

**FRENCHTOWN BOROUGH
BOARD OF EDUCATION**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**Prepared by
Frenchtown Borough School District
Department of Administration**

**FRENCHTOWN BOROUGH
BOARD OF EDUCATION**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2017

TABLE OF CONTENTS

	<u>Page</u>
Introduction	
Letter of Transmittal	1 - 5
Organizational Chart	6
Roster of Officials	7
Consultants and Advisors	8
Financial	
Independent Auditors' Report	9 - 11
Required Supplementary Information - Part I	
Management's Discussion and Analysis	12 - 19
Basic Financial Statements	
A. District-Wide Financial Statements	
A-1 Statement of Net Position	20
A-2 Statement of Activities	21
B. Fund Financial Statements	
Governmental Funds	
B-1 Balance Sheet	22 - 23
B-2 Statement of Revenues, Expenditures, and Change in Fund Balances	24 - 25
B-3 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	26
Proprietary Funds	
B-4 Statement of Net Position	27
B-5 Statement of Revenues, Expenses, and Changes in Net Position	28
B-6 Statement of Cash Flows	29
Fiduciary Funds	
B-7 Statement of Net Position	30
B-8 Statement of Changes in Net Position	31
Notes to the Financial Statements	32 - 64

**FRENCHTOWN BOROUGH
BOARD OF EDUCATION**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2017

TABLE OF CONTENTS (continued)

	<u>Page</u>
Required Supplementary Information - Part II	
C. Budgetary Comparison Schedules	
C-1 General Fund - Budgetary Comparison Schedule	65 - 71
C-1a Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	N/A
C-1b Community Development Block Grant - Budget and Actual	N/A
C-2 Special Revenue Fund - Budgetary Comparison Schedule	72
Notes to the Required Supplementary Information	
C-3 Budget-to-GAAP Reconciliation	73
Required Supplementary Information - Part III	
L. Schedules Related to Accounting and Reporting for Pensions (GASB 68)	
L-1 Schedule of the District's Proportionate Share of the Net Pension Liability - Public Employees Retirement System	74
L-2 Schedule of District's Contributions - Public Employees Retirement System	75
L-3 Schedule of the District's Proportionate Share of the Net Pension Liability - Teacher's Pension and Annuity Fund	76
L-4 Schedule of District's Contributions - Teacher's Pension and Annuity Fund	77
Notes to the Required Supplementary Information - Part III	78
Other Supplementary Information	
D. School Based Budget Schedules	N/A
E. Special Revenue Fund	
E-1 Combining Schedule of Revenue and Expenditures - Budgetary Basis	79
F. Capital Projects Fund	
F-1 Summary Schedule of Project Expenditures	80
F-2 Summary Schedule of Revenue, Expenditures, and Change in Fund Balance	81
F-2a to F-2b Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis	82 - 83

**FRENCHTOWN BOROUGH
BOARD OF EDUCATION**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2017

TABLE OF CONTENTS (continued)

	<u>Page</u>
G. Proprietary Funds	
Enterprise Fund	
G-1 Statement of Net Position	84
G-2 Statement of Revenues, Expenses and Changes in Fund Net Position	85
G-3 Statement of Cash Flows	86
H. Fiduciary Funds	
H-1 Combining Statement of Net Position	87
H-2 Unemployment Compensation Fund Statement of Changes in Net Position	88
H-3 Student Activity Agency Fund Schedule of Receipts & Disbursements	89
H-4 Payroll Agency Fund Schedule of Receipts & Disbursements	89
I. Long-Term Debt	
I-1 Schedule of Serial Bonds	90
I-2 Schedule of Obligations under Capital Leases	N/A
I-3 Debt Service Fund - Budgetary Comparison Schedule	91
J. Statistical Section (Unaudited)	
J-1 Net Position by Component	92
J-2 Changes in Net Position	93 - 95
J-3 Fund Balances - Governmental Funds	96
J-4 Changes in Fund Balances - Governmental Funds	97 - 98
J-5 General Fund - Other Local Revenues by Source	99
J-6 Assessed Value and Actual Value of Taxable Property	100
J-7 Direct and Overlapping Property Tax Rates	101
J-8 Principal Property Taxpayers	102
J-9 Property Tax Levies and Collections	103
J-10 Ratios of Outstanding Debt by Type	104
J-11 Ratios of General Bonded Debt Outstanding	105
J-12 Direct and Overlapping Governmental Activities Debt	106
J-13 Legal Debt Margin Information	107
J-14 Demographic and Economic Statistics	108
J-15 Principal Employers	109
J-16 Full Time Equivalent District Employees by Function/Program	110
J-17 Operating Statistics	111
J-18 Schedule of Required Maintenance Expenditures by School Facility	112

**FRENCHTOWN BOROUGH
BOARD OF EDUCATION**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2017

TABLE OF CONTENTS (continued)

	<u>Page</u>
J. Statistical Section (Unaudited)	
J-19 Schedule of Required Maintenance Expenditures by School Facility	113
J-20 Insurance Schedule	114
K. Single Audit Section	
K-1 Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	115 - 116
K-2 Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by The Uniform Guidance and New Jersey OMB Circular Letter 15-08.	117 - 119
K-3 Schedule of Expenditures of Federal Awards, Schedule A	120
K-4 Schedule of Expenditures of State Financial Assistance, Schedule B	122
K-5 Notes to the Schedules of Awards and Financial Assistance	123 - 124
K-6 Schedule of Findings and Questioned Costs - Section I	125 - 126
K-7 Schedule of Findings and Questioned Costs - Section II and III	127
K-8 Summary Schedule of Prior Year Audit Findings and Questioned Costs as Prepared by Management	128

**EDITH ORT THOMAS ELEMENTARY SCHOOL
FRENCHTOWN ELEMENTARY SCHOOL DISTRICT
902 Harrison Street
Frenchtown, New Jersey 08825
Phone (908) 996-2751
Fax (908) 996-3599**

Daria Wasserbach
Superintendent

Teresa E. Barna
*Business Administrator/
Board Secretary*

October 25, 2017

Honorable President and
Members of the Board of Education
Frenchtown Elementary School District
Hunterdon County, New Jersey

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

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 general purpose financial schedules, as well as the auditor's report thereon. 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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Treasury OMB Circular Letter 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments." Information related to this single audit, including the auditor's report of 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.

1) REPORTING ENTITY AND ITS SERVICES: Frenchtown School District is an independent reporting entity within the criteria adopted by the GASB as established by Statement No. 14. All funds and account groups of the District are included in this report. The Frenchtown Board of Education and the school constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre-K through 8. This includes regular, as well as special education for special need students. The district completed the 2016-2017 fiscal year with an enrollment of 125 students. The following details the changes in the student enrollment of the district over the last five years.

Average Daily Enrollment

Fiscal Year	Student Enrollment	Percent Change
2016-2017	125	10.0%
2015-2016	139	-4.2%
2014-2015	145	0.1%
2013-2014	144	-2.7%
2012-2013	148	-5.7%

2) ECONOMIC CONDITION AND OUTLOOK: The Frenchtown areas outlook for development and expansion has some potential housing/retail developments pending.

3) MAJOR INITIATIVES: The district entered into an arrangement with Delaware Valley Regional High School to provide Superintendent and Business Services to the district. This arrangement has been very beneficial to the district both financially and academically and may be expanded to include Facility Management Services. The Frenchtown Board of Education has completed an update to its entire policy manual and all job descriptions have been reviewed and re-adopted by the board. There are plans to embark on a Strategic Planning Process to direct the board’s goals over the next five-year period.

4) 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.

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

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

6) ACCOUNTING SYSTEM AND REPORTS: The District’s accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds and account groups. These funds and account groups are explained in “Notes to the Financial Statements”, Note 1.

7) FINANCIAL INFORMATION AT FISCAL YEAR-END: As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management for the fiscal year ended June 30, 2017.

	<u>Amount</u>	<u>% of Total</u>	<u>Increase (Decrease) from Prior Year</u>	<u>% of Increase (Decrease)</u>
REVENUES				
Local sources				
Tax levy				
General	\$ 1,870,537	65.65%	\$ 36,677	2.00%
Debt service	112,939	3.96%	(1,161)	-1.02%
Other revenues	78,773	2.76%	(5,375)	-6.39%
State aid	722,849	25.37%	(4,200)	-0.58%
Federal aid	64,069	2.25%	(21,573)	-25.19%
Total	<u>\$ 2,849,167</u>	<u>100%</u>	<u>\$ 4,368</u>	<u>0.15%</u>
EXPENDITURES				
Current expense	\$ 2,721,421	77.40%	\$ 287,818	11.83%
Capital outlay	611,551	17.39%	530,268	652.37%
Special projects	67,811	1.93%	(18,565)	-21.49%
Debt service				
Principal	75,000	2.13%	(64,000)	-46.04%
Interest	40,119	1.14%	13,870	52.84%
Total	<u>\$ 3,515,902</u>	<u>100.00%</u>	<u>\$ 749,391</u>	<u>27.09%</u>

Note: Excludes “on behalf” payments, lease purchase acquisitions and capital projects.

The funding formula from the State of New Jersey, Department of Education established the above maximum permitted net budget, dictated the amount of fund balance the district could maintain and reduced the amount of unrestricted state aid received. Within these constraints, the Frenchtown Board of Education provided a thorough and efficient education in alignment with the emerging core curriculum standards.

8) DEBT ADMINISTRATION: At June 30, 2017 the District had outstanding debt issues of \$1,278,000 at an interest rate of 3.0%. On September 30, 2015, the voters of Frenchtown Borough authorized a bond issuance for capital improvements at the Edith Ort Thomas Elementary School in the amount of \$1,353,000. Bonds were issued at an interest rate of 3.0%.

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

10) RISK MANAGEMENT: The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds.

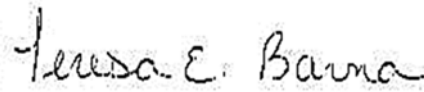
11) OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Bedard, Kurowicki, and Co., CPA’s, PC, was appointed by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Treasury OMB Circular Letter 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments." The auditor’s report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor’s reports related specifically to single audit are included in the single audit section of this report.

12) ACKNOWLEDGMENTS: We would like to express our appreciation to the members of Frenchtown 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 services of our financial staff.

Respectfully submitted,



Daria Wasserbach
Superintendent



Teresa E. Barna
Business Administrator/Board Secretary

Frenchtown Board of Education

902 Harrison Street • Frenchtown • New Jersey • 08825

Telephone: 908-996-2751 • Fax: 908-996-3599

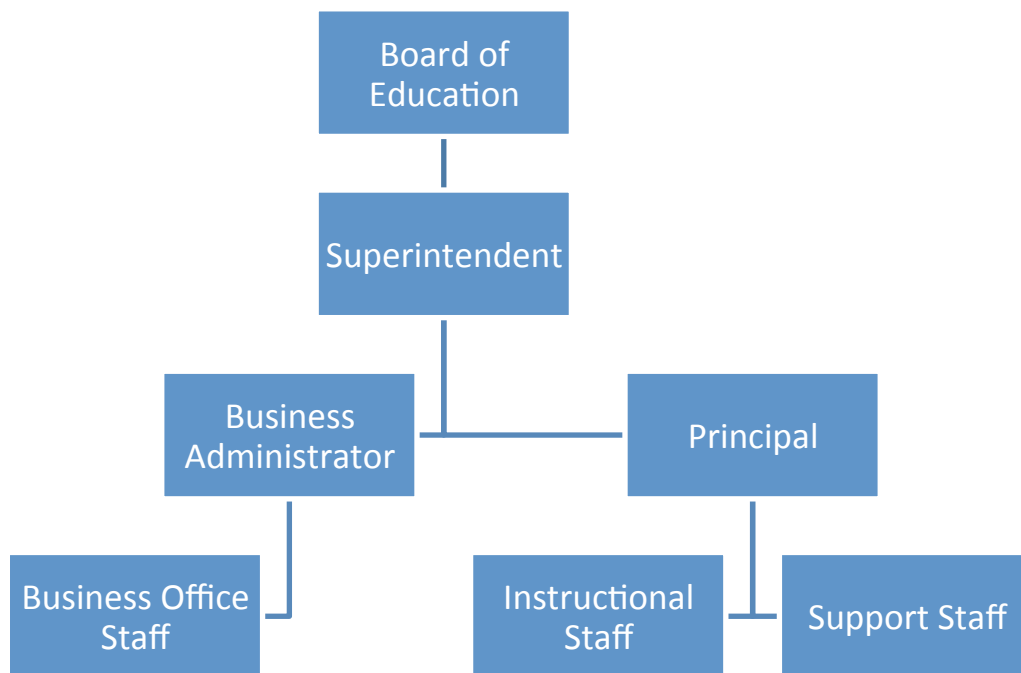
Website: www.frenchtownscool.org



Daria A. Wasserbach
Superintendent

Teresa E. Barna
Business Administrator/Board Secretary

Christina Lauck
Principal



FRENCHTOWN BOROUGH SCHOOL DISTRICT
Frenchtown, New Jersey
Consultants & Advisors
June 30, 2017

<u>Members of the Board of Education</u>	<u>Title</u>	<u>Term Expires</u>
Kate Nugent	President	2018
Teresa Pearson	Vice-President	2017
Mr. Adam Blackburn		2017
Amy Musolino		2017
Chris Guglielmo		2018
Jennifer Campbell		2019
Laura Einhorn		2019

Other Officials

Daria A, Wasserbach	Superintendent
Teresa E. Barna	Board Secretary/School Business Administrator
Christina Lauck	Principal

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Frenchtown, New Jersey
Consultants & Advisors
June 30, 2017

AUDIT FIRM

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

ATTORNEY

Cleary Giacobbe Alfieri Jacobs, LLC
5 Ravine Drive
Matawan, NJ 07747

OFFICIAL DEPOSITORY

PNC Bank
PO Box 746
Keene, NH 03431



Certified Public Accountants, PC

www.bkc-cpa.com

Independent Auditors' Report

Honorable President and
Members of the Board of Education
Frenchtown Borough School District
County of Hunterdon, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Frenchtown Borough School District (the District) in the County of Hunterdon, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Other Matters

Required Supplementary Information

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

Other Information

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

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


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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 25, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

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


William M. Colantano
Certified Public Accountant
Registered Municipal Accountant

October 25, 2017
Flemington, New Jersey

REQUIRED SUPPLEMENTARY INFORMATION - PART I

FRENCHTOWN BOARD OF EDUCATION
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

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

Financial Highlights

Key financial highlights for 2017 are as follows:

- In total, net position decreased \$72,326 which represents a 2.41% decrease from 2016.
- General revenues accounted for \$3,771,816 in revenue or 95.12% of all revenues. Program specific revenues in the form of operating grants and contributions and capital grants and contributions accounted for \$193,710 or 4.88% of total revenues of \$3,965,526.
- Total assets of governmental activities decreased by \$67,490. As cash and cash equivalents increased by \$99,317, receivables and other assets decreased by \$692,469 and capital assets increased by \$525,662.
- The School District had \$4,045,552 in expenses; only \$193,710 of these expenses was offset by program specific charges, grants or contributions. General revenues (primarily property taxes) of \$3,771,816 were adequate to provide for these expenses.
- Among major funds, the General Fund had \$3,086,412 in revenues and \$3,193,975 in expenditures. After factoring in transfers to other funds of \$6,319, the General Fund's balance decreased \$113,882 from 2016.

Using this Comprehensive Annual Financial Report (CAFR)

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

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

FRENCHTOWN BOARD OF EDUCATION
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

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

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

In the Statement of Net Position and the Statement of Activities, the School District reports governmental and business activities. Governmental activities are the activities where most of the school district's programs and services are reported, including, but not limited to, instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities. Business activities are the services provided on a charge for goods or services basis to recover all the expense of the goods or services provided. The Food Service Enterprise Fund is reported as a business activity.

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

FRENCHTOWN BOARD OF EDUCATION
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

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

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net position for 2017 compared to 2016.

Table 1
Net Position

	6/30/2017	6/30/2016	Variance	
			Dollars	Percent
ASSETS				
Current & other assets	\$ 800,388	\$ 1,401,383	\$ (600,995)	-42.89%
Capital assets	4,157,625	3,628,657	528,968	14.58%
Total assets	<u>4,958,013</u>	<u>5,030,040</u>	<u>(72,027)</u>	-1.43%
Deferred outflows of resources	<u>293,511</u>	<u>127,300</u>	<u>166,211</u>	130.57%
LIABILITIES				
Long-term liabilities	2,161,428	2,062,822	98,606	4.78%
Other liabilities	<u>157,224</u>	<u>79,227</u>	<u>77,997</u>	98.45%
Total liabilities	<u>2,318,652</u>	<u>2,142,049</u>	<u>176,603</u>	8.24%
Deferred inflows of resources	<u>-</u>	<u>10,093</u>	<u>(10,093)</u>	-100.00%
NET POSITION				
Net investment in capital assets	2,879,625	2,275,657	603,968	26.54%
Restricted	409,986	990,584	(580,589)	-58.61%
Unrestricted	<u>(356,739)</u>	<u>(261,043)</u>	<u>(95,696)</u>	36.66%
Total net position	<u>\$ 2,932,872</u>	<u>\$ 3,005,198</u>	<u>\$ (72,326)</u>	-2.41%

Total assets decreased \$72,027. Cash and cash equivalents increased by \$94,840, receivables and other assets decreased by \$695,835, and capital assets increased by \$528,968. Unrestricted net position, the part of net position that can be used to finance day to day activities without constraints established by grants or legal requirements, of the District decreased by \$95,696.

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

FRENCHTOWN BOARD OF EDUCATION
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

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

Table 2
Changes in Net Position

	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>Variance</u>	
			<u>Dollars</u>	<u>Percent</u>
REVENUES				
Program revenues				
Charges for services	\$ 111,443	\$ 122,230	\$ (10,787)	-8.83%
Operating grants	82,267	105,065	(22,798)	-21.70%
General revenues				
Property taxes	1,983,476	1,947,960	35,516	1.82%
Unrestricted grants	1,785,955	1,563,704	222,251	14.21%
Other	2,385	1,019	1,366	134.05%
Total revenues	<u>3,965,526</u>	<u>3,739,978</u>	<u>225,548</u>	6.03%
PROGRAM EXPENSES				
Instruction				
Regular	1,870,399	1,626,796	243,603	14.97%
Special	614,996	531,893	83,103	15.61%
Other	33,447	53,614	(20,167)	-37.62%
Support services				
Tuition	-	149	(149)	-100.00%
Student & instructional staff services	788,667	651,843	136,824	20.99%
General & business administration	171,954	162,895	9,059	5.56%
School administration	132,725	147,574	(14,849)	-10.06%
Maintenance	285,498	267,431	18,067	6.76%
Transportation	33,644	18,670	14,974	80.20%
Food service	62,326	61,983	343	0.55%
Interest on long-term debt	51,896	55,817	(3,921)	-7.02%
Total expenses	<u>4,045,552</u>	<u>3,578,665</u>	<u>466,887</u>	13.04%
Increase (decrease) before special items	(80,026)	161,313	(241,339)	
Special item				
State capital project grant de-obligated	(58,466)	(10,772)	(47,694)	
Increase (decrease) in net position	<u>\$ (138,492)</u>	<u>\$ 150,541</u>	<u>\$ (288,033)</u>	-191.94%

FRENCHTOWN BOARD OF EDUCATION
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

Governmental Activities

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. Local property taxes made up 50.02% of revenues for governmental activities for the Frenchtown School District for fiscal year 2017.

Instruction comprises 62.26% of district expenses. Support service expenses make up 37.74% of the expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services by identifying the cost of services supported by tax revenue and unrestricted State entitlements.

Table 3
Cost of Governmental Services

	Total Cost of Services		Net Cost of Services	
	6/30/2017	6/30/2016	6/30/2017	6/30/2016
Instruction	\$ 2,518,842	\$ 2,212,303	\$ 2,421,248	\$ 2,074,794
Support services				
Tuition	-	149	-	149
Student & instructional staff	788,667	651,843	748,193	623,140
General & business administration	171,954	162,895	171,954	162,895
School administration	132,725	147,574	132,725	147,574
Plant operations & maintenance	285,498	267,431	282,198	264,131
Pupil transportation	33,644	18,670	33,644	18,670
Food services	62,326	61,983	9,984	4,200
Interest on long-term debt	51,896	55,817	51,896	55,817
	<u>\$ 4,045,552</u>	<u>\$ 3,578,665</u>	<u>\$ 3,851,842</u>	<u>\$ 3,351,370</u>

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

Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching to students.

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

FRENCHTOWN BOARD OF EDUCATION
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

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

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

Extracurricular activities include expenses related to student activities provided by the School District which are designed to provide opportunities for students to participate in school events, public events, or a combination of these for purposes of motivation, enjoyment and skill improvement.

Interest and fiscal charges involve the transactions associated with the payment of interest and other related charges to debt of the School District.

The dependence upon tax revenues is apparent. For all activities, including capital projects, local tax revenue support is 61.82% of Governmental funds. The community, as a whole, is the primary support for the Frenchtown Public School District.

The Schools District's Funds

Information about the School District's major funds starts in the section entitled Fund Financial Statements. These funds are accounted for using the modified accrual basis of accounting. All Governmental funds had total revenues of \$3,208,696, expenditures of \$3,875,431, and other financing use of \$6,319. The General fund had an increase fund balance of \$106,971.

General Fund Budgeting Highlights

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

During the course of fiscal year 2017, the School District amended its General Fund budget as needed. The School District uses program based budgeting and the budgeting systems are designed to tightly control program budgets but provide flexibility for program management.

For the General Fund, budget basis revenue and other financing sources were \$2,727,968, \$38,926 above original budgeted estimates of \$2,689,042. This difference was due primarily from non-public transportation and extraordinary aid.

FRENCHTOWN BOARD OF EDUCATION
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

Capital Assets

At the end of the fiscal year 2017, the School District had \$4,151,614 invested in land, building, furniture and equipment and vehicles. Table 4 shows fiscal year 2017 compared to 2016.

Table 4
Capital Assets (Net of Depreciation)

	6/30/2017	6/30/2016	Variance	
			Dollars	Percent
Land	\$ 69,500	\$ 69,500	\$ -	
Construction in progress	-	546,507	(546,507)	-100.00%
Land improvements	1,613	2,257	(644)	-28.53%
Buildings & improvements	3,855,812	2,905,628	950,184	32.70%
Furniture & equipment	224,689	102,060	122,629	120.15%
	<u>\$ 4,151,614</u>	<u>\$ 3,625,952</u>	<u>\$ 525,662</u>	<u>14.50%</u>

Overall capital assets increased \$525,662 from fiscal year 2016 to fiscal year 2017. Increases in capital assets (primarily buildings and improvements, machinery and equipment) were offset by depreciation expenses for the year.

Long-term liabilities

At June 30, 2017, the School District had \$2,161,428 of long-term liabilities. This amount is detailed in Table 5 below.

At June 30, 2017, the legal debt limit is \$5,004,140. General obligation debt at June 30, 2017 is \$1,278,000 resulting in a legal debt margin of \$3,726,140.

Table 5
Long-Term Liabilities at Year End

	6/30/2017	6/30/2016	Variance	
			Dollars	Percent
2015 General obligation bonds	\$ 1,278,000	\$ 1,353,000	(75,000)	-5.54%
PERS net pension liability	868,292	627,774	240,518	38.31%
Compensated absences	15,136	82,048	(66,912)	-81.55%
	<u>\$ 2,161,428</u>	<u>\$ 2,062,822</u>	<u>\$ 98,606</u>	<u>1.14%</u>

FRENCHTOWN BOARD OF EDUCATION
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

For the Future

The Frenchtown District is in good financial condition presently. The School District is proud of its community support of the public school. A major concern is declining enrollment and increases in the special education population.

Frenchtown Borough is primarily a residential community, with very few commercial ratables; thus, a large part of the tax burden is borne by homeowners. There have been discussions about a condominium development being constructed across the street from the school building. This would bring some needed ratables and potentially more children. At this time, the development does not raise any financial concerns for the district.

The Frenchtown Board of Education and Administration are acutely aware of this burden on the community and have sought alternate revenue sources. The District has actively sought tuition students in both its Preschool and Elementary programs. It has also sought out shared services opportunities with other local Districts and are currently sharing staff (Superintendent, Business Administrator and World Language Teacher), and services (satellite food service, broad band access, transportation). It also actively participated in bids for supplies, energy and communication services.

In conclusion, the Frenchtown District has committed itself to financial excellence for many years. In addition, the School District's system for financial planning, budgeting, and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenge of the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact: Teresa E. Barna, School Business Administrator, Frenchtown School District, 902 Harrison, St., Frenchtown, NJ 08825 (908) 996-2751.

DISTRICT-WIDE FINANCIAL STATEMENTS

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Statement of Net Position
June 30, 2017

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 278,635	\$ 741	\$ 279,376
Receivables, net	232,294	560	232,854
Inventory	-	2,118	2,118
Restricted assets			
Capital reserve - cash	159,550	-	159,550
Maintenance reserve - cash	126,490	-	126,490
Capital assets, net			
Land	69,500	-	69,500
Other capital assets, net of depreciation	4,082,114	6,011	4,088,125
Total assets	<u>4,948,583</u>	<u>9,430</u>	<u>4,958,013</u>
Deferred outflows of resources			
Deferred amount on pension activity	<u>293,511</u>	<u>-</u>	<u>293,511</u>
Liabilities			
Accounts payable	123,627	-	123,627
Payables to other governments	5,221	-	5,221
Accrued interest	17,872	-	17,872
Unearned revenue	9,150	1,354	10,504
Long-term liabilities			
Due within one year	75,000	-	75,000
Due beyond one year	2,086,428	-	2,086,428
Total liabilities	<u>2,317,298</u>	<u>1,354</u>	<u>2,318,652</u>
Net position			
Net investment in capital assets	2,873,614	6,011	2,879,625
Restricted for			
Capital reserve	159,550	-	159,550
Maintenance reserve	126,490	-	126,490
Capital projects	123,946	-	123,946
Unrestricted	<u>(358,804)</u>	<u>2,065</u>	<u>(356,739)</u>
Total net position	<u><u>\$ 2,924,796</u></u>	<u><u>\$ 8,076</u></u>	<u><u>\$ 2,932,872</u></u>

See accompanying notes to financial statements.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Direct Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue & Changes in Net Position		
			Charges for Services	Operating Grants & Contribution	Capital Grants & Contribution	Governmental Activities	Business-Type Activities	Total
Governmental activities								
Instruction								
Regular	\$ 1,153,036	\$ 717,363	\$ 70,257	\$ 3,020	\$ -	\$ (1,797,122)	\$ -	\$ (1,797,122)
Special education	402,305	206,874	-	18,500	-	(590,679)	-	(590,679)
Other special education	5,817	-	-	5,817	-	-	-	-
Other instruction	23,461	9,986	-	-	-	(33,447)	-	(33,447)
Support services								
Students & instruction related services	570,813	217,854	-	40,474	-	(748,193)	-	(748,193)
General & business administration services	159,111	12,843	-	-	-	(171,954)	-	(171,954)
School administration services	80,237	52,488	-	-	-	(132,725)	-	(132,725)
Plant operations & maintenance	252,502	32,996	3,300	-	-	(282,198)	-	(282,198)
Pupil transportation	28,604	5,040	-	-	-	(33,644)	-	(33,644)
Interest on long-term debt	51,896	-	-	-	-	(51,896)	-	(51,896)
Total governmental activities	<u>2,727,782</u>	<u>1,255,444</u>	<u>73,557</u>	<u>67,811</u>	<u>-</u>	<u>(3,841,858)</u>	<u>-</u>	<u>(3,841,858)</u>
Business-type activities								
Food service	62,326	-	37,886	14,456	-	-	(9,984)	(9,984)
Total business-type activities	<u>62,326</u>	<u>-</u>	<u>37,886</u>	<u>14,456</u>	<u>-</u>	<u>-</u>	<u>(9,984)</u>	<u>(9,984)</u>
Total primary government	<u>\$ 2,790,108</u>	<u>\$ 1,255,444</u>	<u>\$ 111,443</u>	<u>\$ 82,267</u>	<u>\$ -</u>	<u>(3,841,858)</u>	<u>(9,984)</u>	<u>(3,851,842)</u>
			General revenues, special items & transfers					
						1,870,537	-	1,870,537
						112,939	-	112,939
						1,785,955	-	1,785,955
						276	2	278
						(58,466)	-	(58,466)
						2,107	-	2,107
						(6,319)	6,319	-
						<u>3,707,029</u>	<u>6,321</u>	<u>3,713,350</u>
						(134,829)	(3,663)	(138,492)
						3,059,625	11,739	3,071,364
						<u>\$ 2,924,796</u>	<u>\$ 8,076</u>	<u>\$ 2,932,872</u>

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Governmental Funds
Balance Sheet
June 30, 2017

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
Assets					
Cash & cash equivalents	\$ 273,636	\$ 4,999	\$ -	\$ -	\$ 278,635
Due from other funds	56,070	-	-	-	56,070
Receivables from other governments					
Local	8,273	-	-	-	8,273
State	35,534	-	180,016	-	215,550
Federal	-	3,606	-	-	3,606
Other accounts receivable	4,686	179	-	-	4,865
Restricted cash & cash equivalents	286,040	-	-	-	286,040
Total assets	\$ 664,239	\$ 8,784	\$ 180,016	\$ -	\$ 853,039
Liabilities and fund balances					
Liabilities					
Due to other funds	\$ -	\$ -	\$ 56,070	\$ -	\$ 56,070
Accounts payable	123,549	78	-	-	123,627
Payables to governments					
State	-	5,221	-	-	5,221
Unearned revenue	5,665	3,485	-	-	9,150
Total liabilities	129,214	8,784	56,070	-	194,068

See accompanying notes to financial statements.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Balance Sheet (continued)
Governmental Funds
June 30, 2017

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
Liabilities and fund balances					
Fund balances					
Restricted fund balance					
Capital projects fund balance	\$ -	\$ -	\$ 123,946	\$ -	\$ 123,946
Capital reserve	159,550	-	-	-	159,550
Maintenance reserve	126,490	-	-	-	126,490
Committed fund balance					
Encumbrances	13,949	-	-	-	13,949
Assigned fund balance					
Designated for subsequent year's expenditures	50,000	-	-	-	50,000
Unassigned fund balance	185,036	-	-	-	185,036
Total fund balances	<u>535,025</u>	<u>-</u>	<u>123,946</u>	<u>-</u>	<u>658,971</u>
Total liabilities and fund balances	<u>\$ 664,239</u>	<u>\$ 8,784</u>	<u>\$ 180,016</u>	<u>\$ -</u>	

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

Capital assets used in government activities are not financial resources and therefore are not reported in the funds. The cost of the assets are \$5,720,495 and the accumulated depreciation is \$1,568,881.	4,151,614
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	293,511
Long-term liabilities, including bonds payable and compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(2,161,428)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	<u>(17,872)</u>
Total net position of governmental activities	<u>\$ 2,924,796</u>

See accompanying notes to financial statements.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Revenues					
Local sources					
Local tax levy	\$ 1,870,537	\$ -	\$ -	\$ 112,939	\$ 1,983,476
Tuition charges					
Individuals	55,790	-	-	-	55,790
Other sources	14,467	-	-	-	14,467
Interest on investments	276	-	-	-	276
Rents and royalties	3,300	-	-	-	3,300
Miscellaneous	2,107	2,833	-	-	4,940
	<u>1,946,477</u>	<u>2,833</u>	<u>-</u>	<u>112,939</u>	<u>2,062,249</u>
State sources	1,139,935	909	(58,466)	-	1,082,378
Federal sources	-	64,069	-	-	64,069
Total revenues	<u>3,086,412</u>	<u>67,811</u>	<u>(58,466)</u>	<u>112,939</u>	<u>3,208,696</u>
Expenditures					
Current					
Instructional					
Regular instruction	1,150,016	3,020	-	-	1,153,036
Special education instruction	383,805	18,500	-	-	402,305
Other special instruction	-	5,817	-	-	5,817
Other instruction	23,461	-	-	-	23,461
Support service & undistributed costs					
Tuition	-	-	-	-	-
Student & instruction related services	531,430	39,383	-	-	570,813
General & business administrative services	159,111	-	-	-	159,111
School administrative services	80,237	-	-	-	80,237
Plant operations & maintenance	252,502	-	-	-	252,502
Pupil transportation	28,604	-	-	-	28,604
Unallocated benefits	471,784	-	-	-	471,784

See accompanying notes to financial statements.

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

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Expenditures (cont'd)					
Capital outlay	\$ 100,217	\$ 1,091	\$ 498,526	\$ -	\$ 599,834
Debt service					
Principal	-	-	-	75,000	75,000
Interest & other charges	12,808	-	-	40,119	52,927
Total expenditures	<u>3,193,975</u>	<u>67,811</u>	<u>498,526</u>	<u>115,119</u>	<u>3,875,431</u>
Excess (deficit) of revenues over (under) expenditures	<u>(107,563)</u>	<u>-</u>	<u>(556,992)</u>	<u>(2,180)</u>	<u>(666,735)</u>
Other financing sources (uses)					
Transfers out	<u>(6,319)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,319)</u>
Total other financing sources (uses)	<u>(6,319)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,319)</u>
Net change in fund balance	(113,882)	-	(556,992)	(2,180)	(673,054)
Fund balances, July 1	<u>648,907</u>	<u>-</u>	<u>680,938</u>	<u>2,180</u>	<u>1,332,025</u>
Fund balances, June 30	<u>\$ 535,025</u>	<u>\$ -</u>	<u>\$ 123,946</u>	<u>\$ -</u>	<u>\$ 658,971</u>

See accompanying notes to financial statements.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2017

Total net changes in fund balances - governmental fund (from B-2)	\$	(673,054)
Amounts reported for governmental activities in the Statement of Activities (A-2) are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expenses. This is the amount by which capital outlays exceeds depreciation in the period:		
Capital outlays	\$	599,834
Depreciation expense		(140,338)
		459,496
Repayment of debt principal and capital leases are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets and are not reported in the statement of activities:		
Debt principal payments		75,000
Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
		(64,214)
In the Statement of Activities, interest on long-term debt is accrued regardless of when due. In the governmental funds interest is reported when due. The accrued interest is a reconciling item.		
		1,031
In the Statement of Activities, compensated absences and early retirement benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation; when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation.		
		66,912
Change in net position of governmental activities	\$	(134,829)

See accompanying notes to financial statements.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Proprietary Funds
Statement of Net Position
June 30, 2017

	Food Service Fund
Assets	
Current assets	
Cash and cash equivalents	\$ 741
Receivables from other governments	
State	18
Federal	542
Inventory	2,118
Total current assets	3,419
Noncurrent assets	
Capital assets	23,377
Less: accumulated depreciation	17,366
Total noncurrent assets	6,011
Total assets	9,430
Liabilities	
Current liabilities	
Unearned revenues - commodities	987
Unearned revenues - prepaid sales	367
Total liabilities	1,354
Net position	
Net investment in capital assets	6,011
Unrestricted	2,065
Total net position	\$ 8,076

See accompanying notes to financial statements.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2017

	Food Service Fund
Operating revenues	
Charges for services	
Daily sales - reimbursable programs	\$ 14,598
Daily sales - non-reimbursable programs	4,911
Satellites sales	18,377
Total operating revenues	37,886
Operating expenses	
Cost of sales - reimbursable programs	13,476
Cost of sales - non-reimbursable programs	7,753
Commodity food costs	2,841
Salaries	19,958
Support services - employee benefits	2,799
Purchased professional/technical services	1,260
Other purchased services	
Insurance	2,022
Management fee	5,613
Supplies and materials	5,291
Depreciation	893
Miscellaneous expenditures	420
Total operating expenses	62,326
Operating income (loss)	(24,440)
Non-operating revenues (expenses)	
State sources	
State School Lunch Program	367
Federal sources	
National School Lunch Program	
Cash assistance	10,803
Non cash assistance (commodities)	2,841
National School Breakfast Program	445
Interest earned on investments	2
Total non-operating revenues (expenses)	14,458
Other financing sources	
Operating transfer in	6,319
Change in net position	(3,663)
Net position, beginning	11,739
Net position, ending	\$ 8,076

See accompanying notes to financial statements.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2017

	<u>Food Service Fund</u>
Cash flows from operating activities	
Receipts from customers (net)	\$ 38,884
Payments to Food Service Management Co.	(53,869)
Payments to vendors (net)	(4,866)
Net cash provided by (used for) operating activities	<u>(19,851)</u>
Cash flows from non-capital financing activities	
State sources	410
Federal sources	12,842
Operating transfer in	2,120
Net cash provided by (used for) non-capital financing activities	<u>15,372</u>
Cash flows from investing activities	
Interest on investments	<u>2</u>
Net increase (decrease) in cash and cash equivalents	(4,477)
Cash and cash equivalents, beginning	<u>5,218</u>
Cash and cash equivalents, ending	<u><u>\$ 741</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities	
Operating income (loss)	\$ (24,440)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities	
Depreciation	893
Federal Food Donation Program	2,841
(Increase) decrease in accounts receivable	863
(Increase) decrease in inventory	867
Increase (decrease) in unearned revenue	(875)
Net cash provided by (used for) operating activities	<u><u>\$ (19,851)</u></u>

See accompanying notes to financial statements.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Fiduciary Funds
Statement of Net Position
June 30, 2017

	Unemployment Compensation Fund	Student Activity Agency Fund	Payroll Agency Fund
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and cash equivalents	\$ 47,986	\$ 17,066	\$ 72,945
Due from other funds	299	-	-
Total assets	<u>\$ 48,285</u>	<u>\$ 17,066</u>	<u>\$ 72,945</u>
Liabilities			
Due to other funds	\$ -	\$ -	\$ 299
Due to student groups	-	17,066	-
Payroll deductions and withholdings	-	-	72,646
Total liabilities	<u>-</u>	<u>\$ 17,066</u>	<u>\$ 72,945</u>
Net position			
Held in trust for unemployment claims & other purposes	<u>\$ 48,285</u>		

See accompanying notes to financial statements.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Fiduciary Funds
Statement of Changes in Net Position
For the Fiscal Year Ended June 30, 2017

	<u>Unemployment Compensation Fund</u>
Additions	
Contributions	
Employee contributions	\$ 3,026
Investment earnings - interest	<u>23</u>
Total additions	3,049
Deductions	
Unemployment claims	<u>374</u>
Change in net position	2,675
Net position, beginning of the year	<u>45,610</u>
Net position, end of the year	<u><u>\$ 48,285</u></u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies

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

The basic financial statements include:

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

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

A. Reporting entity

The District is a Type II District located in the County of Hunterdon, State of New Jersey. as a Type II District, the School District functions independently through a Board of Education. The Board is comprised of nine members elected to three-year-terms. The purpose of the District is to educate students in Grades K-8. The District had an approximate enrollment at June 30, 2017 of 129 students.

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

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

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

B. Government-wide and fund financial statements

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

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

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

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

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

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

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

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

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

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

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

Additionally, the District reports the following fund types:

Proprietary fund types

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

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

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

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

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

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

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

Fiduciary Fund Types

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

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

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

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

D. Budgets/budgetary control

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

D. Budgets/budgetary control (continued)

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

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

E. Encumbrances

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

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

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

F. Tuition receivable

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

G. Tuition payable

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

H. Short-term interfund receivable and payables

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

I. Inventories and prepaid items

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

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

J. Capital assets

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

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

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

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

K. Compensated absences

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

K. Compensated absences (continued)

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

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

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

L. Unearned revenue

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

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

M. Long-term obligations

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

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

N. Net position

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

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

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

O. Fund balances - governmental funds

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

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

O. Fund balances - governmental funds (continued)

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

P. Comparative data/reclassifications

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

Q. Allocation of indirect expenses

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

R. Deferred outflows/inflows of resources

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 2 - Tax assessments and property taxes

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

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

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

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

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

Note 3 - Deposits and cash equivalents and investments

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

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

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

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

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

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

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

Insured by the Federal Deposit Insurance Corporation (FDIC)	\$ 250,000
Collateralized with securities held by pledging financial institutions	487,409
Total bank balances	<u>\$ 737,409</u>

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

Cash		<u>\$ 703,413</u>
	<u>Ref.</u>	
Unrestricted cash		
Governmental Funds, Balance Sheet	B-1	\$ 278,635
Enterprise Funds, Statement of Net Position	B-4	741
Fiduciary Funds, Statement of Net Position	B-7	137,997
Restricted cash		
Governmental Funds, Balance Sheet	B-1	286,040
Total cash		<u>\$ 703,413</u>

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 69,500	\$ -	\$ -	\$ 69,500
Construction in progress	546,507	498,526	1,045,033	-
Total	<u>616,007</u>	<u>498,526</u>	<u>1,045,033</u>	<u>69,500</u>
Capital assets, being depreciated				
Land improvements	50,600	-	-	50,600
Building & improvements	4,018,357	1,061,228	-	5,079,585
Furniture & equipment	435,697	85,113	-	520,810
Total	<u>4,504,654</u>	<u>1,146,341</u>	<u>-</u>	<u>5,650,995</u>
Accumulated depreciation				
Land improvements	48,343	645	-	48,988
Building & improvements	1,110,165	113,608	-	1,223,773
Furniture & equipment	270,035	26,085	-	296,120
Total	<u>1,428,543</u>	<u>140,338</u>	<u>-</u>	<u>1,568,881</u>
Total capital assets, being depreciated, net	<u>3,076,111</u>	<u>1,006,003</u>	<u>-</u>	<u>4,082,114</u>
Governmental activities capital assets, net	<u>\$ 3,692,118</u>	<u>\$ 1,504,529</u>	<u>\$ 1,045,033</u>	<u>\$ 4,151,614</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business type activities				
Furniture & equipment	\$ 29,378	\$ 4,199	\$ 10,200	\$ 23,377
Less: accumulated depreciation	26,673	893	10,200	17,366
Business type activities capital assets, net	<u>\$ 2,705</u>	<u>\$ 3,306</u>	<u>\$ -</u>	<u>\$ 6,011</u>

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 4 - Capital assets (continued)

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

Instruction	
Regular	\$ 70,193
Special education	23,426
Other special instruction	-
Other instruction	1,432
Support services	
Student & instruction	32,436
General & business administration	7,803
School administration	4,897
Plant maintenance	151
Total depreciation expense, governmental activities	\$ 140,338

Note 5 - Long-term debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds payable	\$ 1,353,000	\$ -	\$ 75,000	\$ 1,278,000	\$ 75,000
Compensated absences payable	82,048	-	66,912	15,136	-
PERS net pension liability	627,774	240,518	-	868,292	-
Total governmental activities long-term liabilities	\$ 2,062,822	\$ 240,518	\$ 141,912	\$ 2,161,428	\$ 75,000

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

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

Year ending June 30,	Principal	Interest	Total
2018	\$ 75,000	\$ 37,869	\$ 112,869
2019	75,000	35,619	110,619
2020	80,000	33,294	113,294
2021	80,000	30,894	110,894
2022	85,000	28,419	113,419
2023 - 2027	460,000	102,206	562,206
2028 - 2031	423,000	27,046	450,046
Total	\$ 1,278,000	\$ 295,347	\$ 1,573,347

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 5 - Long-term debt (continued)

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

\$1,353,000 - 2015 general obligation school building bonds, due in annual installments of \$75,000 to \$139,000, beginning July 15, 2016, through July 15, 2030, interest at 3.00% to 3.125%.	<u>\$ 1,278,000</u>
--	---------------------

The general obligation bonded debt of the District is limited by state law to 3% of the average equalized assessed values of the total taxable property in the District for the past three years. The legal debt limit at June 30, 2017 is \$5,004,140. General obligation debt at June 30, 2017 is \$1,278,000, resulting in a legal debt margin of \$3,726,140.

Note 6 - Pension plans

Description of systems

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

Plan description

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

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

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

Plan description (continued)

The following represents the membership tiers for PERS:

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

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

Allocation methodology and reconciliation to financial statements

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

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

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

Plan description (continued)

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

Contributions

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

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

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

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

Collective net pension liability and actuarial information

Components of net pension liability

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

	2016
Total pension liability	\$ 1,450,461
Plan fiduciary net position	582,169
Net pension liability	\$ 868,292

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

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

Inflation rate	3.08%
Salary increases (based on age)	
Through 2026	1.65% - 4.15%
Thereafter	2.65% - 5.15%
Investment rate of return	7.65%

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

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

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

Long-term expected rate of return

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

<u>Asset Class</u>	<u>Target Allocations</u>	<u>Long-Term Expected Rate of Return</u>
Cash	5.00%	.87%
U.S. Treasuries	1.50%	1.74%
Investment Grad Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex U.S.	5.00%	-0.25%
REIT	5.25%	5.63%

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

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

Discount rate

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

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

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

<u>District's proportionate share of the net pension liability</u>	<u>2016</u>
At current discount rate (3.98%)	\$ 868,292
At a 1% lower rate (2.98%)	1,063,990
At a 1% higher rate (4.98%)	706,726

Collective deferred outflows of resources and deferred inflows of resources

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 16,148	\$ -
Changes of assumptions	179,864	-
Net difference between projected and actual earnings on pension plan investments	33,109	-
Changes in proportion and differences between District contributions and proportionate share of contributions	38,345	-
District contributions subsequent to the measurement date	26,045	-
Total	\$ 293,511	\$ -

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

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

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

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

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

	Beginning Balance	Increases	Decreases	Ending Balance
Deferred outflows of resources				
Changes of assumptions and differences between expected and actual experience	\$ 86,376	\$ 156,160	\$ 46,524	\$ 196,012
Deferred inflows of resources				
Difference between projected and actual earnings on pension plan investments	(10,581)	48,750	5,060	33,109
Net of deferred outflows	\$ 75,795	\$ 204,910	\$ 51,584	\$ 229,121

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

Year Ending June 30,

2017	\$ 51,584
2018	51,584
2019	59,763
2020	50,209
2021	15,981
Total	\$ 229,121

Pension expense

For the year ended June 30, 2017, the District recognized net pension expense of \$90,259 which represents the District's proportionate share of allocable plan pension expense of \$82,898, plus the net amortization of deferred amounts from changes in proportion of \$9,363, and less other adjustments to the net pension liability of \$2,002. The components of allocable pension expense, which exclude amounts attributable to employer paid member contributions and pension expense related to specific liabilities of individual employers, for the District for the year ending June 30, 2016 are as follows:

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

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

Pension expense (continued)

Service cost	\$	28,337
Interest on total pension liability		61,870
Member contributions		(14,687)
Administrative expense		469
Expected investment return net of investment expense		(44,583)
Pension expense related to specific liabilities of individual employers		(92)
Recognition of deferred inflows/outflows of resources		
Amortization of assumption changes or inputs		42,372
Amortization of expected versus actual experience		4,152
Amortization of projected versus actual investment earnings on pension plan investments		5,060
Pension expense	\$	82,898

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

Plan description

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

The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after 10-years of service, except for medical benefits, which vest after 25-years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

The following represents the membership tiers for TPAF:

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

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

Plan description (continued)

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

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

Special funding situation

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers. However, the Notes to the Financial Statements of the local participating employers must disclose the portion of the non-employer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer. During the State fiscal year ending June 30, 2016, the State of New Jersey contributed \$87,044 to the TPAF for normal pension benefits on behalf of the District.

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

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

Special funding situation (continued)

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

	2016
State's proportionate share of net pension liability	\$ 8,598,001
District's proportionate share of net pension liability	-
Employer pension expense and related revenue	646,020
Non-employer contribution	87,044
 Allocable proportionate percentage	 0.0109297041%

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

Service cost	\$ 662,378
Interest on total pension liability	1,043,962
Member contributions	(215,218)
Administrative expense	3,890
Expected investment return net of investment expense	(534,461)
Pension expense related to specific liabilities of individual employers	(69)
Recognition of deferred inflows/outflows of resources	
Amortization of assumption changes or inputs	7,022
Amortization of expected versus actual experience	656,776
Amortization of projected versus actual investment earnings on pension plan investments	53,454
Pension expense	\$ 1,677,734

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)
B. Teacher's pension and annuity fund (TPAF) (continued)
Collective net pension liability and actuarial information
Components of net pension liability

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

	2016
Total pension liability	\$ 11,069,606
Plan fiduciary net position	2,471,605
Net pension liability	\$ 8,598,001
Plan fiduciary net position as a percentage of the total pension liability	22.33%

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

Inflation rate	2.50%
Salary increases (based on age)	
2012 - 2021	Varies based on experience
Thereafter	Varies based on experience
Investment rate of return	7.65%

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

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

Long-term expected rate of return

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

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

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

Discount rate

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

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

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

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

<u>District’s Proportionate Share of the Net Pension Liability</u>	<u>2016</u>
At current discount rate (3.22%)	\$ 8,598,001
At a 1% lower rate (2.22%)	10,267,935
At a 1% higher rate (4.22%)	7,234,285

C. Defined contribution retirement program

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

Contribution rates for DCRP provide for employee contributions of 5.50% of annual contractual compensation as defined. The District’s contribution to the DCRP for fiscal year ending 2017 was \$3,326.

D. Other pension plan information

During the year ended June 30, 2017, the State of New Jersey contributed \$120,040 to the TPAF for post-retirement medical benefits, \$5,037 for non-contributory insurance premiums, \$339 for long-term disability insurance, and \$139,029 for normal costs and accrued liability costs on behalf of the Board. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$95,084 during the year ended June 30, 2017 for the employer's share of Social Security contributions for TPAF members calculated on their base salaries. These amounts have been included in the financial statements and the combining and individual fund and account group statements and schedules as revenues and expenditures in accordance with GASB 68.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 7 - Post-retirement benefits

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

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

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

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

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 7 - Post-retirement benefits (continued)
Funding Policy - Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis. Information regarding the State's annual contributions, annual OPEB cost and net OPEB obligations is available through the State as noted in the previous paragraph.

Note 8 - Deferred compensation
 The Board offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Section 403 (b). The plans, which are administered by the entities listed below, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency. The Plan Administrators are as follows:

- Equitable
- Variable Annuity Life Insurance Co.
- Lincoln Investment Planning

Note 9 - Interfund receivable and payables
 As of June 30, 2017, the Payroll Agency Fund has an interfund payable for \$299 due to the Unemployment Compensation Fund for withholdings not yet transferred as of year-end. The Capital Projects Fund had an interfund payable for \$56,070 due to the General Fund for a loan as a result of cash flow issues relating to the delayed receipt of grant revenues.

Note 10 - Inventory
 Inventory in the Food Service Fund as of June 30, 2017 consisted of the following:

Food	\$	1,679
Supplies		439
Total	\$	2,118

Note 11 - Contingent liabilities
 The District is involved in various legal proceedings that are incidental to its operations. These legal proceedings are not likely to have a material adverse effect on the financial position of the School District.

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 12 - Risk management

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

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

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

Fiscal Year	Board Contrib.	Interest Earnings	Employee Contrib.	Amount Reimbursed	Ending Balance
2016 - 2017	\$ -	\$ 23	\$ 3,026	\$ 374	\$ 48,285
2015 - 2016	-	22	2,916	416	45,610
2014 - 2015	-	18	3,041	241	43,088

Note 13 - Legal reserve accounts

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

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 13 - Legal reserve accounts (continued)

Districts are allowed as per N.J.S.A. 18A:7F-41(a) & 41(b) to deposit to the legal reserves by Board resolution during the month of June for any unanticipated revenue and/or unexpended line-item appropriation amounts. Pursuant to this State statute, the District deposited \$5,000 to their Maintenance Reserve account by Board resolution in June 2017 as summarized in the following schedule. The following schedule is a summarization of the Legal Reserve Accounts for the current year:

Reserve Type	Beginning Balance	District Contrib.	Interest Earnings	Return Unused Withdrawal	Withdrawal	Ending Balance
Capital	\$ 159,550	\$ -	\$ -	\$ -	\$ -	\$ 159,550
Maintenance	147,916	5,000	-	-	26,426	126,490
Total	<u>\$ 307,466</u>	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,426</u>	<u>\$ 286,040</u>

Note 14 - Fund balances - budgetary basis

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

	2017
Restricted	
Capital Reserve Account - Represents funds restricted to capital projects in the Districts long range facilities plan.	\$ 159,550
Maintenance Reserve Account - Represents funds accumulated for the required maintenance of a facility in accordance with the EFCFA (N.J.S.A.18A:76-9).	126,490
Committed	
Year-end encumbrance - Represents fund balance committed for purchase orders that have been issued but goods or services were not received as of June 30	13,949
Assigned	
Designated Surplus - Designated for Subsequent Year's Expenditures - represents amount appropriated in the succeeding year's budget to reduce tax requirements.	50,000
Unassigned	
Undesignated - Represents fund balance which has not been restricted or designated.	258,379
Total fund balance	\$ 608,368

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 15 - Calculation of excess surplus

In accordance with N.J.S.A. 18A:7F-7, as amended by PL 2004, Ch. 73 (S1701), the designation for Reserved Fund Balance - Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey School Districts are required to reserve General Fund balance at the fiscal year end of June 30, if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2017 is \$0.

Note 16 - Subsequent events

The District has evaluated subsequent events through October 25, 2017, which is the date the financial statements were available to be issued and no additional items were noted for disclosure.

Note 17 - Recent accounting pronouncements not yet effective

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

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

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

Note 18 - Deficit balance in unrestricted net position

The District is reporting a deficit balance in unrestricted net position for governmental activities as of June 30, 2017 of \$(358,804) on Schedule A-1 "Statement of Net Position". The deficit balance is not a negative reflection on the District's financial condition, but is the result of reporting required by GASB Statement No. 68 Accounting and Financial Reporting for Pensions which allocates the proportionate share of the State's net pension liability for PERS to each contributing entity throughout the State.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 19 - Restatement of prior year net position

During the fiscal year ending June 30, 2017, the District has determined a restatement of the prior year net position is necessary. Due to ongoing updates to the District's capital asset inventory and the timing of the inventory report, adjustments to the inventory report value are necessary. The following is a summary of the District's restatement of net position as of June 30, 2017:

	Governmental Activities
Net position, June 30, 2016	\$ 2,993,459
Add: net increase in capital assets	66,166
Net position, June 30, 2016 as restated	<u>\$ 3,059,625</u>

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

FRENCHTOWN BOROUGH SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES					
Local sources					
Local tax levy	\$ 1,870,537	\$ -	\$ 1,870,537	\$ 1,870,537	\$ -
Tuition from individuals	66,500	-	66,500	55,790	(10,710)
Tuition from other LEAs within the state	-	-	-	14,467	14,467
Rents and royalties	3,300	-	3,300	3,300	-
Unrestricted miscellaneous revenues	2,440	-	2,440	2,383	(57)
Total	1,942,777	-	1,942,777	1,946,477	3,700
State Sources					
School Choice Aid	135,422	-	135,422	135,422	-
Categorical Transportation Aid	457	-	457	457	-
Extraordinary Aid	-	-	-	33,834	33,834
Categorical Special Education Aid	85,703	-	85,703	85,703	-
Equalization Aid	508,039	-	508,039	508,039	-
Categorical Security Aid	3,251	-	3,251	3,251	-
Adjustment Aid	9,673	-	9,673	9,673	-
PARCC Readiness Aid	1,240	-	1,240	1,240	-
Per Pupil Growth Aid	1,240	-	1,240	1,240	-
Professional Learning Community Aid	1,240	-	1,240	1,240	-
Other state Aids	-	-	-	1,392	1,392
TPAF Pension (on-behalf)	-	-	-	144,066	144,066
TPAF Social Security (reimbursed)	-	-	-	95,084	95,084
TPAF Post Retirement Benefits	-	-	-	120,040	120,040
TPAF Long-term Disability Insurance	-	-	-	339	339
Total	746,265	-	746,265	1,141,020	394,755
Total Revenues	\$ 2,689,042	\$ -	\$ 2,689,042	\$ 3,087,497	\$ 398,455
EXPENDITURES					
Current					
Instruction - regular program					
Salaries of teachers					
Kindergarten	\$ 84,246	\$ (2,185)	\$ 82,061	\$ 82,061	\$ -
Grades 1-5	392,893	12,426	405,319	405,319	-
Grades 6 - 8	337,385	(1,642)	335,743	335,743	-
Home instruction					
Salaries of teacher	500	(500)	-	-	-
Purchased professional - educational services	500	(500)	-	-	-
Regular programs - undistributed instruction					
Other purchased services	30,182	1,957	32,139	31,389	750
General supplies	85,699	(12,378)	73,321	72,241	1,080
Textbooks	1,000	(1,000)	-	-	-
Other objects	2,550	(700)	1,850	1,850	-
Total	934,955	(4,522)	930,433	928,603	1,830
Special education					
Resource room/resource center					
Salaries of teachers	209,178	48,785	257,963	257,963	-
Other salaries for instruction	17,800	(1,207)	16,593	16,593	-
General supplies	1,900	876	2,776	2,776	-
Total	228,878	48,454	277,332	277,332	-

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Preschool disabilities - part-time					
Salaries of teachers	\$ 56,632	\$ (5,308)	\$ 51,324	\$ 51,324	\$ -
Other salaries for instruction	21,634	6,176	27,810	27,810	-
General supplies	500	(116)	384	384	-
Total	<u>78,766</u>	<u>752</u>	<u>79,518</u>	<u>79,518</u>	<u>-</u>
Total special education	<u>307,644</u>	<u>49,206</u>	<u>356,850</u>	<u>356,850</u>	<u>-</u>
School-sponsored co/extra curricular activities - instruction					
Salaries	11,730	(1,045)	10,685	10,685	-
Supplies and materials	500	(500)	-	-	-
Total	<u>12,230</u>	<u>(1,545)</u>	<u>10,685</u>	<u>10,685</u>	<u>-</u>
School-sponsored athletics - instruction					
Salaries	10,650	(150)	10,500	10,500	-
Purchased services	1,890	(126)	1,764	1,764	-
Supplies and materials	500	12	512	512	-
Total	<u>13,040</u>	<u>(264)</u>	<u>12,776</u>	<u>12,776</u>	<u>-</u>
Total instruction regular	<u>\$ 1,267,869</u>	<u>\$ 42,875</u>	<u>\$ 1,310,744</u>	<u>\$ 1,308,914</u>	<u>\$ 1,830</u>
Undistributed expenditures - health services					
Salaries	\$ 67,009	\$ 881	\$ 67,890	\$ 67,890	\$ -
Purchased professional and technical services	1,400	201	1,601	1,601	-
Supplies and materials	1,500	656	2,156	2,156	-
Other objects	400	(400)	-	-	-
Total	<u>70,309</u>	<u>1,338</u>	<u>71,647</u>	<u>71,647</u>	<u>-</u>
Undistributed expenditures - speech, ot, pt & related services					
Salaries	33,352	3,739	37,091	37,091	-
Purchased professional - educational services	24,900	3,126	28,026	28,026	-
Supplies and materials	500	(500)	-	-	-
Total	<u>58,752</u>	<u>6,365</u>	<u>65,117</u>	<u>65,117</u>	<u>-</u>
Undistributed expend - other supp. service stds. - extra service					
Purchased professional - educational services	-	14,045	14,045	14,045	-
Total	<u>-</u>	<u>14,045</u>	<u>14,045</u>	<u>14,045</u>	<u>-</u>
Undistributed expenditures - guidance					
Salaries of other professional staff	22,645	-	22,645	22,645	-
Supplies and materials	250	(250)	-	-	-
Total	<u>22,895</u>	<u>(250)</u>	<u>22,645</u>	<u>22,645</u>	<u>-</u>
Undistributed expenditures - child study teams					
Salaries of other professional staff	118,378	(51,397)	66,981	66,981	-
Salaries of secretarial and clerical assistants	31,397	12,011	43,408	43,408	-
Purchased professional - educational services	13,393	(4,199)	9,194	9,194	-
Other purchased services	400	(400)	-	-	-
Supplies and materials	600	(304)	296	269	27
Total	<u>164,168</u>	<u>(44,289)</u>	<u>119,879</u>	<u>119,852</u>	<u>27</u>

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Undistributed expenditures - improvement of inst. service					
Salaries of supervisor of instruction	\$ 34,320	\$ (34,320)	\$ -	\$ -	\$ -
Salaries of other professional staff	4,500	(4,500)	-	-	-
Other salaries	-	27,721	27,721	27,720	1
Total	38,820	(11,099)	27,721	27,720	1
Undistributed expenditures - edu. media service/sch. library					
Salaries	31,815	5,837	37,652	37,652	-
Purchased professional and technical services	9,128	(400)	8,728	8,728	-
Other purchased services	6,932	(67)	6,865	6,865	-
Supplies and materials	2,200	(2,086)	114	-	114
Total	50,075	3,284	53,359	53,245	114
Undistributed expenditures - instructional staff training services					
Other purchased services	3,644	(580)	3,064	3,064	-
Total	3,644	(580)	3,064	3,064	-
Undistributed expend. - support service - general admin.					
Legal services	1,500	3,427	4,927	4,927	-
Audit fees	14,000	(1,500)	12,500	12,500	-
Other purchased professional services	-	4,000	4,000	4,000	-
Purchased technical services	20,000	-	20,000	20,000	-
Misc purch services	375	558	933	933	-
General supplies	300	63	363	363	-
BOE in-house training/meeting supplies	100	(100)	-	-	-
Miscellaneous expenditures	-	150	150	150	-
BOE membership dues and fees	2,800	99	2,899	2,899	-
Total	39,075	6,697	45,772	45,772	-
Undistributed expend. - support service - school admin.					
Salaries of principals/assistant principals	34,230	-	34,230	34,230	-
Salaries of secretarial and clerical assistants	30,697	(10,956)	19,741	19,741	-
Other purchased services	600	(450)	150	150	-
Supplies and materials	250	(206)	44	44	-
Other objects	800	-	800	800	-
Total	66,577	(11,612)	54,965	54,965	-
Undistributed expenditures - central services					
Salaries	31,070	(7,535)	23,535	23,535	-
Purchased professional services	52,650	1,219	53,869	53,869	-
Miscellaneous purchased services	800	83	883	883	-
Supplies and materials	300	-	300	115	185
Interest on current loans	-	3,669	3,669	3,669	-
Other objects	100	-	100	-	100
Total	84,920	(2,564)	82,356	82,071	285
Undistributed expend. - required maint. for school facilities					
Cleaning, repair, and maintenance services	80,386	(39,678)	40,708	31,770	8,938
Total	80,386	(39,678)	40,708	31,770	8,938

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Undistributed expenditures - custodial services					
Salaries	\$ 85,723	\$ -	\$ 85,723	\$ 84,692	\$ 1,031
Purchased professional and technical services	13,915	(11,110)	2,805	2,231	574
Cleaning, repair, and maintenance service	3,550	(639)	2,911	2,776	135
Other purchased property services	12,230	(2,430)	9,800	8,610	1,190
Insurance	23,900	(4,879)	19,021	19,021	-
General supplies	8,440	(1,593)	6,847	5,313	1,534
Energy (natural gas)	1,500	11,091	12,591	12,117	474
Energy (electricity)	32,000	(3,749)	28,251	28,251	-
Energy (oil)	45,000	(45,000)	-	-	-
Other objects	700	880	1,580	1,386	194
Total	<u>226,958</u>	<u>(57,429)</u>	<u>169,529</u>	<u>164,397</u>	<u>5,132</u>
Undistributed expenditures - care and upkeep of grounds					
Salaries	19,168	290	19,458	19,458	-
Cleaning, repair, and maintenance service	-	1,500	1,500	1,500	-
Total	<u>19,168</u>	<u>1,790</u>	<u>20,958</u>	<u>20,958</u>	<u>-</u>
Undistributed expenditures - student transportation service					
Salaries for pupil trans (other than between home & school)	10,500	(2,654)	7,846	7,845	1
Management fee - esc & ctsa trans. program	-	1,358	1,358	1,358	-
Contract service-Aid in lieu pymts-non-public schools	5,304	884	6,188	6,188	-
Contract serv-Aid in lieu pymts-choice school students	4,420	1,112	5,532	5,532	-
Contr service (oth. than between home & school) - vend	2,225	(418)	1,807	1,807	-
Contract service (spl. ed. students) - escs & ctsas	-	5,874	5,874	5,874	-
Total	<u>22,449</u>	<u>6,156</u>	<u>28,605</u>	<u>28,604</u>	<u>1</u>
Allocated benefits - employee benefits					
Regular programs - instruction					
Social Security Contributions	4,100	(4,100)	-	-	-
Other retirement contributions - PERS	5,000	(1,673)	3,327	3,326	1
Workmen's compensation	10,000	-	10,000	10,000	-
Health benefits	246,653	(42,310)	204,343	204,343	-
Tuition reimbursement	5,000	(1,256)	3,744	3,744	-
Total	<u>270,753</u>	<u>(49,339)</u>	<u>221,414</u>	<u>221,413</u>	<u>1</u>
Special programs - instruction					
Social Security Contributions	6,000	(6,000)	-	-	-
Other retirement contributions - PERS	7,000	-	7,000	7,000	-
Workmen's compensation	3,500	-	3,500	3,500	-
Health benefits	88,821	(263)	88,558	88,558	-
Total	<u>105,321</u>	<u>(6,263)</u>	<u>99,058</u>	<u>99,058</u>	<u>-</u>
Other instructional programs - instruction					
Social Security Contributions	1,440	(1,440)	-	-	-
Total	<u>1,440</u>	<u>(1,440)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Health services					
Social Security Contributions	62	(62)	-	-	-
Workmen's compensation	700	-	700	700	-
Health benefits	26,418	(163)	26,255	26,255	-
Total	<u>27,180</u>	<u>(225)</u>	<u>26,955</u>	<u>26,955</u>	<u>-</u>

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Other supp services - speech/ot/pt & related sv					
Workmen's compensation	\$ 700	\$ -	\$ 700	\$ 700	\$ -
Health benefits	1,000	-	1,000	1,000	-
Total	<u>1,700</u>	<u>-</u>	<u>1,700</u>	<u>1,700</u>	<u>-</u>
Other supp services - child study teams					
Social Security Contributions	2,000	(2,000)	-	-	-
Other retirement contributions - PERS	5,500	445	5,945	5,945	-
Workmen's compensation	1,800	-	1,800	1,800	-
Health benefits	35,218	(3,012)	32,206	32,206	-
Other employee benefits	1,900	(32)	1,868	1,868	-
Total	<u>46,418</u>	<u>(4,599)</u>	<u>41,819</u>	<u>41,819</u>	<u>-</u>
Educational media services - sch. library					
Other retirement contributions - PERS	400	(400)	-	-	-
Workmen's compensation	100	-	100	100	-
Health benefits	11,418	-	11,418	11,418	-
Total	<u>11,918</u>	<u>(400)</u>	<u>11,518</u>	<u>11,518</u>	<u>-</u>
Support services - school administration					
Social Security Contributions	2,350	(2,350)	-	-	-
Other retirement contributions - PERS	1,000	-	1,000	1,000	-
Workmen's compensation	250	-	250	250	-
Health benefits	19,418	(1,597)	17,821	17,821	-
Tuition reimbursement	-	6,201	6,201	6,201	-
Total	<u>23,018</u>	<u>2,254</u>	<u>25,272</u>	<u>25,272</u>	<u>-</u>
Support services - central services					
Social Security Contributions	2,400	(1,646)	754	-	754
Other retirement contributions - PERS	1,600	-	1,600	1,600	-
Workmen's compensation	500	-	500	500	-
Health benefits	29,168	-	29,168	29,168	-
Total	<u>33,668</u>	<u>(1,646)</u>	<u>32,022</u>	<u>31,268</u>	<u>754</u>
Operation and maintenance of plant service					
Social Security Contributions	7,000	(3,664)	3,336	-	3,336
Other retirement contributions - PERS	7,000	-	7,000	7,000	-
Workmen's compensation	3,000	(850)	2,150	2,150	-
Health benefits	26,935	-	26,935	26,227	708
Total	<u>43,935</u>	<u>(4,514)</u>	<u>39,421</u>	<u>35,377</u>	<u>4,044</u>
Total allocated benefits - employees	<u>\$ 565,351</u>	<u>\$ (66,172)</u>	<u>\$ 499,179</u>	<u>\$ 494,380</u>	<u>\$ 4,799</u>

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Unallocated benefits - employee benefits					
Social Security Contributions	\$ 30,000	\$ 6,841	\$ 36,841	\$ 35,959	\$ 882
Other retirement contributions - PERS	3,500	-	3,500	3,500	-
Other employee benefits	-	84,294	84,294	72,796	11,498
Total	<u>33,500</u>	<u>91,135</u>	<u>124,635</u>	<u>112,255</u>	<u>12,380</u>
On-behalf TPAF Pension Contribution	-	-	-	144,066	(144,066)
On-behalf TPAF Post Retirement Medical Benefits	-	-	-	120,040	(120,040)
On-behalf TPAF Long-Term Disability Insurance	-	-	-	339	(339)
Reimbursed TPAF Social Security Contribution	-	-	-	95,084	(95,084)
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>359,529</u>	<u>(359,529)</u>
Total undistributed expenditures	<u>\$ 1,547,047</u>	<u>\$ (102,863)</u>	<u>\$ 1,444,184</u>	<u>\$ 1,772,036</u>	<u>\$ (327,852)</u>
Total current	<u>\$ 2,814,916</u>	<u>\$ (59,988)</u>	<u>\$ 2,754,928</u>	<u>\$ 3,080,950</u>	<u>\$ (326,022)</u>
Capital outlay					
Equipment					
Undistributed					
Undistributed expenditures - instruction	\$ 17,867	\$ 59,936	\$ 77,803	\$ 77,803	\$ -
Undistributed expenditures - admin. info. technology	6,219	-	6,219	6,219	-
Undistributed expend. - required maint. for school facilities	-	20,158	20,158	16,195	3,963
Total equipment	<u>24,086</u>	<u>80,094</u>	<u>104,180</u>	<u>100,217</u>	<u>3,963</u>
Facilities acquisition and construction service					
Assessment for debt service on SDA funding	12,808	-	12,808	12,808	-
Total facilities acquisition and construction service	<u>12,808</u>	<u>-</u>	<u>12,808</u>	<u>12,808</u>	<u>-</u>
Total capital outlay	<u>\$ 36,894</u>	<u>\$ 80,094</u>	<u>\$ 116,988</u>	<u>\$ 113,025</u>	<u>\$ 3,963</u>
Total expenditures	<u>\$ 2,851,810</u>	<u>\$ 20,106</u>	<u>\$ 2,871,916</u>	<u>\$ 3,193,975</u>	<u>\$ (322,059)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (162,768)</u>	<u>\$ (20,106)</u>	<u>\$ (182,874)</u>	<u>\$ (106,478)</u>	<u>\$ 76,396</u>
Other financing sources (uses)					
Operating transfer out					
Transfers to cover deficit (Enterprise Fund)	<u>-</u>	<u>(6,319)</u>	<u>(6,319)</u>	<u>(6,319)</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>(6,319)</u>	<u>(6,319)</u>	<u>(6,319)</u>	<u>-</u>
Excess (deficiency) of revenues & other financing sources					
Over (under) expenditures & other financing uses	(162,768)	(26,425)	(189,193)	(112,797)	76,396
Fund balances, July 1	721,165	-	721,165	721,165	-
Fund balances, June 30	<u>\$ 558,397</u>	<u>\$ (26,425)</u>	<u>\$ 531,972</u>	<u>\$ 608,368</u>	<u>\$ 76,396</u>

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Recapitulation of excess (deficiency) of revenues over (under) expenditures:					
Adjustment for prior year encumbrances	\$ (112,868)	\$ -	\$ (112,868)	\$ (112,868)	\$ -
Interest deposit to capital reserve	100	-	100	-	(100)
Increase in maintenance reserve	-	5,000	5,000	5,000	-
Withdrawal from maintenance reserve	-	(26,426)	(26,426)	(26,426)	-
Budgeted fund balance	(50,000)	(4,999)	(54,999)	21,497	76,496
Total	\$ (162,768)	\$ (26,425)	\$ (189,193)	\$ (112,797)	\$ 76,396
Recapitulation of fund balance					
Restricted fund balance					
Capital reserve				\$ 159,550	
Maintenance reserve				126,490	
Committed fund balance					
Year-end encumbrances				13,949	
Assigned fund balance					
Designated for subsequent year's expenditures				50,000	
Unassigned fund balance				258,379	
Fund balance per budgetary basis				608,368	
Reconciliation to governmental statements (GAAP)					
Last state Aid payments not recognized on GAAP basis				(73,343)	
Fund balance per governmental funds (GAAP)				\$ 535,025	

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Special Revenue Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Local sources	\$ 6,000	\$ -	\$ 6,000	\$ 2,833	\$ (3,167)
State sources	6,130	-	6,130	909	(5,221)
Federal sources	80,609	-	80,609	68,106	(12,503)
Total revenues	<u>\$ 92,739</u>	<u>\$ -</u>	<u>\$ 92,739</u>	<u>\$ 71,848</u>	<u>\$ (20,891)</u>
Expenditures					
Instruction					
Salaries	\$ 35,500	\$ -	\$ 35,500	\$ 24,958	\$ 10,542
Other purchased services	5,039	-	5,039	-	5,039
General supplies	4,540	-	4,540	570	3,970
Textbooks	173	-	173	170	3
Other objects	2,000	-	2,000	2,000	-
Totals	<u>47,252</u>	<u>-</u>	<u>47,252</u>	<u>27,698</u>	<u>19,554</u>
Support services					
Employee benefits	5,958	318	6,276	5,128	1,148
Purchased professional & technical services	15,697	(318)	15,379	15,379	-
Other purchased services	23,832	-	23,832	23,643	189
Total	<u>45,487</u>	<u>-</u>	<u>45,487</u>	<u>44,150</u>	<u>1,337</u>
Total expenditures	<u>\$ 92,739</u>	<u>\$ -</u>	<u>\$ 92,739</u>	<u>\$ 71,848</u>	<u>\$ 20,891</u>

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to Required Supplementary Information
Budgetary Comparison Schedule

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

<u>Sources/Inflows of Resources</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	\$ 3,087,497	\$ 71,848
Difference - Budget to GAAP		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures and the related revenue is recognized:		
Outstanding encumbrances prior year	-	1,091
Outstanding encumbrances current year	-	(5,128)
The last State aid payment is recognized as revenue for budgetary purposes, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expenses (GASB 33)		
State aid receivable prior year	72,258	-
State aid receivable current year	(73,343)	-
Total revenues (GAAP Basis)	<u>\$ 3,086,412</u>	<u>\$ 67,811</u>
<u>Uses/Outflows of Resources</u>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 3,193,975	\$ 71,848
Differences-Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes:		
Outstanding encumbrances prior year	-	1,091
Outstanding encumbrances current year	-	(5,128)
Total expenditures (GAAP Basis)	<u>\$ 3,193,975</u>	<u>\$ 67,811</u>

See independent auditors' report.

REQUIRED SUPPLEMENTARY INFORMATION - PART III

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

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the net pension liability (asset) - percentage	N/A	0.0029317221%	0.0027965698%	0.0027233616%	0.0026532902%	N/A	N/A	N/A	N/A	N/A
District's proportion of the net pension liability (asset) - value	N/A	\$ 868,292	\$ 627,774	\$ 509,888	\$ 507,096	N/A	N/A	N/A	N/A	N/A
District's covered employee payroll	N/A	197,884	201,680	177,681	140,144	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	N/A	438.79%	311.27%	286.97%	361.84%	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	40.14%	47.93%	52.08%	48.72%	N/A	N/A	N/A	N/A	N/A

N/A - Not applicable

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Schedule of Pension Contributions - Public Employees Retirement System
Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 26,045	\$ 24,043	\$ 22,451	\$ 19,992	\$ 19,957	\$ 19,871	\$ 21,065	\$ 14,821	\$ 15,610	\$ 8,886
Contributions in relation to the contractually required contribution	(26,045)	(24,043)	(22,451)	(19,992)	(19,957)	(19,871)	(21,065)	(14,821)	(15,610)	(8,886)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 193,464	\$ 197,884	\$201,680	\$177,681	\$140,144	\$183,040	\$177,294	\$190,537	\$179,116	\$162,525
Contributions as a percentage of covered employee payroll	13.46%	12.15%	11.13%	11.25%	14.24%	10.86%	11.88%	7.78%	8.72%	5.47%

See independent auditors' report.

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the net pension liability (asset) - percentage	N/A	0.00%	0.00%	0.00%	0.00%	N/A	N/A	N/A	N/A	N/A
District's proportion of the net pension liability (asset) - value	N/A	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	N/A	N/A
State's proportionate share of the net pension liability (asset) associated with the District	N/A	8,598,001	8,505,094	7,476,453	6,689,301	N/A	N/A	N/A	N/A	N/A
Total	\$ -	\$ 8,598,001	\$ 8,505,094	\$ 7,476,453	\$ 6,689,301	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	N/A	\$ 1,335,494	\$ 1,258,538	\$ 1,096,164	\$ 990,785	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	N/A	0.00%	0.00%	0.00%	0.00%	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	22.33%	28.71%	33.64%	33.76%	N/A	N/A	N/A	N/A	N/A

N/A - Not applicable

See independent auditors' report.

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 144,066	\$ 87,507	\$ 75,317	\$ 59,178	\$ 85,525	\$ 50,595	\$ 4,873	\$ 5,082	\$ 4,642	\$ 112,114
Contributions in relation to the contractually required contribution	(144,066)	(87,507)	(75,317)	(59,178)	(85,525)	(50,595)	(4,873)	(5,082)	(4,642)	(112,114)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 1,326,958	\$ 1,335,494	\$ 1,258,538	\$ 1,096,164	\$ 990,785	\$ 1,335,077	\$ 1,239,498	\$ 1,566,135	\$ 1,547,433	\$ 1,401,014
Contributions as a percentage of covered employee payroll	10.86%	6.55%	5.98%	5.40%	8.63%	3.79%	0.39%	0.32%	0.30%	8.00%

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Required Supplementary Information - Part III
(Unaudited)
June 30, 2017

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

SPECIAL REVENUE FUND

DETAIL STATEMENTS

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Special Revenue Fund
Combining Schedule of Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2017

	Small, Rural School Achievement	NCLB Title IA	NCLB Title IIA	IDEA Basic	IDEA Preschool	NJ Non-public	Local Grants	Total
Revenues								
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,833	\$ 2,833
State sources	-	-	-	-	-	909	-	909
Federal sources	18,825	5,817	4,457	37,899	1,108	-	-	68,106
Total revenues	\$ 18,825	\$ 5,817	\$ 4,457	\$ 37,899	\$ 1,108	\$ 909	\$ 2,833	\$ 71,848
Expenditures								
Instruction								
Salaries	\$ -	\$ 5,625	\$ -	\$ 18,500	\$ -	\$ -	\$ 833	\$ 24,958
General supplies	-	192	-	-	-	378	-	570
Textbooks	-	-	-	-	-	170	-	170
Other objects	-	-	-	-	-	-	2,000	2,000
Total	-	5,817	-	18,500	-	548	2,833	27,698
Support services								
Employee benefits	-	-	-	5,128	-	-	-	5,128
Purchased professional and technical services	-	-	-	14,271	1,108	-	-	15,379
Other purchased services	18,825	-	4,457	-	-	361	-	23,643
Total	18,825	-	4,457	19,399	1,108	361	-	44,150
Total expenditures	\$ 18,825	\$ 5,817	\$ 4,457	\$ 37,899	\$ 1,108	\$ 909	\$ 2,833	\$ 71,848

See independent auditors' report.

CAPITAL PROJECTS FUND

DETAIL STATEMENTS

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Capital Projects Fund
Summary Schedule of Project Expenditures
For the Fiscal Year Ended June 30, 2017

Description	Approval Date	Revised Budgetary Appropriations	Expenditures to Date		Unexpended Appropriations 06/30/17
			Prior Years	Current Year	
Window replacement project	1/6/14	\$ 711,534	\$ 488,947	\$ 134,927	\$ 87,660
Boiler project	1/6/14	457,444	57,559	363,599	36,286
		<u>\$ 1,168,978</u>	<u>\$ 546,506</u>	<u>\$ 498,526</u>	<u>\$ 123,946</u>

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Capital Projects Fund
Summary Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budgetary Basis
For the Fiscal Year Ended June 30, 2017

Revenues	
State sources - NJ SDA ROD Grants	\$ (58,466)
Total revenues	<u>(58,466)</u>
Expenditures	
Purchased professional services	28,323
Construction services	455,173
Other purchased services	15,030
Total expenditures	<u>498,526</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(556,992)
Net position - beginning	<u>680,938</u>
Net position - ending	<u><u>\$ 123,946</u></u>

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Capital Projects Fund
Schedule of Project Revenues, Expenditures, Project Balance and Project Status
Budgetary Basis
Window Replacement Project
For the Fiscal Year Ended June 30, 2017

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and other financing sources				
Local sources				
Bond proceeds	\$ 462,000	\$ -	\$ 462,000	\$ 462,000
State sources				
School Development Authority Grant	308,000	(58,466)	249,534	249,534
Total revenues	<u>770,000</u>	<u>(58,466)</u>	<u>711,534</u>	<u>711,534</u>
Expenditures and other financing uses				
Purchased professional services	37,737	7,893	45,630	45,890
Bonding/legal fees	9,533	-	9,533	9,533
Construction services	435,662	127,034	562,696	645,000
Construction contingency	-	-	-	5,096
Other purchased services	6,015	-	6,015	6,015
Total expenditures	<u>488,947</u>	<u>134,927</u>	<u>623,874</u>	<u>711,534</u>
Excess (deficiency) of revenues over (under)				
Expenditures	<u>\$ 281,053</u>	<u>\$ (193,393)</u>	<u>\$ 87,660</u>	<u>\$ -</u>

Additional Project Information

Project number	1680-050-14-2003-GO4
Grant date	01/06/14
Bond authorization date	07/22/14
Bonds authorized	\$ 462,000
Bonds issued	462,000
Original authorized cost	770,000
Additional authorized cost	(58,466)
Revised authorized cost	711,534
Percentage completion	88%

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Capital Projects Fund
Schedule of Project Revenues, Expenditures, Project Balance and Project Status
Budgetary Basis
Boiler Project
For the Fiscal Year Ended June 30, 2017

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and other financing sources				
Local sources				
Bond proceeds	\$ 270,000	\$ -	\$ 270,000	\$ 270,000
State sources				
School Development Authority Grant	187,444	-	187,444	187,444
Total revenues	<u>457,444</u>	<u>-</u>	<u>457,444</u>	<u>457,444</u>
Expenditures and other financing uses				
Purchased professional services	19,223	20,430	39,653	39,653
Bonding/legal fees	5,696	-	5,696	5,696
Construction services	16,566	328,139	344,705	363,825
Construction contingency	-	-	-	17,166
Other purchased services	16,074	15,030	31,104	31,104
Total expenditures	<u>57,559</u>	<u>363,599</u>	<u>421,158</u>	<u>457,444</u>
Excess (deficiency) of revenues over (under)				
Expenditures	<u>\$ 399,885</u>	<u>\$ (363,599)</u>	<u>\$ 36,286</u>	<u>\$ -</u>

Additional Project Information

Project number	1680-050-14-2003-GO4
Grant date	01/06/14
Bond authorization date	07/22/14
Bonds authorized	\$ 270,000
Bonds issued	270,000
Original authorized cost	450,000
Additional authorized cost	7,444
Revised authorized cost	457,444
Percentage completion	92%

See independent auditors' report.

PROPRIETARY FUND

DETAIL STATEMENTS

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Food Service Enterprise Fund
Statement of Net Position
For the Fiscal Year Ended June 30, 2017

Assets	
Current assets	
Cash and cash equivalents	\$ 741
Receivables from other governments	
State	18
Federal	542
Inventory	2,118
Total current assets	<u>3,419</u>
Noncurrent assets	
Capital assets	23,377
Less: accumulated depreciation	17,366
Total noncurrent assets	<u>6,011</u>
Total assets	<u>9,430</u>
Liabilities	
Current liabilities	
Unearned revenues - commodities	987
Unearned revenues - prepaid sales	367
Total liabilities	<u>1,354</u>
Net position	
Net investment in capital assets	6,011
Unrestricted	2,065
Total net position	<u>\$ 8,076</u>

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Food Service Enterprise Fund
Statement of Revenues, Expenses, and
Changes in Net Position
For the Fiscal Year Ended June 30, 2017

Operating revenues	
Charges for services	
Daily sales - reimbursable programs	\$ 14,598
Daily sales - non-reimbursable programs	4,911
Satellites sales	18,377
Total operating revenues	<u>37,886</u>
Operating expenses	
Cost of sales - reimbursable programs	13,476
Cost of sales - non-reimbursable programs	7,753
Commodity food costs	2,841
Salaries	19,958
Support services - employee benefits	2,799
Purchased professional/technical services	1,260
Other purchased services	
Insurance	2,022
Management fee	5,613
Supplies and materials	5,291
Depreciation	893
Miscellaneous expenditures	420
Total operating expenses	<u>62,326</u>
Operating income (loss)	<u>(24,440)</u>
Non-operating revenues (expenses)	
State sources	
State School Lunch Program	367
Federal sources	
National School Lunch Program	
Cash assistance	10,803
Non-cash assistance (commodities)	2,841
National School Breakfast Program	445
Interest earned on investments	2
Total non-operating revenues (expenses)	<u>14,458</u>
Other financing sources	
Operating transfer in	<u>6,319</u>
Change in net position	(3,663)
Net position, beginning	<u>11,739</u>
Net position, ending	<u>\$ 8,076</u>

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Food Service Enterprise Fund
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2017

Cash flows from operating activities	
Receipts from customers (net)	\$ 38,884
Payments to Food Service Management Co.	(53,869)
Payments to vendors (net)	(4,866)
Net cash provided by operating activities	<u>(19,851)</u>
Cash flows from noncapital financing activities	
State sources	410
Federal sources	12,842
Operating transfer in	2,120
Net cash provided by (used for) non capital financing activities	<u>15,372</u>
Cash flows from investing activities	
Interest on investments	<u>2</u>
Net increase (decrease) in cash and cash equivalents	(4,477)
Cash and cash equivalents, July 1	<u>5,218</u>
Cash and cash equivalents, June 30	<u><u>\$ 741</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities	
Operating income (loss)	\$ (24,440)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities	
Depreciation	893
Federal Food Donation Program	2,841
(Increase) decrease in accounts receivable	863
(Increase) decrease in inventory	867
Increase (decrease) in unearned revenue	(875)
Net cash provided by (used for) operating activities	<u><u>\$ (19,851)</u></u>

See independent auditors' report.

FIDUCIARY FUND

DETAIL STATEMENTS

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Fiduciary Funds
Combining Schedule of Net Position
June 30, 2017

	Unemployment Compensation Fund	Student Activity Agency Fund	Payroll Agency Fund	Total
Assets				
Cash and cash equivalents	\$ 47,986	\$ 17,066	\$ 72,945	\$ 137,997
Due from other funds	299	-	-	299
Total assets	\$ 48,285	\$ 17,066	\$ 72,945	\$ 138,296
Liabilities				
Due to other funds	-	-	299	299
Due to students groups	-	17,066	-	17,066
Payroll deductions & withholdings	-	-	72,646	72,646
Total liabilities	-	17,066	72,945	90,011
Net position				
Held in trust for unemployment claims & other purposes	\$ 48,285	-	-	\$ 48,285

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Fiduciary Funds
Statement of Changes in Net Position
For the Fiscal Year Ended June 30, 2017

	<u>Unemployment Compensation Fund</u>
Additions	
Contributions	
Employee withholdings	\$ 3,026
Investment earnings - interest	<u>23</u>
Total additions	3,049
Deductions	
Unemployment claims	<u>374</u>
Change in net position	2,675
Net position, beginning of the year	<u>45,610</u>
Net position, end of the year	<u><u>\$ 48,285</u></u>

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Fiduciary Funds
Student Activity Agency Fund
Schedule of Receipts & Disbursements
For the Fiscal Year Ended June 30, 2017

	Balance 07/01/16	Additions	Deletions	Balance 06/30/17
Assets				
Cash and cash equivalents	\$ 31,934	\$ 19,949	\$ 34,817	\$ 17,066
Total assets	\$ 31,934	\$ 19,949	\$ 34,817	\$ 17,066
Liabilities				
Due to student groups	\$ 31,934	\$ 19,949	\$ 34,817	\$ 17,066
Total liabilities	\$ 31,934	\$ 19,949	\$ 34,817	\$ 17,066

H-4

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Fiduciary Funds
Payroll Agency Fund
Schedule of Receipts & Disbursements
For the Fiscal Year Ended June 30, 2017

	Balance 07/01/16	Additions	Deletions	Balance 06/30/17
Assets				
Cash and cash equivalents	\$ 81,101	\$ 2,934,698	\$ 2,942,854	\$ 72,945
Total assets	\$ 81,101	\$ 2,934,698	\$ 2,942,854	\$ 72,945
Liabilities				
Due to other funds	\$ 299	\$ -	\$ -	\$ 299
Summer pay	62,206	70,030	80,109	52,127
Payroll deductions and withholdings	17,063	1,889,159	1,887,282	18,940
Net payroll	1,533	975,509	975,463	1,579
Total liabilities	\$ 81,101	\$ 2,934,698	\$ 2,942,854	\$ 72,945

See independent auditors' report.

LONG-TERM DEBT SCHEDULES

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Long-Term Debt
Schedule of Serial Bonds
For the Fiscal Year Ended June 30, 2017

Issue	Date of Issue	Amount of Issue	Annual Maturities		Interest Rate	Balance 7/1/2016	Issued	Retired	Balance 6/30/2017
			Date	Amount					
Series 2015	07/22/15	\$ 1,353,000	07/15/17	\$ 75,000	3.00%	\$ 1,353,000	\$ -	\$ 75,000	\$ 1,278,000
			07/15/18	75,000		-	-	-	
			07/15/19	80,000		-	-	-	
			07/15/20	80,000		-	-	-	
			07/15/21	85,000		-	-	-	
			07/15/22	85,000		-	-	-	
			07/15/23	90,000		-	-	-	
			07/15/24	90,000		-	-	-	
			07/15/25	95,000		-	-	-	
			07/15/26	100,000		3.13%	-	-	-
			07/15/27	100,000			-	-	-
			07/15/28	105,000			-	-	-
			07/15/29	105,000			-	-	-
							07/15/30	113,000	
						<u>\$ 1,353,000</u>	<u>\$ -</u>	<u>\$ 75,000</u>	<u>\$ 1,278,000</u>

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Debt Service Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES					
Local sources					
Local tax levy	\$ 112,939	\$ -	\$ 112,939	\$ 112,939	\$ -
Total revenues	<u>112,939</u>	<u>-</u>	<u>112,939</u>	<u>112,939</u>	<u>-</u>
EXPENDITURES					
Regular debt service					
Redemption of principal	75,000	-	75,000	75,000	-
Interest	40,119	-	40,119	40,119	-
Total expenditures	<u>115,119</u>	<u>-</u>	<u>115,119</u>	<u>115,119</u>	<u>-</u>
Excess (deficiency) of revenues Over (under) expenditures	(2,180)	-	(2,180)	(2,180)	-
Fund balance, July 1	<u>2,180</u>	<u>-</u>	<u>2,180</u>	<u>2,180</u>	<u>-</u>
Fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.

Statistical Section

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Statistical Section J Series

CONTENTS	PAGE
FINANCIAL TRENDS	
These schedules contain trend information to help the reader understand how the District's financial performance and well being have changed over time.	J-1 to J-5
REVENUE CAPACITY	
These schedules contain trend information to help the reader assess the District's most significant local revenue sources, the property tax.	J-6 to J-9
DEBT CAPACITY	
These schedules contain trend information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	J-10 to J-13
DEMOGRAPHIC AND ECONOMIC INFORMATION	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take	J-14 to J-15
OPERATING INFORMATION	
These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	J-16 to J-20

Sources: Unless otherwise noted, the information in these schedules are derived from the Comprehensive Annual Financial Reports (CAFR) for the relevant year.

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

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Government activities										
Net investment in capital assets	\$ 1,423,180	\$ 1,483,848	\$ 1,527,013	\$ 1,583,398	\$ 1,637,040	\$ 1,704,199	\$ 1,868,912	\$ 2,105,378	\$ 2,272,952	\$ 2,873,614
Restricted	109,159	109,287	113,604	114,219	139,675	116,934	252,904	996,021	990,584	409,986
Unrestricted	203,235	120,254	64,083	221,778	188,687	311,072	(274,355)	(262,328)	(270,077)	(358,804)
Total governmental activities	<u>\$ 1,735,574</u>	<u>\$ 1,713,389</u>	<u>\$ 1,704,700</u>	<u>\$ 1,919,395</u>	<u>\$ 1,965,402</u>	<u>\$ 2,132,205</u>	<u>\$ 1,847,461</u>	<u>\$ 2,839,071</u>	<u>\$ 2,993,459</u>	<u>\$ 2,924,796</u>
Business-type activities										
Net investment in capital assets	\$ 3,831	\$ 3,466	\$ 3,102	\$ 2,737	\$ 2,372	\$ 2,008	\$ 1,643	\$ 3,249	\$ 2,705	\$ 6,011
Unrestricted	7,374	9,627	9,407	13,268	12,223	15,759	13,812	12,337	9,034	2,065
Total business-type activities	<u>\$ 11,205</u>	<u>\$ 13,093</u>	<u>\$ 12,509</u>	<u>\$ 16,005</u>	<u>\$ 14,595</u>	<u>\$ 17,767</u>	<u>\$ 15,455</u>	<u>\$ 15,586</u>	<u>\$ 11,739</u>	<u>\$ 8,076</u>
District-wide										
Net investment in capital assets	\$ 1,427,011	\$ 1,487,314	\$ 1,530,115	\$ 1,586,135	\$ 1,639,412	\$ 1,706,207	\$ 1,870,555	\$ 2,108,627	\$ 2,275,657	\$ 2,879,625
Restricted	109,159	109,287	113,604	114,219	139,675	116,934	252,904	996,021	990,584	409,986
Unrestricted	210,609	129,881	73,490	235,046	200,910	326,831	(260,543)	(249,991)	(261,043)	(356,739)
Total district-wide	<u>\$ 1,746,779</u>	<u>\$ 1,726,482</u>	<u>\$ 1,717,209</u>	<u>\$ 1,935,400</u>	<u>\$ 1,979,997</u>	<u>\$ 2,149,972</u>	<u>\$ 1,862,916</u>	<u>\$ 2,854,657</u>	<u>\$ 3,005,198</u>	<u>\$ 2,932,872</u>

See independent auditors' report.

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

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities										
Instruction										
Regular	\$ 1,283,758	\$ 1,252,784	\$ 1,361,462	\$ 1,113,235	\$ 1,186,985	\$ 1,262,847	\$ 1,259,721	\$ 1,650,507	\$ 1,626,796	\$ 1,870,399
Special education	325,980	371,898	356,717	408,963	416,596	418,171	440,745	454,682	531,893	609,179
Other special education	39,677	55,755	51,969	50,132	23,866	38,192	40,565	16,359	22,189	5,817
Other instruction	24,811	22,525	17,509	24,549	27,786	23,354	37,082	32,531	31,425	33,447
Support services										
Tuition	52,030	23,416	52,799	1,125	66,420	16,250	1,822	34,919	149	-
Student & instruction related services	414,783	439,504	469,155	424,222	427,911	412,028	388,465	501,078	651,843	788,667
General & business administrative services	165,854	179,702	164,062	121,655	154,246	161,111	206,275	147,189	162,895	171,954
School administration	74,063	70,792	63,896	99,003	102,065	73,510	82,622	119,676	147,574	132,725
Plant operations & maintenance	201,102	268,369	224,628	205,402	274,994	276,299	287,846	307,965	267,431	285,498
Pupil transportation	35,784	51,538	49,362	51,771	63,487	49,144	55,282	84,395	18,670	33,644
Interest on long-term debt	47,924	44,436	40,218	45,511	35,721	30,427	29,335	23,400	55,817	51,896
Total governmental activities expenses	<u>2,665,766</u>	<u>2,780,719</u>	<u>2,851,777</u>	<u>2,545,568</u>	<u>2,780,077</u>	<u>2,761,333</u>	<u>2,829,760</u>	<u>3,372,701</u>	<u>3,516,682</u>	<u>3,983,226</u>
Business-type activities										
Food services	66,898	67,892	59,080	58,450	71,134	65,516	69,869	71,967	61,981	62,326
Total business-type activities	<u>66,898</u>	<u>67,892</u>	<u>59,080</u>	<u>58,450</u>	<u>71,134</u>	<u>65,516</u>	<u>69,869</u>	<u>71,967</u>	<u>61,981</u>	<u>62,326</u>
Total district expenses	<u>\$ 2,732,664</u>	<u>\$ 2,848,611</u>	<u>\$ 2,910,857</u>	<u>\$ 2,604,018</u>	<u>\$ 2,851,211</u>	<u>\$ 2,826,849</u>	<u>\$ 2,899,629</u>	<u>\$ 3,444,668</u>	<u>\$ 3,578,663</u>	<u>\$ 4,045,552</u>

See independent auditors' report.

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

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Program revenues										
Governmental activities										
Charges for services	\$ 136,829	\$ 220,382	\$ 206,007	\$ 103,489	\$ 50,788	\$ 18,000	\$ 116,168	\$ 60,328	\$ 83,136	\$ 73,557
Operating grants & contributions	70,374	62,089	88,332	101,891	102,224	73,523	99,412	87,571	86,376	67,811
Capital grants & contributions	-	-	-	-	-	-	-	902,000	-	-
Total governmental activities program revenues	<u>207,203</u>	<u>282,471</u>	<u>294,339</u>	<u>205,380</u>	<u>153,012</u>	<u>91,523</u>	<u>215,580</u>	<u>1,049,899</u>	<u>169,512</u>	<u>141,368</u>
Business-type activities										
Charges for services										
Food service	45,781	43,262	40,296	40,901	44,751	41,312	41,534	42,404	39,094	37,886
Operating grants & contributions	14,773	17,838	18,186	21,010	16,898	17,997	20,488	20,871	18,690	14,456
Total business-type activities program revenues	<u>60,554</u>	<u>61,100</u>	<u>58,482</u>	<u>61,911</u>	<u>61,649</u>	<u>59,309</u>	<u>62,022</u>	<u>63,275</u>	<u>57,784</u>	<u>52,342</u>
Total district-program revenues	<u>\$ 267,757</u>	<u>\$ 343,571</u>	<u>\$ 352,821</u>	<u>\$ 267,291</u>	<u>\$ 214,661</u>	<u>\$ 150,832</u>	<u>\$ 277,602</u>	<u>\$ 1,113,174</u>	<u>\$ 227,296</u>	<u>\$ 193,710</u>
Net (expense) revenues										
Governmental activities	\$ (2,458,563)	\$ (2,498,248)	\$ (2,557,438)	\$ (2,340,188)	\$ (2,627,065)	\$ (2,669,810)	\$ (2,614,180)	\$ (2,322,802)	\$ (3,347,170)	\$ (3,841,858)
Business-type activities	(6,344)	(6,792)	(598)	3,461	(9,485)	(6,207)	(7,847)	(8,692)	(4,197)	(9,984)
Total district-wide net expenses	<u>\$ (2,464,907)</u>	<u>\$ (2,505,040)</u>	<u>\$ (2,558,036)</u>	<u>\$ (2,336,727)</u>	<u>\$ (2,636,550)</u>	<u>\$ (2,676,017)</u>	<u>\$ (2,622,027)</u>	<u>\$ (2,331,494)</u>	<u>\$ (3,351,367)</u>	<u>\$ (3,851,842)</u>

See independent auditors' report.

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

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General revenues & other changes in net position										
Governmental activities										
Property taxes levied for general purposes, net	\$ 1,423,722	\$ 1,494,908	\$ 1,547,230	\$ 1,609,121	\$ 1,641,301	\$ 1,673,305	\$ 1,705,934	\$ 1,739,200	\$ 1,833,860	1,870,537
Taxes levied for debt service	142,360	137,967	138,573	143,948	138,861	138,773	143,454	147,673	114,100	112,939
Unrestricted grants & contributions	948,897	822,528	851,842	797,260	904,968	1,025,587	972,029	1,432,990	1,563,704	1,785,955
Investment earnings	13,342	4,060	6,020	2,928	806	690	455	572	607	276
Capital grants deobligated	-	-	-	-	-	-	-	-	(10,772)	(58,466)
Miscellaneous income	1,875	7,652	5,084	1,626	201	7,631	199	2,796	405	2,107
Contribution-Parent Teacher Orgar	-	17,603	-	-	-	-	-	-	-	-
Operating transfer	(13,500)	(8,655)	-	-	(13,065)	(9,373)	(5,531)	(8,819)	(346)	(6,319)
Total governmental activities	<u>2,516,696</u>	<u>2,476,063</u>	<u>2,548,749</u>	<u>2,554,883</u>	<u>2,673,072</u>	<u>2,836,613</u>	<u>2,816,540</u>	<u>3,314,412</u>	<u>3,501,558</u>	<u>3,707,029</u>
Business-type activities										
Investment earnings	-	-	14	35	10	6	4	4	4	2
Miscellaneous income	466	25	-	-	-	-	-	-	-	-
Operating transfer	13,500	8,655	-	-	8,065	9,373	5,531	8,819	346	6,319
Total business-type activities	<u>13,966</u>	<u>8,680</u>	<u>14</u>	<u>35</u>	<u>8,075</u>	<u>9,379</u>	<u>5,535</u>	<u>8,823</u>	<u>350</u>	<u>6,321</u>
Total district-wide	<u>\$ 2,530,662</u>	<u>\$ 2,484,743</u>	<u>\$ 2,548,763</u>	<u>\$ 2,554,918</u>	<u>\$ 2,681,147</u>	<u>\$ 2,845,992</u>	<u>\$ 2,822,075</u>	<u>\$ 3,323,235</u>	<u>\$ 3,501,908</u>	<u>\$ 3,713,350</u>
Change in net position										
Governmental activities	\$ 58,133	\$ (22,185)	\$ (8,689)	\$ 214,695	\$ 46,007	\$ 166,803	\$ 202,360	\$ 991,610	\$ 154,388	\$ (134,829)
Business-type activities	7,622	1,888	(584)	3,496	(1,410)	3,172	(2,312)	131	(3,847)	(3,663)
Total district	<u>\$ 65,755</u>	<u>\$ (20,297)</u>	<u>\$ (9,273)</u>	<u>\$ 218,191</u>	<u>\$ 44,597</u>	<u>\$ 169,975</u>	<u>\$ 200,048</u>	<u>\$ 991,741</u>	<u>\$ 150,541</u>	<u>\$ (138,492)</u>

See independent auditors' report.

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

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General fund										
Restricted	\$ 104,349	\$ 104,477	\$ 108,794	\$ 109,409	\$ 134,865	\$ 112,124	\$ 264,281	\$ 265,180	\$ 307,466	\$ 286,040
Committed	87,662	41,587	18,266	127,959	89,344	218,474	75,305	33,727	112,868	13,949
Assigned			75,000		24,374		29,712	79,870	50,000	50,000
Unassigned	186,183	150,634	85,391	149,735	171,066	209,551	179,004	178,786	178,573	185,036
Total general fund	<u>\$ 378,194</u>	<u>\$ 296,698</u>	<u>\$ 287,451</u>	<u>\$ 387,103</u>	<u>\$ 419,649</u>	<u>\$ 540,149</u>	<u>\$ 548,302</u>	<u>\$ 557,563</u>	<u>\$ 648,907</u>	<u>\$ 535,025</u>
All other governmental funds										
Restricted, reported in										
Capital projects fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 742,218	\$ 680,938	\$ 123,946
Special revenue fund	(112)	-	-	-	-	-	-	-	-	-
Assigned, reported in										
Debt service fund	4,810	4,810	4,810	4,810	4,810	4,810	4,810	4,810	2,180	-
Total all other governmental funds	<u>\$ 4,698</u>	<u>\$ 4,810</u>	<u>\$ 4,810</u>	<u>\$ 4,810</u>	<u>\$ 4,810</u>	<u>\$ 4,810</u>	<u>\$ 4,810</u>	<u>\$ 747,028</u>	<u>\$ 683,118</u>	<u>\$ 123,946</u>

See independent auditors' report.

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

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Tax levy	\$ 1,566,082	\$ 1,632,875	\$ 1,685,803	\$ 1,753,069	\$ 1,780,162	\$ 1,812,078	\$ 1,849,388	\$ 1,886,873	\$ 1,947,960	\$ 1,983,476
Tuition charges	67,305	83,683	75,211	52,706	24,139	18,000	72,072	58,018	79,836	70,257
Interest earnings	13,342	4,060	6,020	2,928	806	690	455	572	607	276
Rents and royalties	-	-	-	-	-	-	-	-	3,300	3,300
Miscellaneous	71,795	161,954	135,880	52,409	26,850	7,631	199	5,106	405	4,940
State sources	951,129	822,640	751,926	797,260	883,888	1,025,876	972,048	1,933,024	1,016,036	1,082,378
Federal sources	67,746	61,977	188,248	101,891	123,304	73,234	99,393	87,234	85,642	64,069
Total revenues	2,737,399	2,767,189	2,843,088	2,760,263	2,839,149	2,937,509	2,993,555	3,970,827	3,133,786	3,208,696
Expenditures										
Instruction										
Regular instruction	918,099	968,116	983,222	889,341	838,704	872,421	905,825	918,534	877,729	928,603
Special education instruction	211,171	249,139	261,690	245,577	279,378	300,090	294,999	270,085	264,960	356,850
Other special instruction	29,225	38,748	32,429	31,485	8,149	11,728	17,099	-	-	-
Other instruction	23,887	21,761	16,912	23,789	26,849	22,577	33,743	31,529	27,112	23,461
Support services										
Tuition	36,790	23,416	24,855	1,125	27,014	7,347	1,822	34,919	149	
Student & inst related services	256,159	336,285	337,419	274,110	302,166	282,944	265,226	298,965	334,236	377,335
General administration	66,443	77,521	78,493	50,351	39,840	57,612	71,048	48,517	46,256	45,772
School administration services	59,387	65,348	57,652	91,681	81,968	52,987	59,422	78,590	92,619	54,965
Central services	59,812	62,564	48,559	40,196	50,180	48,320	76,185	68,257	82,235	82,071
Plant operations & maintenance	179,984	241,074	195,764	171,631	219,182	238,412	240,361	257,073	217,806	217,125
Pupil transportation	34,354	53,407	36,891	37,928	53,260	39,429	37,753	76,106	15,839	28,604
Employee benefits	275,837	265,098	326,563	344,099	370,003	360,833	382,369	413,411	474,662	606,635
On-behalf TPAF Pension & Social Security Contribution	313,871	209,894	215,451	203,051	249,708	284,670	239,992	294,539	288,987	359,529
Capital outlay	-	72,253	9,530	10,408	-	7,664	98,353	12,170	68,475	100,217
Capital projects	-	-	-	-	-	-	-	159,782	1,403,508	498,526
Special revenue funds	70,374	61,977	88,332	101,891	102,224	73,523	99,412	87,571	86,376	67,811
Debt service										
Principal	95,000	95,000	100,000	110,000	110,000	115,000	125,000	135,000	139,000	75,000
Interest & other charges	47,361	42,967	38,573	33,948	34,913	32,079	31,262	25,481	39,057	52,927
Total expenditures	2,677,754	2,884,568	2,852,335	2,660,611	2,793,538	2,807,636	2,979,871	3,210,529	4,459,006	3,875,431

See independent auditors' report.

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

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Excess (deficiency) of revenues over (under) expenditures	\$ 59,645	\$ (117,379)	\$ (9,247)	\$ 99,652	\$ 45,611	\$ 129,873	\$ 13,684	\$ 760,298	\$ (1,325,220)	\$ (666,735)
Other financing sources (uses)										
Proceeds from bond issue	-	-	-	-	-	-	-	-	1,353,000	-
Capital leases (non-budgeted)	-	44,650	-	-	-	-	-	-	-	-
Transfers in (out)	(13,500)	(8,655)	-	-	(13,065)	(9,373)	(5,531)	(8,819)	(346)	(6,319)
Total other financing sources (uses)	(13,500)	35,995	-	-	(13,065)	(9,373)	(5,531)	(8,819)	1,352,654	(6,319)
Net change in fund balances	<u>\$ 46,145</u>	<u>\$ (81,384)</u>	<u>\$ (9,247)</u>	<u>\$ 99,652</u>	<u>\$ 32,546</u>	<u>\$ 120,500</u>	<u>\$ 8,153</u>	<u>\$ 751,479</u>	<u>\$ 27,434</u>	<u>\$ (673,054)</u>
Debt service as a percentage of non-capital expenditures	5.61%	5.16%	5.12%	5.74%	5.47%	5.54%	5.73%	5.58%	6.34%	4.06%

Source: District records

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

See independent auditors' report.

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

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Interest income	\$ 13,342	\$ 4,060	\$ 6,020	\$ 2,928	\$ 806	\$ 690	\$ 455	\$ 572	\$ 607	\$ 275
Tuition	67,305	83,683	75,211	52,706	24,139	18,000	72,072	58,018	79,836	70,257
Other school districts-shared services	69,524	136,699	130,796	50,783	26,649	-	-	-	-	-
Prior year refunds	-	549	3,639	319	-	7,242	-	2,796	-	-
Outstanding checks voided	-	14	-	-	-	-	-	-	-	71
Rents and royalties	1,044	1,065	1,187	-	-	-	-	-	3,300	3,300
Miscellaneous other	729	274	18	-	-	289	199	-	101	142
Contributions	-	211	89	1,307	201	100	-	-	-	-
Transportation reimbursement	-	896	-	-	-	-	-	-	-	-
Joint insurance fund - surplus refund	-	4,643	-	-	-	-	-	-	-	-
Contribution-Parent Teacher Organizati	-	17,603	-	-	-	-	-	-	-	-
iPad insurance	-	-	-	-	-	-	-	-	-	1,895
School bus rental	-	-	-	-	-	-	-	2,310	-	-
Sale of surplus equipment & materials	102	-	151	-	-	-	-	-	304	-
Annual totals	<u>\$ 152,046</u>	<u>\$ 249,697</u>	<u>\$ 217,111</u>	<u>\$ 108,043</u>	<u>\$ 51,795</u>	<u>\$ 26,321</u>	<u>\$ 72,726</u>	<u>\$ 63,696</u>	<u>\$ 84,148</u>	<u>\$ 75,940</u>

Source: District Records

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Vacant land	\$ 2,554,500	\$ 2,608,300	\$ 2,505,100	\$ 2,505,100	\$ 2,505,100	\$ 2,505,100	\$ 2,505,100	\$ 2,490,600	\$ 4,480,500	\$ 4,261,200
Residential	108,094,600	108,052,500	109,384,700	108,678,000	108,976,400	108,741,700	109,474,900	109,543,700	110,307,000	110,497,100
Farm regular	898,600	898,600	898,600	898,600	898,600	898,600	898,600	898,600	449,600	449,600
Q farm	52,749	14,200	14,700	14,700	14,700	14,700	14,700	14,700	11,200	11,200
Commercial	28,085,300	27,687,500	26,861,900	26,785,700	26,737,800	26,737,800	26,449,600	26,369,600	26,503,300	26,563,300
Industrial	3,726,350	3,726,350	3,726,350	3,726,350	3,726,350	3,726,350	3,726,350	3,726,350	3,726,350	3,726,350
Apartment	6,119,880	6,446,500	6,045,500	6,045,500	6,045,500	6,045,500	5,682,600	5,682,600	5,682,600	5,682,600
Total assessed value	149,531,979	149,433,950	149,436,850	148,653,950	148,904,450	148,669,750	148,751,850	148,726,150	151,160,550	151,191,350
Public utilities (a)	1,059,003	1,130,900	889,485	725,240	592,657	489,679	594,036	693,169	644,203	648,614
Net valuation taxable	\$ 150,590,982	\$ 150,564,850	\$ 150,326,335	\$ 149,379,190	\$ 149,497,107	\$ 149,159,429	\$ 149,345,886	\$ 149,419,319	\$ 151,804,753	\$ 151,839,964
Estimated actual county equalized value	\$ 189,110,834	\$ 182,114,565	\$ 177,418,076	\$ 171,957,166	\$ 166,644,863	\$ 159,392,422	\$ 152,424,868	\$ 164,522,483	\$ 175,578,017	\$ 165,348,975
Percentage of net valuation to estimated actual equalized value	79.63%	82.68%	84.73%	86.87%	89.71%	93.58%	97.98%	90.82%	86.46%	91.83%
Total direct school tax rate (b)	\$ 1.08	\$ 1.12	\$ 1.17	\$ 1.19	\$ 1.21	\$ 1.24	\$ 1.26	\$ 1.30	\$ 1.31	\$ 1.33

Source: Municipal Tax Assessor

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

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

See independent auditors' report.

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

Assessment Year	School District Direct Rate				Regional School Rate	Overlapping Rates		Total Direct & Overlapping Tax Rate
	Basic Rate (a)	General Obligation Debt Service (b)	(From J-6) Total Direct School Tax Rate	Municipality		County		
2008	\$ 0.992	\$ 0.092	\$ 1.084	\$ 0.502	\$ 0.542	\$ 0.422	\$ 2.550	
2009	1.028	0.092	1.120	0.498	0.563	0.419	2.600	
2010	1.071	0.095	1.166	0.473	0.601	0.407	2.647	
2011	1.096	0.096	1.192	0.439	0.623	0.398	2.652	
2012	1.121	0.092	1.213	0.477	0.655	0.398	2.743	
2013	1.145	0.095	1.240	0.524	0.674	0.392	2.830	
2014	1.164	0.099	1.263	0.572	0.705	0.383	2.923	
2015	1.227	0.076	1.303	0.626	0.873	0.412	3.214	
2016	1.232	0.074	1.306	0.694	0.869	0.433	3.302	
2017	1.255	0.076	1.331	0.645	0.869	0.406	3.251	

Sources: Municipal Tax Collector

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

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

See independent auditors' report.

**FRENCHTOWN BOROUGH SCHOOL DISTRICT
Principal Property Taxpayers,
Current Year and Nine Years Ago**

	2017			2008		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
	Frenchtown Associates LLC	\$ 2,950,000	1	1.94%	\$ 2,950,000	1
Frenchtown Properties LLC	2,145,200	2	1.41%	2,145,200	3	1.42%
Frenchtown Barn Center LLC	1,500,000	3	0.99%	2,536,400	2	1.68%
Davon LLC	977,200	4	0.64%	977,200	5	0.65%
Bridge Race Properties LLC	972,200	5	0.64%	972,200	6	0.65%
Individual Property Owner	769,200	6	0.51%	830,800	7	0.55%
Traub Holdings LLC	758,400	7	0.50%	758,400	9	0.50%
B & B Properties LLC	748,500	8	0.49%	748,500	10	0.50%
Leahy	718,800	9	0.47%			
Warren House LLC	695,400	10	0.46%	809,900	8	0.54%
United Telephone Co of NJ				1,059,003	4	0.70%
	<u>\$ 12,234,900</u>		<u>8.06%</u>	<u>\$ 13,787,603</u>		<u>9.16%</u>

Source: Municipal Tax Assessor

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Property Tax Levies and Collections
Last Ten Years

Year Ending December 31,	Taxes Levied for the Year	Collected within the Year of the Levy (a)	
		Amount	Percentage of Levy
2007	\$ 3,920,222	\$ 3,736,078	95.30%
2008	3,852,232	3,741,707	97.13%
2009	3,925,744	3,642,780	92.79%
2010	3,982,690	3,753,793	94.25%
2011	3,969,209	3,662,420	92.27%
2012	4,101,468	3,874,442	94.46%
2013	4,230,272	4,059,133	95.95%
2014	4,366,529	4,173,836	95.59%
2015	4,811,674	4,620,352	96.02%
2016	5,018,726	4,820,067	96.04%

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

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

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ending June 30,	Governmental Activities				Business-Type	Total District	% of Personal Income (a)	Per Capita (a)
	General Obligation Bonds (b)	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Activities Capital Leases			
2008	\$ 929,000	\$ -	\$ -	\$ -	\$ -	\$ 929,000	0.92%	\$ 631
2009	834,000	-	34,600	-	-	868,600	0.86%	592
2010	734,000	-	26,451	-	-	760,451	0.79%	518
2011	624,000	-	17,977	-	-	641,977	0.70%	467
2012	514,000	-	9,165	-	-	523,165	0.53%	371
2013	399,000	-	-	-	-	399,000	0.39%	294
2014	274,000	-	-	-	-	274,000	0.27%	197
2015	139,000	-	-	800,000	-	939,000	0.87%	677
2016	1,353,000	-	-	-	-	1,353,000	1.20%	976
2017	1,278,000	-	-	-	-	1,278,000	N/A	911

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

- (a) See Exhibit J-14 for personal income and population data.
 These ratios are calculated using personal income and population for the prior calendar year.
- (b) Includes Early Retirement Incentive Plan (ERIP) refunding.

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year Ending June 30,	General Bonded Debt Outstanding			% of Actual Taxable Value of Property (a)	Per Capita (b)
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2008	\$ 929,000	\$ -	\$ 929,000	0.62%	\$ 633
2009	834,000	-	834,000	0.55%	569
2010	734,000	-	734,000	0.49%	534
2011	624,000	-	624,000	0.42%	442
2012	514,000	-	514,000	0.34%	377
2013	399,000	-	399,000	0.27%	285
2014	274,000	-	274,000	0.18%	197
2015	139,000	-	139,000	0.09%	100
2016	1,353,000	-	1,353,000	0.89%	971
2017	1,278,000	-	1,278,000	0.84%	916

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

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

See independent auditors' report.

**FRENCHTOWN BOROUGH SCHOOL DISTRICT
Direct and Overlapping Governmental Activities Debt
As of December 31, 2016**

	<u>Debt Outstanding</u>	<u>Estimated % Applicable (a)</u>	<u>Estimated Share of Overlapping Debt</u>
Governmental Unit			
Debt repaid with property taxes			
Municipality	\$ 2,553,608	100.00%	\$ 2,553,608
Regional High School	1,585,000	7.17%	113,583
County general obligation debt	75,793,752	0.79%	<u>599,634</u>
Subtotal, overlapping debt			3,266,825
School District direct debt			<u>1,353,000</u>
Total direct and overlapping debt			<u><u>\$ 4,619,825</u></u>

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

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

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

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Legal Debt Margin Information
Last Ten Fiscal Years

Legal Debt Margin Calculation for Fiscal Year 2017

		Equalized Valuation Basis
	2016	\$ 164,609,115
	2015	172,017,291
	2014	163,787,547
		\$ 500,413,953
Average equalized valuation of taxable property		\$ 166,804,651
Debt limit (3.0% of average equalization value)	(a)	\$ 5,004,140
Total net debt applicable to limit		1,278,000
Legal debt margin		\$ 3,726,140

	Fiscal Year				
	2013	2014	2015	2016	2017
Debt limit	\$ 4,968,485	\$ 4,765,597	\$ 4,746,423	\$ 4,875,396	\$ 5,004,140
Total net debt applicable	399,000	274,000	2,394,000	2,244,227	1,278,000
Legal debt margin	\$ 4,569,485	\$ 4,491,597	\$ 2,352,423	\$ 2,631,169	\$ 3,726,140
Total net debt applicable to the limit as a percentage of debt limit	8.03%	5.75%	50.44%	46.03%	25.54%

	Fiscal Year				
	2008	2009	2010	2011	2012
Debt limit	\$ 5,213,702	\$ 5,534,083	\$ 5,531,279	\$ 5,362,191	\$ 5,140,934
Total net debt applicable	929,000	834,000	734,000	624,000	514,000
Legal debt margin	\$ 4,284,702	\$ 4,700,083	\$ 4,797,279	\$ 4,738,191	\$ 4,626,934
Total net debt applicable to the limit as a percentage of debt limit	17.82%	15.07%	13.27%	11.64%	10.00%

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

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

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Population (a)	Personal Income (b)	Per Capita Personal Income (c)	Unemployment Rate (d)
2008	1,467	\$ 101,305,152	\$ 69,056	3.6%
2009	1,467	96,719,310	65,930	6.3%
2010	1,393	92,518,881	66,417	6.6%
2011	1,430	100,518,990	70,293	6.5%
2012	1,377	102,754,494	74,622	6.7%
2013	1,408	104,696,064	74,358	6.7%
2014	1,405	109,511,320	77,944	5.2%
2015	1,403	113,304,877	80,759	3.3%
2016	1,395	N/A	N/A	3.1%
2017	N/A	N/A	N/A	N/A

Sources:

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

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Principal Employers
Current Year and Nine Years Ago

2017

Employer	Employees	Rank	Percentage of Total Municipal Employment
----------	-----------	------	--

INFORMATION IS NOT AVAILABLE FOR THIS SCHOOL DISTRICT

2008

Employer	Employees	Rank	Percentage of Total Municipal Employment
----------	-----------	------	--

INFORMATION IS NOT AVAILABLE FOR THIS SCHOOL DISTRICT

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Full Time Equivalent District Employees by Function/Program
Last Ten Fiscal Years

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Instruction	16.2	16.4	17.7	18.7	18.7	18.7	19.1	19.6	18.5	19.3
Health services	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Related services	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.4	0.5
Guidance	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Child study team	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.2
Media center	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
General administration	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.3	0.3
School administration services	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	1.1	1.1
Business office	0.8	0.8	0.8	0.8	0.8	0.8	0.9	0.9	0.8	0.8
Building maintenance	2.0	2.0	1.4	1.4	1.4	1.4	1.4	2.0	2.0	2.0
Transportation	0.1	0.1	0.7	0.7	0.7	0.7	0.8	-	-	-
Cafeteria	0.1	0.1	0.1	0.1	0.1	0.1	0.1	-	-	-
Total	24.0	24.2	25.5	26.5	26.5	26.5	27.1	27.3	26.3	26.9

Source: District Personnel Records

See independent auditors' report.

**FRENCHTOWN BOROUGH SCHOOL DISTRICT
Operating Statistics
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures (a)</u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff (b)</u>	<u>Teacher Ratio</u>	<u>Average Daily Enrollment (ADE) (c)</u>	<u>Average Daily Attendance (ADA) (c)</u>	<u>% Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2008	143	\$ 2,535,393	\$ 17,730	-0.65%	24.0	1 to 5.96	146.3	139.0	2.59%	95.01%
2009	158	2,674,348	16,926	-4.53%	24.0	1 to 6.59	158.9	150.6	8.61%	94.78%
2010	158	2,704,232	17,115	1.12%	24.0	1 to 6.59	157.5	148.6	-0.88%	94.35%
2011	171	2,506,255	14,656	-14.37%	24.0	1 to 6.50	168.4	158.9	6.92%	94.36%
2012	157	2,648,625	16,870	15.10%	24.0	1 to 6.55	159.6	151.1	-5.23%	94.67%
2013	148	2,652,893	17,925	6.25%	24.0	1 to 6.16	147.8	140.5	-7.39%	95.06%
2014	138	2,725,256	19,748	10.17%	18.5	1 to 7.45	137.7	131.0	-6.83%	95.12%
2015	142	2,878,096	20,268	2.63%	19.6	1 to 7.24	142.8	136.3	3.71%	95.46%
2016	142	2,808,966	19,781	-2.40%	19.6	1 to 7.24	138.9	132.1	-2.74%	95.10%
2017	129	3,148,761	24,409	23.39%	20.2	1 to 6.38	127.4	121.2	-8.28%	95.13%

Source: District Records

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

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
School Building Information
Last Ten Fiscal Years

District Building	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Elementary (1925)										
Square feet	35,992	35,992	35,992	35,992	35,992	35,992	35,992	35,992	35,992	35,992
Capacity (students)	179.1	179.1	179.1	179.1	179.1	179.1	179.1	179.1	179.1	179.1
Enrollment	148.0	158.0	158.0	171.0	157.0	148.0	138.0	142.0	142.0	129.0

Number of Schools at June 30, 2017

 Elementary 1

Source: District Facilities Office

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

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Schedule of Required Maintenance Expenditures by School Facility
Last Ten Fiscal Years

Undistributed Expenditures - Required Maintenance for School Facilities

<u>Fiscal Year Ending</u>	<u>Amount</u>	<u>Total</u>
2008	\$ 21,309	\$ 21,309
2009	19,519	19,519
2010	15,265	15,265
2011	14,757	14,757
2012	26,903	26,903
2013	65,117	65,117
2014	20,846	20,846
2015	33,947	33,947
2016	24,333	24,333
2017	31,770	31,770
Total school facilities	<u>\$ 273,766</u>	<u>\$ 273,766</u>

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

Source: District records

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Insurance Schedule
June 30, 2017
(Unaudited)

	<u>Coverage</u>	<u>Deductible</u>
School Commercial Package Policy - NJ School Boards Association		
Insurance Group		
Property - Building Blanket and Contents (Fund Limit)	\$ 450,000,000	\$ 5,000
Accounts Receivable	250,000	5,000
Electronic Data Processing Equipment	100,000	1,000
Auto Physical Damage	In blanket limit	1,000
School Board Legal Liability - NJ School Boards Association		
Insurance Group	16,000,000	5,000
Liability		
Comprehensive General Liability	16,000,000	-
Automobile Liability	16,000,000	-
Employee Benefit Liability	16,000,000	1,000
Workers Compensation - NJ School Boards Association		
Insurance Group		
Employers Liability	2,000,000	-
Statutory Benefits	Included	-
Supplemental Coverage (Optional)	Included	-
Crime		
Blanket Employee Dishonesty	500,000	1000
Forgery	50,000	500
Theft/Disapperance/Destruction		
Inside	50,000	500
Outside	50,000	500
Pollution Policy - NJ School Boards Association		
Insurance Group Through Zurich		
Incident	1,000,000	25,000
Fund Annual Aggregate	25,000,000	-

Source: District records

See independent auditors' report.



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

Honorable President and
Members of the Board of Education
Frenchtown Borough School District
County of Hunterdon, New Jersey

We have audited, in accordance with (908) 238-0197h the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Frenchtown Borough School District, County of Hunterdon, the State of New Jersey, (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 25, 2017.

Internal Control over Financial Reporting

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

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

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


Compliance and Other Matters

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

Purpose of this Report

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

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


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

October 25, 2017
Flemington, New Jersey



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

Honorable President and
Members of the Board of Education
Frenchtown Borough School District
County of Hunterdon, New Jersey

Report on Compliance for Each Major Federal Program and State Program

We have audited the Frenchtown Borough School District's, (the District), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the New Jersey OMB Circular Letter 15-08 that could have a direct and material effect on each of the District's major federal and New Jersey programs for the year ended June 30, 2017. Frenchtown Borough School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal and State Programs

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

Report on Internal Control over Compliance


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

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

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

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

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


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

October 25, 2017
Flemington, New Jersey

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards - Schedule A
For the Fiscal Year Ended June 30, 2017

Grantor/Program Title	Federal	Project	Program	Grant		Balance	Carryover	Cash	Budgetary	Adjust-	Repayment	Balance June 30, 2017			
	CFDA		or Award	Period	To						of Prior Year	Accounts	Deferred	Due to	
	Number	Number	Amount	From	To	06/30/16	Amount	Received	Expenditure	ment	Balance	Receivable	Revenue	Grantor	
U.S. Department of Education passed through State Department of Education															
Special Revenue Fund															
Title I A	84.010A	S010S160030	NCLB-1680-17	\$ 18,310	07/01/16	06/30/17	\$ -	\$ -	\$ 4,872	\$ 5,817	\$ -	\$ -	\$ (945)	\$ -	\$ -
Title I A	84.010A	S010S150030	NCLB-1680-16	18,679	07/01/15	06/30/16	(3,854)	-	3,854	-	-	-	-	-	-
Title II A	84.367A	S367A160029	NCLB-1680-17	4,467	07/01/16	06/30/17	-	-	3,993	4,457	-	-	(464)	-	-
Title II A	84.367A	S367A150029	NCLB-1680-16	4,558	07/01/15	06/30/16	(859)	-	859	-	-	-	-	-	-
Rural Education Achievement Program	84.358A	S358B160030	S358A-3750-16	18,825	07/01/16	09/30/17	-	-	16,628	18,825	-	-	(2,197)	-	-
Rural Education Achievement Program	84.358A	S358B150030	S358A-3750-15	17,456	07/01/15	09/30/16	(1,839)	-	1,839	-	-	-	-	-	-
IDEA basic	84.027	H027A160100	IDEA-1680-17	37,889	07/01/16	06/30/17	-	-	33,089	37,899	-	-	(5,128)	318	-
IDEA basic	84.027	H027A150100	IDEA-1680-16	39,323	07/01/15	06/30/16	(12,388)	-	12,388	-	-	-	-	-	-
IDEA preschool	84.173	H173S160114	IDEA-1680-17	1,108	07/01/16	06/30/17	-	-	1,108	1,108	-	-	-	-	-
IDEA preschool	84.173	H173S150114	IDEA-1680-16	1,097	07/01/15	06/30/16	(444)	-	444	-	-	-	-	-	-
Total Special Revenue Fund							<u>(19,384)</u>	<u>-</u>	<u>79,074</u>	<u>68,106</u>	<u>-</u>	<u>-</u>	<u>(8,734)</u>	<u>318</u>	<u>-</u>
U.S. Department of Agriculture passed through State Department of Agriculture															
Enterprise Fund															
Child Nutrition Center															
National School Lunch Program non-cash assistance (commodities)	10.555	171NJ304N1099	N/A	1,831	10/01/16	09/30/17	-	-	1,831	844	-	-	-	987	-
National School Lunch Program non-cash assistance (commodities)	10.555	16161NJ304N1099	N/A	8,233	07/01/15	06/30/16	1,997	-	-	1,997	-	-	-	-	-
National School Lunch Program cash assistance	10.555	171NJ304N1099	N/A	10,803	10/01/16	09/30/17	-	-	10,298	10,803	-	-	(505)	-	-
National School Lunch Program cash assistance	10.555	16161NJ304N1099	N/A	10,153	07/01/15	06/30/16	(1,925)	-	1,925	-	-	-	-	-	-
School Breakfast Program	10.553	16161NJ304N1099	N/A	660	07/01/15	06/30/16	(211)	-	211	-	-	-	-	-	-
School Breakfast Program	10.553	171NJ304N1099	N/A	445	10/01/16	09/30/17	-	-	408	445	-	-	(37)	-	-
Total Enterprise Fund							<u>(139)</u>	<u>-</u>	<u>14,673</u>	<u>14,089</u>	<u>-</u>	<u>-</u>	<u>(542)</u>	<u>987</u>	<u>-</u>
Total Federal Financial Assistance							<u>\$ (19,523)</u>	<u>\$ -</u>	<u>\$ 93,747</u>	<u>\$ 82,195</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (9,276)</u>	<u>\$ 1,305</u>	<u>\$ -</u>

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Schedule of Expenditures of State Financial Assistance - Schedule B
For the Fiscal Year Ended June 30, 2017

Grantor/Program Title	Project Number	Program or Award Amount	Grant Period		Balance June 30, 2016			Cash Received	Budgetary Expenditure	Adjustments/ Repayments	Balance June 30, 2017			Memo	
			From	To	Deferred Rev. (Accts. Rec)	Due to Grantor	Accounts Receivable				Deferred Revenue	Due to Grantor	Budgetary Receivable	Cumulative Expenditure	
State Department of Education															
General Fund															
Special Education Categorical Aid	17-495-034-5120-089	\$ 85,703	07/01/16	06/30/17	\$ -	\$ -	\$ 77,280	\$ 85,703	\$ -	\$ -	\$ -	\$ -	\$ 8,423	\$ 85,703	
Equalization Aid	17-495-034-5120-078	508,039	07/01/16	06/30/17	-	-	458,109	508,039	-	-	-	-	49,930	508,039	
School Choice Aid	17-495-034-5120-068	135,422	07/01/16	06/30/17	-	-	122,113	135,422	-	-	-	-	13,309	135,422	
Security Aid	17-495-034-5120-084	3,251	07/01/16	06/30/17	-	-	2,932	3,251	-	-	-	-	319	3,251	
Adjustment Aid	17-495-034-5120-085	9,673	07/01/16	06/30/17	-	-	8,722	9,673	-	-	-	-	951	9,673	
Transportation Aid	17-495-034-5120-014	457	07/01/16	06/30/17	-	-	412	457	-	-	-	-	45	457	
PARCC Readiness Aid	17-495-034-5120-098	1,240	07/01/16	06/30/17	-	-	1,118	1,240	-	-	-	-	122	1,240	
Per Pupil Growth Aid	17-495-034-5120-097	1,240	07/01/16	06/30/17	-	-	1,118	1,240	-	-	-	-	122	1,240	
Professional Learning Community Aid	17-495-034-5120-101	1,240	07/01/16	06/30/17	-	-	1,118	1,240	-	-	-	-	122	1,240	
Extraordinary Special Education costs Aid	17-495-034-5120-044	33,834	07/01/16	06/30/17	-	-	-	33,834	-	(33,834)	-	-	-	33,834	
Non-public Transportation Aid	17-495-034-5120-014	1,392	07/01/16	06/30/17	-	-	-	1,392	-	(1,392)	-	-	-	1,392	
Non-public Transportation Aid	16-495-034-5120-014	1,735	07/01/15	06/30/16	(1,735)	-	1,735	-	-	-	-	-	-	1,735	
On behalf TPAF Pension Contribution - Teachers' Pension & Annuity Fund	17-495-034-5094-002	139,029	07/01/16	06/30/17	-	-	139,029	139,029	-	-	-	-	-	139,029	
On behalf TPAF Pension Contribution - non-contributory insurance	17-495-034-5094-004	5,037	07/01/16	06/30/17	-	-	5,037	5,037	-	-	-	-	-	5,037	
On behalf TPAF Pension Contribution - post retirement medical	17-495-034-5094-001	120,040	07/01/16	06/30/17	-	-	120,040	120,040	-	-	-	-	-	120,040	
On behalf TPAF Pension Contribution - Long-Term Disability Insurance	17-495-034-5094-004	339	07/01/16	06/30/17	-	-	339	339	-	-	-	-	-	339	
Reimbursed TPAF Social Security Contribution	17-495-034-5094-003	95,084	07/01/16	06/30/17	-	-	94,776	95,084	-	(308)	-	-	-	95,084	
Reimbursed TPAF Social Security Contribution	16-495-034-5094-003	97,284	07/01/15	06/30/16	(4,826)	-	4,826	-	-	-	-	-	-	97,284	
Total General Fund					(6,561)	-	1,038,704	1,141,020	-	(35,534)	-	-	73,343	1,240,039	
Special Revenue Fund															
Nonpublic Handicapped Aid-Examination	17-100-034-5120-066	5,039	07/01/16	06/30/17	-	-	5,039	-	-	-	-	5,039	-	-	
Nonpublic Nursing Services	17-100-034-5120-070	540	07/01/16	06/30/17	-	-	540	361	-	-	-	179	-	361	
Nonpublic Security Aid	17-100-034-5120-509	300	07/01/16	06/30/17	-	-	300	300	-	-	-	-	-	300	
Nonpublic Technology Initiative	17-100-034-5120-373	78	07/01/16	06/30/17	-	-	78	78	-	-	-	-	-	78	
Nonpublic Textbook Aid	17-100-034-5120-064	173	07/01/16	06/30/17	-	-	173	170	-	-	-	3	-	170	
Nonpublic Security Aid	16-100-034-5120-509	100	07/01/15	06/30/16	-	11	-	-	-	11	-	-	-	89	
Nonpublic Handicapped Aid-Examination	16-100-034-5120-066	2,384	07/01/15	06/30/16	-	2,384	-	-	-	2,384	-	-	-	-	
Total Special Revenue Fund					-	2,395	6,130	909	2,395	-	-	5,221	-	998	

See independent auditors' report.

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

Grantor/Program Title	Project Number	Program or Award Amount	Grant Period		Balance June 30, 2016		Cash Received	Budgetary Expenditure	Adjustments/ Repayments	Balance June 30, 2017			Memo	
			From	To	Deferred Rev. (Accts. Rec)	Due to Grantor				Accounts Receivable	Deferred Revenue	Due to Grantor	Budgetary Receivable	Cumulative Expenditure
Capital Projects Fund														
NJ School Development Authority														
Roof replacement	1680-050-14-2003-G04	\$ 225,069	01/06/14	06/30/16	\$ (225,069)	\$ -	\$ 225,069	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 225,069
Toilet renovations	1680-050-14-2004-G04	170,715	01/06/14	06/30/16	(170,715)	-	170,715	-	-	-	-	-	-	170,715
Window replacement	1680-050-14-2005-G04	249,534	01/06/14	06/30/17	(195,579)	-	249,534	53,955	-	-	-	-	-	249,534
Boiler conversion	1680-050-14-2002-G04	187,444	01/06/14	n/a	(23,024)	-	7,427	148,990	-	(164,587)	-	-	-	172,014
Total Capital Projects Fund					<u>(614,387)</u>	<u>-</u>	<u>652,745</u>	<u>202,945</u>	<u>-</u>	<u>(164,587)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>817,332</u>
State Department of Agriculture														
Enterprise Fund														
State School Lunch program	17-100-010-3350-023	367	07/01/16	06/30/17	-	-	349	367	-	(18)	-	-	-	367
State School Lunch program	16-100-010-3350-023	354	07/01/15	06/30/16	(61)	-	61	-	-	-	-	-	-	354
Total Enterprise Fund					<u>(61)</u>	<u>-</u>	<u>410</u>	<u>367</u>	<u>-</u>	<u>(18)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>721</u>
Total State Financial Assistance					<u>\$ (621,009)</u>	<u>\$ 2,395</u>	<u>\$ 1,697,989</u>	<u>1,345,241</u>	<u>\$ 2,395</u>	<u>\$ (200,139)</u>	<u>\$ -</u>	<u>\$ 5,221</u>	<u>\$ 73,343</u>	<u>\$ 2,059,090</u>
Less: On behalf TPAF Pension System Contributions								(264,445)						
Total for State financial assistance - major program determination								<u>\$ 1,080,796</u>						

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Schedules of Federal Awards and State Financial Assistance
June 30, 2017

Note 1 - General

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

Note 2 - Basis of accounting

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

Note 3 - Relationship of financial statements

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$1,085 for the General Fund and \$4,037 for the Special Revenue Fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the General and Special Revenue Funds.

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ 1,139,935	\$ 1,139,935
Special Revenue Fund	64,069	909	64,978
Capital Projects Fund	-	(58,466)	(58,466)
Food Service Fund	14,089	367	14,456
	<u>\$ 78,158</u>	<u>\$ 1,082,745</u>	<u>\$ 1,160,903</u>

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Schedules of Federal Awards and State Financial Assistance
June 30, 2017

- Note 4 - Relationship to Federal and State financial reports
Amounts reported in the accompanying schedules agree with the amounts reported in the related Federal and State financial reports.
- Note 5 - Other
Revenues and expenditures reported under the USDA Commodities Program represent current year distributions, respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the State on behalf of the District for the year ended June 30, 2017. TPAF Social Security Contribution represents the amount reimbursed by the State for the employer's share of Social Security contributions for TPAF members for the year ended June 30, 2017.

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

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal Control Over Financial Reporting:

1. Were material weakness(es) identified? Yes No
2. Were significant deficiencies identified? Yes None reported

Noncompliance material to basic financial statements noted?

Yes No

Federal Awards

Not Applicable

Internal Control Over Major Programs:

1. Were material weakness(es) identified? Yes No
2. Were significant deficiencies identified? Yes None reported

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

Were any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 section .516(a)?

Yes No

Identification of Major Programs:

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

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

Did the auditee qualify as a low-risk auditee?

Yes No

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

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

State Awards

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

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

Internal Control Over Major Programs:

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

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

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

Identification of Major Programs:

<u>State Grant/Project Numbers</u>	<u>Name of State Program</u>
	<i>State Aid Public Cluster:</i>
<i>17-495-034-5120-089</i>	<i>Special Education Categorical Aid</i>
<i>17-495-034-5120-078</i>	<i>Equalization Aid</i>
<i>17-495-034-5120-084</i>	<i>Security Aid</i>
<i>17-495-034-5120-085</i>	<i>Adjustment Aid</i>
<i>17-495-034-5120-068</i>	<i>School Choice Aid</i>
<i>17-495-034-5120-097</i>	<i>Per Pupil Growth Aid</i>
<i>17-495-034-5120-098</i>	<i>PARCC Readiness Aid</i>
<i>17-495-034-5120-101</i>	<i>Professional Learning Community Aid</i>
	 <i>SDA Aid Cluster:</i>
<i>1680-050-14-2005-G04</i>	<i>Window replacement</i>
<i>1680-050-14-2002-G04</i>	<i>Boiler conversion</i>

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

Section II - Financial Statement Findings

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

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

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

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

Status of Prior Year Findings

There were no prior year findings or questioned costs.