,336	95,393,757	(9,356,421)
Total Current Expenditures	136,919,945	(247,980)	136,671,965	145,797,809	(9,125,844)
CAPITAL OUTLAY					
Equipment					
Grades 9-12	5,456	514	5,970	5,970	
Special Education - Instruction					
Learning and/or Language Disabilities	8,000	(5,750)	2,250	2,250	-
School-Sponsored and Other Instructional Programs		7,200	7,200	7,122	78
Undistributed Expenditures					
Instruction	153,174	725,919	879,093	877,685	1,408
Support Services-students-Regular		3,000	3,000	2,793	207
Required Maintenance		17,593	17,593	17,592	1
Custodial Services	12,427	2,924	15,351	12,427	2,924
Care and Upkeep of Grounds	3,519	138,372	141,891	139,490	2,401
Security	-	4,232	4,232	4,232	-
Total Equipment	182,576	894,004	1,076,580	1,069,561	7,019

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget To Actual</u>
Facilities Acquisition and Construction Services					
Architectural/Engineering Services	30,567	99,300	129,867	34,242	95,625
Construction Services	445,000	(99,300)	345,700	313,407	32,293
Assessment for Debt Service on SDA Funding	166,967	-	166,967	166,967	-
Total Facilities Acquisition and Construction Services	<u>642,534</u>	<u>-</u>	<u>642,534</u>	<u>514,616</u>	<u>127,918</u>
Increase in Capital Reserve	2,000	-	2,000	-	2,000
Total Capital Outlay	<u>827,110</u>	<u>894,004</u>	<u>1,721,114</u>	<u>1,584,177</u>	<u>136,937</u>
TRANSFER OF FUNDS TO CHARTER SCHOOLS					
Transfer of Funds to Charter Schools	\$ 9,043,447	\$ -	\$ 9,043,447	\$ 8,455,075	\$ 588,372
Total Transfer of Funds to Charter Schools	<u>9,043,447</u>	<u>-</u>	<u>9,043,447</u>	<u>8,455,075</u>	<u>588,372</u>
Total Expenditures	<u>146,790,502</u>	<u>646,024</u>	<u>147,436,526</u>	<u>155,837,061</u>	<u>(8,400,535)</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>(1,979,551)</u>	<u>(646,024)</u>	<u>(2,625,575)</u>	<u>5,307,139</u>	<u>7,932,714</u>
OTHER FINANCING SOURCES/(USES)					
Transfer In				599,730	599,730
Transfer to Capital Projects Fund (Capital Reserve)	(1,164,340)	(501,120)	(1,665,460)	(1,665,460)	-
Transfer To Special Revenue Fund	(455,221)	385,633	(69,588)	(69,588)	-
Total Other Financing Sources/(Uses)	<u>(1,619,561)</u>	<u>(115,487)</u>	<u>(1,735,048)</u>	<u>(1,135,318)</u>	<u>599,730</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	<u>(3,599,112)</u>	<u>(761,511)</u>	<u>(4,360,623)</u>	<u>4,171,821</u>	<u>8,532,444</u>
Fund Balances, Beginning of Year	<u>16,233,903</u>	<u>-</u>	<u>16,233,903</u>	<u>16,233,903</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 12,634,791</u>	<u>\$ (761,511)</u>	<u>\$ 11,873,280</u>	<u>\$ 20,405,724</u>	<u>\$ 8,532,444</u>
Recapitulation :					
Nonspendable Fund Balance				\$ 12,200	
Prepaid Item					
Restricted					
Capital Reserve				6,513,813	
Capital Reserve- Designated for Subsequent Year's Expenditures (2017/18 Budget)				4,578,800	
Maintenance Reserve				1,000,000	
Excess Surplus (2018/19 Budget)				1,793,477	
Excess Surplus - Designated for Subsequent Year's Expenditures (2017/18 Budget)				2,777,212	
Assigned					
Purchases on Order				253,335	
Unassigned				<u>3,476,887</u>	
				20,405,724	
Reconciliation to Governmental Funds Statements (GAAP):					
Final 2016/2017 State Aid Payments Not Recognized on GAAP Basis				(1,272,214)	
2016/2017 Extraordinary Aid Not Recognized on a GAAP Basis				<u>(1,624,255)</u>	
Fund Balance (GAAP Basis), End of Year				<u>\$ 17,509,255</u>	

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
BUDGET (NON-GAAP) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Final Budget to Actual</u>
REVENUES					
Intergovernmental					
State	\$ 2,131,336	\$ 54,186	\$ 2,185,522	\$ 1,920,862	\$ (264,660)
Federal	2,756,018	1,015,158	3,771,176	3,444,252	(326,924)
Local Sources					
Miscellaneous	590,500	(122,400)	468,100	460,752	(7,348)
Total Revenues	<u>5,477,854</u>	<u>946,944</u>	<u>6,424,798</u>	<u>5,825,866</u>	<u>(598,932)</u>
EXPENDITURES					
Instruction					
Salaries of Teachers	1,293,261	123,726	1,416,987	1,415,480	1,507
Salaries of Other Professional Staff	509,527	(76,721)	432,806	380,091	52,715
Other Salaries for Instruction	-	816,677	816,677	816,359	318
Other Salaries	-	475,669	475,669	427,260	48,409
Purchased Prof and Technical Services	32,343	(32,043)	300	-	300
Purchased Professional/Educational Services	306,408	(81,401)	225,007	215,894	9,113
Purchased Technical Services	-	70,450	70,450	70,046	404
Other Purchased Services	41,000	(28,826)	12,174	11,274	900
General Supplies	84,773	185,307	270,080	174,357	95,723
Textbooks	71,590	10,200	81,790	80,755	1,035
Other Objects	-	7,485	7,485	556	6,929
Total Instruction	<u>2,338,902</u>	<u>1,470,523</u>	<u>3,809,425</u>	<u>3,592,072</u>	<u>217,353</u>
Support Services					
Salaries of Supervisors of Instruction	110,000	8,000	118,000	118,000	-
Salaries of Program Directors	-	234,725	234,725	234,725	-
Salaries of Other Professional Staff	-	-	-	-	-
Salaries of Secretarial and Clerical Asst.	10,000	123,340	133,340	124,165	9,175
Other Salaries for Instruction	21,800	(12,900)	8,900	8,900	-
Salaries of Noninstructional Aides	-	16,907	16,907	16,907	-
Personal Services-Employee Benefits	440,508	239,635	680,143	508,248	171,895
Purchased Professional/Educational Services	-	765,824	765,824	720,807	45,017
Purchased Professional & Technical Services	-	252,994	252,994	190,424	62,570
Other Purchased Professional- Educational Services	-	4,900	4,900	4,900	-
Contracted Services-Transportation	254,847	20,094	274,941	256,867	18,074
Other Purchased Services	500	79,222	79,722	49,100	30,622
Supplies and Materials	500	111,141	111,641	77,469	34,172
Other Objects	2,756,018	(2,753,094)	2,924	1,770	1,154
Total Support Services	<u>3,594,173</u>	<u>(909,212)</u>	<u>2,684,961</u>	<u>2,303,382</u>	<u>381,579</u>
Facilities Acquisition and Construction					
Instructional Equipment	-	-	-	-	-
Total Facilities Acq. & Construction	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>5,933,075</u>	<u>561,311</u>	<u>6,494,386</u>	<u>5,895,454</u>	<u>598,932</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures	(455,221)	385,633	(69,588)	(69,588)	-
Other Financing Sources					
Transfer In - General Fund	455,221	(385,633)	69,588	69,588	-
Fund Balances, Beginning of Year	-	-	-	-	-
Fund Balances, End of Year	\$ -	\$ -	\$ -	-	-
Reconciliation to Governmental Funds Statements (GAAP):					
Fund Balance (Budgetary Basis), End of Year				\$ -	
Final 2016/2017 State Aid Payments Not Recognized on GAAP Basis				-	
Fund Balance (GAAP Basis), End of Year				<u>\$ -</u>	

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - PART II

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

The accounting records of the Special Revenue Fund 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.

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

	General Fund	Special Revenue Fund
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule (Exhibits C-1 and C-2)	\$ 161,144,200	\$ 5,825,866
State Aid Payments recognized for GAAP purposes not recognized for Budgetary statements (2015/2016 State Aid)	2,702,834	
State Aid Payments recognized for budgetary purposes not recognized for GAAP statements until the subsequent year (2016/2017 State Aid)	<u>(2,896,469)</u>	<u>-</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (Exhibit B-2)	<u>\$ 160,950,565</u>	<u>\$ 5,825,866</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "expenditures" from the budgetary comparison schedule (Exhibits C-1 and C-2)	<u>\$ 155,837,061</u>	<u>\$ 5,895,454</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (Exhibit B-2)	<u>\$ 155,837,061</u>	<u>\$ 5,895,454</u>

REQUIRED SUPPLEMENTARY INFORMATION - PART III

PENSION INFORMATION

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

Public Employees Retirement System

Last Four Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	.21796%	.22744%	.22739%	.22238%
District's Proportionate Share of the Net Pension Liability (Asset)	<u>\$ 64,552,218</u>	<u>\$ 51,054,809</u>	<u>\$ 42,572,869</u>	<u>\$ 42,502,178</u>
District's Covered-Employee Payroll	<u>\$ 15,140,829</u>	<u>\$ 15,066,990</u>	<u>\$ 15,250,010</u>	<u>\$ 15,284,217</u>
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	426%	339%	279%	278%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	40.14%	47.93%	52.08%	48.72%

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

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

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS**

Public Employees Retirement System

Last Four Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 1,936,287	\$ 1,955,339	\$ 1,874,537	\$ 1,675,625
Contributions in Relation to the Contractually Required Contribution	<u>1,936,287</u>	<u>1,955,339</u>	<u>1,874,537</u>	<u>1,675,625</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	<u>\$ 15,140,829</u>	<u>\$ 15,066,990</u>	<u>\$ 15,250,010</u>	<u>\$ 15,284,217</u>
Contributions as a Percentage of Covered-Employee Payroll	13%	13%	12%	11%

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

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

Teachers Pension and Annuity Fund

Last Four Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0%	0%	0%	0%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ -	\$ -	\$ -	\$ -
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	<u>\$ 405,403,933</u>	<u>\$ 334,421,129</u>	<u>\$ 279,830,750</u>	<u>\$ 276,254,711</u>
Total	<u>\$ 405,403,933</u>	<u>\$ 334,421,129</u>	<u>\$ 279,830,750</u>	<u>\$ 276,254,711</u>
District's Covered-Employee Payroll	<u>\$ 53,372,315</u>	<u>\$ 51,907,424</u>	<u>\$ 51,889,123</u>	<u>\$ 51,771,553</u>
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	0%	0%	0%	0%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	22.33%	28.71%	33.64%	33.76%

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

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

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AND SCHEDULE OF DISTRICT CONTRIBUTIONS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Changes in Benefit Terms:

None.

Changes of Assumptions

Assumptions used in calculating the net pension liability and statutorily required employer contribution are presented in Note 5.

SCHOOL LEVEL SCHEDULES

(General Fund)

NOT APPLICABLE

SPECIAL REVENUE FUND

FRANKLIN TOWNSHIP PUBLIC SCHOOLS
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Nonpublic										IDEA Part B-Preschool	Page 2 Totals	Grand Totals	
	Security	Nursing	Textbooks	Suppl.Inst.	Compens. Education	Exam. and Class.	Corrective Speech	Technology	Home Instruction	Transportation				
REVENUES														
Intergovernmental														
State	\$ 70,046	\$ 129,267	\$ 80,755	\$ 22,756	\$ 55,450	\$ 66,441	\$ 22,971	\$ 35,529	\$ 2,129	\$ 10,618		\$ 1,424,900	\$ 1,920,862	
Federal											\$ 70,481	3,373,771	3,444,252	
Local														
Miscellaneous												460,752	460,752	
Total Revenues	\$ 70,046	\$ 129,267	\$ 80,755	\$ 22,756	\$ 55,450	\$ 66,441	\$ 22,971	\$ 35,529	\$ 2,129	\$ 10,618	\$ 70,481	\$ 5,259,423	\$ 5,825,866	
EXPENDITURES														
Instruction														
Salaries of Teachers												53,623	\$ 1,561,857	\$ 1,415,480
Salaries of Other Professional Staff													380,091	380,091
Other Salaries for Instruction													816,359	816,359
Other Salaries													427,260	427,260
Purchased Technical Services	70,046													70,046
Purchased Prof. and Technical Services														
Purchased Prof- Educational Services				\$ 22,756	\$ 55,450	\$ 66,441	\$ 22,971	35,529	\$ 2,129	10,618				215,894
Other Purchased Services													11,274	11,274
General Supplies												1,994	172,363	174,357
Textbooks			\$ 80,755											80,755
Other Objects													556	556
Total Instruction	70,046	-	80,755	22,756	55,450	66,441	22,971	35,529	2,129	10,618	55,617	3,169,760	3,592,072	
Support Services														
Salaries of Supervisors of Instruction													118,000	118,000
Salaries of Program Directors													234,725	234,725
Salaries of Secretarial and Clerical Asst.													124,165	124,165
Other Salaries for Instruction														
Other Salaries														
Salaries of Non-Instructional Aides													16,907	16,907
Personal Services - Employee Benefits												14,864	493,384	508,248
Purchased Prof. and Educational Svcs		\$ 129,267											591,540	720,807
Other Purchased Professional- Educational Services													4,900	4,900
Purchased Prof. and Technical Svcs													190,424	190,424
Contracted Services- Transportation													256,867	256,867
Other Purchased Services													49,100	49,100
Supplies and Materials													77,469	77,469
Other Objects													1,770	1,770
Total Support Services	-	129,267	-	-	-	-	-	-	-	-	14,864	2,159,251	2,303,382	
Total Special Revenue Expenditures	\$ 70,046	\$ 129,267	\$ 80,755	\$ 22,756	\$ 55,450	\$ 66,441	\$ 22,971	\$ 35,529	\$ 2,129	\$ 10,618	\$ 70,481	\$ 5,329,011	\$ 5,895,454	
Excess(Deficiency) of Revenues and Other Financing Sources Over(Under) Expenditures													(69,588)	(69,588)
Other Financing Sources														
Transfer In - General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	69,588	69,588

FRANKLIN TOWNSHIP PUBLIC SCHOOLS
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Donations		NCLB Title I	NCLB Title II.A	NCLB Title III-Immigrant	NCLB Title III	Preschool Education Aid	Page 2 Total
	Local Programs	IDEA Reg.Prog.						
REVENUES								
Intergovernmental								
State							\$ 1,424,900	\$ 1,424,900
Federal		\$ 2,071,787	\$ 876,831	\$ 234,428	\$ 25,729	\$ 164,996		3,373,771
Local								
Miscellaneous	\$ 4,232	-	-	-	-	-	456,520	460,752
Total Revenues	\$ 4,232	\$ 2,071,787	\$ 876,831	\$ 234,428	\$ 25,729	\$ 164,996	\$ 1,881,420	\$ 5,259,423
EXPENDITURES								
Instruction								
Salaries of Teachers	\$ 1,725	\$ 212,212	\$ 207,819				\$ 940,101	\$ 1,361,857
Salaries of Other Professional Staff		-	291,313			\$ 88,778		380,091
Other Salaries for Instruction		427,299					389,060	816,359
Other Salaries		317,470		39,671			70,119	427,260
Purchased Prof. and Technical Services								-
Purchased Prof. and Educational Services								-
Other Purchased Professional Services								-
Other Purchased Services			11,274					11,274
General Supplies	2,107	10,401	138,046		810	6,508	14,491	172,363
Textbooks								-
Other Objects	-	556	-	-	-	-	-	556
Total Instruction	3,832	967,938	648,452	39,671	810	95,285	1,413,771	3,169,760
Support Services								
Salaries of Supervisors of Instruction							118,000	118,000
Salaries of Program Directors		179,725		55,000				234,725
Salaries of Secretarial and Clerical Asst.		124,165						124,165
Other Salaries for Instruction								-
Salaries of Non-Instructional Aides		16,907						16,907
Other Salaries								-
Personal Services - Employee Benefits		175,242	79,892	18,450		6,791	213,009	493,384
Purchased Prof. Educational Svcs	400	560,740				30,400		591,540
Purchased Prof. and Technical Svcs		10,215	82,015	73,275	24,919	-		190,424
Other Purchased Professional-Educational Services							4,900	4,900
Contracted Services- Transportation		34,761	3,999			22,107	196,000	256,867
Other Purchased Services			27,921	12,465		8,146	568	49,100
Supplies and Materials		2,094	34,552	35,567		2,266	2,990	77,469
Other Objects	-	-	-	-	-	-	1,770	1,770
Total Support Services	400	1,103,849	228,379	194,757	24,919	69,710	537,237	2,159,251
Total Special Revenue Expenditures	\$ 4,232	\$ 2,071,787	\$ 876,831	\$ 234,428	\$ 25,729	\$ 164,996	\$ 1,951,008	\$ 5,329,011
Excess(Deficiency) of Revenues and Other Financing Sources Over(Under) Expenditures	-	-	-	-	-	-	(69,588)	(69,588)
Other Financing Sources								
Transfer In - General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 69,588	\$ 69,588

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
SPECIAL REVENUE FUND
SCHEDULE OF PRESCHOOL EDUCATION AID EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<u>DISTRICT-WIDE</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
Instruction			
Salaries of Teachers	\$ 940,136	\$ 940,101	\$ 35
Other Salaries for Instruction	389,356	389,060	296
Other Salaries	70,500	70,119	381
General Supplies	71,783	14,491	57,292
Total Instruction	<u>1,471,775</u>	<u>1,413,771</u>	<u>58,004</u>
Support Services			
Salaries of Supervisor of Instruction	118,000	118,000	-
Salaries of Secretarial and Clerical Asst.	7,000		7,000
Other Salaries	8,900		8,900
Personal Services - Employee Benefits	380,352	213,009	167,343
Other Purchased Professional- Education Services	4,900	4,900	-
Contracted Services- Transportation	196,000	196,000	-
Other Purchased Services	568	568	-
General Supplies	3,422	2,990	432
Other Objects	1,770	1,770	-
Total Support Services	<u>720,912</u>	<u>537,237</u>	<u>183,675</u>
Total Expenditures	<u>\$ 2,192,687</u>	<u>\$ 1,951,008</u>	<u>\$ 241,679</u>

SUMMARY OF LOCATION TOTALS

Total 2016-2017 Preschool Education Aid Allocation	\$ 1,720,995
Add: Budgeted Transfer from General Fund- 2016/2017 Inclusion	69,588
Add: Local Contribution-Tuition	456,520
Actual Preschool Education Carryover (June 30, 2016)	<u>150,408</u>
Total Preschool Education Aid Funds Available for 2016-2017 Budget	2,397,511
Less: 2016-2017 Budgeted Preschool Education Aid (Including Prior Year Budgeted Carryover)	<u>2,192,687</u>
Available & Unbudgeted Preschool Education Aid Funds as of June 30, 2017	204,824
Add: 2016-2017 Unexpended Preschool Education Aid	<u>241,679</u>
2016-2017 Actual Carryover - Preschool Education Aid	<u>\$ 446,503</u>
2016-2017 Preschool Education Aid Carryover Budgeted in 2017-2018	<u>\$ 150,408</u>

CAPITAL PROJECTS FUND

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<u>Issue/Project Title</u>	<u>Modified Appropriations</u>	<u>Adjustment- SDA Grant</u>	<u>Expenditures to Date</u>		<u>Cancelled/ Adjustments</u>	<u>Balance, June 30, 2017</u>
			<u>Prior Years</u>	<u>Current Year</u>		
Hillcrest Roof	\$ 838,080		\$ 511,446	\$ 58,438	\$ 1,462	\$ 266,734
Sampson G. Smith Roof	537,434	\$ 3,418	493,087	330		47,435
Franklin Middle School Roof	4,037,337	(992,248)	2,223,813	42,542	-	778,734
Sampson G. Smith HVAC	200,120		184,889			15,231
Energy Savings Incentive Program	7,735,000		6,902,678	436,123	-	396,199
Various renovations, alterations and improvements to all district schools- 2014 Referendum	86,061,664	(53,792)	5,603,685	24,894,903	95,014	55,414,270
Sampson G. Smith- Girls Locker Room	567,375		18,988	17,505		530,882
Pine Grover Manor Roof	383,000		186,785	161,297	34,918	-
Conerly Road Roof	758,000		398,066	292,090	67,844	
Administration Building Roof	312,000	-	236,647	50,089	-	25,264
Franklin High School- Paving	70,000			17,053		52,947
Franklin Park School- Paving	50,000			7,468		42,532
Franklin High School- Concession Stand	70,000			63,000		7,000
Sampson G. Smith- Kitchen	484,150	-	-	-	-	484,150
	<u>\$ 102,104,160</u>	<u>\$ (1,042,622)</u>	<u>\$ 16,760,084</u>	<u>\$ 26,040,838</u>	<u>\$ 199,238</u>	<u>\$ 58,061,378</u>
				Grants Receivable	\$ 96,476	
				Capital Reserve	102,762	
					<u>\$ 199,238</u>	
Project Balances						\$ 58,061,378
Reserve for Payment of Lease Purchase						1,393
Authorized But Not Issued						(257)
Unrealized SDA Grant						(1,337,953)
Fund Balance- GAAP Basis						<u>\$ 56,724,561</u>
<u>Recapitulation of Fund Balance:</u>						
Restricted						
Capital Projects						\$ 13,589,445
Debt Service						1,393
Committed						
Year- End Encumbrances						<u>43,133,723</u>
Total Fund Balance-Restricted for Capital Projects						<u>\$ 56,724,561</u>

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Revenues and Other Financing Sources**Revenues**

Interest on Lease Purchase Proceeds	\$ 431
Interest on Referendum Proceeds	496,968

Other Financing Sources

Transfer from Capital Reserve	1,665,460
Transfer from Food Service Enterprise Fund	<u>284,150</u>

Total Revenues and Other Financing Sources	<u>2,447,009</u>
--	------------------

Expenditures and Other Financing Uses**Expenditures**

Purchased Professional and Technical Services	2,471,716
Construction Services	23,264,210
Supplies	69,707
Other Objects	235,205
SDA Grants Cancelled	96,476

Other Financing Uses

Transfer to Food Service Enterprise Fund	105,000
Transfer to General Fund- Return of Funds from Cancelled	
Appropriations to Capital Reserve	102,762
Transfer to General Fund-Interest Earnings on Referendum Proceeds	<u>496,968</u>

Total Expenditures and Other Financing Uses	<u>26,842,044</u>
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Excess/(Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(24,395,035)
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Fund Balance - Beginning of Year	<u>82,457,549</u>
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Fund Balance - End of Year	<u>58,062,514</u>
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Reconciliation to GAAP

Unearned Revenue - SDA Grant	<u>(1,337,953)</u>
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Fund Balance- End of Year GAAP Basis	<u>\$ 56,724,561</u>
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Analysis of Fund Balance:

Restricted for Capital Projects	\$ 13,589,445
Restricted for Debt Service	1,393
Committed- Year End Encumbrances	<u>43,133,723</u>

	<u>\$ 56,724,561</u>
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FRANKLIN TOWNSHIP PUBLIC SCHOOLS
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES AND PROJECT STATUS -
BUDGETARY BASIS
HILLCREST ROOF
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
REVENUES AND OTHER FINANCING SOURCES				
State Sources- SDA Grant	\$ 231,172	\$ (1,462)	\$ 229,710	\$ 229,710
Transfer from Capital Reserve	<u>606,908</u>	<u>-</u>	<u>606,908</u>	<u>606,908</u>
 Total Revenues and Other Financing Sources	 <u>606,908</u>	 <u>(1,462)</u>	 <u>836,618</u>	 <u>836,618</u>
 EXPENDITURES AND OTHER FINANCING USES				
Purchased professional and technical services	45,209	330	45,539	358,533
Construction Services	<u>466,237</u>	<u>58,108</u>	<u>524,345</u>	<u>478,085</u>
 Total Expenditures and other Financing Uses	 <u>511,446</u>	 <u>58,438</u>	 <u>569,884</u>	 <u>836,618</u>
 Excess (deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	 <u>\$ 95,462</u>	 <u>\$ (59,900)</u>	 <u>\$ 266,734</u>	 <u>\$ -</u>

Additional Project Information:

Project Number	1610-100-13-4002
Grant Number	G5-5797
Grant Date	1/6/2014
Bond Issue Date	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 838,080
Revised Authorized Cost	\$ 836,618

Percentage Completion	68%
Original Target Completion Date	2015/2016
Revised Target Completion Date	2017/2018

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES AND PROJECT STATUS -
BUDGETARY BASIS
SAMPSON G. SMITH ROOF
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
REVENUES AND OTHER FINANCING SOURCES				
State Sources- SDA Grant	\$ 198,335		\$ 198,335	\$ 198,335
Transfer from Capital Reserve	342,517	-	342,517	440,115
	<u>540,852</u>	<u>-</u>	<u>540,852</u>	<u>638,450</u>
EXPENDITURES AND OTHER FINANCING USES				
Purchased professional and technical services	32,129	\$ 330	32,459	32,459
Construction Services	460,958	-	460,958	605,991
	<u>493,087</u>	<u>330</u>	<u>493,417</u>	<u>638,450</u>
Excess (deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>\$ 47,765</u>	<u>\$ (330)</u>	<u>\$ 47,435</u>	<u>\$ -</u>

Additional Project Information:

Project Number	1610-150-13-4003
Grant Number	G5-6043
Grant Date	1/6/2014
Bond Issue Date	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 537,434
Revised Authorized Cost	\$ 638,450
Percentage Completion	91.8%
Original Target Completion Date	2015/2016
Revised Target Completion Date	2017/2018

FRANKLIN TOWNSHIP PUBLIC SCHOOLS
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES AND PROJECT STATUS -
BUDGETARY BASIS
FRANKLIN MIDDLE SCHOOL ROOF
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
REVENUES AND OTHER FINANCING SOURCES				
State Sources- SDA Grant	\$ 884,729		\$ 884,729	\$ 884,729
Transfer from Capital Reserve	<u>2,160,360</u>	<u>-</u>	<u>2,160,360</u>	<u>2,160,360</u>
 Total Revenues and Other Financing Sources	 <u>3,045,089</u>	 <u>-</u>	 <u>3,045,089</u>	 <u>3,045,089</u>
 EXPENDITURES AND OTHER FINANCING USES				
Purchased professional and technical services	174,313	\$ 42,542	216,855	540,967
Construction Services	<u>2,049,500</u>	<u>-</u>	<u>2,049,500</u>	<u>2,504,122</u>
 Total Expenditures and other Financing Uses	 <u>2,223,813</u>	 <u>42,542</u>	 <u>2,266,355</u>	 <u>3,045,089</u>
 Excess (deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	 <u>\$ 821,276</u>	 <u>\$ (42,542)</u>	 <u>\$ 778,734</u>	 <u>\$ -</u>

Additional Project Information:

Project Number	1610-160-13-5004
Grant Number	G5-6094
Grant Date	1/6/2014
Bond Issue Date	N/A
Bonds Issued	N/A
Lease Purchase Proceeds	N/A
Original Authorized Cost	\$ 4,037,337
Revised Authorized Cost	\$ 3,045,089
 Percentage Completion	 74%
Original Target Completion Date	2015/2016
Revised Target Completion Date	2017/2018

FRANKLIN TOWNSHIP PUBLIC SCHOOLS
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES AND PROJECT STATUS -
BUDGETARY BASIS
SAMPSON G. SMITH HVAC UPGRADE
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
REVENUES AND OTHER FINANCING SOURCES				
Transfer from Capital Reserve	\$ 194,000	\$ 6,120	\$ 200,120	\$ 200,120
Total Revenues and Other Financing Sources	<u>194,000</u>	<u>6,120</u>	<u>200,120</u>	<u>200,120</u>
EXPENDITURES AND OTHER FINANCING USES				
Purchased professional and technical services	-	-	-	-
Construction Services	<u>184,889</u>	<u>-</u>	<u>184,889</u>	<u>200,120</u>
Total Expenditures and other Financing Uses	<u>184,889</u>	<u>-</u>	<u>184,889</u>	<u>200,120</u>
Excess (deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>\$ 9,111</u>	<u>\$ 6,120</u>	<u>\$ 15,231</u>	<u>\$ -</u>

Additional Project Information:

Project Number	N/A
Grant Number	N/A
Grant Date	N/A
Bond Issue Date	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 194,000
Revised Authorized Cost	\$ 200,120

Percentage Completion	92.4%
Original Target Completion Date	2015/2016
Revised Target Completion Date	2016/2017

FRANKLIN TOWNSHIP PUBLIC SCHOOLS
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES AND PROJECT STATUS -
BUDGETARY BASIS
ENERGY SAVINGS INCENTIVE PROGRAM
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Prior</u> <u>Periods</u>	<u>Current</u> <u>Year</u>	<u>Totals</u>	<u>Revised</u> <u>Authorized</u> <u>Cost</u>
REVENUES AND OTHER FINANCING SOURCES				
Lease Purchase Proceeds	\$ 7,535,000		\$ 7,535,000	\$ 7,535,000
Transfer from Capital Reserve	<u>200,000</u>	<u>-</u>	<u>200,000</u>	<u>200,000</u>
 Total Revenues and Other Financing Sources	 <u>7,735,000</u>	 <u>-</u>	 <u>7,735,000</u>	 <u>7,735,000</u>
 EXPENDITURES AND OTHER FINANCING USES				
Purchased professional and technical services	1,432,835	\$ 41,746	1,474,581	1,474,581
Construction Services	<u>5,469,843</u>	<u>394,377</u>	<u>5,864,220</u>	<u>6,260,419</u>
 Total Expenditures and other Financing Uses	 <u>6,902,678</u>	 <u>436,123</u>	 <u>7,338,801</u>	 <u>7,735,000</u>
 Excess (deficiency) of Revenues and Other Financing Sources over (under)				
Expenditures and Other Financing Uses	<u>\$ 832,322</u>	<u>\$ (436,123)</u>	<u>\$ 396,199</u>	<u>\$ -</u>

Additional Project Information:

Project Number	N/A
Grant Date	N/A
Bond Issue Date	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 7,535,000
Revised Authorized Cost	\$ 7,735,000

Percentage Completion	97%
Original Target Completion Date	2015/2016
Revised Target Completion Date	2017/2018

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES AND PROJECT STATUS -
BUDGETARY BASIS**

**VARIOUS RENOVATIONS, ALTERATIONS AND IMPROVEMENTS TO ALL DISTRICT SCHOOLS (REFERENDUM)
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
REVENUES AND OTHER FINANCING SOURCES				
Bond Proceeds	\$ 81,480,000		\$ 81,480,000	\$ 81,480,000
State Sources- SDA Grant	3,363,277	\$ (95,014)	3,268,263	3,268,263
Transfer from Capital Reserve	-	1,164,340	1,164,340	1,164,340
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues and Other Financing Sources	84,843,277	1,069,326	85,912,603	85,912,603
EXPENDITURES AND OTHER FINANCING USES				
Purchased professional and technical services	3,345,502	2,224,209	5,569,711	8,502,100
Construction Services	1,930,409	22,365,782	24,296,191	76,487,589
Supplies	9,493	69,707	79,200	9,493
Other Objects	318,281	235,205	553,486	913,421
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures and other Financing Uses	5,603,685	24,894,903	30,498,588	85,912,603
Excess (deficiency) of Revenues and Other Financing Sources over (under)				
Expenditures and Other Financing Uses	\$ 79,239,592	\$ (23,825,577)	\$ 55,414,015	\$ -

Additional Project Information:

Project Number	Various - See Below
Grant Date	Various - See Below
Bond Issue Date	2/26/2015
Bonds Issued	81,480,000
Original Authorized Cost	\$ 84,897,326
Revised Authorized Cost	\$ 85,912,603
Percentage Completion	35.9%
Original Target Completion Date	2015/2016
Revised Target Completion Date	2017/2018

Analysis of SDA Grants

	<u>DOE Project #</u>	<u>Grant #</u>	<u>Amount</u>
Elizabeth Ave School	1610-070-14-1008	G5-5796	\$ 25,001
Sampson G. Smith School	1610-150-14-1025	G5-6045	182,789
Elizabeth Ave School	1610-070-14-1007	G5-5795	250,000
Pine Grove Manor School	1610-140-14-1017	G5-6356	288,483
Franklin Middle School	1610-160-14-1025	G5-6356	205,000
Sampson G. Smith School	1610-150-14-1022	G5-6355	451,804
Conerly Road School	1610-055-14-1006	G5-6350	470,290
MacAfee School	1610-115-14-1016	G5-6353	287,259
Hillcrest School	1610-100-14-1011	G5-6352	530,761
Sampson G. Smith School	1610-150-14-1021	G5-6044	218,708
Franklin Park School	1610-080-14-1010	G5-6351	37,848
Hillcrest School	1610-100-14-1013	G5-5798	320,320
			<hr/>
			\$ 3,268,263

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES AND PROJECT STATUS -
BUDGETARY BASIS
SAMPSON G. SMITH- GIRLS LOCKER ROOM
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
REVENUES AND OTHER FINANCING SOURCES				
Transfer from Capital Reserve	\$ 567,375	-	\$ 567,375	\$ 567,375
Total Revenues and Other Financing Sources	<u>567,375</u>	<u>-</u>	<u>567,375</u>	<u>567,375</u>
EXPENDITURES AND OTHER FINANCING USES				
Purchased professional and technical services	18,988	\$ (12,195)	6,793	49,875
Construction Services	<u>-</u>	<u>29,700</u>	<u>29,700</u>	<u>517,500</u>
Total Expenditures and other Financing Uses	<u>18,988</u>	<u>17,505</u>	<u>36,493</u>	<u>567,375</u>
Excess (deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>\$ 548,387</u>	<u>\$ (17,505)</u>	<u>\$ 530,882</u>	<u>\$ -</u>

Additional Project Information:

Project Number	N/A
Grant Number	N/A
Grant Date	N/A
Bond Issue Date	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 567,375
Revised Authorized Cost	\$ 567,375

Percentage Completion	6%
Original Target Completion Date	2016/17
Revised Target Completion Date	2017/2018

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES AND PROJECT STATUS -
BUDGETARY BASIS
PINE GROVE MANOR ROOF
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
REVENUES AND OTHER FINANCING SOURCES				
Transfer from Capital Reserve	\$ 383,000	\$ (34,918)	\$ 348,082	\$ 348,082
Total Revenues and Other Financing Sources	<u>383,000</u>	<u>(34,918)</u>	<u>348,082</u>	<u>348,082</u>
EXPENDITURES AND OTHER FINANCING USES				
Purchased professional and technical services	4,356	23,258	27,614	27,614
Construction Services	<u>182,429</u>	<u>138,039</u>	<u>320,468</u>	<u>320,468</u>
Total Expenditures and other Financing Uses	<u>186,785</u>	<u>161,297</u>	<u>348,082</u>	<u>348,082</u>
Excess (deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>\$ 196,215</u>	<u>\$ (196,215)</u>	<u>\$ -</u>	<u>\$ -</u>

Additional Project Information:

Project Number	N/A
Grant Number	N/A
Grant Date	N/A
Bond Issue Date	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 383,000
Revised Authorized Cost	\$ 348,082
Percentage Completion	90.9%
Original Target Completion Date	2016/17
Revised Target Completion Date	2016/17

FRANKLIN TOWNSHIP PUBLIC SCHOOLS
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES AND PROJECT STATUS -
BUDGETARY BASIS
CONERLY ROAD ROOF
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Prior</u> <u>Periods</u>	<u>Current</u> <u>Year</u>	<u>Totals</u>	<u>Revised</u> <u>Authorized</u> <u>Cost</u>
REVENUES AND OTHER FINANCING SOURCES				
Transfer from Capital Reserve	\$ 758,000	\$ (67,844)	\$ 690,156	\$ 690,156
 Total Revenues and Other Financing Sources	 <u>758,000</u>	 <u>(67,844)</u>	 <u>690,156</u>	 <u>690,156</u>
EXPENDITURES AND OTHER FINANCING USES				
Purchased professional and technical services	-	45,150	45,150	45,150
Construction Services	<u>398,066</u>	<u>246,940</u>	<u>645,006</u>	<u>645,006</u>
 Total Expenditures and other Financing Uses	 <u>398,066</u>	 <u>292,090</u>	 <u>690,156</u>	 <u>690,156</u>
Excess (deficiency) of Revenues and Other Financing Sources over (under)				
Expenditures and Other Financing Uses	<u>\$ 359,934</u>	<u>\$ (359,934)</u>	<u>\$ -</u>	<u>\$ -</u>

Additional Project Information:

Project Number	N/A
Grant Number	N/A
Grant Date	N/A
Bond Issue Date	N/A
Bonds Issued	N/A
Lease Purchase Proceeds	N/A
Original Authorized Cost	\$ 758,000
Revised Authorized Cost	\$ 690,156
 Percentage Completion	 100%
Original Target Completion Date	2016/17
Revised Target Completion Date	2016/17

FRANKLIN TOWNSHIP PUBLIC SCHOOLS
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES AND PROJECT STATUS -
BUDGETARY BASIS
ADMINISTRATIVE BUILDING ROOF
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
REVENUES AND OTHER FINANCING SOURCES				
Transfer from Capital Reserve	\$ 312,000	-	\$ 312,000	\$ 312,000
 Total Revenues and Other Financing Sources	 312,000	 -	 312,000	 312,000
EXPENDITURES AND OTHER FINANCING USES				
Purchased professional and technical services	5,000	\$ 18,825	23,825	23,825
Construction Services	231,647	31,264	262,911	288,175
 Total Expenditures and other Financing Uses	 236,647	 50,089	 286,736	 312,000
 Excess (deficiency) of Revenues and Other Financing Sources over (under)				
Expenditures and Other Financing Uses	\$ 75,353	\$ (50,089)	\$ 25,264	\$ -

Additional Project Information:

Project Number	N/A
Grant Number	N/A
Grant Date	N/A
Bond Issue Date	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 312,000
Revised Authorized Cost	\$ 312,000

Percentage Completion	91.9%
Original Target Completion Date	2016/17
Revised Target Completion Date	2017/18

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES AND PROJECT STATUS -
BUDGETARY BASIS
HIGH SCHOOL- PAVING
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
REVENUES AND OTHER FINANCING SOURCES				
Transfer from Capital Reserve	\$ -	\$ 70,000	\$ 70,000	\$ 70,000
Total Revenues and Other Financing Sources	<u>-</u>	<u>70,000</u>	<u>70,000</u>	<u>70,000</u>
EXPENDITURES AND OTHER FINANCING USES				
Purchased professional and technical services	-	17,053	17,053	70,000
Construction Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures and other Financing Uses	<u>-</u>	<u>17,053</u>	<u>17,053</u>	<u>70,000</u>
Excess (deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ 52,947</u>	<u>\$ 52,947</u>	<u>\$ -</u>

Additional Project Information:

Project Number	N/A
Grant Number	N/A
Grant Date	N/A
Bond Issue Date	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 70,000
Revised Authorized Cost	N/A

Percentage Completion	24%
Original Target Completion Date	2017/18
Revised Target Completion Date	N/A

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES AND PROJECT STATUS -
BUDGETARY BASIS
FRANKLIN PARK SCHOOL- PAVING
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
REVENUES AND OTHER FINANCING SOURCES				
Transfer from Capital Reserve	\$ -	\$ 50,000	\$ 50,000	\$ 50,000
 Total Revenues and Other Financing Sources	<u>-</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
 EXPENDITURES AND OTHER FINANCING USES				
Purchased professional and technical services	-	7,468	7,468	50,000
Construction Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total Expenditures and other Financing Uses	<u>-</u>	<u>7,468</u>	<u>7,468</u>	<u>50,000</u>
 Excess (deficiency) of Revenues and Other Financing Sources over (under)				
Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ 42,532</u>	<u>\$ 42,532</u>	<u>\$ -</u>

Additional Project Information:

Project Number	N/A
Grant Number	N/A
Grant Date	N/A
Bond Issue Date	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 50,000
Revised Authorized Cost	N/A
 Percentage Completion	 14.9%
Original Target Completion Date	2017/18
Revised Target Completion Date	N/A

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES AND PROJECT STATUS -
BUDGETARY BASIS
HIGH SCHOOL CONCESSION STAND
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
REVENUES AND OTHER FINANCING SOURCES				
Transfer from Capital Reserve	\$ -	\$ 70,000	\$ 70,000	\$ 70,000
 Total Revenues and Other Financing Sources	 -	 70,000	 70,000	 70,000
EXPENDITURES AND OTHER FINANCING USES				
Purchased professional and technical services	-	63,000	63,000	70,000
Construction Services	-	-	-	-
 Total Expenditures and other Financing Uses	 -	 63,000	 63,000	 70,000
 Excess (deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	 \$ -	 \$ 7,000	 \$ 7,000	 \$ -

Additional Project Information:

Project Number	N/A
Grant Number	N/A
Grant Date	N/A
Bond Issue Date	N/A
Bonds Issued	N/A
Lease Purchase Proceeds	N/A
Original Authorized Cost	\$ 70,000
Revised Authorized Cost	N/A
 Percentage Completion	 90%
Original Target Completion Date	2017/18
Revised Target Completion Date	N/A

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES AND PROJECT STATUS -
BUDGETARY BASIS
SAMPSON G. SMITH-KITCHEN UPGRADES
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
REVENUES AND OTHER FINANCING SOURCES				
Transfer from Capital Reserve		\$ 200,000	\$ 200,000	\$ 200,000
Transfer from Food Service Enterprise Fund	-	284,150	284,150	284,150
Total Revenues and Other Financing Sources	-	484,150	484,150	484,150
EXPENDITURES AND OTHER FINANCING USES				
Purchased professional and technical services	-	-	-	-
Construction Services	-	-	-	484,150
Total Expenditures and other Financing Uses	-	-	-	484,150
Excess (deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	\$ -	\$ 484,150	\$ 484,150	\$ -

Additional Project Information:

Project Number	N/A
Grant Number	N/A
Grant Date	N/A
Bond Issue Date	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 484,150
Revised Authorized Cost	N/A

Percentage Completion	0.0%
Original Target Completion Date	2017/18
Revised Target Completion Date	N/A

ENTERPRISE FUNDS

EXHIBIT G-1

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
ENTERPRISE FUND
COMBINING STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-4

EXHIBIT G-2

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-5

EXHIBIT G-3

**COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-6

FIDUCIARY FUNDS

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
FIDUCIARY FUNDS
COMBINING STATEMENT OF AGENCY ASSETS AND LIABILITIES
AS OF JUNE 30, 2017**

	<u>Student Activity</u>	<u>Payroll</u>	<u>Total Agency Funds</u>
ASSETS			
Cash	\$ 276,004	\$ 3,482,116	\$ 3,758,120
Total Assets	<u>\$ 276,004</u>	<u>\$ 3,482,116</u>	<u>\$ 3,758,120</u>
LIABILITIES			
Accrued Salaries & Wages		\$ 3,426,829	\$ 3,426,829
Payroll Deductions and Withholdings		7,763	7,763
Flexible Spending (Sect. 125) Plan Account		47,524	47,524
Due to Student Groups	<u>\$ 276,004</u>	<u>-</u>	<u>\$ 276,004</u>
Total Liabilities	<u>\$ 276,004</u>	<u>\$ 3,482,116</u>	<u>\$ 3,758,120</u>

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOT APPLICABLE

**STUDENT ACTIVITY AGENCY FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Balance, July 1, <u>2016</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Balance, June 30, <u>2017</u>
ELEMENTARY SCHOOLS				
Franklin Park	\$ 1,549	\$ 6,876	\$ 6,168	\$ 2,257
Sampson G. Smith	47,776	100,796	107,776	40,796
MIDDLE SCHOOL	49,748	98,996	113,442	35,302
HIGH SCHOOL	163,267	393,305	387,874	168,698
ATHLETICS	<u>17,755</u>	<u>86,608</u>	<u>75,412</u>	<u>28,951</u>
Total	<u>\$ 280,095</u>	<u>\$ 686,581</u>	<u>\$ 690,672</u>	<u>\$ 276,004</u>

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
PAYROLL AGENCY FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Balance, July 1, <u>2016</u>	<u>Additions</u>	<u>Deletions</u>	Balance, June 30, <u>2017</u>
Payroll Deductions and Withholdings	\$ 12	\$ 40,647,455	\$ 40,639,704	\$ 7,763
Flexible Spending (Section 125) Plan Account	47,915	186,375	186,766	47,524
Accrued Salaries and Wages	<u>3,298,531</u>	<u>89,788,381</u>	<u>89,660,083</u>	<u>3,426,829</u>
	<u>\$ 3,275,512</u>	<u>\$ 130,622,211</u>	<u>\$ 130,486,553</u>	<u>\$ 3,482,116</u>

LONG-TERM DEBT

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
LONG-TERM DEBT
SCHEDULE OF BONDS PAYABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities</u>		<u>Interest Rate</u>	<u>Balance, July 1, 2016</u>	<u>Decreased</u>	<u>Balance, June 30, 2017</u>
			<u>Date</u>	<u>Amount</u>				
Refunding School Bonds	6/29/2006	\$ 10,000,000				\$ 20,000	\$ 20,000	
Refunding School Bonds	6/25/2009	\$ 24,970,000	8/15/2017	\$ 2,195,000	5.000%	15,970,000	2,140,000	\$ 13,830,000
			8/15/2018	2,240,000	4.250%			
			8/15/2019	2,335,000	5.000%			
			8/15/2020-21	2,340,000	5.000%			
			8/15/2022	1,335,000	5.000%			
			8/15/2022	1,000,000	4.000%			
			8/15/2023	45,000	4.000%			
Refunding School Bonds	5/16/2013	\$ 3,220,000			1,025,000	1,025,000	-	
2015 School Bonds	2/10/2015	\$ 81,480,000	2/1/2018	3,500,000	3.000%	81,480,000	2,500,000	78,980,000
			2/1/2019	3,595,000	3.000%			
			2/1/2020	3,685,000	3.000%			
			2/1/2021	3,775,000	3.000%			
			2/1/2022	3,880,000	3.000%			
			2/1/2023	3,985,000	3.000%			
			2/1/2024	4,105,000	3.000%			
			2/1/2025	4,230,000	3.000%			
			2/1/2026	4,360,000	3.000%			
			2/1/2027	4,500,000	3.000%			
			2/1/2028	4,640,000	3.000%			
			2/1/2029	4,785,000	3.000%			
			2/1/2030	4,940,000	3.000%			
			2/1/2031	5,000,000	3.000%			
			2/1/2032	5,000,000	3.000%			
			2/1/2033	5,000,000	3.125%			
2/1/2034	5,000,000	3.250%						
2/1/2035	5,000,000	4.000%						
Refunding School Bonds	5/26/2016	\$ 8,700,000	8/15/2023	2,160,000	3.000%	8,700,000	-	8,700,000
			8/15/2024	2,220,000	3.000%			
			8/15/2025	2,180,000	4.000%			
			8/15/2026	2,140,000	4.000%			
						<u>\$ 107,195,000</u>	<u>\$ 5,685,000</u>	<u>\$ 101,510,000</u>

Paid by Budget Appropriation \$ 5,685,000

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER LEASE PURCHASE AGREEMENTS
FOR THE FISCAL YEAR JUNE 30, 2017**

<u>Series</u>	<u>Interest Rate</u>	<u>Amount of Original Issue</u>	<u>Balance, July 1, 2016</u>	<u>Retired</u>	<u>Balance, June 30, 2017</u>
Lease Purchase Agreement - Trailers	1.26%	\$ 3,850,000	\$ 788,529	\$ 788,529	
Lease Purchase Agreement - ESIP	2.747%	<u>7,534,000</u>	<u>7,447,000</u>	<u>218,000</u>	<u>\$ 7,229,000</u>
		<u>\$ 11,384,000</u>	<u>\$ 8,235,529</u>	<u>\$ 1,006,529</u>	<u>\$ 7,229,000</u>
			Paid by Budget Appropriation	<u>\$ 1,006,529</u>	

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance-Final Budget to Actual</u>
REVENUES					
Local Sources					
Local Tax Levy	\$ 8,171,550	-	\$ 8,171,550	\$ 8,171,550	-
State Sources					
Debt Service Aid	<u>1,169,776</u>	<u>-</u>	<u>1,169,776</u>	<u>1,169,776</u>	<u>-</u>
Total Revenues	<u>9,341,326</u>	<u>-</u>	<u>9,341,326</u>	<u>9,341,326</u>	<u>-</u>
EXPENDITURES					
Regular Debt Service					
Interest on Bonds	3,668,565	-	3,668,565	3,465,540	\$ 203,025
Redemption of Principal	<u>5,685,000</u>	<u>-</u>	<u>5,685,000</u>	<u>5,685,000</u>	<u>-</u>
Total Expenditures	<u>9,353,565</u>	<u>-</u>	<u>9,353,565</u>	<u>9,150,540</u>	<u>203,025</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>(12,239)</u>	<u>-</u>	<u>(12,239)</u>	<u>190,786</u>	<u>(203,025)</u>
Net Change in Fund Balances	(12,239)	-	(12,239)	190,786	203,025
Fund Balance, Beginning of Year	<u>18,276</u>	<u>-</u>	<u>18,276</u>	<u>18,276</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 6,037</u>	<u>\$ -</u>	<u>\$ 6,037</u>	<u>\$ 209,062</u>	<u>\$ 203,025</u>

Recapitulation of Fund Balance:

Restricted for Debt Service:

Designated for Subsequent Year's Budget (2017/18)	\$ 6,037
Available for Debt Service Expenditures	<u>203,025</u>

Total Fund Balance - Restricted
for Debt Service \$ 209,062

STATISTICAL SECTION

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

Contents

Exhibits

Financial Trends

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

J-1 to J-5

Revenue Capacity

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

J-6 to J-9

Debt Capacity

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

J-10 to J-13

Demographic and Economic Information

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

J-14 and J-15

Operating Information

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

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

FRANKLIN TOWNSHIP PUBLIC SCHOOLS
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities										
Net Investment in Capital Assets	\$ 33,831,771	\$ 35,149,989	\$ 38,398,886	\$ 41,107,004	\$ 43,142,234	\$ 43,659,102	\$ 45,676,154	\$ 41,256,919	\$ 48,328,719	\$ 51,827,177
Restricted	2,200,667	3,152,950	469,197	494,561	2,418,650	2,378,881	4,816,020	14,424,083	12,383,678	18,044,824
Unrestricted	4,289,887	(1,090,978)	(360,174)	(1,300,219)	(531,325)	(489,287)	(40,173,039)	(40,472,737)	(40,364,250)	(43,909,435)
Total Governmental Activities Net Position	\$ 40,322,325	\$ 37,211,961	\$ 38,507,909	\$ 40,301,346	\$ 45,029,559	\$ 45,548,696	\$ 10,319,135	\$ 15,208,265	\$ 20,348,147	\$ 25,962,566
Business-Type Activities										
Investment in Capital Assets	\$ 303,922	\$ 290,405	\$ 290,826	\$ 252,883	\$ 335,719	\$ 369,629	\$ 406,306	\$ 444,798	\$ 418,684	\$ 814,088
Restricted										
Unrestricted	1,025,301	1,040,844	1,002,349	1,020,653	1,012,874	739,631	(1,601,375)	(1,234,507)	(1,061,651)	(1,217,275)
Total Business-Type Activities Net Position	\$ 1,329,223	\$ 1,331,249	\$ 1,293,175	\$ 1,273,536	\$ 1,348,593	\$ 1,109,260	\$ (1,195,069)	\$ (789,709)	\$ (642,967)	\$ (403,187)
District-Wide										
Net Investment in Capital Assets	\$ 34,135,693	\$ 35,440,394	\$ 38,689,712	\$ 41,359,887	\$ 43,477,953	\$ 44,028,731	\$ 46,082,460	\$ 41,701,717	\$ 48,747,403	\$ 52,641,265
Restricted	2,200,667	3,152,950	469,197	494,561	2,418,650	2,378,881	4,816,020	14,424,083	12,383,678	18,044,824
Unrestricted	5,315,188	(50,134)	642,175	(279,566)	481,549	250,344	(41,774,414)	(41,707,244)	(41,425,901)	(45,126,710)
Total District Net Position	\$ 41,651,548	\$ 38,543,210	\$ 39,801,084	\$ 41,574,882	\$ 46,378,152	\$ 46,657,956	\$ 9,124,066	\$ 14,418,556	\$ 19,705,180	\$ 25,559,379

Note 1 - Net position at June 30, 2011 is restated to reflect the implementation of GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position" and GASB Statement No. 65, "Items Previously Reported in Assets and Liabilities".

Note 2 - Net position at June 30, 2014 is restated to reflect the implementation of GASB Statement No. 68, "Accounting and Financial Reporting for Pension".

Source: School District's financial statements

FRANKLIN TOWNSHIP PUBLIC SCHOOLS
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental Activities										
Instruction										
Regular	\$ 51,609,084	\$ 52,491,925	\$ 51,800,496	\$ 51,187,383	\$ 52,508,130	\$ 57,429,491	\$ 56,162,752	\$ 65,459,896	\$ 73,391,280	\$ 78,178,024
Special Education	23,840,057	23,607,825	24,657,000	25,441,211	25,023,891	27,728,427	26,765,570	30,420,992	30,163,329	32,394,349
Vocational- Tuition	200,478	222,850	283,705	313,672	250,761	194,464	200,630	155,650	215,633	207,875
Other Instruction	4,639,464	4,956,848	4,973,648	4,702,223	5,248,842	5,412,521	5,728,808	6,549,875	4,264,395	8,437,515
School Sponsored Activities And Athletics	1,539,266	1,603,049	1,635,318	1,552,538	1,754,456	1,771,383	1,792,310	2,231,855	2,961,270	2,576,267
Support Services:										
Student & Instruction Related Services	14,995,363	16,013,316	17,932,549	19,965,665	19,962,740	19,802,557	18,398,799	18,343,728	21,534,055	23,648,296
School Administrative Services	5,827,957	5,788,752	6,107,929	5,950,228	6,372,457	6,913,611	7,080,686	8,091,290	8,048,181	9,044,353
General Administration	2,196,666	2,780,841	1,994,328	2,201,551	2,279,687	2,735,360	2,547,296	2,268,730	2,519,964	2,602,963
Central Services										
Plant Operations And Maintenance	14,765,579	15,505,186	14,671,738	14,312,598	13,224,205	13,992,340	14,556,907	16,484,904	17,306,672	17,727,151
Administrative Information Technology										
Pupil Transportation	11,425,661	12,284,009	12,727,188	12,834,232	13,034,098	13,875,038	14,071,942	14,119,145	13,746,290	14,113,143
Other Support Services	2,784,542	2,850,416	2,991,567	2,636,473	2,737,984	3,008,990	3,203,842	3,302,460	3,086,455	3,962,167
Special Schools										
Interest On Long-Term Debt	2,429,476	1,970,981	2,020,812	1,991,040	1,857,458	1,631,754	1,449,161	2,387,803	3,910,083	3,765,864
Total Governmental Activities Expenses	136,253,593	140,075,998	141,796,278	143,088,814	144,254,709	154,495,936	151,958,703	169,816,328	181,147,607	196,657,967
Business-Type Activities:										
Food Service	2,622,446	2,364,073	2,552,877	2,666,604	2,791,092	3,235,950	3,197,377	3,415,527	3,903,479	3,679,443
Child Care	1,000,367	1,073,111	1,021,256	958,231	884,280	960,597	827,389	724,928	720,952	789,480
Other Business-Types	84,861	82,599	49,278	-	4,975	-	-	-	-	-
Total Business-Type Activities Expense	3,707,674	3,519,783	3,623,411	3,624,835	3,680,347	4,196,547	4,024,766	4,140,455	4,624,431	4,468,923
Total District Expenses	\$ 139,961,267	\$ 143,595,781	\$ 145,419,689	\$ 146,713,649	\$ 147,935,056	\$ 158,692,483	\$ 155,983,469	\$ 173,956,783	\$ 185,772,038	\$ 201,126,890
Program Revenues										
Governmental Activities:										
Charges For Services:										
Instruction (Tuition)			\$ 73,741	\$ 133,882	\$ 165,595	\$ 197,090	\$ 224,759	\$ 340,224	\$ 492,641	\$ 501,492
Pupil Transportation	\$ 25,336	\$ 6,050	9,476	4,113	4,862	2,210	6,713	10,327	17,680	4,041
Operations and Maintenance							6,967	14,803	27,219	35,142
Central And Other Support Services			33,993	13,911						
Operating Grants And Contributions	26,166,713	20,768,547	24,635,038	19,604,323	21,655,220	24,945,853	23,255,831	37,566,708	43,431,077	55,288,979
Capital Grants And Contributions	-	477,119	-	238,951	-	-	33,008	681,110	1,966,585	833,578
Total Governmental Activities Program Revenues	26,192,049	21,251,716	24,752,248	19,995,180	21,825,677	25,145,153	23,527,278	38,613,172	45,935,202	56,663,232

FRANKLIN TOWNSHIP PUBLIC SCHOOLS
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Business-Type Activities:										
Charges For Services										
Food Service	\$ 1,273,416	\$ 1,276,337	\$ 1,196,709	\$ 1,217,436	\$ 1,209,131	\$ 1,335,967	\$ 1,231,275	\$ 1,345,128	\$ 1,280,300	\$ 1,273,769
Child Care	1,036,865	1,060,079	982,827	891,065	887,099	828,992	779,896	892,225	875,555	931,737
Other Business-Types	76,294	67,941	22,118	-	-	-	-	-	-	-
Operating Grants And Contributions	1,006,345	1,106,970	1,362,697	1,494,268	1,663,011	1,790,184	2,159,203	2,306,793	2,613,245	2,677,555
Capital Grants And Contributions	-	-	16,882	-	-	-	-	-	-	-
Total Business Type Activities Program Revenues	3,392,920	3,511,327	3,581,233	3,602,769	3,759,241	3,955,143	4,170,374	4,544,146	4,769,100	4,883,061
Total District Program Revenues	\$ 29,584,969	\$ 24,763,043	\$ 28,333,481	\$ 23,597,949	\$ 25,584,918	\$ 29,100,296	\$ 27,697,652	\$ 43,157,318	\$ 50,704,302	\$ 61,546,293
Net (Expense)/Revenue										
Governmental Activities	\$(110,061,544)	\$(118,824,282)	\$(117,044,030)	\$(123,093,634)	\$(122,429,032)	\$(129,350,783)	\$(128,431,425)	\$(131,203,156)	\$(135,212,405)	\$(139,994,735)
Business-Type Activities	(314,754)	(8,456)	(42,178)	(22,066)	78,894	(241,404)	145,608	403,691	144,669	414,138
Total District-Wide Net Expense	\$(110,376,298)	\$(118,832,738)	\$(117,086,208)	\$(123,115,700)	\$(122,350,138)	\$(129,592,187)	\$(128,285,817)	\$(130,799,465)	\$(135,067,736)	\$(139,580,597)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes Levied For General Purposes, Net	\$ 100,491,900	\$ 103,710,205	\$ 107,858,613	\$ 113,522,271	\$ 116,566,508	\$ 119,844,543	\$ 122,328,118	\$ 124,774,680	\$ 127,310,166	\$ 129,856,369
Taxes Levied For Debt Service	5,540,618	5,555,972	5,473,040	5,256,152	5,179,875	4,998,351	4,824,932	4,626,751	6,830,644	8,171,550
Federal and State Aid Unrestricted	2,344,227	6,012,350	4,675,225	5,635,918	5,394,973	5,723,451	5,667,033	5,652,255	5,606,723	6,118,413
Investment Earnings	826,863	186,141	147,413	104,097	20,304	17,668	21,682	53,351	277,087	607,324
Miscellaneous Income	141,500	249,250	185,687	368,633	742,648	229,302	410,355	985,249	327,667	676,348
Transfers	-	-	-	-	-	-	-	-	-	179,150
Total Governmental Activities	109,345,108	115,713,918	118,339,978	124,887,071	127,904,308	130,813,315	133,252,120	136,092,286	140,352,287	145,609,154
Business-Type Activities:										
Investment Earnings	38,922	10,482	4,104	2,427	2,246	2,071	1,985	1,669	2,073	4,792
Miscellaneous Income	-	-	-	-	-	-	-	-	-	(179,150)
Transfers	-	-	-	-	-	-	-	-	-	-
Total Business-Type Activities	38,922	10,482	4,104	2,427	2,246	2,071	1,985	1,669	2,073	(174,358)
Total District-Wide	\$ 109,384,030	\$ 115,724,400	\$ 118,344,082	\$ 124,889,498	\$ 127,906,554	\$ 130,815,386	\$ 133,254,105	\$ 136,093,955	\$ 140,354,360	\$ 145,434,796
Change in Net Position										
Governmental Activities	\$ (716,436)	\$ (3,110,364)	\$ 1,295,948	\$ 1,793,437	\$ 5,475,276	\$ 1,462,532	\$ 4,820,695	\$ 4,889,130	\$ 5,139,882	\$ 5,614,419
Business-Type Activities	(275,832)	2,026	(38,074)	(19,639)	81,140	(239,333)	147,593	405,360	146,742	239,780
Total District	\$ (992,268)	\$ (3,108,338)	\$ 1,257,874	\$ 1,773,798	\$ 5,556,416	\$ 1,223,199	\$ 4,968,288	\$ 5,294,490	\$ 5,286,624	\$ 5,854,199

Source: School District's financial statements

FRANKLIN TOWNSHIP PUBLIC SCHOOLS
FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Unaudited)
(modified accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	\$ 6,608,583	\$ 3,733,172	\$ 546,341							
Unreserved	3,593,878	1,797,093	2,260,009							
Nonspendable				\$ 51,745	\$ 47,811	\$ 98,510	\$ 5,500	\$ 35,335	\$ 21,876	\$ 12,200
Restricted				469,450	2,408,526	1,484,755	5,047,571	7,841,547	13,106,296	16,663,302
Committed				95,106						
Assigned				2,178,215	2,055,391	2,200,295	2,036,714	1,189,076	118,255	253,335
Unassigned	-	-	-	(161,953)	537,201	178,520	201,785	277,833	284,642	580,418
Total General Fund	\$ 10,202,461	\$ 5,530,265	\$ 2,806,350	\$ 2,632,563	\$ 5,048,929	\$ 3,962,080	\$ 7,291,570	\$ 9,343,791	\$ 13,531,069	\$ 17,509,255
All Other Governmental Funds										
Reserved	\$ 595,484	\$ 218,637	\$ 1,096,972							
Unreserved	(1,091,062)	(268,312)	(260,118)							
Restricted				\$ 25,111	\$ 10,124	\$ 2,316,066	\$ 678,169	\$ 90,335,118	\$ 80,207,818	\$ 56,933,623
Unassigned	-	-	-	-	(119,872)	(42,798)	(83,684)	(82,338)	-	-
Total All Other Governmental Funds	\$ (495,578)	\$ (49,675)	\$ 836,854	\$ 25,111	\$ (109,748)	\$ 2,273,268	\$ 594,485	\$ 90,252,780	\$ 80,207,818	\$ 56,933,623

Source: School District's financial statements

Beginning with Fiscal Year 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". The Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. This Statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Reclassification of prior year fund balance amounts to comply with Statement No. 54 is not required.

FRANKLIN TOWNSHIP PUBLIC SCHOOLS
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

(Unaudited)

(modified accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Property Tax Levy	\$106,032,518	\$ 109,266,177	\$ 113,331,653	\$ 118,778,423	\$ 121,746,383	\$124,842,894	\$ 127,153,050	\$ 129,401,431	\$ 134,140,810	\$ 138,027,919
Interest Earnings	826,863	186,141	147,413	104,097	20,304	17,668	21,682	53,351	277,087	607,324
Miscellaneous	186,136	278,290	346,113	559,070	941,205	514,069	656,704	1,351,593	881,268	1,677,775
State Sources	25,623,391	24,303,925	24,641,410	20,636,160	24,265,977	27,154,099	25,646,793	27,934,086	30,928,420	33,493,455
Federal Sources	2,868,249	2,931,101	4,625,637	4,804,501	2,756,116	3,429,738	3,301,169	3,768,046	3,766,543	3,642,261
Total Revenue	135,537,157	136,965,634	143,092,226	144,882,251	149,729,985	155,958,468	156,779,398	162,508,507	169,994,128	177,448,734
Expenditures										
Instruction										
Regular Instruction	50,070,926	50,682,415	50,479,575	49,798,775	51,260,986	56,143,236	54,732,571	56,656,766	61,155,988	62,041,442
Special Education Instruction	23,427,431	22,986,773	24,208,814	25,009,408	23,478,244	27,328,262	26,318,104	27,444,933	26,605,432	27,558,120
Vocational Education- Tuition	200,478	222,850	276,847	290,720	250,761	192,500	200,630	155,650	215,633	207,875
Other Instruction	4,454,173	4,724,311	4,780,010	4,722,248	5,267,425	5,416,071	5,710,428	5,615,190	4,264,542	6,538,363
School Sponsored Activities and Athletics	1,540,371	1,598,045	1,633,437	1,552,815	1,759,726	1,771,816	1,787,615	1,780,494	2,305,978	2,020,633
Adult/Continuing Education	188,777	214,703	190,908							
Support Services:										
Student and Inst. Related Services	14,809,948	15,888,318	17,881,242	19,912,229	21,105,381	19,779,023	18,318,408	17,830,765	20,358,885	20,539,951
School Administrative Services	5,720,479	5,660,521	6,053,385	5,858,446	6,321,732	6,857,877	7,000,686	7,306,968	6,968,106	7,244,714
General Administrative	2,197,464	2,666,626	1,909,371	2,114,949	2,251,227	2,594,094	2,486,621	2,197,604	2,429,740	2,420,246
Plant Operations And Maintenance	14,264,885	15,104,864	14,325,775	13,943,526	12,957,922	13,672,081	14,210,136	16,007,608	16,665,237	16,272,328
Pupil Transportation	11,342,666	12,141,341	12,594,331	12,702,501	12,750,025	13,274,603	13,463,141	13,477,190	13,087,024	13,456,970
Other Support Services	2,758,851	2,839,693	2,992,863	2,624,129	2,639,022	2,894,371	3,079,272	3,127,798	2,907,905	3,440,528
Employee Benefits										
Special Schools										
Capital Outlay	759,746	893,809	2,201,438	2,011,559	2,226,152	2,796,427	2,213,056	2,755,435	10,879,891	24,647,177
Debt Service:										
Principal	3,195,000	3,310,000	3,715,000	3,365,000	3,350,000	4,049,267	4,074,459	4,035,028	4,085,717	6,691,529
Interest and Other Charges	2,375,618	2,257,658	1,686,716	1,962,476	1,829,875	1,826,494	1,533,564	1,421,562	4,029,647	3,844,017
Total Expenditures	137,306,813	141,191,927	144,929,712	145,868,781	147,448,478	158,596,122	155,128,691	159,812,991	175,959,725	196,923,893
Excess (Deficiency) of Revenues										
Over (Under) Expenditures	(1,769,656)	(4,226,293)	(1,837,486)	(986,530)	2,281,507	(2,637,654)	1,650,707	2,695,516	(5,965,597)	(19,475,159)
Other Financing Sources (Uses)										
Refunding Bonds Issued		24,970,000				3,220,000	-	-	8,700,000	
Payment to Refunded Bond Escrow Agent		(25,265,000)				(3,258,625)	-	-	(9,851,130)	
Original Issue Premium		2,893,497				122,446	-	-	1,259,043	
Refunding Bond Issuance Costs		(211,126)								
Advance Refunding Escrow capital Leases (non-budgeted)		(2,387,371)								
Bond Proceeds								81,480,000	-	-
Lease Purchase Proceeds						3,850,000	-	7,535,000	-	-
Transfers In	614,089	173,107	2,684,056		536,238	1,344,066	409,041	4,323,252	4,081,918	2,618,928
Transfers Out	(614,089)	(173,107)	(2,684,056)	-	(536,238)	(1,344,066)	(409,041)	(4,323,252)	(4,081,918)	(2,439,778)
Total Other Financing Sources (Uses)	-	-	-	-	-	3,933,821	-	89,015,000	107,913	179,150
Net Change in Fund Balances	\$ (1,769,656)	\$ (4,226,293)	\$ (1,837,486)	\$ (986,530)	\$ 2,281,507	\$ 1,296,167	\$ 1,650,707	\$ 91,710,516	\$ (5,857,684)	\$ (19,296,009)
Debt Service as a Percentage of Noncapital Expenditures	4.08%	3.97%	3.78%	3.70%	3.57%	3.77%	3.67%	3.47%	4.92%	6.12%

* Noncapital expenditures are total expenditures less capital outlay.

Source: School District's financial statements

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
(UNAUDITED)**

<u>Fiscal Year Ended June 30,</u>	<u>Interest on Investments</u>	<u>Miscellaneous</u> *	<u>Total</u>
2008	\$ 825,426	\$ 166,836	\$ 992,262
2009	186,127	255,300	441,427
2010	147,413	302,896	450,309
2011	104,097	520,540	624,637
2012	20,304	902,981	923,285
2013	17,410	428,602	446,012
2014	21,599	410,790	432,389
2015	41,665	1,349,624	1,391,289
2016	44,158	865,207	909,365
2017	109,925	1,217,023	1,326,948

Source: District Records

* Includes tuition and transportation fees

FRANKLIN TOWNSHIP PUBLIC SCHOOLS
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN YEARS
 (Unaudited)

Fiscal Year Ended June 30	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate
2008	\$ 135,587,850	\$ 6,724,718,300	\$ 60,513,300	\$ 2,584,500	\$ 985,424,000	\$ 662,629,900	\$ 275,640,000	\$ 8,847,097,850	\$ 13,237,840	\$ 8,640,599,365	\$ 8,640,599,365	\$ 1.215
2009	184,284,150	6,367,591,200	54,596,700	2,552,600	1,583,502,300	1,011,952,300	395,120,110	9,599,599,360	15,837,185	9,599,599,350	8,981,779,267	1.158
2010	169,438,250	6,132,246,200	53,574,000	2,591,200	1,519,943,600	956,461,000	369,729,000	9,203,983,250	17,107,016	9,221,090,266	8,807,985,422	1.259
2011	145,990,550	6,140,490,060	53,565,500	2,515,100	1,575,946,400	930,753,500	373,499,000	9,222,760,110	13,553,369	9,236,313,479	9,038,656,371	1.947
2012	135,353,750	6,011,415,000	52,982,700	2,531,400	1,512,771,600	870,587,700	380,959,000	8,966,601,150	13,443,173	8,980,044,323	8,716,929,024	1.373
2013	127,484,650	5,921,770,300	52,241,000	2,451,900	1,480,199,000	865,740,400	403,781,000	8,853,668,250	15,113,394	8,868,784,644	8,939,497,440	1.421
2014	129,253,500	5,983,129,300	53,223,300	2,449,300	1,465,301,800	881,516,000	423,310,000	8,938,183,200	12,878,452	8,951,061,702	8,934,609,316	1.434
2015	114,843,950	6,108,979,900	53,503,200	2,436,200	1,458,437,700	876,347,100	430,110,700	9,044,658,750	13,834,966	9,058,493,716	9,086,544,843	1.455
2016	105,991,250	6,264,115,500	53,070,100	2,314,900	1,439,253,800	892,254,300	474,560,700	9,231,560,550	14,642,198	9,246,202,748	9,190,912,559	1.472
2017	99,770,650	6,366,488,100	52,349,100	2,283,000	1,502,516,000	929,682,300	542,940,000	9,496,029,150	14,934,510	9,510,963,660	9,434,853,645	1.465

Source: County Abstract of Ratables

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
PROPERTY TAX RATES
LAST TEN YEARS
(UNAUDITED)**

<u>Calendar Year</u>	<u>Local School</u>	<u>Municipal Tax</u>	<u>County Tax</u>	<u>Total Tax Levy</u>
2017	\$ 140,847,318	\$ 42,795,871	\$ 33,317,992	\$ 216,961,181
2016	136,084,365	42,597,608	32,194,174	210,876,147
2015	131,771,120	41,904,020	31,480,957	205,156,097
2014	128,277,241	40,774,660	30,571,732	199,623,633
2013	125,997,973	39,480,257	29,671,271	195,149,501
2012	123,294,639	38,261,670	29,745,051	191,301,359
2011	120,262,403	34,291,090	26,892,382	181,445,875
2010	116,055,038	34,947,230	28,443,626	179,445,894
2009	111,298,915	33,989,251	28,307,600	173,595,766
2008	107,649,348	33,195,765	27,353,108	168,198,221

Per \$100 Of Assessed Valuation

2017	1.465	0.449	0.348	2.262
2016	1.472	0.46	0.349	2.281
2015	1.455	0.462	0.348	2.265
2014	1.434	0.455	0.342	2.231
2013	1.421	0.445	0.335	2.201
2012	1.373	0.426	0.332	2.131
2011	1.302	0.421	0.323	2.046
2010	1.259	0.378	0.31	1.947
2009	1.158	0.353	0.295	1.810
2008	1.215	0.309	0.375	1.900

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)**

Taxpayer	2017	
	Taxable Assessed Value	% of Total District Net Assessed Value
Morgan Stanley MGT % Frank Torres	\$ 92,780,000	0.98%
Avalonbay Communities, Inc.	70,800,000	0.75%
Segal Realty Company, LLC	63,000,000	0.66%
Levin Properties LP	61,950,000	0.65%
800 Cottontail, LLC % Sentinel Critica	56,389,600	0.59%
SG 2007-FL 14 NJOP Holdings LLC	54,400,000	0.57%
PR KC Somerset Ownerco, LP % Prudential	48,057,500	0.51%
Green Hill Manor Developers LLC	46,600,000	0.49%
La Fonge Associates	46,500,000	0.49%
SHI International Corp.	44,875,000	0.47%
	\$ 585,352,100	6.16%

Taxpayer	2008	
	Taxable Assessed Value	% of Total District Net Assessed Value
I&G Garden State, LLC	\$ 101,151,200	1.184%
Corporate Real Est. Holding %C&W Inc.	45,584,000	0.534%
290 Davidson Avenue	40,599,900	0.475%
Philips Electronics	40,000,000	0.468%
Wood West Realty, LLC	38,400,000	0.450%
First Industrial L.P.	38,105,000	0.446%
Segal Realty Corp.	32,300,000	0.378%
Green Hill Manor Developers LLC	31,779,700	0.372%
Suntrust Bank C/O Cardinal	29,504,400	0.345%
PFH Somerset LLC	28,900,000	0.338%
	\$ 426,324,200	4.99%

Source: Municipal Tax Assessor

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(Unaudited)**

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2008	\$ 106,032,518	\$ 106,032,518	100.00%	-
2009	109,266,177	109,266,177	100.00%	-
2010	113,331,653	113,331,653	100.00%	-
2011	118,778,423	118,778,423	100.00%	-
2012	121,746,383	121,193,063	99.55%	\$ 553,320
2013	124,842,894	124,842,894	100.00%	-
2014	127,153,050	127,153,050	100.00%	-
2015	129,401,431	129,401,431	100.00%	-
2016	134,140,810	134,140,810	100.00%	-
2017	138,027,919	138,027,919	100.00%	-

Source: District financial records

FRANKLIN TOWNSHIP PUBLIC SCHOOLS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year Ended June 30,	<u>Governmental Activities</u>		Total District	Population	Per Capita
	General Obligation Bonds	Capital Leases/Lease Purchase Agreements			
2008	\$ 53,765,000	\$ 16,360	\$ 53,781,360	61,635	\$ 873
2009	50,160,000		50,160,000	62,124	807
2010	46,445,000		46,445,000	62,903	738
2011	43,080,000		43,080,000	62,505	689
2012	39,730,000		39,730,000	63,184	629
2013	36,460,000	3,095,733	39,555,733	63,713	621
2014	33,145,000	2,336,274	35,481,274	65,260	544
2015	111,360,000	9,101,246	120,461,246	65,678	1,834
2016	107,195,000	8,235,529	115,430,529	66,158	1,745
2017	101,510,000	7,229,000	108,739,000	66,311 (E)	1,640

(E) Estimated

Source: District records

FRANKLIN TOWNSHIP PUBLIC SCHOOLS
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year Ended June 30,	General Bonded Debt Outstanding		Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions			
2008	\$ 53,765,000		\$ 53,765,000	0.62%	\$ 872
2009	50,160,000		50,160,000	0.52%	807
2010	46,445,000		46,445,000	0.50%	738
2011	43,080,000		43,080,000	0.47%	689
2012	39,730,000		39,730,000	0.44%	629
2013	36,460,000		36,460,000	0.41%	572
2014	33,145,000		33,145,000	0.37%	508
2015	111,360,000		111,360,000	1.23%	1,696
2016	107,195,000	\$ 18,276	107,176,724	1.16%	1,620
2017	101,510,000	209,062	101,300,938	1.07%	1,528

Source: District records

Notes:

a See Exhibit J-6 for property tax data.

b See Exhibit J-14 for population data.

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2016
(Unaudited)**

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Amount Applicable to Government</u>
Overlapping Debt Apportioned to the Municipality:			
Municipal Debt (1)			
Township of Franklin	\$ 57,649,223	100.00%	\$ 57,649,223
County Debt (2)			
Somerset County	32,399,058		32,399,058
Other (3)			
Franklin Township Sewerage Authority	101,865,254	100.00%	<u>10,186,254</u>
Total Overlapping Debt			<u>100,234,535</u>
Direct Debt- Franklin Township Public Schools (as of June 30, 2017)			<u>108,528,545</u>
Total Direct and Overlapping Debt			<u>\$ 208,763,080</u>

Source:

(1) Township's 2016 Annual Debt Statement

(2) The debt for this entity was apportioned to Township by dividing the municipality's 2016 equalized value by the total 2016 equalized value for Somerset County.

(3) Overlapping debt was computed based upon total debt of the Authority

FRANKLIN TOWNSHIP PUBLIC SCHOOLS
 LEGAL DEBT MARGIN INFORMATION
 LAST TEN FISCAL YEARS

Legal Debt Margin Calculation for Fiscal Year 2017

	Equalized valuation basis	
	2016	\$ 9,220,495,955
	2015	9,012,214,777
	2014	9,030,292,231
		<u>\$ 27,263,002,963</u>
Average equalized valuation of taxable property	\$	9,087,667,654
Debt limit (4 % of average equalization value)		363,506,706 ^a
Total Net Debt Applicable to Limit		<u>101,510,257</u>
Legal debt margin	\$	<u>261,996,449</u>

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt Limit	\$ 268,279,579	\$ 356,883,087	\$ 373,690,715	\$ 380,696,199	\$ 380,821,265	\$ 362,382,359	\$ 362,382,359	\$ 356,377,811	\$ 357,946,605	\$ 363,506,706
Total Net Debt Applicable to Limit	<u>53,765,000</u>	<u>50,160,000</u>	<u>46,445,638</u>	<u>43,080,638</u>	<u>39,730,638</u>	<u>36,460,000</u>	<u>33,145,000</u>	<u>111,360,257</u>	<u>107,195,257</u>	<u>101,510,257</u>
Legal Debt Margin	<u>\$ 214,514,579</u>	<u>\$ 306,723,087</u>	<u>\$ 327,245,077</u>	<u>\$ 337,615,561</u>	<u>\$ 341,090,627</u>	<u>\$ 325,922,359</u>	<u>\$ 329,237,359</u>	<u>\$ 245,017,554</u>	<u>\$ 250,751,348</u>	<u>\$ 261,996,449</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	20.04%	14.06%	12.43%	11.32%	10.43%	10.06%	9.15%	31.25%	29.95%	27.93%

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

^a Limit set by NJSA 18A:24-19 for a K through 12 district; other % limits would be applicable for other district types.

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS
(UNAUDITED)**

<u>Year Ended December 31</u>	<u>Unemployment Rate</u>	<u>Per Capita Income (Somerset County)</u>	<u>Population</u>
2007	3.6%	\$ 67,625	61,635
2008	4.9%	72,113	62,124
2009	8.5%	74,860	62,903
2011	8.5%	70,311	62,505
2012	8.0%	71,473	63,184
2013	8.3%	74,238	63,713
2014	7.3%	78,163	65,260
2015	5.7%	80,167	65,678
2016	4.9%	83,731	66,158
2017	4.6%	86,468	66,311

Source: N.J. Department of Labor, Office of Research and Planning
U. S. Dept. of Commerce, Bureau of Economic Analysis
U. S. Bureau of the Census, Population Division: Census 2000 count
Department of Education

FRANKLIN TOWNSHIP PUBLIC SCHOOLS
 PRINCIPAL EMPLOYERS
 CURRENT YEAR AND TEN YEARS AGO
 (Unaudited)

<u>Employer</u>	<u>2017</u>		<u>2007</u>	
	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>

INFORMATION NOT AVAILABLE

<u>0.00%</u>	<u>0.00%</u>
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FRANKLIN TOWNSHIP PUBLIC SCHOOLS
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(Unaudited)

<u>Function/Program</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Instruction										
Regular	741	772	749	697	463	487	491	497	495	497
Special Education					296	277	279	281	285	286
Other Special Education										
Vocational										
Other Instruction										
Nonpublic School Programs										
Adult/Continuing Education Programs										
Support Services:										
Student and Instruction Related Services	123	117	109	148	151	142	143	144	146	147
General Administration	6	6	6	8	7	7	6	6	6	6
School Administrative Services	57	57	47	50	49	47	46	46	46	47
Other Administrative Services										
Central Services	18	22	18	17	17	18	19	19	19	19
Administrative Information Technology	10	10	10	10	9	11	11	11	11	11
Plant Operations And Maintenance	144	145	130	123	144	148	147	146	146	146
Pupil Transportation	22	28	28	26	22	24	24	22	21	19
Other Support Services			-							
Special Schools										
Food Service										
Child Care	-	-	-	-	-	-	-	-	-	-
Total	<u>1,121</u>	<u>1,157</u>	<u>1,097</u>	<u>1,077</u>	<u>1,158</u>	<u>1,161</u>	<u>1,166</u>	<u>1,172</u>	<u>1,175</u>	<u>1,178</u>

Source: District Personnel Records

FRANKLIN TOWNSHIP PUBLIC SCHOOLS
 OPERATING STATISTICS
 LAST TEN FISCAL YEARS
 (Unaudited)

Fiscal Year	Enrollment ^a	Operating Expenditures ^b	Cost Per Pupil ^c	Percentage Change	Pupil/Teacher Ratio				Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
					Teaching Staff	Elementary	Middle School	Senior High School				
2008	7,966	\$ 130,976,449	\$ 16,442	9.97%	699	10.7:1	8.2:1	11.3:1	7,613	7,195	4.91%	94.51%
2009	7,951	134,730,460	16,945	3.06%	699	11.1:1	7.9:1	11.0:1	7,600	7,205	-0.17%	94.80%
2010	8,120	137,326,558	16,912	-0.19%	725	11.6:1	8.0:1	11.7:1	7,747	7,363	1.93%	95.04%
2011	8,172	138,529,746	16,952	0.23%	747	11.6:1	8.0:1	11.06	7,826	7,453	1.02%	95.23%
2012	8,145	140,042,451	17,194	1.43%	641	12:07:01	9:08:01	12:01	7,767	7,420	-0.75%	95.53%
2013	8,281	149,923,934	18,105	5.30%	644	11.1:1	9.6:1	11.8:1	7,640	7,272	-1.64%	95.18%
2014	8,138	147,307,612	18,101	5.28%	653	12.1:2	10.2:1	12.1:1	7,633	7,276	-1.73%	95.32%
2015	7,782	151,600,966	19,481	13.30%	659	11.7:1	10:01	10.8:1	7,494	7,144	-3.51%	95.33%
2016	7,560	156,964,470	20,762	14.68%	665	11.4:1	9.95:1	10.6:1	7,298	6,966	-4.48%	95.45%
2017	7,819	161,741,170	20,686	14.28%	704	7.6:1	12.2:1	15.2:1	7,203	6,864	-5.63%	95.29%

Sources: District records

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

FRANKLIN TOWNSHIP PUBLIC SCHOOLS
 SCHOOL BUILDING INFORMATION
 LAST TEN FISCAL YEARS
 (Unaudited)

		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
District Building											
Elementary											
Conerly Road School (1966, Add 1998)											
Square Feet		46,495	46,495	46,495	46,495	46,495	46,495	46,495	46,495	46,495	46,495
Capacity (students)		410	410	410	410	410	410	410	410	410	410
Enrollment		485	481	486	502	480	453	448	435	409	427
Elizabeth Ave School (1957, Add 1998, 2004)											
Square Feet	** (4)	48,919	48,919	48,919	48,919	48,919	48,919	48,919	48,919	58,159	58,159
Capacity (students)		513	513	513	513	513	513	513	513	513	513
Enrollment		529	501	489	614	624	624	653	659	617	582
Franklin Park School (1998)											
Square Feet		99,000	99,000	99,000	99,000	99,000	99,000	122,927	122,927	122,927	122,927
Capacity (students)		773	773	773	773	773	773	908	908	908	908
Enrollment (inc. Annex)		996	1,009	1,106	904	877	875	940	890	842	786
Franklin Park Annex (1957)											
Square Feet	** (1)	18,247	18,247	18,247	23,827	23,827	23,827	inc above	inc above	inc above	inc above
Capacity (students)		87	87	87	135	135	135	inc above	inc above	inc above	inc above
Enrollment		91	115	79	138	139	108	-	-	-	-
Hillcrest School (1958)											
Square Feet	** (2)	52,122	52,122	52,122	52,122	52,122	52,122	52,122	52,122	56,742	56,742
Capacity (students)		488	488	488	488	488	488	488	488	488	488
Enrollment		445	476	483	507	465	440	422	392	422	429
MacAfee Road School (1966, Add 2004)											
Square Feet	** (2)	46,449	46,449	46,449	46,449	46,449	46,449	46,449	46,449	51,069	51,069
Capacity (students)		432	432	432	432	432	432	432	432	432	432
Enrollment		411	446	496	489	492	470	447	429	413	396
Pine Grove Manor (1931, Add 2004)											
Square Feet	** (1)	51,212	51,212	51,212	51,212	51,212	51,212	51,212	51,212	53,522	53,522
Capacity (students)		400	400	400	400	400	400	400	400	400	400
Enrollment		404	457	443	453	439	443	414	396	385	388
Sampson G. Smith School (1968)											
Square Feet	** (2)	134,290	134,290	134,290	134,290	134,290	134,290	134,290	134,290	138,910	138,910
Capacity (students)		1,051	1,051	1,051	1,051	1,051	1,051	1,051	1,051	1,051	1,051
Enrollment		1,056	1,044	1,110	1,192	1,164	1,136	1,134	1,086	1,031	1,027

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
(Unaudited)**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<u>District Building</u>										
<u>Middle School (2006) /High School (1960-2005)</u>										
Franklin Middle School (1960)										
Square Feet	228,078	228,078	228,078	228,078	228,078	222,553	222,553	222,553	222,553	222,553
Capacity (students)	1,550	1,550	1,550	1,550	1,550	1,550	1,550	1,550	1,550	1,550
Enrollment	1,038	1,053	1,032	1,044	1,055	1,060	1,092	1,084	1,093	1,042
<u>High School</u>										
Franklin High School (2005)										
Square Feet	343,000	343,000	343,000	343,000	343,000	343,000	343,000	343,000	343,000	343,000
Capacity (students)	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Enrollment	2,036	2,028	2,017	1,977	2,013	2,036	2,100	2,127	2,090	2,116

Number of Schools at June 30, 2017

- Elementary = 7
- Middle School = 1
- Senior High School = 1

Source: District Records

**Facility square footage includes trailers at site

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
LAST TEN FISCAL YEARS**

*School Facilities	Project #	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Franklin Twp. High School	NA	\$ 194,327	\$ 194,060	\$ 152,585	\$ 123,938	\$ 148,185	\$ 148,648	\$ 140,938	\$ 221,911	\$ 136,353	\$ 146,216
Franklin Middle School	NA	133,663	195,241	153,891	145,532	140,082	115,695	119,165	93,287	164,207	73,032
Conerly Road School	NA	21,401	33,403	38,333	18,716	15,145	16,368	8,348	30,656	15,955	10,527
Elizabeth Ave School	NA	54,870	31,145	68,865	17,876	50,624	76,991	35,189	38,394	17,398	40,294
Franklin Park School	NA	55,070	66,782	74,180	58,536	90,434	139,129	67,150	70,518	49,990	88,298
Hillcrest School	NA	29,560	108,773	36,424	33,249	89,175	59,052	23,924	36,633	18,897	39,808
MacAfee Road School	NA	76,044	49,928	51,578	24,842	61,531	75,516	31,004	85,723	21,035	14,700
Pine Grove Manor School	NA	78,383	122,141	87,301	36,268	71,241	33,320	64,253	89,832	35,213	16,420
Sampson G. Smith School	NA	106,611	76,522	140,306	130,338	72,249	143,202	136,736	97,752	44,107	98,946
Total School Facilities		\$ 749,929	\$ 877,995	\$ 803,463	\$ 589,295	\$ 738,666	\$ 807,921	\$ 626,707	\$ 764,706	\$ 503,155	\$ 528,241
Other Facilities											
Administration Building		\$ 16,500	\$ 26,441	\$ 20,551	\$ 15,261	\$ 41,640	\$ 21,824	\$ 19,950	\$ 107,302	\$ 42,930	\$ 12,115
Maintenance Building		21,582	19,266	28,418	34,100	41,740	37,215	54,843	58,019	-	31,169
Transportation Trailer		840	2,751	1,412	1,988	4,064	1,718	3,232	15,309	-	269
Bunker Hill Environmental Center		9,030	2,454	6,033	668	-	-	-	-	-	-
Total Other Facilities		\$ 47,952	\$ 50,912	\$ 56,414	\$ 52,017	\$ 87,444	\$ 60,757	\$ 78,025	\$ 180,630	\$ 42,930	\$ 43,553
Grand Total		\$ 797,881	\$ 928,907	\$ 859,877	\$ 641,312	\$ 826,110	\$ 868,678	\$ 704,732	\$ 945,336	\$ 546,085	\$ 571,794

* School facilities as defined under EFCFA.
(N.J.A.C. 6A:26-1.2 and N.J.A.C. 6:24-1.3)

FRANKLIN TOWNSHIP PUBLIC SCHOOLS
SCHEDULE OF INSURANCE
JUNE 30, 2017
(UNAUDITED)

	<u>Coverage</u>	<u>Deductible</u>
<u>SCHOOL PACKAGE POLICY</u>		
<u>Selective Insurance Company</u>		
Property - Blanket Buildings and Contents NOTE: Contents deductible is \$2500	\$232,459,911	\$5,000
Scheduled Property - Artificial Turf	\$772,536	
Ordinance & Law (Demolition of Undamaged Parts of Building)	inc in Blding limit	
Ordinance & Law (Increased Cost to Repair/Cost to Demolish, Clear Site)	\$10,000,000	
Equipment Breakdown Note: electrical generating equipment is subject to blding ded	follows property limits	follows property ded
Business Income - Blanket		
Extra Expense Only	\$3,000,000	72 hrs
PremierPac Enhancement Endorsement	Included	
Employee Dishonesty	\$100,000	\$2,500
Theft, Disappearance and Destruction		
Loss of Monies and Securities Inside Premises	\$25,000	\$2,500
Loss of Monies and Securities Outside Premises	\$15,000	\$2,500
Money Orders and Counterfeit Paper Currency	\$5,000	\$2,500
Forgery or Alteration	\$100,000	\$2,500
Crisis Response Coverage	\$25,000	
Inland Marine Floater		
Computer - at insured locations, Transit \$1,039,035, Extra Expense \$500,200	\$10,200,080	\$1,000
Musical Instruments	\$952,526	\$1,000
Flood	\$10,000,000	\$25,000
Flood Business Income	\$1,000,000	24 hrs
Earthquake	\$10,000,000	\$25,000
Earthquake Business Income	\$1,000,000	24 hrs
		12 hours deduct.
<u>AUTO POLICY</u>		
<u>NJSIG Insurance</u>		
Comprehensive Automobile Liability	\$21,000,000	
Auto Physical Damage - Comprehensive:		
Coverage (Actual Cash Value)		\$1,000
Auto Physical Damage - Collision:		
Coverage (Actual Cash Value)		\$1,000
Hired Car Physical Damage	\$ 110,000	\$ 1,000
<u>EDUCATOR'S LEGAL LIABILITY - Errors & Omissions</u>		
Educator's Legal including Employment Practices		
Limits of Liability		
	Coverage A	\$21,000,000 each
		policy period
	(Defense Only) Coverage B	\$100,000/claim
	Coverage B Aggregate	\$300,000
		\$ 20,000
		\$ 20,000
		\$ 20,000
<u>FLOOD INSURANCE</u>		
Franklin High School (Building Only/No Contents Coverage)	500,000	5,000

FRANKLIN TOWNSHIP PUBLIC SCHOOLS
SCHEDULE OF INSURANCE
JUNE 30, 2017
(UNAUDITED)

	<u>Coverage</u>	<u>Deductible</u>
<u>BONDS</u>		
Selective Insurance		
Public Official		
Assistant Superintendent for Business/Board Secretary	\$150,000	
James H Strimple		
Selective Insurance		
Public Official		
Treasurer of School Monies	\$575,000	
Kim Esterman		
<u>WORKERS COMPENSATION</u>		
Excess Workers' Compensation		
Self Insured Retention		
Each Accident	\$750,000	
Each Employee for Disease	\$750,000	
Specific Limit Each Accident	Statutory	
Policy Part One, Workers' Compensation	\$1,000,000	
Policy Part Two, Employers Liability		
Specific Limit Each Employee for Disease		
Policy Part One, Workers' Compensation	Statutory	
Policy Part Two, Employers Liability	\$1,000,000	
<u>CYBER RISK</u>		
Third Party Liability Limits		
Media Content Insurance	\$1,000,000	\$25,000
Security & Privacy Liability	\$1,000,000	\$25,000
Regulatory Action	\$1,000,000	\$25,000
First Party Limits		
Crisis Management Event Expenses	\$1,000,000	\$25,000
Security breach Remediation and	\$1,000,000	\$25,000
Notification Expenses	\$1,000,000	\$25,000
Computer Program Data Restoration	\$1,000,000	\$25,000
Computer Fraud	\$1,000,000	\$25,000
Funds Transfer Fraud	\$1,000,000	\$25,000
E-Commerce Extortion	\$1,000,000	\$25,000
Business Interruption	\$250,000	n/a

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
SCHEDULE OF INSURANCE
JUNE 30, 2017
(UNAUDITED)**

	<u>Coverage</u>	<u>Deductible</u>
<u>SCHOOL COMPREHENSIVE GENERAL LIABILITY</u>		
NJSIG		
Commercial General Liability		
Each Occurrence Limit	\$ 21,000,000	
Personal and Advertising Limit	\$ 21,000,000	
Products/Completed Operations Limit	\$ 21,000,000	
Operations Aggregate, General Aggregate Limits	\$ 21,000,000	
Fire Legal Liability - Any one fire	Included	
Medical Payments per Accident	\$ 10,000	
Medical Payments per Person	\$ 5,000	
Excluding Medpay Athletics		
Employee Benefit Program Limit & Aggregate	\$ 21,000,000	\$ 1,000
Sexual Abuse Limit	\$ 17,000,000	
Crisis Solution Coverage		
Judgements, Settlements and Defense:		
Expenses	\$ 1,000,000	
Death or Dismemberment- each person	\$ 250,000	
Disapperance	100,000	
Threat	150,000	
Philadelphia		
Premises Environmental		
Per claim	1,000,000	10,000 or 25,000
Annual aggregate	5,000,000	

SINGLE AUDIT SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-1

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

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

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

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Trustees
Franklin Township Public Schools
Somerset, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Franklin Township Public Schools as of and for the fiscal year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the Franklin Township Public Schools' basic financial statements and have issued our report thereon dated November 6, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Franklin Township Public Schools' 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 Franklin Township Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of the Franklin Township Public Schools' internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2017-002 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Franklin Township Public Schools’ 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 audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey and which are described in the accompanying schedule of findings and questioned costs as items 2017-001 and 2017-002.

We also noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the Franklin Township Public Schools in a separate report entitled, “Auditor’s Management Report on Administrative Findings – Financial, Compliance and Performance” dated November 6, 2017.

Franklin Township Public Schools’ Responses to Findings

The Franklin Township Public Schools’ responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Franklin Township Public Schools’ responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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 Franklin Township Public Schools’ internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Franklin Township Public Schools’ internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature: Lerch, Vinci & Higgins, LLP

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

Handwritten signature: Donna L. Japhet

Donna L. Japhet
Public School Accountant
PSA Number CS02314

Fair Lawn, New Jersey
November 6, 2017



LERCH, VINCI & HIGGINS, LLP

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REGISTERED MUNICIPAL ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Trustees
Franklin Township Public Schools
Somerset, New Jersey

Report on Compliance for Each Major Federal and State Program

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

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the Franklin Township Public Schools' compliance.

Opinion on Each Major Federal and State Program

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the U.S. Uniform Guidance which is described in the accompanying schedule of findings and questioned costs as item 2017-003. Our opinion on each major federal and state program is not modified with respect to these matters.

The Franklin Township Public Schools' response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Franklin Township Public Schools' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Franklin Township Public Schools 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 Franklin Township Public Schools' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the U.S. 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 Public Schools' internal control over compliance.

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the U.S. Uniform Guidance and Schedule of Expenditures of State Financial Assistance Required by New Jersey OMB Circular 15-08

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Franklin Township Public Schools, as of and for the fiscal year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements. We issued our report thereon dated November 6, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards as required by the U.S. Uniform Guidance and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of 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.

LERCH, VINCI & HIGGINS, LLP

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

[Signature]
Donna L. Japhet
Public School Accountant
PSA Number CS02314

Fair Lawn, New Jersey
November 6, 2017

FRANKLIN TOWNSHIP PUBLIC SCHOOLS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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Federal/Grantor/Pass-Through Grant Program Title	Federal CFDA Number	FAIN Number	Grant or State Project Number	Grand Period	Award Amount	Balance, July 1, 2016	Carryover Amount	Cash Received	Budgetary Expenditures	Adjustment-Prior Year Encumbrances	Repayment of prior year Balance	Adjustment Carryover- Receivables	Balance, June 30, 2017			MEMO GAAP Receivable	
													(Accounts Receivable)	Unearned Revenue	Due To Grantor		
U.S. Department of Health & Human Services- Passed through State Dept. of Education																	
<i>General Fund</i>																	
Medical Assistance Program	93.778	1705NJSMAP	N/A	7/1/16-6/30/17	\$ 198,009			\$ 192,258	\$ 192,258								
Medical Assistance Program	93.778	1605NJSMAP	N/A	7/1/15-6/30/16	308,214	\$ (133,672)	-	133,672	-								
ARRA SEMI	93.778	1705NJSMAP	N/A	4/1/09-12/31/09	5,751	-	-	5,751	5,751								
Total U.S. Department of Health and Human Services/General Fund						<u>(133,672)</u>	<u>-</u>	<u>331,681</u>	<u>198,009</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
U.S. Department of Education Passed-through State Dept. of Education																	
NCLB Title I A	84.010A	S010A160030	NCLB1610-17	7/1/16-3/30/17	813,915		\$ 198,356	629,689	876,831			\$ (198,356)	(382,582)	\$ 135,440			(247,142)
NCLB Title I A	84.010A	S010A150030	NCLB 1610-16	7/1/15-6/30/16	790,055	(185,883)	(198,356)	185,883				198,356	-				-
NCLB Title IIA	84.367A	S367A160029	NCLB 1610-16	7/1/16-6/30/17	203,531	(139,591)	104,181	111,898	234,428			(104,181)	(195,814)	73,284			(122,530)
NCLB Title IIA	84.367A	S367A150029	NCLB 1610-15	7/1/15-6/30/16	216,876		(104,181)	139,591				104,181	-				-
NCLB Title III	84.365A	S365A160030	NCLB 1610-17	7/1/16-6/30/17	157,360		44,551	130,889	164,996			(44,551)	(71,022)	36,915			(34,107)
NCLB Title III	84.365A	S365A150030	NCLB 1610-16	7/1/15-6/30/16	134,879	(19,115)	(44,551)	19,115				44,551	-				-
NCLB Title III- Immigrant	84.365A	S365A160030	NCLB 1610-17	7/1/16-6/30/17	25,729			17,423	25,729				(8,306)				(8,306)
I.D.E.A. Part B. Preschool	84.173	H173A150114	PS-0555-17	7/1/16-6/30/17	63,382		7,709	50,599	70,481			(7,709)	(20,492)	610			(19,882)
I.D.E.A. Part B. Preschool	84.173	H173A150114	PS-0555-16	7/1/15-6/30/16	62,800	(16,414)	(7,709)	16,414				7,709	-				-
I.D.E.A. Part B. Preschool	84.173		PS-0555-13	9/1/12-8/31/13	66,600	3,123					\$ 3,123						
I.D.E.A. Part B. Basic Regular	84.027	H027A160100	FT-0555-17	7/1/16-6/30/17	1,929,074		223,278	1,754,222	2,071,787			(223,278)	(398,130)	80,565			(317,565)
I.D.E.A. Part B. Basic Regular	84.027	H027A150100	FT-0555-16	7/1/15-6/30/16	2,037,764	(824,130)	(223,278)	824,130				223,278	-				-
Total Special Education Cluster IDEA						<u>(837,421)</u>	<u>-</u>	<u>2,645,365</u>	<u>2,142,268</u>	<u>-</u>	<u>3,123</u>	<u>-</u>	<u>(418,622)</u>	<u>81,175</u>	<u>-</u>	<u>-</u>	<u>(337,447)</u>
Total U.S. Department of Education/Special Revenue Fund						<u>(1,182,010)</u>	<u>-</u>	<u>3,879,853</u>	<u>3,444,252</u>	<u>-</u>	<u>3,123</u>	<u>-</u>	<u>(1,076,346)</u>	<u>326,814</u>	<u>-</u>	<u>-</u>	<u>(749,532)</u>
U.S. Department of Agriculture Passed-through State Dept. of Ed. Enterprise Fund:																	
National School Lunch Program	10.555		N/A														
Cash Assistance		171NJ304N1099		7/1/16-6/30/17	1,609,971			1,529,967	1,609,971				(80,004)				(80,004)
Cash Assistance		16161NJ304N1099		7/1/15-6/30/16	1,533,982	(110,883)		110,883					-				-
Non-Cash Assistance				7/1/16-6/30/17	288,588			288,588					-	17,101			-
Non-Cash Assistance				7/1/15-6/30/16	320,587		13,755						-				-
School Breakfast Program	10.553	171NJ304N1099	N/A	7/1/16-6/30/17	741,020			699,869	741,020				(41,151)				(41,151)
School Breakfast Program		16161NJ304N1099		7/1/15-6/30/16	715,356	(56,558)		56,558					-				-
Total National School Lunch Program Cluster						<u>(153,686)</u>	<u>-</u>	<u>2,685,865</u>	<u>2,636,233</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(121,155)</u>	<u>17,101</u>	<u>-</u>	<u>-</u>	<u>(121,155)</u>
Total Federal Financial Awards						<u>\$(1,469,368)</u>	<u>\$ -</u>	<u>\$ 6,897,399</u>	<u>\$ 6,278,494</u>	<u>\$ -</u>	<u>\$ 3,123</u>	<u>\$ -</u>	<u>\$(1,197,501)</u>	<u>\$ 343,915</u>	<u>\$ -</u>	<u>\$ (870,687)</u>	

Note: FAIN Numbers are only applicable for current year grant awards.

FRANKLIN TOWNSHIP PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

State Grant/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance, July 1, 2016	Cash Received	Budgetary Expenditures	Adjustment	Refund of Prior Years' Balances	(Accounts Receivable)	Balances, June 30, 2017 Unearned Revenue	MEMO	
											GAAP Accounts Receivable	Cumulative Total Expenditures
State Department of Education												
<i>General Funds:</i>												
Special Education Aid	17-195-034-5120-089	7/1/16-6/30/17	\$ 5,044,696	\$ 4,544,592	\$ 5,044,696				\$ (500,104)		\$ 5,044,696	
Special Education Aid	16-195-034-5120-089	7/1/15-6/30/16	4,979,869	(413,612)							5,500,347	
Equalization Aid	17-495-034-5120-078	7/1/16-6/30/17	5,500,347	(518,670)	5,500,347				(515,292)		5,500,347	
Equalization Aid	16-495-034-5120-078	7/1/15-6/30/16	5,653,674	(548,670)					(148,213)		5,811,446	
Security Aid	17-495-034-5120-084	7/1/16-6/30/17	1,581,446	(156,053)	1,581,446				(7,580)		80,870	
Security Aid	16-495-034-5120-084	7/1/15-6/30/16	1,566,664	(73,290)					(7,580)		80,870	
PARCC Readiness Aid	17-495-034-5120-098	7/1/16-6/30/17	80,870	(8,087)	80,870				(7,580)		80,870	
PARCC Readiness Aid	16-495-034-5120-098	7/1/15-6/30/16	80,870	(8,087)					(7,580)		80,870	
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16-6/30/17	80,870	(8,087)	80,870				(7,580)		80,870	
Per Pupil Growth Aid	16-495-034-5120-097	7/1/15-6/30/16	80,870	(8,087)					(7,580)		80,870	
Professional Learning Community Aid	17-495-034-5120-101	7/1/16-6/30/17	77,870	(7,870)	77,870				(7,298)		77,870	
				(1,134,509)	12,314,341	12,366,099			(1,186,367)		12,366,099	
Total State Aid Public Cluster												
Transportation Aid	17-495-034-5120-014	7/1/16-6/30/17	917,058	831,111	917,058				(85,947)		917,058	
Transportation Aid	16-495-034-5120-014	7/1/15-6/30/16	797,701	(79,770)					(194,411)		194,411	
Additional Nonpublic Transportation Aid	17-495-034-5120-014	7/1/16-6/30/17	194,411	(194,397)	194,411						194,411	
Additional Nonpublic Transportation Aid	16-495-034-5120-014	7/1/15-6/30/16	194,397	(194,397)							194,397	
			(274,167)	1,105,278	1,111,469				(200,358)		1,111,469	
Total Transportation Aid Cluster												
Extraordinary Aid	17-100-037-5120-473	7/1/16-6/30/17	1,624,255		1,624,255				(1,624,255)		1,624,255	
Extraordinary Aid	16-100-037-5120-473	7/1/15-6/30/16	1,488,555	(1,488,555)							1,488,555	
On-behalf TPAF Pension System Center-Normal Cost & Accrued Liab.												
On-behalf TPAF Pension System Center-Non-Contributory Ins.	17-495-034-5094-002	7/1/16-6/30/17	5,612,605	5,612,605	5,612,605						5,612,605	
On-behalf TPAF Pension System Center-Long Term Disability, Ins.	17-495-034-5094-004	7/1/16-6/30/17	203,358	203,358	203,358						203,358	
On-behalf TPAF Pension System Center-Postretirement Medical Contributions	17-495-034-5094-001	7/1/16-6/30/17	16,856	16,856	16,856						16,856	
On-behalf TPAF Pension System Center-Postretirement Medical Contributions	17-495-034-5094-001	7/1/16-6/30/17	4,846,021		4,846,021						4,846,021	
				10,678,840	10,678,840						10,678,840	
Total On-behalf TPAF Contribution Cluster												
Reimbursed TPAF Social Security	17-100-034-5120-083	7/1/16-6/30/17	3,982,211	(1,921,401)	3,982,211				(195,815)		3,982,211	
Reimbursed TPAF Social Security	16-100-034-5120-083	7/1/15-6/30/16	3,884,178		3,884,178						3,884,178	
			(3,089,632)	29,565,811	29,765,874				(3,286,095)		29,765,874	
Total General Fund												
Special Revenue Funds:												
Preschool Education Aid	17-495-034-5120-086	7/1/16-6/30/17	1,720,995	1,548,896	\$ 1,424,900	\$ 150,008			(172,099)	\$ 446,903	1,424,900	
Preschool Education Aid	16-495-034-5120-086	7/1/15-6/30/16	823,578	64,696		(130,488)					80,755	
New Jersey Nonpublic Aid	17-100-034-5120-064	7/1/16-6/30/17	81,790	81,790	80,755					\$ 1,035	80,755	
Textbook Aid (Ch. 194)	17-100-034-5120-064	7/1/16-6/30/17	84,233	1,875	36,894			1,875			35,529	
Technology	17-100-034-5120-075	7/1/16-6/30/17	38,500	2,049	70,046			2,049			70,046	
Technology	16-100-034-5120-075	7/1/15-6/30/16	70,450	2,839				2,839				
Security	17-100-034-5120-067	7/1/16-6/30/17	55,450	16,618	55,450						55,450	
Security	16-100-034-5120-067	7/1/15-6/30/16	10,618	862				862			10,618	
Auxiliary Services (Chap. 192)	17-100-034-5120-067	7/1/16-6/30/17	862	862	66,098			862			66,098	
Compensatory Education	16-100-034-5120-067	7/1/15-6/30/16	862	862				862				
ESL												
Total Nonpublic Auxiliary Services Aid (Chap 192) Cluster												
Handicapped Services (Ch. 193)	16-100-034-5120-066	7/1/16-6/30/17	25,110	25,110	22,756					2,354	22,756	
Supplemental Instruction	16-100-034-5120-066	7/1/15-6/30/16	39,356	21,534	70,951			21,534			66,441	
Examination & Classification	17-100-034-5120-066	7/1/16-6/30/17	70,951	19,941	66,441			19,941			66,441	
Examination & Classification	16-100-034-5120-066	7/1/15-6/30/16	56,929	23,855	22,971			23,855		884	22,971	
Corrective Speech	17-100-034-5120-066	7/1/16-6/30/17	34,457	64,049	112,168			64,049		7,748	112,168	
Corrective Speech	16-100-034-5120-066	7/1/15-6/30/16	132,570	132,570	129,267			10,969		3,303	129,267	
Nursing Services	17-100-034-5120-070	7/1/16-6/30/17	136,980	104	2,129			2,129			2,129	
Nursing Services	16-100-034-5120-070	7/1/15-6/30/16	2,129	(194)								
Home Instruction	17-100-034-5120-067	7/1/16-6/30/17	104	147,235	1,920,862			82,645		446,503	1,920,862	
Home Instruction	16-100-034-5120-067	7/1/15-6/30/16	104	147,235	1,920,862			82,645		446,503	1,920,862	
Total Special Revenue Fund												

FRANKLIN TOWNSHIP PUBLIC SCHOOLS
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

State/Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance, July 1, 2016	Cash Received	Budgetary Expenditures	Adjustment	Refund of Prior Years' Balances	Balance, June 30, 2017			MEMO		
									(Accounts Receivable)	Unearned Revenue	Due To Grantor	GAAP Accounts Receivable	Cumulative Total Expenditures	
State Department of Education														
Capital Projects Fund														
School Development Authority	1610-100-13-4002-G04		\$ 229,710	\$ (19,640)	\$ 44,773	\$ 26,595	\$ 1,462						-	229,710
School Development Authority	1610-150-13-4003-G04		198,335	(41,302)	42,402	1,100							-	198,335
School Development Authority	1610-160-13-5004-G04		884,729	(520,503)	520,503								-	884,729
School Development Authority	1610-055-14-1006-G04		470,290	(157,059)		38,398		(470,290)	274,793			\$ (470,290)	195,497	
School Development Authority	1610-070-14-1007-G04		250,000	(58,802)		8,893		(250,000)	182,505			(250,000)	67,695	
School Development Authority	1610-070-14-1008-G04		25,001	(287)		1,250		(25,001)	23,464			(25,001)	1,557	
School Development Authority	1610-080-14-1025-G04		205,000	(4,144)		13,786		(205,000)	187,070			(205,000)	17,930	
School Development Authority	1610-080-14-1010-G04		37,848	(52,119)			14,271	(37,848)				(37,848)	37,848	
School Development Authority	1610-100-14-1011-G04		530,761	(146,099)		8,749		(530,761)	375,913			(530,761)	154,848	
School Development Authority	1610-115-14-1016-G04		287,259	(23,449)		16,427		(287,259)	247,383			(287,259)	39,876	
School Development Authority	1610-140-14-1017-G04		288,483	(108,932)		179,551		(288,483)				(288,483)	288,483	
School Development Authority	1610-150-14-1021-G04		218,708	(43,741)				(43,741)				(43,741)	218,708	
School Development Authority	1610-150-14-1022-G04		451,804	(35,500)		369,279		(451,804)	47,025			(451,804)	404,779	
School Development Authority	1610-150-14-1029-G04		182,789	(48,986)	146,231	214,546	80,743	(36,558)				(36,558)	182,789	
School Development Authority	1610-100-14-1013-G04		320,320	(268,840)		51,480		(320,320)				(320,320)	320,320	
Total School Development Authority Cluster/ Capital Projects Fund				(1,529,443)	753,909	930,054	96,476	-	(2,947,065)	1,337,953	-	(2,947,065)	3,243,084	
Debt Service Fund														
Debt Service Aid	17-495-064-S120-075	7/1/16-6/30/17	1,169,776	-	1,169,776	1,169,776	-	-	-	-	-	-	-	1,169,776
Total Debt Service Aid				-	1,169,776	1,169,776	-	-	-	-	-	-	-	1,169,776
State Department of Agriculture														
Enterprise Fund														
National School Lunch Program	17-100-034-S120-122	7/1/16-6/30/17	41,322	-	35,658	41,322	-	-	(5,664)			(5,664)	41,322	
National School Lunch Program	16-100-034-S120-122	7/1/15-6/30/16	39,710	(5,326)	5,326	-	-	-	-			-	-	
Total Department of Agriculture/Enterprise Fund				(5,326)	40,984	41,322	-	-	(5,664)	-	-	-	(5,664)	41,322
Total State Financial Assistance Subject to Single Audit Determination				\$ (4,477,166)	\$ 33,672,880	\$ 33,824,888	\$ 96,476	\$ 82,643	\$ (6,413,652)	\$ 1,784,456	\$ 13,855	\$ (3,345,084)	\$ 36,137,918	
State Financial Assistance Not Subject to Single Audit Major Program Determination														
General Fund														
On-Behalf TPAF Pension System Contribution					(5,832,819)	(5,832,819)								(5,832,819)
On-Behalf TPAF Post-Retirement Med. Contrib.					(4,846,021)	(4,846,021)								(4,846,021)
Total State Financial Assistance Subject to Single Audit Major Programs Determination				\$ (4,477,166)	\$ 22,994,040	\$ 23,146,048	\$ 96,476	\$ 82,643	\$ (6,413,652)	\$ 1,784,456	\$ 13,855	\$ (3,345,084)	\$ 25,459,078	

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**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 GENERAL

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

NOTE 2 BASIS OF ACCOUNTING

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

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is a decrease of \$193,635 for the general fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 198,009	\$ 29,569,239	\$ 29,767,248
Special Revenue Fund	3,444,252	1,920,862	5,365,114
Capital Projects Fund		833,578	833,578
Debt Service Fund		1,169,776	1,169,776
Food Service Fund	<u>2,636,233</u>	<u>41,322</u>	<u>2,677,555</u>
Total Awards Financial Assistance	<u>\$ 6,278,494</u>	<u>\$ 33,534,777</u>	<u>\$ 39,813,271</u>

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5 OTHER INFORMATION

Revenues and expenditures reported under the Food Distribution Program as non-cash assistance represent current year value received and current year distributions, respectively. TPAF Social Security contributions in the amount of \$3,982,211 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2017. The amount reported as TPAF Pension System Contributions in the amount of \$5,815,963, TPAF Post-Retirement Medical Benefits Contributions in the amount of \$4,846,021 and TPAF Long-Term Disability Insurance in the amount of \$16,856 represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2017.

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

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

NOTE 7 DE MINIMIS INDIRECT COST RATE

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

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Part I – Summary of Auditor’s Results

Financial Statement Section

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

1) Material weakness(es) identified? yes X no

2) Were significant deficiency(ies) identified that were not considered to be material weaknesses? X yes none reported

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

Federal Awards Section

Internal Control over compliance:

1) Material weakness(es) identified? yes X no

2) Were significant deficiency(ies) identified that were not considered to be material weaknesses? yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with U.S. Uniform Guidance (section.510(a))? X yes none

Identification of major programs:

<u>CFDA Number(s)</u>	<u>FAIN #</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010A</u>	<u>S010A160030</u>	<u>Title I</u>
<u>10.555</u>	<u>171NJ304N1099</u>	<u>National School Lunch Program</u>
<u>10.553</u>	<u>171NJ304N1099</u>	<u>School Breakfast Program</u>
<u>93.778</u>	<u>1705NJ5MAP</u>	<u>Medical Assistance Program</u>

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

Auditee qualified as low-risk auditee? X yes no

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Part I – Summary of Auditor’s Results

State Awards Section

Internal Control over compliance:

- 1) Material weakness(es) identified? _____ yes X no
- 2) Were significant deficiency(ies) identified that were not considered to be material weaknesses? _____ yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular 15-08? _____ yes X none

Identification of major programs:

<u>State Grant/Project Number (s)</u>	<u>Name of State Program</u>
<u>495-034-5120-078</u>	<u>Equalization Aid</u>
<u>495-034-5120-089</u>	<u>Special Education Aid Categorical Aid</u>
<u>495-034-5120-084</u>	<u>Security Aid</u>
<u>495-034-5120-098</u>	<u>PARCC Readiness Aid</u>
<u>495-034-5120-097</u>	<u>Per Pupil Growth Aid</u>
<u>495-034-5120-101</u>	<u>Professional Learning Community Aid</u>
<u>100-034-5120-473</u>	<u>Extraordinary Spec.-Education Aid</u>
<u>495-064-5120-075</u>	<u>Debt Service Aid</u>
_____	_____
_____	_____

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

Auditee qualified as low-risk auditee? X yes _____ no

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Part 2 – Schedule of 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 Chapter 5.18 of *Government Auditing Standards*.

Finding 2017-001

Our audit of outstanding purchase orders in the Capital Projects Fund revealed certain purchase orders classified as encumbrances were deemed invalid or were determined to be accounts payable.

Criteria or specific requirement:

The State Department of Education's GAAP Technical Systems Manual pursuant to N.J.S.A. 18A:4-14 and NJAC 6:20-2A.

Condition:

Certain open purchase orders were not properly classified (i.e., reserve for encumbrances, accounts payable) or subsequently cancelled.

Questioned Costs:

Unknown.

Context:

Capital Project Fund encumbrances of \$3,982,211 were deemed to be accounts payable and were reclassified in the financial statements. In addition, \$626,350 of encumbrances were deemed invalid and cancelled by audit adjustment.

Effect:

Expenditures may not reflect amounts incurred for the year.

Recommendation:

Outstanding purchase orders be reviewed at year end to be properly classified as an accounts payable or reserved for encumbrance, or otherwise be cancelled.

Management's Response:

Management has reviewed this finding and has indicated they will review and revise procedures to ensure corrective action is taken.

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Part 2 – Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements and abuse related to the financial statements in accordance with Government Auditing Standards.

Finding 2017-002:

Our audit of the general ledger account balances revealed certain adjusting journal entries were required to reconcile the Board records to agree with subsidiary records and supporting documentation. We noted the year to date interest earnings of \$496,968 in the Capital Projects Fund were not transferred to the General Fund in accordance with Board resolution. In addition, adjustments were necessary to record a certain deposit in transit of \$284,150 due from the Food Service Fund as well as reversing a duplicate transfer of \$1,164,340 from Capital Reserve.

Criteria or specific requirement:

The State Department of Education's GAAP Technical Systems Manual

Condition:

Certain adjusting journal entries were required to reclassify receipts, accrue revenues and correct general ledger entries in the General and Capital Projects Funds.

Questioned Costs:

None.

Context:

Certain journal entries were required to reclassify mispostings and record certain transactions in the General and Capital Project Funds.

Effect:

The Board Secretary's records were not in agreement with subsidiary records and supporting documentation.

Recommendation:

Internal controls over financial accounting and reporting be reviewed and enhanced to ensure financial transactions are properly recorded and reported in the District's internal accounting records.

Views of Responsible Officials and Planned Corrective Action Plan:

Management has reviewed this finding and has indicated they will review and revise its procedures to ensure corrective action is taken.

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by U.S. Uniform Guidance and New Jersey OMB's Circular 15-08.

CURRENT YEAR FEDERAL AWARDS

Finding 2017-003

Our audit of food service operations revealed the net cash resources, including all respective assets less any associated liabilities, at June 30, 2017 exceeded three months average expenditures.

Federal Program Information

National School Lunch program	10.555
School Breakfast program	10.553

Criteria or Specific Requirement

Federal Assistance Regulations 7CFR 210.9 (Requirements for School Food Authority Participation) stipulates that participating schools limit their net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service.

Federal Grant Compliance Supplement

Condition

According to the USDA resource management comprehensive review form used to calculate net cash resources, the District's net cash resources were \$1,370,766 at June 30, 2017; however, three months average operating expenditures were \$1,090,578.

Questioned Costs

None.

Context

See finding condition and questioned costs.

Effect

Net cash resources exceeded three months average expenditures by \$280,188.

Cause

Unknown.

Recommendation

Appropriate action be taken to ensure net cash resources do not exceed three months average expenditures.

View of Responsible Officials and Planned Corrective Action

Management has reviewed this finding and indicated they will review and revise its procedures to ensure corrective action is taken.

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by U.S. Uniform Guidance and New Jersey OMB's Circular 15-08.

CURRENT YEAR STATE AWARDS

There are none.

**FRANKLIN TOWNSHIP PUBLIC SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. Uniform Guidance and New Jersey OMB's Circular 15-08.

STATUS OF PRIOR YEAR FINDINGS

Finding 2016-001

Our audit of food service operations revealed the net cash resources, including all respective assets less are associated liabilities at June 30, 2016 exceeded three months average expenditures.

Current Status

See Finding 2017-003.

Finding 2016-002

Fiscal year 2015 NCLB carryovers were not approved by Board Resolution.

Current Status

Corrective action has been taken.

Finding 2016-003

Our audit of the District's Extraordinary Aid Application noted certain instances where extended school year was reported as a service provided on the application; however, the respective student's Individualized Education Plan (IEP) stated that service was not required. In addition, an instance was noted where 1 to 1 aide service reported on application was not specified in the student's IEP.

Current Status

Corrective action has been taken.