

**FRANKLIN BOROUGH
SCHOOL DISTRICT**

**Franklin Borough Board of Education
Franklin, New Jersey**

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2018**

**Comprehensive Annual
Financial Report**

of the

FRANKLIN BOROUGH SCHOOL DISTRICT

Franklin, New Jersey

For the Fiscal Year Ended June 30, 2018

Prepared by

**Franklin Borough Board of Education
Finance Department**

FRANKLIN BOROUGH SCHOOL
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INTRODUCTORY SECTION

Franklin School District

50 Washington Avenue
Franklin, NJ 07416
Phone (973) 827-9775
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J.R. Giacchi
Superintendent

Barbara Decker
Business Administrator
Board Secretary

January 18, 2019

Honorable President and
Members of the Board of Education
Franklin Borough School District
County of Sussex
Franklin, New Jersey 07416

Dear Board Members:

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of the Franklin Borough School District (District) for the fiscal year ended June 30, 2018. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the District. This report will provide the taxpayers of the Franklin Borough School District with comprehensive financial data in a format enabling them to gain an understanding of the School District's financial affairs.

The Comprehensive Annual Financial Report is presented in four sections as follows:

- The Introductory Section contains a table of contents, this Letter of Transmittal, List of Principal Officials, and an Organization Chart of the School District.
- The Financial Section begins with the Independent Auditor's Report and includes the Management's Discussion and Analysis; the Basic Financial Statements and Notes providing an overview of the School District's financial position and operating results, and other schedules providing detailed budgetary information.
- The Statistical Section includes selected economic and demographic information, financial trends, and the fiscal capacity of the School District, generally presented on a multi-year basis.
- The Single Audit Section - The District is required to undergo an annual single audit in conformity with the provisions 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's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the independent auditor's report on the internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs (if any), are included in the single audit section of this report.

Leading the Way to Excellence

Honorable President and
Members of the Board of Education
Franklin Borough School District
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School District Organization

The Franklin Borough School District is one of 616 school districts in the State of New Jersey and one of 26 school districts in Sussex County. The School District provides education for its preschool handicapped through eighth grade students. Geographically, the District is comprised of the Borough of Franklin only. The School District's total area is 4.5 square miles. The 428 elementary students enrolled in the Franklin Borough School District attend the one school comprising the District. Students for 9th through 12th grade attend the Wallkill Valley Regional High School in Hardyston, N.J.

An elected nine-member Board of Education (the "Board") serves as the policy maker for the School District. The Board adopts an annual budget and directly approves all expenditures which serve as the basis for control over and authorization for all expenditures of School District tax money.

The Chief School Administrator is the chief executive officer of the School District, responsible to the Board for total educational and support operations. The Business Administrator/Board Secretary is the chief financial officer of the School District, responsible for maintaining all financial records, issuing warrants in payment of liabilities incurred by the School District, acting as custodian of all School District funds, and investing idle funds as permitted by New Jersey law.

Reporting Entity

Franklin Borough School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB) as established by GASB codification section 2100. All funds of the District are included in this report. The Franklin Borough Board of Education and its one elementary school constitute the District's reporting entity.

Economic Condition and Outlook

The District completed the 2017-18 fiscal year with an average daily enrollment of 488 students, which is 3 students less than the previous year's average daily enrollment.

The school district enrollment has increased this fiscal year. Over the last few years, the overall district enrollment has been relatively flat or slightly decreasing. The District is experiencing some enrollment losses to the local charter and choice schools.

The School District, along with many other public school systems in the State, still faces some difficult economic situations in the future since the primary funding source is property tax revenue. In January 2012, a law was passed [P.L. 2011, chapter 202] that gave the Boards of Education the ability to move the date for the school's annual election from April to the General Election in November. If the Board chose to elect board members in November, the Boards of Education would not have to submit their annual budgets for voter approval, so long as it does not exceed the tax levy cap [presently at two percent]. However, once the school election is moved to November, no action can be taken to move it back to April for four years. On January 30, 2012, the Franklin Borough Board of Education adopted a resolution to move its school elections to the General Election in November. The School District's administration is closely monitoring the cost of operations and continues to look for new funding sources in order to maintain the quality educational services that the School District has been accustomed to providing.

The School District attributes much of its past education success to the community's demand for, and support of, both a traditional and quality school system. Our School District will remain accountable to the residents and taxpayers who make the School District their school system of choice.

The assessed valuation of Franklin Borough has been decreasing over the last few years. However, the Borough experienced some commercial growth to the tax base as reflected in the increase in the 2016 assessed valuation but overall a slight decrease in 2017 and 2018, as follows:

2011-	\$473,912,265
2012-	\$465,191,273
2013-	\$460,989,027
2014-	\$392,370,021
2015-	\$391,758,530
2016-	\$400,632,049
2017-	\$399,364,584
2018-	\$397,567,872

Historically, the decrease in assessed values has been attributed to the various tax appeals that have been filed by local property owners. In 2010, the Borough of Franklin had a reassessment performed. The percentage of taxes collected annually by the Borough for the last several years has consistently been over 95%. The percentage of taxes collected over the previous few years was as follows:

2011-	97.15%
2012-	95.43%
2013-	97.22%
2014-	97.57%
2015-	97.71%
2016-	97.10%
2017-	96.83%

Educational Program

The Board of Education continues to maintain quality educational programs for its preschool through eighth grade students. With an already strong curriculum focused in language arts, math, science, social studies, and special-areas, we look to infuse technology into all facets of instruction. It is our goal to engage learners with hands on learning experiences that will bring learning to life. Spanish instruction continues to be a key component for our world languages/culture program. The kindergarten classes are offered as a full-day program and an emphasis is placed on language arts and math instruction. Balanced literacy instruction, especially in the early grades, continues as a priority. Remedial and special education programs continue to be implemented so that students with specific learning needs will have increased opportunities for success. The Board supports the technology program and has invested in Chromebooks, visual presenters, projectors, interactive televisions and training to support the implementation of new technology. The Franklin Parent Teacher Organization and the Franklin Education Foundation have donated many resources to assist our school program.

Major Initiatives

The Board maintains manageable class sizes, invests in staff development and increases technology opportunities. Students in grades five through eight were provided with Chromebooks as part of the one to one initiative in middle school. We have completed our second year with the Go Math! Program in grades kindergarten through five and first year with Go Math! in grades six through eight. This program along with an additional period (forty-one minutes) of math instruction each day addressed a concern identified through PARCC assessment. The implementation of the new science program (K-8) encouraged problem based learning and incorporated STEM learning. The implementation of the HIB (harassment, intimidation, bullying) requirements issued by the State in 2011-12 remain in place.

During this school year, the Franklin and the Hamburg Borough Boards of Education continued an inter-local agreement to share Franklin's Business Administrator. This agreement saved the Hamburg Board of Education money and generated a revenue stream for the Franklin Board of Education. In January 2013, the Franklin and the Hamburg Boards of Education agreed to renew this inter-local agreement for five (5) more years starting with the FY 2013-14 school year.

Financial Information

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

As a recipient of federal awards and state financial assistance programs, the District also is responsible for ensuring that an adequate internal control system is in place to ensure compliance with applicable laws and regulations related to those programs. The internal control system 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 system, including that portion related to federal awards and state financial assistance programs, as well as to determine that the District has complied with applicable laws, regulations, contracts and grants.

In addition to internal accounting controls, the District maintains budgetary controls. Annual appropriated budgets are adopted for the general fund and the special revenue fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The original budget, budget transfers during the year, and final budget amount 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-appropriated balances reported as reservations of fund balance at fiscal year end.

Cash Management

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

Risk Management

The District continues to protect its assets through a comprehensive insurance program through coverage obtained from the School Alliance Insurance Fund. The Fund is a school district joint self-insurance fund formed under the provisions of the New Jersey Statutes. The Fund’s membership is comprised of local and regional school districts. Coverage includes property loss, crime and fidelity, comprehensive general liability, auto insurance, workers’ compensation, school leaders professional liability, supplemental workers’ compensation and underground storage tank (pollution liability). Other policies purchased from other insurance companies include fidelity bonds for the School Business Administrator/Board Secretary and Board Treasurer of School Monies. Additional policies purchased were for Student Accident Insurance.

Independent Audit

State statutes require an annual audit by independent certified public accountants. The accounting firm of Nisivoccia LLP was selected by the Board of Education. In addition to meeting the requirements set forth in state statutes, the audit was designed to meet the 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’s OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. The auditor’s report on the basic financial statements and specific required supplemental information is included in the financial section of this report. The auditor’s reports related specifically to the single audit are included in the single audit section of this report.

Acknowledgements

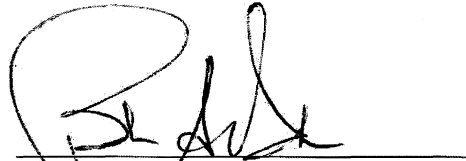
We would like to express our appreciation to the members of the Franklin Borough School Board for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation.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

Honorable President and
Members of the Board of Education
Franklin Borough School District
Page 6

Respectfully submitted,



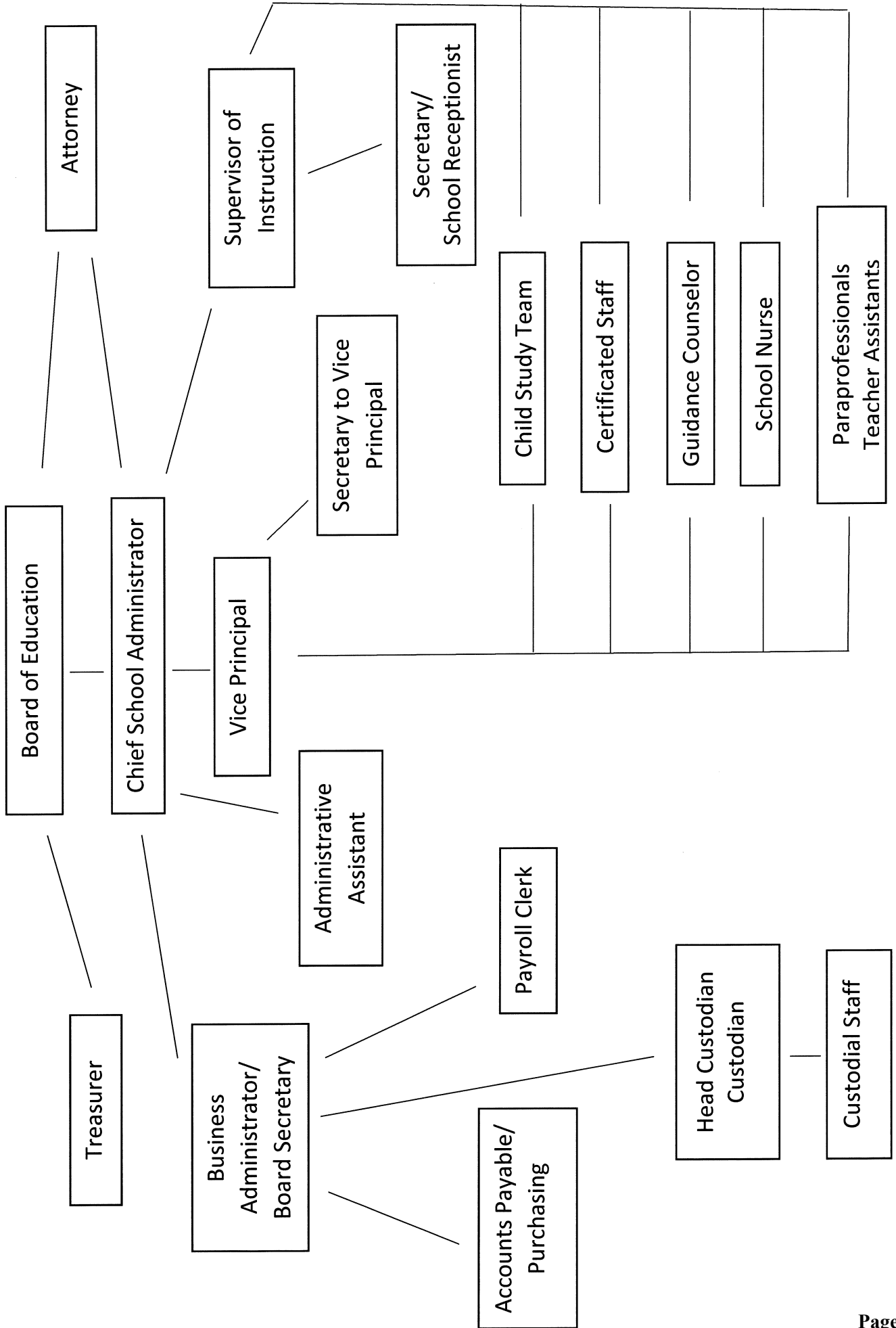
John R. Giacchi
Superintendent



Barbara A. Decker
Business Administrator/Board Secretary

FRANKLIN BOROUGH BOARD OF EDUCATION

Organization Chart



**FRANKLIN BOROUGH SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2018**

<u>Members of the Board of Education</u>		<u>Term Expires</u>
F. Cliff Graham	President	2018
Sarah Zydon	Vice President	2020
Kathleen Clohessey	Member	2020
Kevin Blondina	Member	2018
Scott Davis	Member	2018
Ronald E. Neal	Member	2018
Shane Hrbek	Member	2020
Jeanine Paszkiel	Member	2019
Suzanne Ross	Member	2019

Other Officers

John R. Giacchi, Superintendent
William J. Sabo, Business Administrator/Board Secretary
Pamela J. Crum, Treasurer of School Monies

FRANKLIN BOROUGH SCHOOL DISTRICT
Consultants and Advisors

Audit Firm

Nisivoccia, LLP
Mount Arlington Corporate Center
200 Valley Road, Suite 300
Mount Arlington, New Jersey 07856
and
Lawrence Business Park
11 Lawrence Road
Newton, New Jersey 07860

Attorney

Matthew J. Giacobbe, Esq.
Cleary Giacobbe Alfieri & Jacobs, LLC
5 Ravine Drive
Matawan, New Jersey 07747

Architect

Parette Somjen Architects, LLC
439 Route 46 East
Rockaway, New Jersey 07866

Official Depositories

Lakeland Bank
250 Oak Ridge Road
Oak Ridge, New Jersey 07438-8906

Insurance Agent

The Morville Agency
Arthur J. Gallagher
Risk Management Services Inc.
55 Newton-Sparta Road
Newton, New Jersey 07860

FINANCIAL SECTION

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Franklin Borough School District (the "District") in the County of Sussex, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Franklin Borough School District, in the County of Sussex, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 16 to the basic financial statements, the District implemented Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, during the fiscal year ended June 30, 2018. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, which follows this report, the pension and postemployment benefit schedules in Exhibits L-1 through L-5 and the related notes and the budgetary comparison information in Exhibits C-1 through C-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

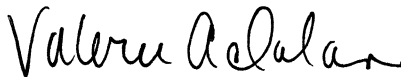
The accompanying other information such as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2018 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.

January 18, 2019
Mount Arlington, New Jersey

NISIVOCCIA LLP



Valerie A. Dolan
Licensed Public School Accountant #2526
Certified Public Accountant

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

**FRANKLIN BOROUGH SCHOOL DISTRICT
FRANKLIN, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)**

This section of Franklin Borough School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2018. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

Financial Highlights

- Overall revenue was \$12,662,182.
- Overall expenses were \$12,333,015
- The District's financial position increased \$329,167 on a district-wide basis over the course of the year.

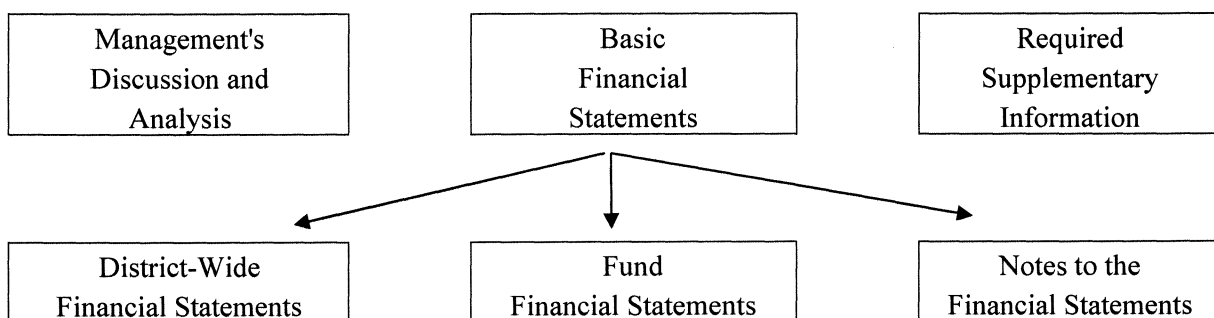
Overview of the Financial Statements

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

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

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

**Figure A-1
Organization of K-8 School District's Financial Report**



**FRANKLIN BOROUGH SCHOOL DISTRICT
FRANKLIN, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)**

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

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

**FRANKLIN BOROUGH SCHOOL DISTRICT
FRANKLIN, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)**

District-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

**FRANKLIN BOROUGH SCHOOL DISTRICT
FRANKLIN, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)**

Fund Financial Statements

- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District uses *internal service funds* (the other kind of proprietary fund) to report activities that provide supplies and services for its other programs and activities. The District currently does not maintain any internal service funds.
- *Fiduciary funds:* The District is the trustee, or *fiduciary*, for assets that belong to others, such as scholarship funds and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

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

Financial Analysis of the District as a Whole

Net Position. The District's combined net position increased by \$329,167 – from \$711,062 at June 30, 2017 to \$1,040,229 at June 30, 2018. Net position from governmental activities increased by \$320,971 and net position from business activities increased by \$8,196. Net investment in capital assets decreased by \$81,731, restricted net position increased by \$364,991, and unrestricted net position increased by \$45,907.

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

	Government Activities		Business-Type Activities		Total School District		Total Percentage Change
	2017/2018	2016/2017	2017/2018	2016/2017	2017/2018	2016/2017	
Current and Other Assets	\$2,445,500	\$2,207,473	\$ 73,070	\$ 54,318	\$2,518,570	\$2,261,791	11.35%
Capital Assets, Net	1,021,654	1,102,023	23,248	24,610	1,044,902	1,126,633	-7.25%
Total Assets	3,467,154	3,309,496	96,318	78,928	3,563,472	3,388,424	5.17%
Deferred Outflows of Resources	584,556	845,137			584,556	845,137	-30.83%
Long-Term Liabilities Outstanding	2,265,406	2,973,142			2,265,406	2,973,142	-23.80%
Other Liabilities	154,323	309,059	11,112	1,918	165,435	310,977	-46.80%
Total Liabilities	2,419,729	3,282,201	11,112	1,918	2,430,841	3,284,119	-25.98%
Deferred Inflows of Resources	676,959	238,380			676,959	238,380	183.98%
Net Position:							
Net Investment in Capital Assets	1,021,654	1,102,023	23,248	24,610	1,044,902	1,126,633	-7.25%
Restricted	2,265,723	1,900,732			2,265,723	1,900,732	19.20%
Unrestricted/(Deficit)	(2,332,354)	(2,368,703)	61,958	52,400	(2,270,396)	(2,316,303)	1.98%
Total Net Position	\$ 955,023	\$ 634,052	\$ 85,206	\$ 77,010	\$1,040,229	\$ 711,062	46.29%

**FRANKLIN BOROUGH SCHOOL DISTRICT
FRANKLIN, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)**

Financial Analysis of the District as a Whole

Changes in Net Position. The District's *combined* net position was \$1,040,229 at June 30, 2018, or \$329,167 more than it was the year before. Net investment in capital assets decreased by \$81,731 as a result of \$122,775 in current year depreciation expense offset by \$83,728 of current year capital additions and deletions with a net carry value of (\$42,684). Restricted net position increased by \$364,991 due to a \$409,520 increase in the capital reserve account combined with a decrease in Excess Surplus of \$44,529. Unrestricted net position increased by \$45,907 due to changes in assigned fund balance of \$29,772, net pension liability of (\$713,701), compensated absences of \$5,964, pension deferred inflows/outflows of \$623,862 and food service unrestricted fund balance of \$ 8,196. (See Figure A-3).

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

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2017/2018	2016/2017	2017/2018	2016/2017	2017/2018	2016/2017	
Revenue:							
Program Revenue:							
Charges for Services	\$ 123,902	\$ 33,907	\$ 49,744	\$ 54,157	\$ 173,646	\$ 88,064	97.18%
Operating Grants & Contributions	3,987,926	3,619,892	106,969	117,149	4,094,895	3,737,041	9.58%
General Revenue:							
Property Taxes	5,334,774	5,181,152			5,334,774	5,181,152	2.97%
Unrestricted Federal and State Aid	2,955,286	2,976,727			2,955,286	2,976,727	-0.72%
Other	103,485	128,447	96	87	103,581	128,534	-19.41%
Total Revenue	12,505,373	11,940,125	156,809	171,393	12,662,182	12,111,518	4.55%
Expenses:							
Instruction	8,126,185	7,633,575			8,126,185	7,633,575	6.45%
Pupil and Instruction Services	1,480,234	1,592,279			1,480,234	1,592,279	-7.04%
Administrative and Business	956,133	1,040,811			956,133	1,040,811	-8.14%
Maintenance and Operations	1,091,168	1,055,725			1,091,168	1,055,725	3.36%
Transportation	265,043	308,356			265,043	308,356	-14.05%
Capital Outlay	4,133	4,133			4,133	4,133	0.00%
Other	261,506	195,190	148,613	171,043	410,119	366,233	11.98%
Total Expenses	12,184,402	11,830,069	148,613	171,043	12,333,015	12,001,112	2.77%
Increase in Net Position	\$ 320,971	\$ 110,056	\$ 8,196	\$ 350	\$ 329,167	\$ 110,406	198.14%

**FRANKLIN BOROUGH SCHOOL DISTRICT
FRANKLIN, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)**

Governmental Activities

As discussed elsewhere in this commentary, the financial position of the District increased by \$320,971. Maintaining existing programs with a small decrease in enrollment and the provision of special programs and services for disabled pupils, combined with rising salary, benefits and energy costs, has placed great demands on the District's resources.

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

- Participation in an insurance pool operated by School Alliance Insurance Fund resulting in low cost property, liability and workers compensation insurance.
- Participation in Joint Transportation Agreements
- Participation in Joint Purchasing Agreements

It is crucial that the District constantly monitors all expenditures throughout the fiscal year

**Figure A-5
Net Cost of Governmental Activities**

	Total Costs of Services		Net Cost of Services	
	2017/2018	2016/2017	2017/2018	2016/2017
Instruction	\$ 8,126,185	\$ 7,633,575	\$ 4,597,441	\$ 4,476,121
Pupil and Instruction Services	1,480,234	1,592,279	1,085,427	1,273,427
Administrative and Business	956,133	1,040,811	816,417	910,482
Maintenance and Operations	1,091,168	1,055,725	1,091,168	1,055,725
Transportation	265,043	308,356	216,482	261,192
Capital Outlay	4,133	4,133	4,133	4,133
Other	261,506	195,190	261,506	195,190
	<u>\$ 12,184,402</u>	<u>\$ 11,830,069</u>	<u>\$ 8,072,574</u>	<u>\$ 8,176,270</u>

Figure A-5 presents the cost of seven major District activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation, capital outlay and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial obligation placed on the District's taxpayers by each of these functions:

- The cost of all governmental activities this year was \$12,184,402.
- The federal and state governments subsidized certain programs with grants and contributions.
- Approximately \$5,334,774 of the District's costs were financed by District taxpayers.
- The remainder of the funding came from tuition charges, miscellaneous revenue and investment earnings.

**FRANKLIN BOROUGH SCHOOL DISTRICT
FRANKLIN, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)**

Business-Type Activities

Net position from the District's Business-type activity increased by \$8,196 (Refer to Figure A-4). The main factor contributing to these results was:

- The increase in net position is due primarily to a decrease in supplies and other costs offset by a slight decrease in daily sales.

Financial Analysis of the District's Funds

The District's financial position in the General Fund remained stable due to careful planning and monitoring of expenditures despite significant changes in student needs and difficult economic times. Expenditures during the recent year increased in the area of pupil and instruction services attributable to students with various needs entering the school district. In addition to greater numbers, some of these pupils are more profoundly challenged and require more complex educational and related services.

A continued increase in enrollment of disabled students has also forced the District to expand its classroom resources. The increased cost has largely been offset by salary reductions realized from the retirement and/or reallocation of staff. Fringe benefit costs for all staff have increased dramatically in the past several years.

These factors are likely to continue for the next several years. To maintain a stable financial position, the District must continue to practice sound fiscal management.

General Fund Budgetary Highlights

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

- Changes made within budgetary line items for changes in school-based needs for programs, supplies and equipment.
- Changes in budgetary line accounts to more accurately reflect current requirements.

Capital Asset Administration

Current year capital additions were \$83,728, annual depreciation was \$122,775, and current year disposals were \$122,775 (\$121,413 from governmental activities and \$1,362 from business-type activities). (More information on the District's capital assets is presented in Note 5 to the financial statements.)

**Figure A-6
Capital Assets (Net of Depreciation)**

	Government Activities		Business-Type Activities		Total School District		Total Percentage Change
	2017/2018	2016/2017	2017/2018	2016/2017	2017/2018	2016/2017	
Land	\$ 229,166	\$ 229,166			\$ 229,166	\$ 229,166	
Construction in Progress		103,611				103,611	
Site Improvements	5,474	7,576			5,474	7,576	
Buildings and							
Building Improvements	359,561	241,561			359,561	241,561	
Machinery and Equipment	427,453	520,109	\$ 23,248	\$ 24,610	450,701	544,719	
Total Capital Assets, Net	\$ 1,021,654	\$ 1,102,023	\$ 23,248	\$ 24,610	\$ 1,044,902	\$ 1,126,633	-7.25%

**FRANKLIN BOROUGH SCHOOL DISTRICT
FRANKLIN, NEW JERSEY**

**Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)**

Long-term Liabilities

The District’s long-term liabilities represent compensated absence payable and the net pension liability. (More detailed information about the District’s long-term liabilities is presented in Note 6 to the financial statements.)

**Figure A-7
Outstanding Long-Term Liabilities**

	Total School District		Percentage Change
	2017/2018	2016/2017	
Compensated Absences Payable	\$ 268,081	\$ 262,117	
Net Pension Liability	1,997,324	2,711,025	
	<u>\$ 2,265,405</u>	<u>\$ 2,973,142</u>	-23.80%

- Compensated absences payable increased by a net amount of \$5,964 due to the accrual of sick days for all employees offset by the retirement of employees.
- The District had a net decrease in the Net Pension Liability of \$713,701.

Factors Bearing on the District’s Future

At the time these financial statements were prepared and audited, the District was aware of the following circumstance that could continue to significantly affect its financial health in the future.

- A5 – known as School District Accountability. This law, approved by the Governor on March 15, 2007, provides for various school district accountability measures.
- A1 – known as Tax Levy CAP. This new law, approved by the Governor on April 3, 2007, established a 4% cap on tax levy increases (which was later changed to 2%), changes the accounting/transfers for and expands the number of permitted fund balance reserves.
- A4 – known as CORE. This new law, approved by the Governor on April 3, 2007 implements CORE proposals and the primary focus of this new law is to establish uniform shared services and consolidation through the new Executive County Superintendent.

Contacting the District’s Financial Management

This financial report is designed to provide the District’s citizens, taxpayers, customers and investors and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mrs. Barbara Decker, Board Secretary/Business Administrator, Franklin Borough Board of Education, 50 Washington Ave., Franklin, New Jersey 07416.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

FRANKLIN BOROUGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 1,289,692	\$ 59,847	\$ 1,349,539
Receivable from State Government	80,843	170	81,013
Receivable from Federal Government	39,347	9,168	48,515
Receivables from Other Governments	6,406		6,406
Inventories		3,885	3,885
Restricted Assets:			
Capital Reserve Account - Cash and Cash Equivalents	1,029,212		1,029,212
Capital Assets:			
Site (Land) and Construction in Progress	229,166		229,166
Depreciable Site Improvements, Building and Building Improvements, and Machinery and Equipment	792,488	23,248	815,736
Total Assets	<u>3,467,154</u>	<u>96,318</u>	<u>3,563,472</u>
DEFERRED OUTFLOW OF RESOURCES			
Changes in Assumptions - Pensions	402,392		402,392
Changes in Proportions - Pensions	36,534		36,534
Difference between Expected and Actual Experience - Pensions	47,030		47,030
Net Difference between Projected and Actual Investment Earnings - Pensions	13,600		13,600
District Contribution Subsequent to Measurement Date - Pensions	85,000		85,000
Total Deferred Outflows of Resources	<u>584,556</u>		<u>584,556</u>
LIABILITIES			
Accounts Payable	154,323	11,112	165,435
Noncurrent Liabilities:			
Due Beyond One Year	2,265,405		2,265,405
Total Liabilities	<u>2,419,728</u>	<u>11,112</u>	<u>2,430,840</u>
DEFERRED INFLOWS OF RESOURCES			
Changes in Proportions - Pensions	400,917		400,917
Changes in Assumptions - Pensions	276,042		276,042
Total Deferred Inflows of Resources	<u>676,959</u>		<u>676,959</u>
NET POSITION			
Net Investment in Capital Assets	1,021,654	23,248	1,044,902
Restricted for:			
Capital Projects	1,029,212		1,029,212
Excess Surplus	1,236,511		1,236,511
Unrestricted (Deficit)	<u>(2,332,354)</u>	<u>61,958</u>	<u>(2,270,396)</u>
Total Net Position	<u>\$ 955,023</u>	<u>\$ 85,206</u>	<u>\$ 1,040,229</u>

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

FRANKLIN BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 5,207,660		\$ 2,053,585		\$ (3,154,074)		\$ (3,154,074)
Special Education	2,574,713		1,351,045		(1,223,669)		(1,223,669)
Other Special Instruction	154,783		64,444		(90,339)		(90,339)
School-Sponsored/Other Instruction	189,030		59,670		(129,360)		(129,360)
Support Services:							
Tuition	177,504	\$ 123,902	139,503		85,901		85,901
Student & Instruction Related Services	1,302,730		131,402		(1,171,328)		(1,171,328)
General Administrative Services	300,607				(300,607)		(300,607)
School Administrative Services	376,740		139,716		(237,024)		(237,024)
Central Services	278,786				(278,786)		(278,786)
Plant Operations and Maintenance	1,091,168				(1,091,168)		(1,091,168)
Pupil Transportation	265,043		48,561		(216,482)		(216,482)
Capital Outlay	4,133				(4,133)		(4,133)
Unallocated Depreciation	101,989				(101,989)		(101,989)
Transfer to Charter School	159,517				(159,517)		(159,517)
Total Governmental Activities	12,184,402	123,902	3,987,926		(8,072,574)		(8,072,574)

FRANKLIN BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Business-Type Activities:							
Food Service	\$ 148,613	\$ 49,744	\$ 106,969		\$ 8,100	\$ 8,100	\$ 8,100
Total Business-Type Activities	148,613	49,744	106,969		8,100	8,100	8,100
Total Primary Government	\$ 12,333,015	\$ 173,646	\$ 4,094,895	\$ - 0 -	\$ (8,072,574)	8,100	(8,064,474)
General Revenue:							
Taxes:							
Property Taxes, Levied for General Purposes, Net					5,334,774		5,334,774
Federal and State Aid not Restricted					2,955,286		2,955,286
Interest					5,579	96	5,675
Miscellaneous Income					97,906		97,906
Total General Revenue					8,393,545	96	8,393,641
Change in Net Position					320,971	8,196	329,167
Net Position - Beginning					634,052	77,010	711,062
Net Position - Ending					\$ 955,023	\$ 85,206	\$ 1,040,229

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

FUND FINANCIAL STATEMENTS

FRANKLIN BOROUGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
ASSETS:			
Cash and Cash Equivalents	\$ 1,289,692		\$ 1,289,692
Interfund Receivable	12,744		12,744
Receivables From Federal Government	998	\$ 38,349	39,347
Receivables From State Government	80,843		80,843
Receivables From Other Governments	6,406		6,406
Restricted Cash and Cash Equivalents	1,029,212		1,029,212
Total Assets	<u>\$ 2,419,895</u>	<u>\$ 38,349</u>	<u>\$ 2,458,244</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts Payable	\$ 43,718	\$ 25,605	\$ 69,323
Interfund Payable		12,744	12,744
Total Liabilities	<u>43,718</u>	<u>12,744</u>	<u>82,067</u>
Fund Balances:			
Restricted:			
Capital Reserve Account	1,029,212		1,029,212
Excess Surplus	599,768		599,768
Excess Surplus - For Subsequent Year's Expenditures	636,743		636,743
Assigned:			
For Subsequent Year's Expenditures	105,198		105,198
Year End Encumbrances	5,256		5,256
Total Fund Balances	<u>2,376,177</u>		<u>2,376,177</u>
Total Liabilities and Fund Balances	<u>\$ 2,419,895</u>	<u>\$ 12,744</u>	<u>\$ 2,458,244</u>

FRANKLIN BOROUGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018
(Continued)

Amounts Reported for *Governmental Activities* in the Statement of Net Position (A-1) are different because:

Total Fund Balances - Governmental Funds (Above)	\$ 2,376,177
Capital assets used in Governmental Activities are not financial resources and are not reported in the Funds. The cost of the assets is \$5,374,052 and the accumulated depreciation is \$4,352,398.	1,021,654
Long-Term Liabilities are not due and payable in the current period and therefore are not reported as liabilities in the Funds.	(268,081)
The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.	(1,997,324)
Certain Amounts Related to the Net Pension Liability are Deferred and Amortized in the Statement of Activities and are not Reported in the Governmental Funds.	
Changes in Assumptions - Pensions	402,392
Difference Between Expected and Actual Experience - Pensions	47,030
Changes in Proportions - Pensions	36,534
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	13,600
Changes in Assumptions - Pensions	(400,917)
Changes in Proportions - Pensions	(276,042)
Net Position of Governmental Activities	\$ 955,023

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

FRANKLIN BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUE:			
Local Sources:			
Local Tax Levy	\$ 5,334,774		\$ 5,334,774
Tuition - Other LEA's Within the State	123,902		123,902
Interest Earned on Investments	4,558		4,558
Interest Earned on Capital Reserve Funds	1,021		1,021
Miscellaneous	97,906	\$ 1,000	98,906
Total - Local Sources	5,562,161	1,000	5,563,161
State Sources	4,598,093		4,598,093
Federal Sources	22,283	311,110	333,393
Total Revenue	10,182,537	312,110	10,494,647
EXPENDITURES:			
Current:			
Regular Instruction	2,356,425	89,784	2,446,209
Special Education Instruction	1,149,004	54,718	1,203,722
Other Special Instruction	64,232		64,232
School Sponsored/Other Instruction	103,028		103,028
Support Services and Undistributed Costs:			
Tuition	38,001	139,503	177,504
Student & Instruction Related Services	943,825	28,105	971,930
General Administrative Services	299,736		299,736
School Administrative Services	181,550		181,550
Central Services	215,127		215,127
Plant Operations and Maintenance	895,646		895,646
Pupil Transportation	253,929		253,929
Unallocated Benefits	3,028,348		3,028,348
Capital Outlay	99,406		99,406
Transfer of Funds to Charter Schools	159,517		159,517
Total Expenditures	9,787,774	312,110	10,099,884
Excess of Revenue over Expenditures	394,763		394,763
Net Change in Fund Balances	394,763		394,763
Fund Balance - July 1	1,981,414		1,981,414
Fund Balance - June 30	\$ 2,376,177	\$ - 0 -	\$ 2,376,177

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

FRANKLIN BOROUGH SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2) \$ 394,763

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

Capital Outlays are reported in Governmental Funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which Depreciation Expense and deletions/adjustments differed from Capital Outlays in the period.

Depreciation Expense	\$ (121,413)
Capital Outlays	83,728
Deletions with Carrying Value	<u>(42,684)</u>
	(80,369)

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

Changes in Net Pension Liability	713,701
Deferred Outflows:	
Changes in Assumptions	(159,187)
Difference between Expected and Actual Experience	(3,387)
Changes in Proportions	(10,233)
Net Difference between projected and actual investment earnings on Pension Plan Investments	(89,774)
Deferred Inflows:	
Changes in Assumptions	(400,917)
Changes in Proportions	<u>(37,662)</u>
	12,541

In the Statement of Activities, certain operating expenses, e.g., compensated absences (vacations) 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 (+)

Change in Net Position (Exhibit A-2) \$ 320,971
(5,964)

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

FRANKLIN BOROUGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	<u>Business-type Activities - Enterprise Funds</u> <u>Food Service</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 59,847
Intergovernmental Accounts Receivable:	
Federal	9,168
State	170
Inventories	3,885
Total Current Assets	<u>73,070</u>
Non-Current Assets:	
Capital Assets	146,947
Less: Accumulated Depreciation	<u>(123,699)</u>
Total Non-Current Assets	<u>23,248</u>
Total Assets	<u>96,318</u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable - Vendors	<u>11,112</u>
Total Current Liabilities	<u>11,112</u>
NET POSITION:	
Investment in Capital Assets	23,248
Unrestricted	<u>61,958</u>
Total Net Position	<u>\$ 85,206</u>

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

FRANKLIN BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Business-type Activities - Enterprise Funds Food Service
Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 46,759
Daily Sales - Non-Reimbursable Programs	2,985
	49,744
Total Operating Revenue	49,744
Operating Expenses:	
Cost of Sales - Reimbursable Programs	75,666
Cost of Sales - Non-Reimbursable Programs	4,830
Salaries, Benefits and Payroll Taxes	47,539
Supplies and Other Costs	2,325
Management Fee	16,891
Depreciation Expense	1,362
	148,613
Total Operating Expenses	148,613
Operating Loss	(98,869)
Non-Operating Income:	
Local Sources:	
Interest Income	96
State Sources:	
State School Lunch Program	1,962
Federal Sources:	
School Breakfast Program	21,266
National School Lunch Program	82,564
Food Distribution Program	1,177
	107,065
Total Non-Operating Income	107,065
Change in Net Position	8,196
Net Position - Beginning of Year	77,010
Net Position - End of Year	\$ 85,206

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

FRANKLIN BOROUGH SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Business-type Activities - Enterprise Funds Food Service</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 49,744
Payments to Employees	(47,539)
Payments to Food Service Vendor	(87,599)
Payments to Suppliers	(2,325)
Net Cash Used for Operating Activities	<u>(87,719)</u>
Cash Flows from Noncapital Financing Activities:	
Local Sources:	
Interest Income	96
State Sources:	
State School Lunch Program	1,946
Federal Sources:	
National School Breakfast Program	20,720
National School Lunch Program	82,306
Net Cash Provided by Noncapital Financing Activities	<u>105,068</u>
Net Increase in Cash and Cash Equivalents	17,349
Cash and Cash Equivalents, July 1	<u>42,498</u>
Cash and Cash Equivalents, June 30	<u>\$ 59,847</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (98,869)
Adjustment to Reconcile Operating Loss to Cash Used for Operating Activities:	
Depreciation	1,362
Changes in Assets and Liabilities:	
(Increase)/Decrease in Inventories	(583)
Increase/(Decrease) in Unearned Revenue - Prepaid Sales	(741)
Increase/(Decrease) in Unearned Revenue - Donated Commodities	(1,177)
Increase/(Decrease) in Accounts Payable	11,112
Net Cash Used for Operating Activities	<u>\$ (87,719)</u>

Noncash Investing and Financing Activities:

The Food Service Enterprise Fund received commodities valued at \$-0-, and utilized \$1,177 of commodities.

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

FRANKLIN BOROUGH SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2018

	Agency	Flexible Spending Trust
ASSETS:		
Cash and Cash Equivalents	\$ 1,192	\$ 7,088
Total Assets	1,192	7,088
LIABILITIES:		
Due to Student Groups	200	
Payroll Deductions and Withholdings	992	
Total Liabilities	1,192	
NET POSITION:		
Held in Trust for Flexible Spending Claims		7,088
Total Net Position	\$ - 0 -	\$ 7,088

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

FRANKLIN BOROUGH SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Flexible Spending Trust</u>
Additions:	
Contributions:	
Plan Contributions	\$ 16,590
Total Contributions	<u>16,590</u>
Investment Earnings:	
Interest	<u>24</u>
Net Investment Earnings	<u>24</u>
Total Additions	<u>16,614</u>
Deductions:	
Flexible Spending Claims	<u>36,118</u>
Total Deductions	<u>36,118</u>
Change in Net Position	(19,504)
Net Position - Beginning of the Year	<u>26,592</u>
Net Position - End of the Year	<u><u>\$ 7,088</u></u>

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

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

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

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

B. Basis of Presentation:

District-Wide Financial Statements:

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

The statement of activities presents a comparison between direct expenses and program revenue for business-type activities and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements. Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

B. Basis of Presentation: (Cont'd)

District-Wide Financial Statements (Cont'd)

program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue. The comparison of direct expenses with program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

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

The District reports the following governmental funds:

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

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

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

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

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

B. Basis of Presentation: (Cont'd)

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

The District reports the following proprietary fund:

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

Additionally, the District reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the District on behalf of others and includes the Student Activities and Payroll Agency Funds and the Flexible Spending Trust Fund.

C. Measurement Focus and Basis of Accounting

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

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

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

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

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the General and Special Revenue Funds. The budget for the fiscal year ended June 30, 2018 was submitted to the County office and approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be made by school board resolution. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budget during the year).

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

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

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

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenue and Expenditures:

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 10,181,956	\$ 312,110
Differences - Budget to GAAP:		
Prior Year State Aid Payments Recognized for GAAP Basis	326,465	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(325,884)	
Total Revenues as Reported on the Statement of Revenues, Expenditures & Changes in Fund Balances - Governmental Funds.	\$ 10,182,537	\$ 312,110

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

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

	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 9,787,774	\$ 312,110
Total Expenditures as Reported on the Statement of Revenue, Expenditures, & Changes in Fund Balances - Governmental Funds	\$ 9,787,774	\$ 312,110

E. Cash and Cash Equivalents:

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

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

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

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

F. Interfund Transactions:

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

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

F. Interfund Transactions (Cont'd):

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

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

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

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

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2018.

K. Capital Assets:

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

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

K. Capital Assets: (Cont'd)

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

	<u>Estimated Useful Life</u>
Buildings	50 years
Site Improvements	20 years
Machinery and Equipment	10 to 15 years

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

L. Long Term Liabilities:

In the government-wide and enterprise fund statements of net position, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or enterprise funds. Bond premium and discounts are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements, 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 issuances are reported as other financing uses.

M. Accrued Salaries and Wages:

The District does not allow employees, who provide services to the District over a ten-month academic year the option to have their salaries evenly disbursed during the entire twelve month year; therefore, there are no accrued salaries and wages as of June 30, 2018.

N. Compensated Absences:

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

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

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

N. Compensated Absences: (Cont'd)

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

O. Unearned Revenue:

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

P. Fund Balance Appropriated:

General Fund: Of the \$2,376,177 General Fund balance at June 30, 2018, \$1,029,212 is restricted in the capital reserve account; \$636,743 is restricted for prior year excess surplus in accordance with N.J.S.A.18A:7F (S1701) and has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2019; \$599,768 is restricted for current year excess surplus in accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2004, C.73 (S1701) and will be appropriated and included as anticipated revenue for the year ended June 30, 2020; \$105,198 of assigned fund balance has been appropriated and included as anticipated revenue for the fiscal year ending June 30, 2019; and \$5,256 is assigned for Encumbrances. The assigned fund balance is \$32,093 less than the assigned fund balance on a budgetary basis due to the final two state aid payments, which are not recognized on a GAAP Basis until the fiscal year ended June 30, 2019. Additionally, there is \$293,791 of unassigned fund balance which is not reported on a GAAP basis due to the final two state aid payments not being recognized on a GAAP basis.

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

The District's fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$325,884 (\$293,791 in unassigned fund balance and \$32,093 in fund balance assigned for subsequent year's expenditures), as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the related state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district cannot recognize the last two state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the final two state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

Q. Net Position:

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

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had deferred outflows of resources at June 30, 2018 for the changes in assumptions in pensions, changes in proportions in pensions, the difference between expected and actual experience – pensions, net difference between projected and actual investment earnings and the District contribution subsequent to measurement date related to pensions. The District had deferred inflows of resources at June 30, 2018 for the changes in proportions in pension and for the changes in assumptions in pension.

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

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

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

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

R. Deficit Net Position:

The District has a \$2,332,354 deficit in Unrestricted Net Position in the Governmental activities at June 30, 2018 primarily due to \$268,081 of compensated absences payable, changes in proportion in pension of \$276,042, changes in Assumption in pension of \$400,917 and net pension liability of \$1,997,324 as of June 30, 2018; net of \$105,198 fund balance assigned for subsequent year's expenditures, changes in pension assumptions of \$402,392, difference between expected and actual experience in pensions of \$47,030, changes in proportions in pensions of \$36,534, and net difference between projected and actual investment earnings of \$13,600. This deficit is not an indication that the District is facing financial difficulties and is a permitted practice by generally accepted accounting principles.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Continued)

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

S. Fund Balance Restrictions, Commitments and Assignments:

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

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

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has no committed resources at June 30, 2018.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has \$110,454 of assigned resources in the General Fund at June 30, 2018 for amounts designated for subsequent year's expenditures, and year end encumbrances.

T. Revenue - Exchange and Nonexchange Transactions:

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

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

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

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

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

U. Operating Revenue and Expenses:

Operating revenue are those revenues that are generated directly from the primary activity of the Enterprise Fund. For the School District, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Enterprise Fund.

V. Management Estimates:

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

W. Pensions

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

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

GASB requires disclosure of the level of custodial credit risk assumed by the District in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

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

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

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

Deposits:

New Jersey statutes require that school districts deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. School Districts are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

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

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit.

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

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

Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

Investments (Cont'd):

- (4) Bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located.
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983, c.313 (C.40A:5A-1 et seq.). Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investment in the Department of the Treasury for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.; 1977,c.281 (C.52:18A-90.4); or
- (8) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a. or are bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the requirements of the "Local Authorities Fiscal Control Law," P.L. 1983, c. 313 (C.40A:5A-1 et seq.). ;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L.1970, c.236 (C.17:9-41); and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed; or
- (9) Deposit of funds in accordance with the following conditions:
 - (a) The funds are initially invested through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.17:9-41) designated by the school district;
 - (b) The designated public depository arranges for the deposit of the funds in deposit accounts in one or more federally insured banks, savings banks or savings and loan associations or credit unions for the account of the school district;
 - (c) 100 percent of the principal and accrued interest of each deposit is insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund;

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

Investments (Cont'd):

- (d) The designated public depository acts as custodian for the school district with respect to these deposits; and
- (e) On the same date that the school district's funds are deposited pursuant to subparagraph (b) of this paragraph, the designated public depository receives an amount of deposits from customers of other financial institutions, wherever located, equal to the amounts of funds initially invested by the school district through the designated public depository.

As of June 30, 2018, cash and cash equivalents of the District consisted of the following:

	Cash and Cash Equivalents	Capital Reserve Account	Total
Checking Accounts	\$ 1,357,819	\$ 1,029,212	\$ 2,387,031

The carrying amount of the Board's cash and cash equivalents at June 30, 2018, was \$2,387,031 and the bank balance was \$2,512,937. During the fiscal year ended June 30, 2018, the District did not hold any investments.

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by Board resolution on October 10, 2000 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by Board resolution at year end (June 1 to June 30) of any unanticipated revenue or unexpended

line item appropriation amounts or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-5.1(d)7, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 2017 to June 30, 2018 fiscal year is as follows:

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT (Cont'd)

Beginning Balance, July 1, 2017		\$ 619,692
Interest Earnings	\$ 1,021	
Deposit by Board Resolution - June 2018	500,000	
Unexpended Balance from Capital Outlay	<u>58,499</u>	
		<u>559,520</u>
		1,179,212
Budgeted Withdrawal	<u>(150,000)</u>	
		<u>(150,000)</u>
Ending Balance, June 30, 2018		<u><u>\$ 1,029,212</u></u>

The balance in the capital reserve account at June 30, 2018 does not exceed the balance of local support costs of uncompleted capital projects in the District's Long Range Facilities Plan ("LRFP"). The withdrawal from the capital reserve was for use in a DOE approved facilities project consistent with the District's LRFP.

NOTE 5. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2018 were as follows:

	Beginning Balance	Increases	Adjustments/ Decreases	Ending Balance
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 229,166			\$ 229,166
Construction in Progress	<u>103,611</u>		\$ (103,611)	<u>229,166</u>
Total Capital Assets Not Being Depreciated	<u>332,777</u>		<u>(103,611)</u>	<u>229,166</u>
Capital Assets Being Depreciated:				
Site Improvements	432,777			432,777
Buildings and Building Improvements	2,124,252	\$ 63,742	\$ 65,900	2,253,894
Machinery and Equipment	<u>2,508,532</u>	<u>19,986</u>	<u>(70,303)</u>	<u>2,458,215</u>
Total Capital Assets Being Depreciated	<u>5,065,561</u>	<u>83,728</u>	<u>(4,403)</u>	<u>5,144,886</u>
Governmental Activities Capital Assets	<u>5,398,338</u>	<u>83,728</u>	<u>(108,014)</u>	<u>5,374,052</u>

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 5. CAPITAL ASSETS: (Cont'd)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balance</u>
Less Accumulated Depreciation for:				
Site Improvements	\$ (425,201)	\$ (2,102)		\$ (427,303)
Buildings and Building Improvements	(1,882,691)	(25,574)	\$ 13,932	(1,894,333)
Machinery and Equipment	(1,988,423)	(93,737)	51,398	(2,030,762)
	<u>(4,296,315)</u>	<u>(121,413)</u>	<u>65,330</u>	<u>(4,352,398)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 1,102,023</u>	<u>\$ (37,685)</u>	<u>\$ (42,684)</u>	<u>\$ 1,021,654</u>
Business Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 146,947			\$ 146,947
Less Accumulated Depreciation	(122,337)	\$ (1,362)		(123,699)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 24,610</u>	<u>\$ (1,362)</u>	<u>\$ -0-</u>	<u>\$ 23,248</u>

As of June 30, 2018, the District has no active construction projects.

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 7,284
School Administrative Services	3,642
Plant Operations and Maintenance	8,499
Unallocated	<u>101,988</u>
	<u>\$ 121,413</u>

NOTE 6. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2018, the following changes occurred in long-term liabilities reported in the District-wide financial statements:

	<u>Beginning Balance</u>	<u>Accrued</u>	<u>Retired</u>	<u>Ending Balance</u>
Compensated Absences Payable	\$ 262,117	\$ 70,482	\$ 64,518	\$ 268,081
Net Pension Liability	2,711,025		713,701	1,997,324
Total Long Term Liabilities	<u>\$ 2,973,142</u>	<u>\$ 70,482</u>	<u>\$ 778,219</u>	<u>\$ 2,265,405</u>

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Continued)

NOTE 6. LONG-TERM LIABILITIES (Cont'd)

A. Bonds Payable:

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board are general obligation bonds. The District had no bonds outstanding as of June 30, 2018.

B. Bonds Authorized But Not Issued:

As of June 30, 2018, the Board had no bonds authorized but not issued.

C. Capital Leases Payable:

As of June 30, 2018, the Board had no capital leases payable.

D. Compensated Absences

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities. The current portion of the compensated absences balance of the governmental funds is \$-0- and the long-term portion of compensated absences is \$268,081.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2018, no liability existed for compensated absences in the Food Service Fund.

The General Fund will be used to liquidate Compensated Absences Payable.

E. Net Pension Liability:

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2018 is \$-0- and the long-term portion is \$1,997,324. See Note 8 for further information on the PERS.

NOTE 7. TRANSFERS TO CAPITAL OUTLAY

During the fiscal year ended June 30, 2018, the District transferred \$4,000 to the Capital Outlay accounts which was for equipment which did not require County Superintendent approval.

NOTE 8. PENSION PLANS

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

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS)

Plan Description

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

Benefits Provided

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

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

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Contributions (Cont'd)

in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$79,816 for fiscal year 2018.

The employee contribution rate was 7.34% effective July 1, 2018. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

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

At June 30, 2018, the District reported a liability of \$1,997,324 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2017, the District's proportion was 0.0085%, which was a decrease of 0.0005% from its proportion measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the District recognized pension expense of \$67,760. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Year</u>	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	2014	6.44	\$ 22,657	
	2015	5.72	95,440	
	2016	5.57	284,295	
	2017	5.48		\$ 400,917
			402,392	400,917
Changes in Proportion	2014	6.44		14,833
	2015	5.72		159,007
	2016	5.57	36,534	
	2017	5.48		102,202
			36,534	276,042

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

	<u>Year</u>	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Investment Earnings on Pension Plan Investments	2014	5	\$ (23,934)	
	2015	5	20,417	
	2016	5	85,605	
	2017	5	(68,488)	
				<u>13,600</u>
Difference Between Expected and Actual Experience	2015	5.72	26,479	
	2016	5.57	8,628	
	2017	5.48	11,923	
				<u>47,030</u>
District Contribution Subsequent to the Measurement Date	2017	1	85,000	
			<u>\$ 584,556</u>	<u>\$ 676,959</u>

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

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>
2018	\$ 47,018
2019	70,953
2020	42,994
2021	(57,182)
2022	(41,678)
	<u>\$ 62,105</u>

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate	2.25%
Salary Increases:	
Through 2026	1.65 – 4.15% based on age
Thereafter	2.65 – 5.15% based on age
Investment Rate of Return	7.00%

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

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2017 are summarized in the following table:

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the contribution rate in the most recent fiscal year. The local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2017 calculated using the discount rate as disclosed below, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2017		
	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
District's proportionate share of the Net Pension Liability	\$ 2,477,816	\$ 1,997,324	\$ 1,597,014

Pension plan Fiduciary Net Position

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

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

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

Benefits Provided

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

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

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Benefits Provided (Cont'd)

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

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2018, the State's pension contribution was less than the actuarial determined amount.

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the District. This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2018, the State of New Jersey contributed \$573,829 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$1,723,415.

The employee contribution rate was 7.34% effective July 1, 2017. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

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

At June 30, 2018, the State's proportionate share of the net pension liability associated with the District was \$24,877,904. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2017, the District's proportion was 0.0368%, which was a decrease of 0.001% from its proportion measured as of June 30, 2016.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

District's Proportionate Share of the Net Pension Liability	\$ -0-
State's Proportionate Share of the Net Pension Liability Associated with the District	<u>24,877,904</u>
Total	<u>\$ 24,877,904</u>

For the fiscal year ended June 30, 2018, the State recognized pension expense on behalf of the District in the amount of \$1,723,415 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2018 financial statements.

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

	<u>Year of Deferral</u>	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	2014	8.5	\$ 1,383,974,317	
	2015	8.3	3,776,126,119	
	2016	8.3	8,218,154,928	
	2017	8.3		\$ 11,684,858,458
			<u>13,378,255,364</u>	<u>11,684,858,458</u>
Difference Between Expected and Actual Experience	2014	8.5		\$ 13,181,413
	2015	8.3	233,218,057	
	2016	8.3		102,199,790
	2017	8.3	207,898,332	
			<u>441,116,389</u>	<u>115,381,203</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5	(435,309,142)	
	2015	5	385,284,122	
	2016	5	1,295,565,574	
	2017	5	(904,033,050)	
			<u>341,507,504</u>	
		<u>\$ 14,160,879,257</u>	<u>\$ 11,800,239,661</u>	

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

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

Fiscal Year Ending June 30,	Total
2018	\$ 740,341,056
2019	1,175,650,200
2020	983,008,137
2021	551,152,948
2022	624,850,883
Thereafter	(1,714,363,628)
	\$ 2,360,639,596

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.25%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.00%

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

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience 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 pension plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. 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, 2017 are summarized in the following table:

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 4.25% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State contributed 40% of the actuarially determined contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2036. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2036, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

The following presents the net pension liability of the State as of June 30, 2017 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2017		
	1% Decrease (3.25%)	Current Discount Rate (4.25%)	1% Increase (5.25%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 29,555,730	\$ 24,877,904	\$ 21,024,290

Pension Plan Fiduciary Net Position - TPAF

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

C. Defined Contribution Retirement Program (DCRP)

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

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

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

For DCRP, the District recognized pension expense of \$20,702 for the fiscal year ended June 30, 2018. Employee contributions to DCRP amounted to \$23,295 for the fiscal year ended June 30, 2018.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9. RISK MANAGEMENT

The District maintains commercial insurance coverage for student accident insurance and surety bonds. The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The District obtains its health benefit coverage through the State of New Jersey Health Benefits Plan.

Property and Liability Insurance

The Franklin Borough School District is a member of the School Alliance Insurance Fund (the “Fund”). This public entity risk management pool provides general liability, property and automobile coverage and workers’ compensation for its members. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. The Fund is a risk-sharing public entity risk pool that is an insured and self-administered group of school boards established for the purpose of providing low-cost insurance for its respective members in order to keep local property taxes to a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Fund are elected.

As a member of this Fund, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of the Fund were to be exhausted, members would become responsible for their respective shares of the Fund’s liabilities. The Fund can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided among the members in the same ratio as their individual assessment related to the total assessment of the membership body.

The June 30, 2018 audit was not available as of the date of this report; however, selected, summarized financial information for the Fund as of June 30, 2017 is as follows:

	School Alliance Insurance Fund
Total Assets	\$ 41,637,320
Net Position	\$ 10,127,373
Total Revenue	\$ 41,896,275
Total Expenses	\$ 41,231,917
Change in Net Position	\$ 664,358
Member Dividends	\$ -0-

Financial statements for the Fund are available at the Fund’s Executive Director’s Office:

Public Entity Group Administrative Services
51 Everett Drive
Suite B-40
West Windsor, NJ 08550

New Jersey Unemployment Compensation Insurance

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the “Contributory Method”. Under this plan, the District is required to remit employee withholdings to the State on a quarterly basis. All of the District’s claims are paid by the State.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 10. ECONOMIC DEPENDENCY

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

NOTE 11. 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) and 457. 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:

- Great American Financial (G.A.L.I.C.)
- AXA Advisors
- Siracusa Benefits
- Lincoln Investment Planning

NOTE 12. TAX CALENDAR

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

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

NOTE 13. INTERFUND RECEIVABLE AND PAYABLE

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 12,744	
Special Revenue Fund		\$ 12,744
	\$ 12,744	\$ 12,744

The interfund receivable in the General Fund from the Special Revenue Fund is the amount of the cash expenditures paid by the General Fund on-behalf of the Special Revenue Fund.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 14. ACCOUNTS PAYABLE

	<u>Governmental Funds</u>		<u>District</u>	<u>Total</u>	<u>Business - Type</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Contribution Subsequent to the Measurement Date</u>	<u>Governmental Activities</u>	<u>Proprietary Funds</u>
Salaries	\$ 16,159			\$ 16,159	
Vendors	27,559			27,559	\$ 11,112
Due to State of New Jersey		\$ 25,605	\$ 85,000	110,605	
	<u>\$ 43,718</u>	<u>\$ 25,605</u>	<u>\$ 85,000</u>	<u>\$ 154,323</u>	<u>\$ 11,112</u>

NOTE 15. CONTINGENT LIABILITIES

Grant Programs

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

Litigation

The District estimates that the potential claims against it resulting from litigation not covered by insurance would not materially affect the financial position of the District.

Encumbrances

At June 30, 2018, there were encumbrances as detailed below in the governmental funds.

<u>General Fund</u>	<u>Total Governmental Funds</u>
<u>\$ 5,256</u>	<u>\$ 5,256</u>

NOTE 16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)

General Information about the OPEB Plan

Plan Description and Benefits Provided

The District is in a “special funding situation”, as described in GASB Statement No. 75, in that OPEB contributions and expenses are legally required to be made by and are the sole responsibility of the State of New Jersey, not the District.

FRANKLIN BOROUGH SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

The State of New Jersey reports a liability as a result of its statutory requirements to pay other post-employment (health) benefits for the State Health Benefit Local Education Retired Education Plan. The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The State Health Benefits Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

The employer contributions for the participating local education employers are legally required to be funded by the State of New Jersey in accordance with N.J.S.A. 52:14-17.32f. According to N.J.S.A. 52:14-17.32f, the State provides employer-paid coverage to employees who retire from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), the Police and Firemen Retirement System (PFRS), or the Alternate Benefit Program (ABP). Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 years or more of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

The total nonemployer OPEB liability does not include certain other postemployment benefit obligations that are provided by the local education employers. The reporting of these benefits, if any, is the responsibility of the individual education employers.

Employees Covered by Benefit Terms

At June 30, 2016, the plan membership consisted of the following:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	142,331
Active Plan Members	223,747
Total	366,078

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. The total nonemployer OPEB liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2016.

FRANKLIN BOROUGH SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

Actuarial Assumptions and Other Inputs

The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%		
	<u>TPAF/ABP</u>	<u>PERS</u>	<u>PFRS</u>
Salary Increases:			
Through 2026	1.55 - 4.55% based on years of service	2.15 - 4.15% based on age	2.10 - 8.98% based on age
Thereafter	2.00 - 5.45% based on years of service	3.15 - 5.15% based on age	3.10 - 9.98% based on age

Preretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using MP-2017 scale. Postretirement mortality rates were based on the RP-2014 Headcount-Weighted Health Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2014 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies for the periods July 1, 2012 – June 30, 2015, July 1, 2010 – June 30, 2013, and July 1, 2011 – June 30, 2014 for TPAF, PFRS and PERS, respectively.

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long term trend rate after nine years. For self-insured post 65 PPO medical benefits, the trend rate is 4.5%. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long term rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% and decreases to a 5.0% long term rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate

The discount rate for June 30, 2017 and 2016 was 3.58% and 2.85%, respectively. This represents the municipal bond rate as chosen by the State of New Jersey Division of Pensions and Benefits. The source is the Bond Buyer Go 20-Bond Municipal bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

FRANKLIN BOROUGH SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

Changes in the State's Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2016	\$ 57,831,784,184
Changes for Year:	
Service Cost	2,391,878,884
Interest on the Total OPEB Liability	1,699,441,736
Changes of Assumptions	(7,086,599,129)
Gross Benefit Payments by the State	(1,242,412,566)
Contributions from Members	45,748,749
Net Changes	(4,191,942,326)
Balance at June 30, 2017	\$ 53,639,841,858

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the District to Changes in the Discount Rate

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2017 and 2016, respectively, calculated using the discount rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2017		
	At 1% Decrease (2.58%)	At Discount Rate (3.58%)	At 1% Increase (4.58%)
Total OPEB Liability Attributable to the District	\$ 27,088,890	\$ 22,819,919	\$ 19,433,730
	June 30, 2016		
	At 1% Decrease (1.85%)	At Discount Rate (2.85%)	At 1% Increase (3.85%)
Total OPEB Liability Attributable to the District	\$ 29,615,015	\$ 24,719,942	\$ 20,866,892

FRANKLIN BOROUGH SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the District to Changes in the Healthcare Trend Rate

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2017 and 2016, respectively, calculated using the healthcare trend rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2017		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 17,582,770	\$ 21,379,741	\$ 26,422,074

	June 30, 2016		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 20,283,401	\$ 24,719,942	\$ 30,651,175

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018 the District recognized OPEB expense of \$1,240,757 as determined by the State of New Jersey Division of Pensions and Benefits. This expense and the related offsetting revenue are for benefits provided by the State through a defined benefit OPEB plan that meets the criteria in GASB Statement 75, in which there is a special funding situation.

In accordance with GASB Statement 75, as the District's proportionate share of the OPEB liability is \$-0, there is no recognition of the allocation of the proportionate share of the deferred inflows and outflows of resources. At June 30, 2017 the State had deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Assumption Changes		\$ (6,343,769,032)
Contributions Made in Fiscal Year Ending 2018 After June 30, 2017 Measurement Date	\$ 1,190,373,242	
	<u>\$ 1,190,373,242</u>	<u>\$ (6,343,769,032)</u>

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
 (Continued)

NOTE 16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	Total
2018	\$ (742,830,097)
2019	(742,830,097)
2020	(742,830,097)
2021	(742,830,097)
2022	(742,830,097)
Thereafter	(2,629,618,547)
	\$ (6,343,769,032)

SCHEDULES OF REQUIRED
SUPPLEMENTARY INFORMATION

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

	Fiscal Year Ending June 30,		
	2015	2016	2017
District's proportion of the net pension liability	0.0106036547%	0.0088666023%	0.0091535690%
District's proportionate share of the net pension liability	\$ 1,985,294	\$ 1,990,375	\$ 2,711,025
District's covered employee payroll	\$ 629,695	\$ 629,695	\$ 588,369
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	315.28%	338.29%	460.77%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%	40.14%
			2018
			0.0085801580%
			\$ 1,997,324
			\$ 577,758
			345.70%
			48.10%

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

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

	Fiscal Year Ending June 30,		
	2015	2016	2017
Contractually required contribution	\$ 87,415	\$ 76,229	\$ 82,289
Contributions in relation to the contractually required contribution	(87,415)	(76,229)	(82,289)
Contribution deficiency/(excess)	\$ -0-	\$ -0-	\$ -0-
District's covered employee payroll	\$ 629,695	\$ 629,695	\$ 629,695
Contributions as a percentage of covered employee payroll	13.88%	12.11%	13.07%
			13.57%
			79,816
			(79,816)
			-0-
			588,369

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

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

	Fiscal Year Ending June 30,		
	2015	2016	2017
State's proportion of the net pension liability attributable to the District	0.0392077322%	0.0381650740%	0.0385951104%
State's proportionate share of the net pension liability attributable to the District	\$ 20,955,257	\$ 24,121,915	\$ 30,361,371
District's covered employee payroll	\$ 3,805,905	\$ 3,805,905	\$ 3,925,675
State's proportionate share of the net pension liability attributable to the District as a percentage of its covered employee payroll	550.60%	614.47%	773.41%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%	22.33%
			2018
			0.0368979137%
		\$ 24,877,904	\$ 4,001,422
		621.73%	25.41%

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

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

	Fiscal Year Ending June 30,		
	2015	2016	2017
Contractually required contribution	\$ 1,127,590	\$ 1,472,860	\$ 2,281,235
Contributions in relation to the contractually required contribution	<u>(206,334)</u>	<u>(309,007)</u>	<u>(400,517)</u>
Contribution deficiency/(excess)	<u>\$ 921,256</u>	<u>\$ 1,163,853</u>	<u>\$ 1,880,718</u>
District's covered employee payroll	\$ 3,805,905	\$ 3,805,905	\$ 3,925,675
Contributions as a percentage of covered employee payroll	5.42%	8.12%	10.20%
			14.34%
			<u>\$ 1,723,415</u>
			<u>(573,829)</u>
			<u>\$ 1,149,586</u>
			<u>\$ 4,001,422</u>

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

FRANKLIN BOROUGH SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF CHANGES IN THE STATE'S TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST TWO FISCAL YEARS
UNAUDITED

	<u>Fiscal Years Ending</u>	
	<u>June 30, 2016</u>	<u>June 30, 2017</u>
Total OPEB Liability		
Service Cost	\$ 1,723,999,319	\$ 2,391,878,884
Interest Cost	1,823,643,792	1,699,441,736
Changes in Assumptions	8,611,513,521	(7,086,599,129)
Member Contributions	46,273,747	45,748,749
Gross Benefit Payments	<u>(1,223,298,019)</u>	<u>(1,242,412,566)</u>
Net Change in Total OPEB Liability	10,982,132,360	(4,191,942,326)
Total OPEB Liability - Beginning	<u>46,849,651,824</u>	<u>57,831,784,184</u>
Total OPEB Liability - Ending	<u>\$57,831,784,184</u>	<u>\$53,639,841,858</u>
State's Covered Employee Payroll *	\$ 13,493,400,208	\$ 13,493,400,208
Total OPEB Liability as a Percentage of Covered Employee Payroll	429%	398%

* - Covered payroll for the fiscal years ending June 30, 2016 and June 30, 2017 is based on the payroll on the June 30, 2016 census data.

Note: This schedule does not contain ten years of information as GASB No. 75 was implemented during the fiscal year ended June 30, 2018.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 3.98% as of June 30, 2016 to 5.00% as of June 30, 2017. The municipal bond rate changed from 2.85% to 3.58%. The long-term expected rate of return on pension plan investments changed from 7.65% to 7.00%.

The inflation rate changed from 3.08% as of June 30, 2016 to 2.25% as of June 30, 2017.

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 3.22% as of June 30, 2016 to 4.25% as of June 30, 2017. The municipal bond rate changed from 2.85% to 3.58%. The long-term expected rate of return on pension plan investments changed from 7.65% to 7.00%.

The inflation rate changed from 2.50% as of June 30, 2016 to 2.25% as of June 30, 2017.

C. STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES OPEN PLAN

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017.

BUDGETARY COMPARISON SCHEDULES

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

Revenue:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Local Sources:					
Local Tax Levy	\$ 5,334,774		\$ 5,334,774	\$ 5,334,774	
Tuition - Other LEA's Within the State				123,902	\$ 123,902
Unrestricted Miscellaneous	23,000		23,000	102,464	79,464
Interest Earned on Capital Reserve Funds	1,000		1,000	1,021	21
Restricted Miscellaneous	1,000		1,000		(1,000)
Total - Local Sources	5,359,774		5,359,774	5,562,161	202,387
State Sources:					
Transportation Aid	44,842		44,842	44,842	
Special Education Aid	281,158		281,158	281,158	
Equalization Aid	2,659,880		2,659,880	2,659,880	
Categorical Security Aid	79,508		79,508	79,508	
Adjustment Aid	193,018		193,018	193,018	
PARCC Readiness Aid	4,530		4,530	4,530	
Per Pupil Growth Aid	4,530		4,530	4,530	
Professional Learning Community Aid	4,650		4,650	4,650	
Host District Support Aid	343		343	343	
Extraordinary Aid				40,072	40,072
Non-Public Transportation				3,719	3,719
Homeless Tuition Reimbursement				37,052	37,052
TPAF Pension Contribution (On-Behalf - Non-Budgeted)				573,829	573,829
TPAF NCGI Premium (On-Behalf - Non-Budgeted)				13,925	13,925
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				379,617	379,617
TPAF Long-Term Disability Insurance Contributions (On-Behalf - Non-Budgeted)				838	838
TPAF Social Security (Reimbursed - Non-Budgeted)				276,001	276,001
Total State Sources	3,272,459		3,272,459	4,597,512	1,325,053
Federal Sources:					
Medicaid Assistance Program	19,397		19,397	22,283	2,886
Total Federal Sources	19,397		19,397	22,283	2,886
Total Revenue	8,651,630		8,651,630	10,181,956	1,530,326

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Current Expense:					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 232,480	\$ (3,000)	\$ 229,480	\$ 221,248	\$ 8,232
Grades 1-5 - Salaries of Teachers	1,353,655	(32,000)	1,321,655	1,312,969	8,686
Grades 6-8 - Salaries of Teachers	679,694	25,000	704,694	696,286	8,408
Regular Programs - Home Instruction:					
Salaries of Teachers	1,000		1,000	166	834
Purchased Professional-Educational Services	1,000	10,000	11,000	926	10,074
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	2,000		2,000	480	1,520
Purchased Professional-Educational Services	1,000		1,000		1,000
Other Purchased Services	48,500		48,500	27,818	20,682
General Supplies	67,500	40,000	107,500	94,568	12,932
Textbooks	21,000		21,000	1,013	19,987
Other Objects	3,000		3,000	951	2,049
Total Regular Programs - Instruction	2,410,829	40,000	2,450,829	2,356,425	94,404
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	200,270	66,000	266,270	257,650	8,620
Other Salaries for Instruction	91,166	7,000	98,166	89,050	9,116
General Supplies	6,600		6,600	1,767	4,833
Total Learning and/or Language Disabilities	298,036	73,000	371,036	348,467	22,569
Behavioral Disabilities:					
Salaries of Teachers	56,360	1,000	57,360	55,806	1,554
Other Salaries for Instruction	16,815		16,815	14,190	2,625
General Supplies	2,261		2,261	296	1,965
Total Behavioral Disabilities	75,436	1,000	76,436	70,292	6,144

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

Expenditures:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Resource Room/Resource Center:					
Salaries of Teachers	\$ 495,270	\$ (61,000)	\$ 434,270	\$ 424,646	\$ 9,624
Other Salaries for Instruction	93,178	(5,000)	88,178	84,425	3,753
General Supplies	3,000		3,000	1,503	1,497
Total Resource Room/Resource Center	<u>591,448</u>	<u>(66,000)</u>	<u>525,448</u>	<u>510,574</u>	<u>14,874</u>
Special Education - Autistic:					
Salaries of Teachers	70,990		70,990	69,734	1,256
Other Salaries for Instruction	33,915	(2,000)	31,915	26,478	5,437
General Supplies	1,000		1,000	535	465
Total Special Education - Autistic	<u>105,905</u>	<u>(2,000)</u>	<u>103,905</u>	<u>96,747</u>	<u>7,158</u>
Preschool Disabilities - Part Time:					
Salaries of Teachers	87,755	19,641	107,396	94,101	13,295
Other Salaries for Instruction	17,834	5,000	22,834	21,355	1,479
General Supplies	2,300	(500)	1,800	1,233	567
Other Objects	500	500	1,000	546	454
Total Preschool Disabilities - Part Time	<u>108,389</u>	<u>24,641</u>	<u>133,030</u>	<u>117,235</u>	<u>15,795</u>
Preschool Disabilities - Full Time:					
Salaries of Teachers		5,359	5,359	5,359	
Total Preschool Disabilities - Full Time		<u>5,359</u>	<u>5,359</u>	<u>5,359</u>	
Home Instruction - Special Education:					
Salaries of Teachers	2,500		2,500		2,500
Purchased Professional-Educational Services	700	2,000	2,700	330	2,370
Total Home Instruction - Special Education	<u>3,200</u>	<u>2,000</u>	<u>5,200</u>	<u>330</u>	<u>4,870</u>
Total Special Education - Instruction	<u>1,182,414</u>	<u>38,000</u>	<u>1,220,414</u>	<u>1,149,004</u>	<u>71,410</u>
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	61,903	(15,000)	46,903	44,762	2,141
Total Basic Skills/Remedial - Instruction	<u>61,903</u>	<u>(15,000)</u>	<u>46,903</u>	<u>44,762</u>	<u>2,141</u>
Bilingual Education - Instruction:					
Salaries of Teachers	41,327	(20,000)	21,327	19,470	1,857
General Supplies	1,000		1,000		1,000
Total Bilingual Education - Instruction	<u>42,327</u>	<u>(20,000)</u>	<u>22,327</u>	<u>19,470</u>	<u>2,857</u>

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	\$ 30,948	\$ 11,500	\$ 42,448	\$ 37,431	\$ 5,017
Supplies and Materials	1,500		1,500	1,019	481
Other Objects	1,000	500	1,500	1,041	459
Transfers to Cover Deficit (Agency Funds)	15,000	6,000	21,000	16,977	4,023
Total School-Sponsored Cocurricular Activities - Instruction	48,448	18,000	66,448	56,468	9,980
School-Sponsored Cocurricular Activities - Athletics - Instruction:					
Salaries	32,358	7,000	39,358	32,173	7,185
Supplies and Materials	2,800		2,800	261	2,539
Other Objects	500		500		500
Transfers to Cover Deficit (Agency Funds)	3,900		3,900	3,185	715
Total School-Sponsored Cocurricular Activities - Athletics - Instruction	39,558	7,000	46,558	35,619	10,939
Other Instructional Programs - Summer School - Instruction:					
Salaries of Teachers	12,300	(900)	11,400	10,941	459
Other Salaries of Instruction	2,000	(1,100)	900		900
General Supplies	500		500		500
Total Other Instructional Programs -Summer School - Instruction	14,800	(2,000)	12,800	10,941	1,859
Total Instruction	3,800,279	66,000	3,866,279	3,672,689	193,590
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Special	68,531	(31,000)	37,531	31,400	6,131
Tuition to Private School for the Disabled - Within the State	25,000	(18,000)	7,000	6,601	399
Total Undistributed Expenditures - Instruction	93,531	(49,000)	44,531	38,001	6,530

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Health Services:					
Salaries	\$ 88,265	\$ (20,000)	\$ 68,265	\$ 61,408	\$ 6,857
Purchased Professional and Technical Services	6,000		6,000	5,810	190
Other Purchased Services (400-500 series)	1,000		1,000		1,000
Supplies and Materials	5,800		5,800	3,616	2,184
Other Objects	500		500	50	450
Total Health Services	101,565	(20,000)	81,565	70,884	10,681
Other Support Services - Speech, OT, PT and Related Services:					
Salaries	86,055		86,055	84,755	1,300
Purchased Professional - Educational Services	192,000		192,000	181,166	10,834
Supplies and Materials	2,500		2,500	1,864	636
Total Other Support Services - Speech, OT, PT and Related Services	280,555		280,555	267,785	12,770
Other Support Services - Extraordinary Services:					
Purchased Professional - Educational Services	80,000	(7,000)	73,000	49,535	23,465
Other Objects		3,000	3,000	2,489	511
Total Other Support Services - Extraordinary Services	80,000	(4,000)	76,000	52,024	23,976
Other Support Services - Guidance:					
Salaries of Other Professional Staff	58,995	1,000	59,995	59,651	344
Salaries of Secretarial and Clerical Assistants	35,949		35,949	33,852	2,097
Purchased Professional - Educational Services		500	500	363	137
Other Purchased Services (400-500 series)	625		625	265	360
Supplies and Materials	2,000	(500)	1,500	897	603
Total Other Support Services - Guidance	97,569	1,000	98,569	95,028	3,541

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Other Support Services - Child Study Teams:					
Salaries of Other Professional Staff	\$ 256,390	\$ 500	\$ 256,890	\$ 256,565	\$ 325
Salaries of Secretarial and Clerical Assistants	47,858	9,000	56,858	56,099	759
Other Purchased Professional and Technical Services	500		500		500
Miscellaneous Purchased Services (400-500 series)	2,100		2,100	700	1,400
Supplies and Materials	8,800	(2,000)	6,800	4,446	2,354
Other Objects	700		700	588	112
Total Other Support Services - Child Study Teams	316,348	7,500	323,848	318,398	5,450
Educational Media Services - School Library:					
Salaries	31,719		31,719	31,719	
Other Purchased Services (400-500 series)	500		500		500
Supplies and Materials	6,700		6,700	6,673	27
Other Objects	400		400		400
Total Educational Media Services - School Library	39,319		39,319	38,392	927
Improvement of Instructional Services:					
Salaries of Supervisors of Instruction	85,013		85,013	84,927	86
Salaries of Secretarial and Clerical Assistants	4,648	(500)	4,148	3,848	300
Supplies and Materials	1,500	1,000	2,500	2,000	500
Other Objects	800	1,000	1,800	1,420	380
Total Improvement of Instructional Services	91,961	1,500	93,461	92,195	1,266
Instructional Staff Training Services:					
Purchased Professional - Educational Services	4,000		4,000	3,120	880
Other Purchased Services (400-500 series)	18,000		18,000	5,999	12,001
Total Instructional Staff Training Services	22,000		22,000	9,119	12,881

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
General Administration:					
Salaries	\$ 195,870	\$ (1,800)	\$ 194,070	\$ 183,082	\$ 10,988
Legal Services	5,000	6,013	11,013	11,013	
Audit Fees	21,100		21,100	20,400	700
Architectural / Engineering Services	1,000	20,132	21,132	10,148	10,984
Other Purchased Professional Services	6,000	3,155	9,155	8,020	1,135
Purchased Technical Services	4,000		4,000	1,819	2,181
Communications/Telephone	18,200		18,200	14,890	3,310
BOE Other Purchased Services	8,000	1,500	9,500	5,697	3,803
Miscellaneous Purchased Services (400-500 series)	30,700	(1,200)	29,500	22,421	7,079
General Supplies	7,000		7,000	5,243	1,757
BOE In-House Training and Meeting Supplies	1,000		1,000	50	950
Miscellaneous Expenditures	8,100	200	8,300	8,221	79
BOE Membership Dues and Fees	6,000	3,000	9,000	8,732	268
Total General Administration	311,970	31,000	342,970	299,736	43,234
School Administration:					
Salaries of Principals/Assistant Principals	163,268	(34,000)	129,268	102,211	27,057
Salaries of Secretarial and Clerical Assistants	41,650	28,000	69,650	60,766	8,884
Unused Vacation Payment to Terminated/Retired Staff	6,803	4,000	10,803	10,649	154
Other Purchased Services (400-500 series)	2,900		2,900	45	2,855
Supplies and Materials	5,000	20,000	25,000	2,067	22,933
Other Objects	2,500	4,000	6,500	5,812	688
Total School Administration	222,121	22,000	244,121	181,550	62,571

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Central Services:					
Salaries	\$ 189,879		\$ 189,879	\$ 188,267	\$ 1,612
Purchased Technical Services	15,000	\$ 5,000	20,000	18,867	1,133
Miscellaneous Purchased Services (400-500 series)	2,000		2,000	1,628	372
Supplies and Materials	5,000	16,000	21,000	3,865	17,135
Other Objects	3,000		3,000	2,500	500
Total Central Services	214,879	21,000	235,879	215,127	20,752
Required Maintenance for School Facilities:					
Cleaning, Repair and Maintenance Services	110,000	(1,000)	109,000	96,574	12,426
Lead Testing of Drinking Water		1,000	1,000	385	615
Total Required Maintenance for School Facilities	110,000		110,000	96,959	13,041
Custodial Services:					
Salaries	322,622	7,000	329,622	322,644	6,978
Salaries of Non-Instructional Aides	21,403		21,403	21,403	
Unused Vacation Payment to Terminated/Retired Staff	10,656		10,656	10,656	
Cleaning, Repair and Maintenance Services	27,000	3,000	30,000	25,087	4,913
Other Purchased Property Services	40,000	(10,000)	30,000	25,679	4,321
Insurance	70,000	500	70,500	68,891	1,609
Miscellaneous Purchased Services	4,000		4,000	1,022	2,978
General Supplies	65,000	21,000	86,000	85,094	906
Energy (Gasoline)	3,000		3,000	1,516	1,484
Energy (Electricity)	87,000		87,000	71,789	15,211
Energy (Natural Gas)	11,000		11,000	9,637	1,363
Energy (Oil)	122,821	(21,000)	101,821	94,197	7,624
Other Objects	3,000	(500)	2,500	877	1,623
Total Custodial Services	787,502		787,502	738,492	49,010

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Care and Upkeep of Grounds:					
Salaries	\$ 47,852	\$ 500	\$ 48,352	\$ 47,852	\$ 500
Unused Vacation Payment-To Terminated/Retired Staff	1,932	500	2,432	1,931	501
Cleaning, Repair and Maintenance Services	30,900	(1,000)	29,900	912	28,988
General Supplies	10,500		10,500	8,614	1,886
Other Objects	1,000		1,000		1,000
Total Care and Upkeep of Grounds	92,184		92,184	59,309	32,875
Security:					
Cleaning, Repair and Maintenance Services	4,000		4,000	886	3,114
General Supplies	4,000		4,000		4,000
Total Security	8,000		8,000	886	7,114
Student Transportation Services:					
Salaries for Pupil Trans (Other than Between Home & School)	17,656		17,656	17,656	
Salaries for Pupil Trans (Between Home & School) - Nonpublic	15,212	100	15,312	15,212	100
Management Fee - ESC & CTSA Transportation Program	9,500	1,000	10,500	9,707	793
Aid in Lieu Payments - Non Public Students	3,000		3,000	2,449	551
Aid in Lieu Payments - Charter School Students	2,000	2,000	4,000	1,133	2,867
Aid in Lieu Payments - Choice School Students	12,000	5,000	17,000	15,166	1,834
Contracted Services (Other than Between Home and School)- Vendors	27,000		27,000	21,433	5,567
Contracted Services (Regular Students) - ESC's & CTSA's	46,000	7,000	53,000	52,070	930
Contracted Services (Special Education Students) - ESC's & CTSA's	165,000	13,900	178,900	119,103	59,797
Total Student Transportation Services	297,368	29,000	326,368	253,929	72,439
Unallocated Benefits:					
Group Insurance	5,000	1,500	6,500	5,357	1,143
Social Security Contributions	115,000	3,000	118,000	117,908	92

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Unallocated Benefits (Cont'd):					
Other Retirement Contributions - Regular	\$ 13,000	\$ 3,000	\$ 16,000	\$ 15,364	\$ 636
Other Retirement Contributions - PERS	83,000	(3,000)	80,000	79,816	184
Unemployment Compensation	22,000		22,000	21,316	684
Workmen's Compensation	85,000	7,000	92,000	89,582	2,418
Health Benefits	1,868,835	(214,677)	1,654,158	1,275,747	378,411
Tuition Reimbursement	36,700		36,700	32,153	4,547
Other Employee Benefits	54,963	12,500	67,463	66,218	1,245
Unused Sick Payment	40,000	40,677	80,677	80,677	
Total Unallocated Benefits	2,323,498	(150,000)	2,173,498	1,784,138	389,360
On-Behalf Contributions:					
TPAF Pension Contribution (On-Behalf - Non-Budgeted)				573,829	(573,829)
TPAF NCGI Premium (On-Behalf - Non-Budgeted)				13,925	(13,925)
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				379,617	(379,617)
TPAF Long-Term Disability Insurance Contributions (On-Behalf - Non-Budgeted)				838	(838)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				276,001	(276,001)
Total On-Behalf Contributions				1,244,210	(1,244,210)
Total Personal Services - Employee Benefits	2,323,498	(150,000)	2,173,498	3,028,348	(854,850)
Total Undistributed Expenditures	5,490,370	(110,000)	5,380,370	5,856,162	(475,792)
Total Current Expense	9,290,649	(44,000)	9,246,649	9,528,851	(282,202)
Capital Outlay:					
Equipment:					
Maintenance Equipment		4,000	4,000	3,772	228
Total Equipment		4,000	4,000	3,772	228

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Capital Outlay:					
Facilities Acquisition and Construction Services:					
Salaries	\$ 10,000	\$ 10,000	\$ 10,000	\$ 5,319	\$ 4,681
Architectural/Engineering Services		(10,000)	140,000	86,182	53,818
Construction Services	4,133		4,133	4,133	
Assessment for Debt Service on SDA Funding					
Total Facilities Acquisition and Construction Services	154,133		154,133	95,634	58,499
Total Capital Outlay	154,133	4,000	158,133	99,406	58,727
Transfer of Funds to Charter Schools	120,000	40,000	160,000	159,517	483
Total Expenditures	9,564,782		9,564,782	9,787,774	(222,992)
Excess (Deficiency) of Revenue Over (Under) Expenditures	(913,152)		(913,152)	394,182	1,307,334
Fund Balance, July 1	2,307,879		2,307,879	2,307,879	
Fund Balance, June 30	\$ 1,394,727	\$ - 0 -	\$ 1,394,727	\$ 2,702,061	\$ 1,307,334

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

<u>Recapitulation:</u>	
Restricted Fund Balances:	
Capital Reserve	\$ 1,029,212
Excess Surplus	599,768
Excess Surplus - For Subsequent Year's Expenditures	636,743
Committed Fund Balance:	
Assigned Fund Balance:	
Year-End Encumbrances	5,256
For Subsequent Year's Expenditures	137,291
Unassigned Fund Balance	293,791
	2,702,061
Reconciliation to Governmental Funds Statements (GAAP):	
Last State Aid Payment not Recognized on GAAP Basis	(325,884)
Fund Balance per Governmental Funds (GAAP)	\$ 2,376,177

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources		\$ 1,000	\$ 1,000	\$ 1,000	
Federal Sources	\$ 220,000	91,305	311,305	311,110	\$ (195)
Total Revenues	220,000	92,305	312,305	312,110	(195)
EXPENDITURES:					
Instruction:					
Salaries of Teachers	76,000	5,284	81,284	81,284	
Other Salaries for Instruction	8,000	46,718	54,718	54,718	
Purchased Professional/Technical Services		6,000	6,000	6,000	
General Supplies		2,500	2,500	2,500	
Tuition	136,000	3,503	139,503	139,503	
Total Instruction	220,000	64,005	284,005	284,005	
Support Services:					
Purchased Professional/Technical Services		2,500	2,500	2,500	
Personal Services - Employee Benefits		25,800	25,800	25,605	195
Total Support Services	-0-	28,300	28,300	28,105	195
Total Expenditures	\$ 220,000	\$ 92,305	\$ 312,305	\$ 312,110	\$ 195

FRANKLIN BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 10,181,956	\$ 312,110
Differences - Budget to GAAP:		
Prior Year State Aid Payments Recognized for GAAP Statements	326,465	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(325,884)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 10,182,537</u>	<u>\$ 312,110</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 9,787,774	\$ 312,110
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 9,787,774</u>	<u>\$ 312,110</u>

Annual appropriated budgets are prepared in the spring of each year for the General and Special Revenue Funds. The budget for the fiscal year ended June 30, 2018 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)l. Transfers of appropriations may be made by school board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

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

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

SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)

SPECIAL REVENUE FUND

FRANKLIN BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Elementary and Secondary Education				IDEA Part B			Totals
	Title I	Title II Part A	Title IV	Basic	Preschool	Local Grants		
REVENUE:								
Local Sources	\$ 93,280	\$ 13,609	\$ 10,000	\$ 184,503	\$ 9,718	\$ 1,000	\$ 1,000	\$ 1,000
Federal Sources								311,110
Total Revenue	93,280	13,609	10,000	184,503	9,718	1,000		312,110
EXPENDITURES:								
Instruction:								
Salaries of Teachers	70,935	10,349						81,284
Other Salaries for Instruction				45,000	9,718			54,718
Purchased Professional/Technical Services			6,000					6,000
General Supplies			1,500			1,000		2,500
Tuition				139,503				139,503
Total Instruction	70,935	10,349	7,500	184,503	9,718	1,000		284,005
Support Services:								
Purchased Professional/Technical Services	22,345	3,260	2,500					2,500
Personal Services - Employee Benefits								25,605
Total Support Services	22,345	3,260	2,500					28,105
Total Expenditures	\$ 93,280	\$ 13,609	\$ 10,000	\$ 184,503	\$ 9,718	\$ 1,000	\$ 1,000	\$ 312,110

CAPITAL PROJECTS FUND
(NOT APPLICABLE)

PROPRIETARY FUNDS

FRANKLIN BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET POSITION
JUNE 30, 2018

ASSETS:

Current Assets:

Cash and Cash Equivalents	\$ 59,847
Intergovernmental Accounts Receivable:	
Federal	9,168
State	170
Inventories	3,885
	<hr/>
Total Current Assets	73,070
	<hr/>

Non-Current Assets:

Capital Assets	146,947
Less: Accumulated Depreciation	(123,699)
	<hr/>
Total Non-Current Assets	23,248
	<hr/>

Total Assets	96,318
	<hr/>

LIABILITIES:

Current Liabilities:

Accounts Payable - Vendors	11,112
	<hr/>

Total Current Liabilities	11,112
	<hr/>

NET POSITION:

Investment in Capital Assets	23,248
Unrestricted	61,958
	<hr/>

Total Net Postion	\$ 85,206
	<hr/> <hr/>

FRANKLIN BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 46,759
Daily Sales - Non-Reimbursable Programs	2,985
	<hr/>
Total Operating Revenue	49,744
	<hr/>
Operating Expenses:	
Cost of Sales - Reimbursable Programs	75,666
Cost of Sales - Non-Reimbursable Programs	4,830
Salaries, Benefits and Payroll Taxes	47,539
Supplies and Other Costs	2,325
Management Fee	16,891
Depreciation Expense	1,362
	<hr/>
Total Operating Expenses	148,613
	<hr/>
Operating Loss	(98,869)
	<hr/>
Non-Operating Income:	
Local Sources:	
Interest Income	96
State Sources:	
State School Lunch Program	1,962
Federal Sources:	
School Breakfast Program	21,266
National School Lunch Program	82,564
Food Distribution Program	1,177
	<hr/>
Total Non-Operating Income	107,065
	<hr/>
Change in Net Position	8,196
	<hr/>
Net Position - Beginning of Year	77,010
	<hr/>
Net Position - End of Year	\$ 85,206
	<hr/> <hr/>

FRANKLIN BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 49,744
Payments to Employees	(47,539)
Payments to Food Service Vendor	(87,599)
Payments to Suppliers	(2,325)
Net Cash Used for Operating Activities	<u>(87,719)</u>
Cash Flows from Noncapital Financing Activities:	
Local Sources:	
Interest Income	96
State Sources:	
State School Lunch Program	1,946
Federal Sources:	
School Breakfast Program	20,720
National School Lunch Program	82,306
Net Cash Provided by Noncapital Financing Activities	<u>105,068</u>
Net Increase in Cash and Cash Equivalents	17,349
Cash and Cash Equivalents, July 1	<u>42,498</u>
Cash and Cash Equivalents, June 30	<u>\$ 59,847</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (98,869)
Adjustment to Reconcile Operating Loss to Cash Used for Operating Activities:	
Depreciation	1,362
Changes in Assets and Liabilities:	
(Increase)/Decrease in Inventories	(583)
Increase/(Decrease) in Unearned Revenue - Prepaid Sales	(741)
Increase/(Decrease) in Unearned Revenue - Donated Commodities	(1,177)
Increase/(Decrease) in Accounts Payable	11,112
Net Cash Used for Operating Activities	<u>\$ (87,719)</u>

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received commodities valued at \$-0-, and utilized \$1,177 of commodities.

FIDUCIARY FUNDS

FRANKLIN BOROUGH SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2018

	Student Activities Agency Fund	Payroll Agency Fund	Total Agency	Flexible Spending Trust	Totals
ASSETS:					
Cash and Cash Equivalents	\$ 200	\$ 992	\$ 1,192	\$ 7,088	\$ 8,280
Total Assets	200		1,192	7,088	8,280
LIABILITIES:					
Payroll Deductions and Withholdings Due to Student Groups	200	992	992		992 200
Total Liabilities	200	992	1,192		1,192
NET POSITION:					
Held in Trust for Flexible Spending Claims				7,088	7,088
Total Net Position	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ 7,088	\$ 7,088

FRANKLIN BOROUGH SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Flexible Spending Trust</u>
Additions:	
Contributions:	
Plan Contributions	\$ 16,590
Total Contributions	<u>16,590</u>
Investment Earnings:	
Interest	<u>24</u>
Net Investment Earnings	<u>24</u>
Total Additions	<u>16,614</u>
Deductions:	
Flexible Spending Claims	<u>36,118</u>
Total Deductions	<u>36,118</u>
Change in Net Position	(19,504)
Net Position - Beginning of the Year	<u>26,592</u>
Net Position - End of the Year	<u><u>\$ 7,088</u></u>

FRANKLIN BOROUGH SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 200	\$ 32,717	\$ 32,717	\$ 200
Total Assets	<u>\$ 200</u>	<u>\$ 32,717</u>	<u>\$ 32,717</u>	<u>\$ 200</u>
<u>LIABILITIES:</u>				
Due to Student Groups	\$ 200	\$ 32,717	\$ 32,717	\$ 200
Total Liabilities	<u>\$ 200</u>	<u>\$ 32,717</u>	<u>\$ 32,717</u>	<u>\$ 200</u>

FRANKLIN BOROUGH SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY

	<u>Balance</u> <u>July 1, 2017</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2018</u>
Franklin Elementary School	\$ 200	\$ 32,717	\$ 32,717	\$ 200
Total All Schools	<u>\$ 200</u>	<u>\$ 32,717</u>	<u>\$ 32,717</u>	<u>\$ 200</u>

FRANKLIN BOROUGH SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ -0-	\$ 2,661,367	\$ 2,660,375	\$ 992
Total Assets	<u>\$ -0-</u>	<u>\$ 2,661,367</u>	<u>\$ 2,660,375</u>	<u>\$ 992</u>
 <u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	\$ -0-	\$ 2,661,367	\$ 2,660,375	\$ 992
Total Liabilities	<u>\$ -0-</u>	<u>\$ 2,661,367</u>	<u>\$ 2,660,375</u>	<u>\$ 992</u>

LONG-TERM DEBT
(NOT APPLICABLE)

STATISTICAL SECTION
(UNAUDITED)

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

Contents

	<u>Exhibit</u>
Financial Trends These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	J-1 thru J-5
Revenue Capacity These schedules contain information to help the reader assess the factors affecting the District's ability to generate its property taxes.	J-6 thru J-9
Debt Capacity These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	J-10 thru J-13
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other governments.	J-14 thru J-15
Operating Information These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the School provides and the activities it performs.	J-16 thru J-20

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

FRANKLIN BOROUGH SCHOOL DISTRICT

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

UNAUDITED

(Accrual Basis of Accounting)

	June 30,				
	2009	2010	2011	2012	2013
Governmental Activities:					
Net Investment in Capital Assets	\$ 704,625	\$ 627,994	\$ 1,338,770	\$ 1,144,048	\$ 1,011,225
Restricted	612,258	740,616	587,175	936,150	1,108,545
Unrestricted (Deficit)	(276,556)	(458,905)	(356,270)	(224,344)	(247,365)
Total Governmental Activities Net Position	<u>\$ 1,040,327</u>	<u>\$ 909,705</u>	<u>\$ 1,569,675</u>	<u>\$ 1,855,854</u>	<u>\$ 1,872,405</u>
Business-Type Activities:					
Investment in Capital Assets	\$ 32,381	\$ 33,250	\$ 37,467	\$ 31,803	\$ 24,266
Unrestricted	25,149	30,283	49,295	49,171	48,628
Total Business-Type Activities Net Position	<u>\$ 57,530</u>	<u>\$ 63,533</u>	<u>\$ 86,762</u>	<u>\$ 80,974</u>	<u>\$ 72,894</u>
District-Wide:					
Net Investment in Capital Assets	\$ 737,006	\$ 661,244	\$ 1,376,237	\$ 1,175,851	\$ 1,035,491
Restricted	612,258	740,616	587,175	936,150	1,108,545
Unrestricted (Deficit)	(251,407)	(428,622)	(306,975)	(175,173)	(198,737)
Total District Net Position	<u>\$ 1,097,857</u>	<u>\$ 973,238</u>	<u>\$ 1,656,437</u>	<u>\$ 1,936,828</u>	<u>\$ 1,945,299</u>

FRANKLIN BOROUGH SCHOOL DISTRICT

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

UNAUDITED

(Accrual Basis of Accounting)

	June 30,				
	2014	2015	2016	2017	2018
Governmental Activities:					
Net Investment in Capital Assets	\$ 945,150	\$ 1,088,306	\$ 1,103,719	\$ 1,102,023	\$ 1,021,654
Restricted	1,256,363	1,425,446	1,755,145	1,900,732	2,265,723
Unrestricted (Deficit)	(2,308,360)	(2,327,492)	(2,334,868)	(2,368,703)	(2,332,354)
Total Governmental Activities Net Position	<u>\$ (106,847)</u>	<u>\$ 186,260</u>	<u>\$ 523,996</u>	<u>\$ 634,052</u>	<u>\$ 955,023</u>
Business-Type Activities:					
Investment in Capital Assets	\$ 21,977	\$ 22,859	\$ 27,153	\$ 24,610	\$ 23,248
Unrestricted	45,410	34,353	49,507	52,400	61,958
Total Business-Type Activities Net Position	<u>\$ 67,387</u>	<u>\$ 57,212</u>	<u>\$ 76,660</u>	<u>\$ 77,010</u>	<u>\$ 85,206</u>
District-Wide:					
Net Investment in Capital Assets	\$ 967,127	\$ 1,111,165	\$ 1,130,872	\$ 1,126,633	\$ 1,044,902
Restricted	1,256,363	1,425,446	1,755,145	1,900,732	2,265,723
Unrestricted (Deficit)	(2,262,950)	(2,293,139)	(2,285,361)	(2,316,303)	(2,270,396)
Total District Net Position	<u>\$ (39,460)</u>	<u>\$ 243,472</u>	<u>\$ 600,656</u>	<u>\$ 711,062</u>	<u>\$ 1,040,229</u>

Source: Franklin Borough School District Financial Reports.

FRANKLIN BOROUGH SCHOOL DISTRICT

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

UNAUDITED

(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,				
	2009	2010	2011	2012	2013
Expenses:					
Governmental Activities					
Instruction:					
Regular	\$ 3,374,985	\$ 3,349,066	\$ 3,155,336	\$ 3,135,585	\$ 3,262,853
Special Education	1,579,089	1,934,292	1,550,014	1,727,419	1,887,048
Other Special Instruction	69,412	40,110	76,230	64,418	103,423
School-Sponsored/Other Instruction	98,114	89,831	98,470	111,129	124,105
Support Services:					
Tuition	83,798	42,099	184,306	257,292	289,976
Student & Instruction Related Services	1,086,659	1,043,264	1,081,777	1,121,430	1,052,331
School Administrative Services	460,309	230,039	242,250	265,413	281,741
General Administrative Services	211,741	389,916	321,201	393,107	407,769
Central Services	272,892	280,445	270,751	279,044	289,215
Plant Operations and Maintenance	951,174	943,438	964,376	941,719	960,088
Pupil Transportation	162,668	191,968	164,792	174,420	212,738
Unallocated Depreciation	306,207	76,131	59,532	174,274	139,490
Capital Outlay		3,390	4,322		2,680
Charter Schools	54,608	61,336	82,924	49,489	72,557
Total Governmental Activities Expenses	8,711,656	8,675,325	8,256,281	8,694,739	9,086,014
Business-Type Activities:					
Food Service	184,532	191,947	161,191	161,431	169,208
Total Business-type Activities Expense	184,532	191,947	161,191	161,431	169,208
Total District Expenses	\$ 8,896,188	\$ 8,867,272	\$ 8,417,472	\$ 8,856,170	\$ 9,255,222

FRANKLIN BOROUGH SCHOOL DISTRICT

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

UNAUDITED

(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,				
	2009	2010	2011	2012	2013
Program Revenues					
Governmental Activities:					
Charges for Services:					
Tuition	\$ 10,634	\$ 38,586	\$ 41,574	\$ 30,000	\$ 89,992
Operating Grants and Contributions	1,275,574	1,489,754	1,327,145	1,417,527	1,598,952
Total Governmental Activities Program Revenues	1,286,208	1,528,340	1,368,719	1,447,527	1,688,944
Business-Type Activities:					
Charges for Services:					
Food Service	\$ 93,689	\$ 102,756	\$ 72,485	\$ 66,775	\$ 64,821
Operating Grants and Contributions	64,531	81,335	89,884	88,760	101,215
Total Business-type Activities Program Revenues	158,220	184,091	162,369	155,535	166,036
Total District Program Revenues	\$ 1,444,428	\$ 1,712,431	\$ 1,531,088	\$ 1,603,062	\$ 1,854,980
Net (Expense)/Revenue					
Governmental Activities	\$ (7,425,448)	\$ (7,146,985)	\$ (6,887,562)	\$ (7,247,212)	\$ (7,397,070)
Business-type Activities	(26,312)	(7,856)	1,178	(5,896)	(3,172)
Total District-wide Net Expense	\$ (7,451,760)	\$ (7,154,841)	\$ (6,886,384)	\$ (7,253,108)	\$ (7,400,242)

FRANKLIN BOROUGH SCHOOL DISTRICT

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

UNAUDITED

(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,				
	2009	2010	2011	2012	2013
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Property Taxes Levied for General Purposes, Net	\$ 4,062,980	\$ 4,155,498	\$ 4,321,716	\$ 4,408,150	\$ 4,496,313
Unrestricted Grants and Contributions	2,953,706	2,791,040	2,747,901	3,072,474	2,823,561
Investment Earnings	33,610	43,404	40,331	19,767	3,663
Miscellaneous Income	13,964	39,921	33,000	33,000	85,084
Cancellation on Prior Year Accounts Payable					
Transfers	(16,950)	(13,500)	(13,500)		5,000
Total Governmental Activities	7,047,310	7,016,363	7,129,448	7,533,391	7,413,621
Business-Type Activities:					
Investment Earnings	1,255	1,219	1,263	108	92
Transfers/Other	16,950	12,640	16,765		(5,000)
Total Business-Type Activities	18,205	13,859	18,028	108	(4,908)
Total District-Wide	\$ 7,065,515	\$ 7,030,222	\$ 7,147,476	\$ 7,533,499	\$ 7,408,713
Change in Net Position:					
Governmental Activities	\$ (378,138)	\$ (130,622)	\$ 241,886	\$ 286,179	\$ 16,551
Business-type Activities	(8,107)	6,003	19,206	(5,788)	(8,080)
Total District	\$ (386,245)	\$ (124,619)	\$ 261,092	\$ 280,391	\$ 8,471

FRANKLIN BOROUGH SCHOOL DISTRICT

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

UNAUDITED

(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,				
	2014	2015	2016	2017	2018
Expenses:					
Governmental Activities					
Instruction:					
Regular	\$ 3,299,543	\$ 3,968,504	\$ 4,143,993	\$ 4,847,531	\$ 5,207,660
Special Education	1,682,982	1,945,012	2,143,384	2,409,841	2,574,713
Other Special Instruction	102,233	149,879	192,107	236,397	154,783
School-Sponsored/Other Instruction	123,028	120,126	143,877	139,806	189,030
Support Services:					
Tuition	280,636	240,643	205,752	211,412	177,504
Student & Instruction Related Services	1,086,900	1,207,823	1,269,307	1,380,867	1,302,730
School Administrative Services	281,723	424,057	391,912	431,185	300,607
General Administrative Services	384,579	269,481	326,741	354,562	376,740
Central Services	282,428	262,464	243,173	255,064	278,786
Plant Operations and Maintenance	1,051,540	999,695	1,026,072	1,055,725	1,091,168
Pupil Transportation	235,386	293,369	317,747	308,356	265,043
Unallocated Depreciation	85,921	66,132	91,150	101,685	101,989
Capital Outlay	4,133	23,733	25,148	4,133	4,133
Charter Schools	91,239	82,088	45,715	93,505	159,517
Total Governmental Activities Expenses	<u>8,992,271</u>	<u>10,053,006</u>	<u>10,566,078</u>	<u>11,830,069</u>	<u>12,184,402</u>
Business-Type Activities:					
Food Service	171,026	177,280	177,935	171,043	148,613
Total Business-type Activities Expense	<u>171,026</u>	<u>177,280</u>	<u>177,935</u>	<u>171,043</u>	<u>148,613</u>
Total District Expenses	<u>\$ 9,163,297</u>	<u>\$ 10,230,286</u>	<u>\$ 10,744,013</u>	<u>\$ 12,001,112</u>	<u>\$ 12,333,015</u>

FRANKLIN BOROUGH SCHOOL DISTRICT

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

UNAUDITED

(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,				
	2014	2015	2016	2017	2018
Program Revenues					
Governmental Activities:					
Charges for Services:					
Tuition	\$ 86,715	\$ 46,043	\$ 46,016	\$ 33,907	\$ 123,902
Operating Grants and Contributions	1,420,590	2,483,155	2,861,736	3,619,892	3,987,926
Total Governmental Activities Program Revenues	1,507,305	2,529,198	2,907,752	3,653,799	4,111,828

Business-Type Activities:					
Charges for Services:					
Food Service	\$ 62,019	\$ 56,561	\$ 55,740	\$ 54,157	\$ 49,744
Operating Grants and Contributions	103,402	110,473	111,579	117,149	106,969
Total Business-type Activities Program Revenues	165,421	167,034	167,319	171,306	156,713
Total District Program Revenues	\$ 1,672,726	\$ 2,696,232	\$ 3,075,071	\$ 3,825,105	\$ 4,268,541

Net (Expense)/Revenue					
Governmental Activities	\$ (7,484,966)	\$ (7,523,808)	\$ (7,658,326)	\$ (8,176,270)	\$ (8,072,574)
Business-type Activities	(5,605)	(10,246)	(10,616)	263	8,100
Total District-wide Net Expense	\$ (7,490,571)	\$ (7,534,054)	\$ (7,668,942)	\$ (8,176,007)	\$ (8,064,474)

FRANKLIN BOROUGH SCHOOL DISTRICT

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

UNAUDITED

(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,				
	2014	2015	2016	2017	2018
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Property Taxes Levied for General Purposes, Net	\$ 4,586,239	\$ 4,806,638	\$ 4,994,231	\$ 5,181,152	\$ 5,334,774
Unrestricted Grants and Contributions	2,936,990	2,968,021	2,967,845	2,976,727	2,955,286
Investment Earnings	3,872	4,379	4,865	5,004	5,579
Miscellaneous Income	44,336	37,877	47,770	123,443	97,906
Cancellation on Prior Year Accounts Payable			11,351		
Transfers			(30,000)		
Total Governmental Activities	7,571,437	7,816,915	7,996,062	8,286,326	8,393,545
Business-Type Activities:					
Investment Earnings	98	71	64	87	96
Transfers/Other			30,000		
Total Business-Type Activities	98	71	30,064	87	96
Total District-Wide	\$ 7,571,535	\$ 7,816,986	\$ 8,026,126	\$ 8,286,413	\$ 8,393,641
Change in Net Position:					
Governmental Activities	\$ 86,471	\$ 293,107	\$ 337,736	\$ 110,056	\$ 320,971
Business-type Activities	(5,507)	(10,175)	19,448	350	8,196
Total District	\$ 80,964	\$ 282,932	\$ 357,184	\$ 110,406	\$ 329,167

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

	June 30,				
	2009	2010	2011	2012	2013
General Fund:					
Reserved	\$ 612,258	\$ 740,616			
Restricted			\$ 517,170	\$ 936,150	\$ 1,108,545
Assigned			65,112	119,591	84,875
Unreserved/Deficit	93,838	(80,289)			
Total General Fund	<u>\$ 706,096</u>	<u>\$ 660,327</u>	<u>\$ 582,282</u>	<u>\$ 1,055,741</u>	<u>\$ 1,193,420</u>
All Other Governmental Funds:					
Unassigned (Deficit)			\$ (36,995)		
Total All Other Governmental Funds/(Deficit)	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ (36,995)</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>

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

	June 30,				
	2014	2015	2016	2017	2018
General Fund:					
Reserved					
Restricted	\$ 1,256,363	\$ 1,425,446	\$ 1,755,145	\$ 1,900,732	\$ 2,265,723
Assigned	83,751	61,366	28,995	74,674	110,454
Unreserved					
Total General Fund	<u>\$ 1,340,114</u>	<u>\$ 1,486,812</u>	<u>\$ 1,784,140</u>	<u>\$ 1,975,406</u>	<u>\$ 2,376,177</u>
All Other Governmental Funds:					
Unassigned (Deficit)					
Total All Other Governmental Funds/(Deficit)	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>

Source: Franklin Borough School District Financial Reports.

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

UNAUDITED

(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,			
	2009	2010	2011	2012
Revenues:				
Tax Levy	\$ 4,062,980	\$ 4,155,498	\$ 4,321,716	\$ 4,408,150
Tuition Charges	10,634	38,586	41,574	30,000
Interest Earnings	33,610	43,404	39,795	3,414
Miscellaneous	13,964	39,921	36,536	49,353
State Sources	3,895,106	3,289,446	3,733,405	4,033,257
Federal Sources	334,174	991,349	338,641	456,511
Total Revenue	8,350,468	8,558,204	8,511,667	8,980,685
Expenditures				
Instruction:				
Regular Instruction	2,514,183	2,523,947	2,248,877	2,166,716
Special Education Instruction	1,181,824	1,398,665	1,083,647	1,175,235
Other Special Education	49,989	26,330	52,303	38,977
Co-Curricular Activities & Athletics	80,168	72,157	69,267	84,897
Support Services:				
Tuition	83,798	42,099	184,306	257,292
Student & Instruction Related Services	797,449	798,512	874,448	895,599
General Administrative Services	315,170	305,181	310,120	322,937
School Administrative Services	153,949	162,713	169,418	174,390
Central Services	207,710	210,775	215,500	219,154
Plant Operations and Maintenance	833,376	835,073	865,200	825,748
Student Transportation	162,668	191,968	164,792	174,420
				289,976
				822,296
				331,587
				177,628
				223,158
				839,624
				212,738

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

UNAUDITED

(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,				
	2009	2010	2011	2012	2013
Expenditures					
Support Services:					
Unallocated Benefits	\$ 1,839,489	\$ 1,944,327	\$ 1,924,520	\$ 2,083,513	\$ 2,372,178
Charter Schools	54,608	61,336	82,924	49,489	72,557
Capital Outlay		17,390	367,885	1,864	35,915
Total Expenditures	<u>8,274,381</u>	<u>8,590,473</u>	<u>8,613,207</u>	<u>8,470,231</u>	<u>8,964,886</u>
Excess/(Deficiency) of Revenue Over/(Under) Expenditures	<u>76,087</u>	<u>(32,269)</u>	<u>(101,540)</u>	<u>510,454</u>	<u>132,679</u>
Other Financing Sources/(Uses):					
Cancellation of Prior Year Accounts Payable					5,000
Transfers In				72,285	
Transfers Out	(16,950)	(13,500)	(13,500)	(72,285)	
Total Other Financing Sources/(Uses)	<u>(16,950)</u>	<u>(13,500)</u>	<u>(13,500)</u>	<u>(13,500)</u>	<u>5,000</u>
Net Change in Fund Balances	<u>\$ 59,137</u>	<u>\$ (45,769)</u>	<u>\$ (115,040)</u>	<u>\$ 510,454</u>	<u>\$ 137,679</u>
Debt Service as a Percentage of Noncapital Expenditures	0.00%	0.00%	0.00%	0.00%	0.00%

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

UNAUDITED

(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,				
	2014	2015	2016	2017	2018
Revenues:					
Tax Levy	\$ 4,586,239	\$ 4,806,638	\$ 4,994,231	\$ 5,181,152	\$ 5,334,774
Tuition Charges	86,715	46,043	46,016	33,907	123,902
Interest Earnings	3,872	4,379	4,865	5,004	5,579
Miscellaneous	46,336	45,280	48,070	126,543	98,906
State Sources	4,041,782	4,155,973	4,296,337	4,356,212	4,598,093
Federal Sources	313,798	366,544	370,870	369,404	333,393
Total Revenue	9,078,742	9,424,857	9,760,389	10,072,222	10,494,647
Expenditures					
Instruction:					
Regular Instruction	2,260,337	2,300,768	2,319,582	2,449,913	2,446,209
Special Education Instruction	1,153,575	1,140,808	1,192,849	1,159,365	1,203,722
Other Special Education	66,966	77,340	94,806	96,608	64,232
Co-Curricular Activities & Athletics	85,297	82,426	94,537	92,671	103,028
Support Services:					
Tuition	280,636	240,643	205,752	211,412	177,504
Student & Instruction Related Services	839,398	921,425	1,002,833	1,013,109	971,930
General Administrative Services	315,652	326,451	326,793	350,929	299,736
School Administrative Services	182,600	160,539	180,564	174,726	181,550
Central Services	219,411	207,915	193,722	195,788	215,127
Plant Operations and Maintenance	932,194	858,763	871,810	918,127	895,646
Student Transportation	232,714	279,449	304,906	292,739	253,929

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

UNAUDITED

(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,				
	2014	2015	2016	2017	2018
Expenditures					
Support Services:					
Unallocated Benefits	\$ 2,231,685	\$ 2,353,927	\$ 2,461,472	\$ 2,702,567	\$ 3,028,348
Charter Schools	91,239	82,088	45,715	93,505	159,517
Capital Outlay	40,344	245,617	149,071	123,489	99,406
Total Expenditures	<u>8,934,062</u>	<u>9,280,174</u>	<u>9,446,428</u>	<u>9,876,965</u>	<u>10,099,884</u>
Excess/(Deficiency) of Revenue Over/(Under) Expenditures	<u>144,680</u>	<u>144,683</u>	<u>313,961</u>	<u>315,977</u>	<u>394,763</u>
Other Financing Sources/(Uses):					
Cancellation of Prior Year Accounts Payable			11,351		
Transfers In			(30,000)		
Transfers Out			(18,649)		
Total Other Financing Sources/(Uses)			<u>(18,649)</u>		
Net Change in Fund Balances	<u>\$ 144,680</u>	<u>\$ 144,683</u>	<u>\$ 295,312</u>	<u>\$ 297,328</u>	<u>\$ 394,763</u>
Debt Service as a Percentage of Noncapital Expenditures	0.00%	0.00%	0.00%	0.00%	0.00%

Source: Franklin Borough School District Financial Reports.

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Tuition</u>	<u>Rentals - Use</u> <u>of Facilities</u>	<u>Prior Year</u> <u>Refunds</u>	<u>Other</u>	<u>Total</u>
2009	\$ 33,610	\$ 10,634			\$ 13,964	\$ 58,208
2010	43,404	38,586			39,921	121,911
2011	40,331	41,574	\$ 1,500		31,500	114,905
2012	3,414	30,000	1,500	\$ 16,353	31,500	82,767
2013	3,663	89,992	1,500	51,454	32,130	178,739
2014	3,872	86,715	3,000	8,563	32,773	134,923
2015	4,379	46,043	3,000	56	34,821	88,299
2016	4,865	46,016	3,000	7,942	36,828	98,651
2017	5,004	33,907	3,000	47,011	73,432	162,354
2018	5,579	123,902		77,207	20,699	227,387

Source: Franklin Borough School District Financial Reports.

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

Year Ended Dec. 31	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Public Utilities ^a	Net Valuation Taxable	Tax-Exempt Property	Total Assessed Value	Total Direct School Tax Rate ^b	Actual (County Equalized Value)
2008	\$ 5,669,800	\$ 166,086,500	\$ 2,519,000	\$ 155,700	\$ 57,469,500	\$ 6,506,000	\$ 3,433,500	\$ 1,759,787	\$ 243,599,787	\$ 25,136,100	\$ 268,735,887	1.60	\$ 507,321,166
2009	6,183,400	166,411,300	2,351,500	156,000	57,876,100	6,506,000	3,433,500	1,697,057	244,614,857	26,152,000	270,766,857	1.68	530,387,808
2010	19,202,000	319,440,600	4,444,100	152,800	123,398,300	13,167,700	7,466,200	2,626,313	489,898,013	58,078,400	547,976,413	0.87	513,304,708
2011	15,165,600	309,750,900	4,849,900	210,600	121,699,700	12,949,100	7,253,800	2,032,665	473,912,265	58,078,400	531,990,665	0.92	499,383,129
2012	14,345,200	309,071,200	5,238,000	226,100	114,519,600	12,949,100	7,207,500	1,634,573	465,191,273	57,677,700	522,868,973	0.96	494,108,058
2013	14,492,100	308,457,400	5,104,600	226,100	111,148,900	12,949,100	7,213,800	1,397,027	460,989,027	57,681,000	518,670,027	0.99	447,347,266
2014	12,909,900	248,180,400	4,097,500	222,500	108,720,600	9,924,600	6,723,300	1,591,221	392,370,021	57,771,400	450,141,421	1.20	403,786,555
2015	13,861,600	247,749,100	4,259,500	226,100	107,220,100	9,924,600	6,657,700	1,859,830	391,758,530	58,016,800	449,775,330	1.25	418,389,622
2016	12,331,200	248,846,800	3,950,200	210,400	116,839,400	9,924,600	6,690,800	1,838,649	400,632,049	57,714,700	458,346,749	1.27	421,019,872
2017	12,135,200	248,664,900	4,000,100	210,500	115,978,000	9,924,600	6,690,800	1,760,484	399,364,584	57,793,900	457,158,484	1.32	417,593,307

^ - Reassessment of property was effective in 2010 and 2014

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

^a Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies.

^b Tax rates are per \$100 of Assessed Valuation.

Source: Franklin Borough Tax Assessor.

FRANKLIN BOROUGH SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
 LAST TEN YEARS
 UNAUDITED
 (Rate per \$100 of Assessed Value)

Year Ended December 31,	Direct SchoolRate		Overlapping Rates			Total Direct and Overlapping Tax Rate	
	Basic School Rate ^a	School Debt Service ^b	Total Direct School Rate	Municipality	County		Regional High School
2008	1.601		1.601	1.342	0.830	0.860	4.633
2009	1.680		1.680	1.471	0.801	0.737	4.689
2010	0.865 ^		0.865 ^	0.860 ^	0.443 ^	0.372 ^	2.540
2011	0.921		0.921	0.901	0.456	0.396	2.674
2012	0.957		0.957	0.932	0.493	0.457	2.839
2013	0.985		0.985	0.972	0.476	0.485	2.918
2014	1.197 ^		1.197 ^	1.183 ^	0.536 ^	0.565 ^	3.481
2015	1.251		1.251	1.211	0.551	0.559	3.571
2016	1.270		1.270	1.172	0.575	0.544	3.561
2017	1.316		1.316	1.171	0.597	0.555	3.639

^ - Reassessment of property was effective in 2010 and 2014

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

^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.

Source: Franklin Borough Tax Collector and School Business Administrator.

FRANKLIN BOROUGH SCHOOL DISTRICT
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

	2018			2009			
	Taxpayer	Assessed Value	Rank	% of Total District Net Assessed Value	Taxpayer	Assessed Value	Rank
Wal-Mart	\$ 11,988,700	1	3.06%	Wal-Mart	\$ 7,240,800	1	2.99%
Franklin 23	9,000,000	2	2.30%	Weis Markets, Inc.	4,850,000	2	2.01%
Weis Markets, Inc.	6,965,000	3	1.78%	Franklin 23	4,250,000	3	2.00%
Walgreens	5,902,600	4	1.51%	Transbanc International	4,179,300	4	2.00%
Wurtsboro Associates	5,782,900	5	1.48%	Sterling Plaza, Inc.	2,949,100	5	1.22%
Transbanc International	5,134,500	6	1.31%	Hillside Estates at Franklin, LLC	2,425,000	6	1.12%
Braen Aggregates, LLC	5,036,000	7	1.29%	Wurtsboro Associates	2,102,000	7	0.87%
Hillside Estates at Franklin, LLC	4,400,000	8	1.12%	United Telephone of NJ	1,696,198	8	1.00%
Sterling Plaza, Inc.	3,672,300	9	0.94%	KAJ Franklin, LLC	1,580,000	9	0.67%
KAJ Franklin, LLC	3,228,800	10	0.82%	Black Bear Golf, Inc	1,432,300	10	0.59%
Total	\$ 61,110,800		15.61%		\$ 32,704,698		14.47%

Note - A reassessment of property was effective in 2010 and 2014.

Source: Franklin Borough Tax Assessor.

FRANKLIN BOROUGH SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
UNAUDITED

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Taxes Levied</u> <u>for the</u> <u>Fiscal Year</u>	<u>Collected within the Fiscal</u> <u>Year of the Levy</u> ^a		<u>Collections in</u> <u>Subsequent</u> <u>Years</u>
		<u>Amount</u>	<u>Percentage</u> <u>of Levy</u>	
2009	\$ 4,062,980	\$ 4,062,980	100.00%	- 0 -
2010	4,155,498	4,155,498	100.00%	- 0 -
2011	4,321,716	4,321,716	100.00%	- 0 -
2012	4,408,150	4,408,150	100.00%	- 0 -
2013	4,496,313	4,496,313	100.00%	- 0 -
2014	4,586,239	4,586,239	100.00%	- 0 -
2015	4,806,638	4,806,638	100.00%	- 0 -
2016	4,994,231	4,994,231	100.00%	- 0 -
2017	5,181,152	5,181,152	100.00%	- 0 -
2018	5,334,774	5,334,774	100.00%	- 0 -

^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.

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

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

Fiscal Year Ended June 30,	Governmental Activities			Business- Type Activities	Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases			
2009	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
2010	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
2011	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
2012	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
2013	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
2014	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
2015	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
2016	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
2017	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
2018	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -

Note: 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.

Source: Franklin Borough School District Financial Reports.

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2009	- 0 -	- 0 -	- 0 -	0.00%	- 0 -
2010	- 0 -	- 0 -	- 0 -	0.00%	- 0 -
2011	- 0 -	- 0 -	- 0 -	0.00%	- 0 -
2012	- 0 -	- 0 -	- 0 -	0.00%	- 0 -
2013	- 0 -	- 0 -	- 0 -	0.00%	- 0 -
2014	- 0 -	- 0 -	- 0 -	0.00%	- 0 -
2015	- 0 -	- 0 -	- 0 -	0.00%	- 0 -
2016	- 0 -	- 0 -	- 0 -	0.00%	- 0 -
2017	- 0 -	- 0 -	- 0 -	0.00%	- 0 -
2018	- 0 -	- 0 -	- 0 -	0.00%	- 0 -

Note: 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. This ratio is calculated using valuation data for the prior calendar year.

^b See Exhibit J-14 for population data. This ratio is calculated using population for the prior calendar year.

Source: Franklin Borough School District Financial Reports.

FRANKLIN BOROUGH SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2017
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Franklin Borough General Debt	\$ 2,697,440	100.000%	\$ 2,697,440
Sussex County General Obligation Debt	108,606,061	2.368%	2,571,356
Wallkill Valley Regional High School Debt	2,800,000	20.664%	<u>578,586</u>
Subtotal, Overlapping Debt as of December 31, 2017			5,847,382
Franklin Borough School District Direct Debt			<u>- 0 -</u>
Total Direct And Overlapping Debt			<u><u>\$ 5,847,382</u></u>

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

^a For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable equalized property values. Applicable percentages were estimated by determining the portion of Franklin Borough's equalized property value that is within the Sussex County's boundaries and dividing it by Sussex County's total equalized property value.

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

FRANKLIN BOROUGH SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt Limit	\$14,480,246	\$15,171,662	\$15,532,503	\$15,358,659	\$14,563,904	\$13,535,302	\$12,703,824	\$12,309,935	\$12,383,647	\$12,325,133
Total Net Debt Applicable to Limit	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
Legal Debt Margin	\$14,480,246	\$15,171,662	\$15,532,503	\$15,358,659	\$14,563,904	\$13,535,302	\$12,703,824	\$12,309,935	\$12,383,647	\$12,325,133
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Legal Debt Margin Calculation for Fiscal Year 2018		
	Year	Equalized Valuation Basis
Average Equalized Valuation of Taxable Property	2015	\$ 407,843,828
	2016	415,063,905
	2017	409,605,542
		<u>\$ 1,232,513,275</u>
		<u>\$ 410,837,758</u>
Debt Limit (3% of average equalization value) ^a		\$ 12,325,133
Net Bonded School Debt as of June 30, 2018		- 0 -
Legal Debt Margin		<u>\$ 12,325,133</u>

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

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

FRANKLIN BOROUGH SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Year	Population ^a	Per Capita Personal Income ^b	Personal Income ^c	Unemployment Rate ^d
2009	5,077	\$ 46,651	\$ 236,847,127	10.30%
2010	5,063	47,230	239,125,490	11.00%
2011	5,038	48,958	246,650,404	10.70%
2012	4,983	50,597	252,124,851	10.60%
2013	4,931	51,132	252,131,892	10.60%
2014	4,903	53,138	260,535,614	8.20%
2015	4,840	54,998	266,190,320	6.30%
2016	4,801	56,183	269,734,583	6.20%
2017	4,775	56,183 **	268,273,825	5.80%
2018	4,775 *	56,183 **	268,273,825	N/A

* - Latest Sussex County population available (2017) was used for calculation purposes.

** - Latest Sussex County per capita income available (2016) was used for calculation purposes.

N/A - Information is not currently available.

Sources:

^a Population information provided by the NJ Dept of Labor and Workforce Development.

^b Per capita personal income by municipality estimated based upon the 2000 Census published by the US Bureau of Economic Analysis.

^c Personal income has been estimated based upon the municipal population and per capita personal income presented.

^d Unemployment data provided by the NJ Dept of Labor and Workforce Development.

FRANKLIN BOROUGH SCHOOL DISTRICT
PRINCIPAL EMPLOYERS, COUNTY OF SUSSEX
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

2017		2008		Percentage of Total Employment
Employer	Employees	Employer	Employees	Percentage of Total Employment
Newton Medical Center	1,000-4,999	Mountain Creek/Intrawest	1,387	N/A
County of Sussex	500-999	Crystal Springs Golf and Spa Resort	1,153	N/A
Thorlabs	500-999	Newton Memorial Hospital	1,148	N/A
Sussex County Community College	250-499	County of Sussex	855	N/A
Newton 213 LLC, C/O Ronetco	100-249	Selective Insurance	800	N/A
Bristol Glen	100-249	Shop Rite (Roneteo Supermarkets, Inc.)	718	N/A
Barn Hill Care Center	100-249	Vernon Township Boar of Education	703	N/A
Home Depot	100-249	Andover Sub Acute & Rehab Center	700	N/A
Kohls	100-249	Sparta Board of Education	570	N/A
Superior Court of Newton	100-249	Hopatcong Board of Education	540	N/A
Total	2,850-8,990	Total	8,574	
				3.94%-12.42%
Total Employment	71,981	Total Employment	80,859	

Source: County of Sussex

FRANKLIN BOROUGH SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)

<u>Function/Program:</u>	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Instruction:										
Regular	46.7	46.7	37.3	37.3	35.3	35.3	35.3	36.9	36.7	32.2
Special Education	16.0	16.0	17.0	17.0	17.0	17.0	17.0	18.0	18.0	15.0
Other	2.2	2.2	2.4	2.4	2.2	2.2	2.2	2.2	2.2	2.1
Support Services:										
Student & Instruction Related Services	8.7	7.7	12.6	12.6	12.4	13.0	18.2	17.3	18.0	29.2
School Administrative Services	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	2.1
General Administrative Services	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.0
Central Services	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Plant Operations and Maintenance	7.5	7.5	6.5	6.5	6.9	6.9	6.9	6.9	6.9	6.8
	<u>89.2</u>	<u>88.2</u>	<u>83.9</u>	<u>83.9</u>	<u>81.9</u>	<u>82.5</u>	<u>87.7</u>	<u>89.4</u>	<u>89.9</u>	<u>92.4</u>

Source: Franklin Borough School District Financial Reports.

FRANKLIN BOROUGH SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary Schools	Schools				
2009	517	\$ 8,274,381	\$ 16,005	-5.03%	51.3	1:10.1	517	485	5.57%	93.80%	
2010	523	8,573,083	16,392	2.42%	51.9	1:10.1	520	495	0.50%	95.19%	
2011	522	8,245,322	15,796	-3.64%	44.0	1:11.5	509	479	-2.12%	94.11%	
2012	504	8,468,367	16,802	6.37%	44.0	1:11.5	499	475	-1.96%	95.19%	
2013	492	8,928,971	18,148	8.01%	44.0	1:11.2	492	467	-1.40%	94.92%	
2014	464	8,893,718	19,167	5.62%	44.0	1:10.6	464	446	-5.69%	96.12%	
2015	471	9,034,557	19,182	0.07%	44.0	1:10.7	471	454	1.51%	96.39%	
2016	467	9,297,357	19,909	3.79%	45.9	1:10.2	467	446	-0.85%	95.50%	
2017	491	9,753,476	19,865	-0.22%	45.3	1:10.2	491	464	5.14%	94.50%	
2018	428	10,000,478	23,366	17.62%	49.3	1:11.2	488	462	-0.61%	94.67%	

Note: Enrollment based on annual October District count.

^a Operating expenditures equal total expenditures less debt service and capital outlay.

^b Teaching staff includes only full-time equivalents of certificated staff.

^c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

^d The Cost per Pupil calculated above is the sum of the operating expenditures divided by enrollment. This cost per pupil may be different from State cost per pupil calculations.

Sources: Franklin Borough School District Records.

FRANKLIN BOROUGH SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED

District BuildingFranklin Elementary School:

<u>Fiscal Year</u>	<u>Square Feet</u>	<u>Capacity (Students)</u>	<u>Enrollment</u>
2009	114,480	810	517
2010	114,480	810	523
2011	114,480	810	522
2012	114,480	810	504
2013	114,480	810	492
2014	114,480	810	464
2015	114,480	810	471
2016	114,480	810	467
2017	114,480	810	491
2018	114,480	810	488

Number of Schools at June 30, 2018:

Elementary = 1

Note: Enrollment is based on the annual October District count.

Source: Franklin Borough School District Records.

FRANKLIN BOROUGH SCHOOL DISTRICT
GENERAL FUND SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
LAST TEN FISCAL YEARS
UNAUDITED

UNDISTRIBUTED EXPENDITURES - REQUIRED
 MAINTENANCE FOR SCHOOL FACILITIES
 11-000-261-XXX

Facility	Project #(s)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
School Facilities:											
Franklin Elementary	N/A	\$ 99,612	\$ 60,413	\$ 78,244	\$ 91,936	\$ 92,891	\$ 89,840	\$ 67,261	\$ 131,917	\$ 138,747	\$ 96,959

N/A - Not Applicable

Source: Franklin Borough School District Records.

FRANKLIN BOROUGH SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2018
UNAUDITED

	<u>Coverage</u>		<u>Deductible</u>
School Alliance Insurance Fund:			
School Package Policy - School Alliance Insurance Fund	\$ 250,000,000	Fund Aggregate	\$ 2,500
Building & Personal Property			
Auto Physical Damage			1,000
General Liability including Auto, Employee Benefits:			
Per Occurrence	5,000,000		
General Aggregate	100,000,000	Fund Aggregate	
Product/Completed Ops			
Personal Injury			
Fire Damage	2,500,000		
Medical Expenses (excluding students taking part in athletics)	10,000		
Automobile Coverage Combined Single Limit Hired/Non-owned			
Security Guard Liability			
Environmental Impairment Liability	\$1,000,000/\$25,000,000	Fund Aggregate	10,000
	First Party Fungi & Legionella		100,000
	Third Party Fungi & Legionella		50,000
Crime Coverage	50,000	Inside/Outside	1,000
Blanket Dishonesty Bond	500,000		1,000
Boiler and Machinery	100,000,000		2,500
Excess Liability (AL/GL)	5,000,000		
School Board Legal Liability (SLPL)	5,000,000		10,000
Cyber Liability	2,000,000	Per Occurrence/Aggregate	
Workers' Compensation	Statutory		
Employer's Liability	2,000,000		
Supplemental Liability	Statutory		
Student Accident Insurance	1,000,000	Primary/Excess Coverage	
Selective Insurance:			
Public Official Bond - School Business Administrator	185,000		
Public Official Bond - Treasurer of School Monies	185,000		

Source: Franklin Borough School District Records.

SINGLE AUDIT SECTION

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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Franklin Borough School District, in the County of Sussex (the "District") as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 18, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

January 18, 2019
Mount Arlington, New Jersey

NISIVOCCA LLP



Valerie A. Dolan
Licensed Public School Accountant #2526
Certified Public Accountant

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

Independent Auditors' Report

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

Report on Compliance for Each Major State Program

We have audited the Board of Education of the Franklin Borough School District's (the "District's") compliance with the types of compliance requirements described in the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on each of the District's major state programs for the fiscal year ended June 30, 2018. The District's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major State Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

January 18, 2019
Mount Arlington, New Jersey

NISIVOCIA LLP



Valerie A. Dolan
Licensed Public School Accountant #2526
Certified Public Accountant

FRANKLIN BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass Through Grantor/ Program Title/ Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2017			Balance at June 30, 2018			
					Budgetary Accounts Receivable	Budgetary Unearned Revenue	Due to Grantor	Budgetary Accounts Receivable	Budgetary Unearned Revenue	Due to Grantor	Amounts Provided to Subrecipients
U.S. Department of Education Passed-through State Department of Education:											
Special Revenue Fund:											
Special Education Cluster:											
IDEA Combined Grant:											
I.D.E.A. Part B, Basic	84.027	IDEA157018	7/1/17-6/30/18	\$ 184,503			\$ 180,000	\$ (184,503)	\$ 4,503		
I.D.E.A. Part B, Basic	84.027	IDEA157017	7/1/16-6/30/17	215,971	\$ 4,501		4,501				
I.D.E.A. Part B, Preschool	84.173	IDEA157018	7/1/17-6/30/18	9,718			8,747	(9,718)	971		
I.D.E.A. Part B, Preschool	84.173	IDEA157017	7/1/16-6/30/17	9,976	994		994				
Total Special Education Cluster					5,495		194,242	(194,221)	5,474		
Elementary and Secondary Education Act (E.S.E.A)											
As amended by the Every Student Succeeds Act											
Consolidation Grant:											
Title I	84.010A	ESEA157018	7/1/17-6/30/18	93,450			65,703	(93,280)	27,577		
Title I	84.010A	ESEA157017	7/1/16-6/30/17	94,372	24,640		24,640				
Title II, Part A	84.367A	ESEA157018	7/1/17-6/30/18	13,634			9,585	(13,609)	4,024		
Title II, Part A	84.367A	ESEA157017	7/1/16-6/30/17	24,978	7,172		7,172				
Title IV	84.186A	ESEA157018	7/1/17-6/30/18	10,000			8,726	(10,000)	1,274		
Total Special Revenue Fund					37,307		310,068	(311,110)	38,349		
Total U.S. Department of Education					37,307		310,068	(311,110)	38,349		
U.S. Department of Agriculture:											
Passed-through State Department of Agriculture:											
Child Nutrition Cluster:											
U.S.D.A. Commodities Program	10.555	N/A	7/1/16-6/30/17	9,795				(1,177)			
National School Lunch Program	10.555	N/A	7/1/17-6/30/18	82,564			75,563	(82,564)	7,001		
National School Lunch Program	10.555	N/A	7/1/16-6/30/17	86,822	6,743		6,743				
School Breakfast Program	10.553	N/A	7/1/17-6/30/18	21,266			19,099	(21,266)	2,167		
School Breakfast Program	10.553	N/A	7/1/16-6/30/17	18,871	1,621		1,621				
Total U.S. Department of Agriculture/Child Nutrition Cluster					8,364		103,026	(105,007)	9,168		
U.S. Department of Health and Human Services:											
Medicaid Cluster:											
Medicaid Assistance Program	93.778	N/A	7/1/17-6/30/18	22,283			21,285	(22,283)	998		
Total Federal Awards					\$ 45,671	\$ 1,177	\$ - 0 -	\$ 413,094	\$ (438,400)	\$ 48,515	\$ - 0 -
N/A - Not Applicable / Available											

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

FRANKLIN BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

State Grantor/Program Title	Project Number	Grant or State	Grant Period	Award Amount	Balance at June 30, 2017		Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2018		MEMO
					Budgetary Accounts Receivable	Due to Grantor				GAAP Accounts Receivable	Budgetary Accounts Receivable	
New Jersey Department of Education												
General Fund:												
Equalization Aid	17-495-034-5120-078		7/1/16 - 6/30/17	\$ 2,659,880	\$ 264,880	\$	264,880				\$	2,659,880
Transportation Aid	17-495-034-5120-014		7/1/16 - 6/30/17	44,842	4,466		4,466					44,842
Special Ed. Categorical Aid	17-495-034-5120-089		7/1/16 - 6/30/17	281,158	27,999		27,999					281,158
Security Aid	17-495-034-5120-084		7/1/16 - 6/30/17	79,508	7,918		7,918					79,508
Adjustment Aid	17-495-034-5120-085		7/1/16 - 6/30/17	199,026	19,819		19,819					199,026
PARCC Readiness Aid	17-495-034-5120-098		7/1/16 - 6/30/17	4,530	451		451					4,530
Per Pupil Growth Aid	17-495-034-5120-097		7/1/16 - 6/30/17	4,530	451		451					4,530
Professional Learning Community Aid	17-495-034-5120-101		7/1/16 - 6/30/17	4,650	463		463					4,650
Host District Support Aid	17-495-034-5120-102		7/1/16 - 6/30/17	182	18		18					182
Extraordinary Aid	17-100-034-5120-044		7/1/16 - 6/30/17	34,947	34,947		34,947					34,947
Nonpublic Transportation	17-495-035-5120-014		7/1/16 - 6/30/17	2,344	2,344		2,344					2,344
Reimbursed TPAF Social Security Contributions	17-495-034-5094-003		7/1/16 - 6/30/17	280,590								280,590
Equalization Aid	18-495-034-5120-078		7/1/17 - 6/30/18	2,659,880			2,394,999	\$ (2,659,880)			\$	264,881
Transportation Aid	18-495-034-5120-014		7/1/17 - 6/30/18	44,842			40,376	(44,842)				4,466
Special Ed. Categorical Aid	18-495-034-5120-089		7/1/17 - 6/30/18	281,158			253,159	(281,158)				27,999
Security Aid	18-495-034-5120-084		7/1/17 - 6/30/18	79,508			71,590	(79,508)				7,918
Adjustment Aid	18-495-034-5120-085		7/1/17 - 6/30/18	193,018			173,797	(193,018)				19,221
PARCC Readiness Aid	18-495-034-5120-098		7/1/17 - 6/30/18	4,530			4,079	(4,530)				451
Per Pupil Growth Aid	18-495-034-5120-097		7/1/17 - 6/30/18	4,530			4,079	(4,530)				451
Professional Learning Community Aid	18-495-034-5120-101		7/1/17 - 6/30/18	4,650			4,187	(4,650)				463
Host District Support Aid	18-495-034-5120-102		7/1/17 - 6/30/18	343			309	(343)				34
Extraordinary Aid	18-100-034-5120-044		7/1/17 - 6/30/18	40,072				(40,072)			\$	40,072
Nonpublic Transportation	18-495-035-5120-014		7/1/17 - 6/30/18	3,719				(3,719)				3,719
Homeless Tuition Reimbursement	18-495-034-5120-005		7/1/17 - 6/30/18	37,052				(37,052)				37,052
Reimbursed TPAF Social Security Contributions	18-495-034-5094-003		7/1/17 - 6/30/18	276,001			276,001	(276,001)				37,052
On-Behalf TPAF Post Retirement Contributions	18-495-034-5094-001		7/1/17 - 6/30/18	379,617			379,617	(379,617)				276,001
On-Behalf Long Term Disability Insurance Contributions	18-495-034-5094-004		7/1/17 - 6/30/18	838			838	(838)				838
On-Behalf TPAF Pension Contributions	18-495-034-5094-002		7/1/17 - 6/30/18	573,829			573,829	(573,829)				573,829
On-Behalf TPAF Non-Contributory Insurance	18-495-034-5094-003		7/1/17 - 6/30/18	13,925			13,925	(13,925)				13,925
Total General Fund State Aid					363,756		4,554,541	(4,597,512)			80,843	406,727
												8,193,699

FRANKLIN BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2017		Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2018		MEMO	
				Budgetary Accounts Receivable	Due to Grantor				GAAP Accounts Receivable	Budgetary Accounts Receivable	Budgetary Accounts Receivable	Cumulative Total Expenditures
Enterprise Fund:												
State School Lunch Program	17-100-010-3350-023	7/1/16 - 6/30/17	\$ 1,969	\$ 154	\$	\$ 154			\$ 170	\$ 170	\$	\$ 1,969
State School Lunch Program	18-100-010-3350-023	7/1/17 - 6/30/18	1,962			1,792	(1,962)					1,962
Total Enterprise Fund				154		1,946	(1,962)		170	170		3,931
Total State Department of Education				\$ 363,910	\$ -0-	\$ 4,556,487	\$ (4,599,474)	\$ -0-	\$ 81,013	\$ 406,897	\$ 8,197,630	
Less: On-Behalf TPAF Pension System Contributions:												
On-Behalf TPAF Post Retirement Contributions	18-495-034-5094-001	7/1/17 - 6/30/18	\$ (379,617)				\$ 379,617					
On-Behalf Long Term Disability Insurance Contributions	18-495-034-5094-001	7/1/17 - 6/30/18	(838)				838					
On-Behalf TPAF Pension Contributions	18-495-034-5094-002	7/1/17 - 6/30/18	(573,829)				573,829					
On-Behalf TPAF Non-Contributory Insurance	18-495-034-5094-003	7/1/17 - 6/30/18	(13,925)				13,925					
Subtotal - On-Behalf TPAF Pension System Contributions							968,209					
Total State Awards - for Major Program Determination							\$ (3,631,265)					

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

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards include the federal and state grant activity of the Franklin Borough School District Board of Education under programs of the federal and state governments for the fiscal year ended June 30, 2018. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the accompanying schedules of expenditures of federal and state awards are reported on the budgetary basis of accounting with the exception of programs recorded in the Food Service Fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the District's basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3. INDIRECT COST RATE

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

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The General Fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last two state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes those payments are not recognized until the subsequent budget year due to the state deferral and recording of the last two state aid payments in the subsequent year. The Special Revenue Fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$581 for the General 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, respectively.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 5. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (Cont'd)

Revenue from federal and state awards are reported on the Board's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 22,283	\$ 4,598,093	\$ 4,620,376
Special Revenue Fund	311,110		311,110
Food Service Fund	<u>105,007</u>	<u>1,962</u>	<u>106,969</u>
Total Awards	<u>\$ 438,400</u>	<u>\$ 4,600,055</u>	<u>\$ 5,038,455</u>

NOTE 6. 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 7. OTHER

Revenue and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2018.

FRANKLIN BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in *the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over major state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance*.
- The auditor's report on compliance for the major state programs for the District expresses an unmodified opinion on all major state programs.
- The District was not subject to the single audit provisions of the Uniform Guidance for the fiscal year ended June 30, 2018 as federal grant expenditures were less than the single audit threshold of \$750,000 identified in the Uniform Guidance.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance.
- The District's programs tested as major state programs for the current fiscal year consisted of the following state aid:

	<u>State Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
<u>State Aid Public</u>				
Equalization Aid	18-495-034-5120-078	7/1/17 - 6/30/18	\$ 2,659,880	\$2,659,880
Special Education Categorical Aid	18-495-034-5120-089	7/1/17 - 6/30/18	281,158	281,158
Security Aid	18-495-034-5120-084	7/1/17 - 6/30/18	79,508	79,508
Adjustment Aid	18-495-034-5120-085	7/1/17 - 6/30/18	193,018	193,018
PARCC Readiness Aid	18-495-034-5120-098	7/1/17 - 6/30/18	4,530	4,530
Per Pupil Growth Aid	18-495-034-5120-097	7/1/17 - 6/30/18	4,530	4,530
Host District Support Aid	18-495-034-5120-102	7/1/17 - 6/30/18	343	343
Professional Learning Community Aid	18-495-034-5120-101	7/1/17 - 6/30/18	4,650	4,650

- The threshold for distinguishing Type A and Type B state programs was \$750,000.
- The District was determined to be a "low-risk" auditee for state programs.

FRANKLIN BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

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

Findings and Questioned Costs for Federal Awards:

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

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in 2 CFR 200.516(a) of the Uniform Guidance and New Jersey's OMB Circular 15-08.

FRANKLIN BOROUGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Status of Prior Year Findings:

There were no prior year audit findings.