

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

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

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

**Comprehensive Annual
Financial Report**

of the

Borough of Franklin Lakes School District

Franklin Lakes, New Jersey

For the Fiscal Year Ended June 30, 2018

Prepared by

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

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
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INTRODUCTORY SECTION

FRANKLIN LAKES PUBLIC SCHOOLS

490 Pulis Avenue, Franklin Lakes, New Jersey 07417

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

Gayle Strauss, Ph.D.
Interim Superintendent of Schools

Michael J. Solokas
*Board Secretary and
Business Administrator*

January 18, 2019

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

Dear Board Members:

The comprehensive annual financial report of the Borough of Franklin Lakes School District (the "District") for the fiscal year ended June 30, 2018, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

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

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

The District provides a full range of educational services appropriate to grade levels Pre-K through 8. These include regular, vocational as well as special education for handicapped youngsters. The District completed the 2017-2018 fiscal year with an average daily enrollment of 1,129 students, which is a decrease of 24 students from the previous fiscal year's average daily enrollment.

2) ECONOMIC CONDITION AND OUTLOOK: In 2018, Franklin Lakes' net assessed valuations increased by \$39,779,500 to \$4,215,917,500 and the projected new home developments are also increasing. Standard & Poor's Ratings Services "AA+" rating reflects the District's sizable property tax base with no concentration among leading taxpayers. With good reserves and sound financial operations, the District's outlook remains very stable.

Enrollment is projected to slightly increase in the lower grades due to a new housing development with planned occupancy in 2018 helping to stabilize the student base. Also, sales of existing homes are increasing.

3) MAJOR INITIATIVES: At June 30, 2018 year-end, the Capital Reserve was replenished with the interest earnings allocated, and a Board approved deposit.

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

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at fiscal year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as restrictions, commitments and assignments of fund balance at June 30, 2018.


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

The Honorable President and Members of
the Board of Education
Borough of Franklin Lakes School District
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January 18, 2019

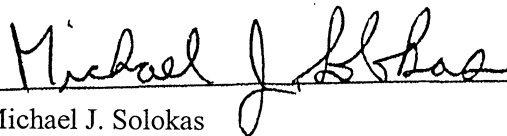
7) OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia, LLP, CPAs, was selected by the Board of Education. In addition to meeting the requirements set forth in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

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

Respectfully submitted,

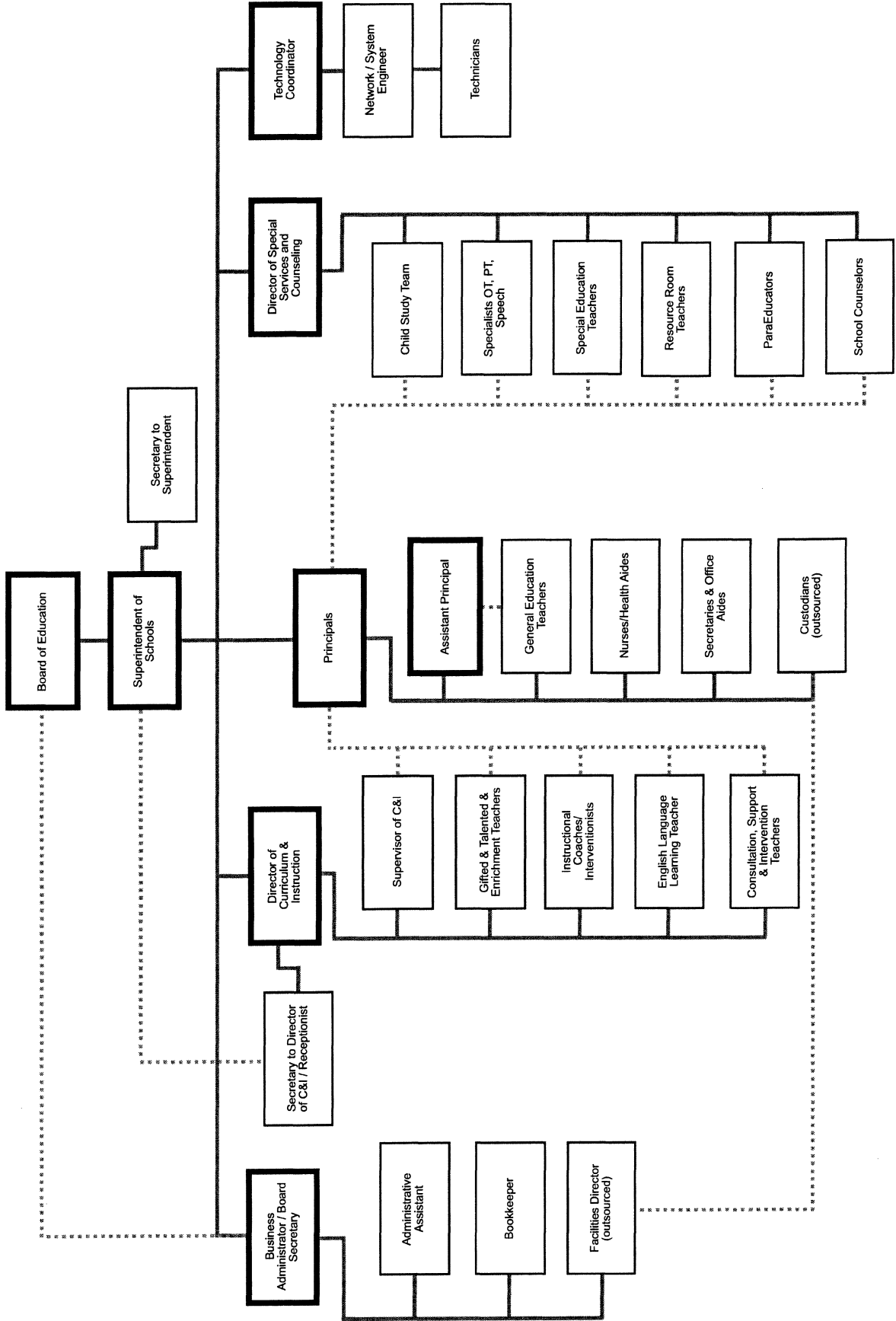


Gayle Strauss, Ph.D.
Interim Superintendent of Schools



Michael J. Solokas
Business Administrator/Board Secretary

Exhibit: Organizational Chart



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

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Joseph Rosano, President	2019
Kathleen Schwartz, Vice President	2019
Lisa Acquaire	2020
Dr. Eileen Hansen	2019
Vicki Holst	2018
Peter Koulikourdis	2020
Ann Kraemer	2020
Amanda Krakowiak	2018
Jackie Veliky	2018

<u>Other Officials</u>	<u>Title</u>
Dr. Lydia E. Furnari	Superintendent of Schools - To June 30, 2018
Dr. Gayle Strauss	Interim Superintendent of Schools - From July 1, 2018
Michael J. Solokas	Board Secretary/School Business Administrator
Nancy Ciavaglia	Treasurer

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
Consultants and Advisors

Attorney

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

Audit Firm

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

Official Depository

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

FINANCIAL SECTION

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Borough of Franklin Lakes School District (the "District") in the County of Bergen, as of and for the fiscal year ended June 30, 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 Borough of Franklin Lakes School District, in the County of Bergen, 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 10 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 post-employment benefits 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

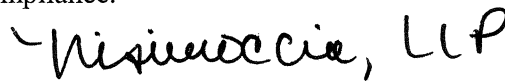
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and the schedules of expenditures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

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

The 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.

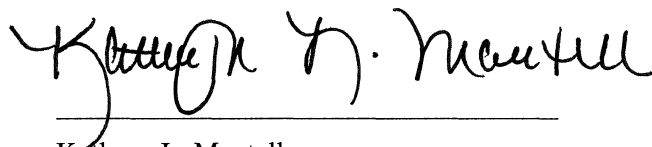
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



NISIVOCCIA, LLP

Mount Arlington, New Jersey
January 18, 2019



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

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

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

This section of the Borough of Franklin Lakes School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 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.

Overview of the Financial Statements

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

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

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

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

Figure A-1

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

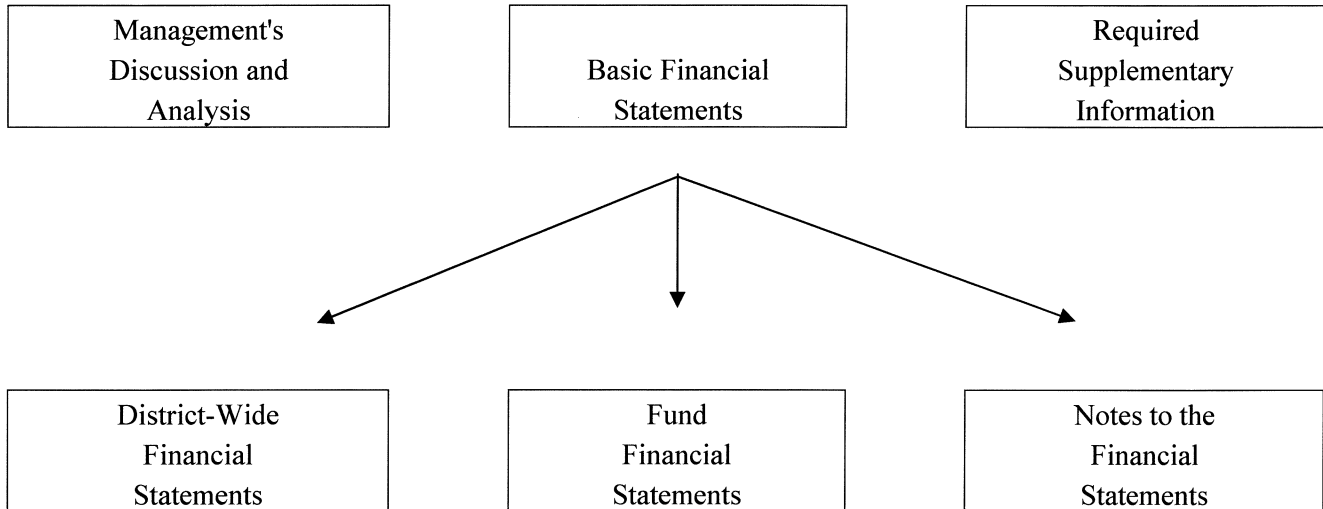


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents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

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 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 consist of the provision of milk services to students	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities
Required Financial Statements	<ul style="list-style-type: none"> • 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

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
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 are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

Fund Financial Statements

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

Notes to the Basic Financial Statements

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

Financial Analysis of the District as a Whole

Net Position. The District's combined net position was \$14,618,120 on June 30, 2018, \$356,733 or 2.38% less than it was the year before (See Figure A-3). Net Investment in Capital Assets decreased \$240,954, Restricted Net Position increased \$125,371, and Unrestricted Net Position (Deficit) decreased \$241,150.

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

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2017/2018
	2017/2018	2016/2017	2017/2018	2016/2017	2017/2018	2016/2017	
Current and Other Assets	\$ 5,267,970	\$ 4,590,820	\$ 1,334	\$ 734	\$ 5,269,304	\$ 4,591,554	
Capital Assets, Net	20,822,221	21,487,895			20,822,221	21,487,895	
Total Assets	<u>26,090,191</u>	<u>26,078,715</u>	<u>1,334</u>	<u>734</u>	<u>26,091,525</u>	<u>26,079,449</u>	0.05%
Deferred Outflows of Resources	<u>2,951,063</u>	<u>2,980,070</u>			<u>2,951,063</u>	<u>2,980,070</u>	-0.97%
Other Liabilities	1,143,484	705,840			1,143,484	705,840	
Long-Term Liabilities	11,773,662	13,364,805			11,773,662	13,364,805	
Total Liabilities	<u>12,917,146</u>	<u>14,070,645</u>			<u>12,917,146</u>	<u>14,070,645</u>	-8.20%
Deferred Inflows of Resources	<u>1,507,322</u>	<u>14,021</u>			<u>1,507,322</u>	<u>14,021</u>	10650.46%
Net Position:							
Net Investment in Capital Assets	17,509,535	17,750,489			17,509,535	17,750,489	
Restricted	3,705,761	3,580,390			3,705,761	3,580,390	
Unrestricted (Deficit)	<u>(6,598,510)</u>	<u>(6,356,760)</u>	<u>1,334</u>	<u>734</u>	<u>(6,597,176)</u>	<u>(6,356,026)</u>	
Total Net Position	<u>\$ 14,616,786</u>	<u>\$ 14,974,119</u>	<u>\$ 1,334</u>	<u>\$ 734</u>	<u>\$ 14,618,120</u>	<u>\$ 14,974,853</u>	-2.38%

Net Investment in Capital Assets decreased due to \$912,101 of depreciation and \$20,713 of disposals of capital assets offset by \$267,140 in capital asset additions. Restricted Net Position increased due to the deposit of funds to the Capital Reserve Account. Unrestricted Net Position decreased primarily due to reductions in encumbrances and deferred inflows offset by reductions in long-term liabilities and collection of SDA grants.

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

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

	Governmental Activities		Business-Type Activities		Total School District		Percentage Change 2017/2018
	2017/2018	2016/2017	2017/2018	2016/2017	2017/2018	2016/2017	
Revenue:							
Program Revenue:							
Charges for Services	\$ 2,187,118	\$ 1,808,526	\$ 3,981	\$ 3,410	\$ 2,191,099	\$ 1,811,936	
Grants/Contributions:							
Operating	12,122,809	11,194,439	6,885	6,012	12,129,694	11,200,451	
Capital	402,766				402,766		
General Revenue:							
Property Taxes	26,432,437	25,956,748			26,432,437	25,956,748	
Federal/State Aid							
Not Restricted	69,739	68,554			69,739	68,554	
Other	145,212	216,512			145,212	216,512	
Total Revenue	<u>41,360,081</u>	<u>39,244,779</u>	<u>10,866</u>	<u>9,422</u>	<u>41,370,947</u>	<u>39,254,201</u>	5.39%
Expenses:							
Instruction	28,177,728	26,148,559			28,177,728	26,148,559	
Pupil and Instruction							
Services	5,562,794	5,574,764			5,562,794	5,574,764	
Administrative and							
Business	3,350,248	3,228,859			3,350,248	3,228,859	
Maintenance and							
Operations	3,635,415	3,632,523			3,635,415	3,632,523	
Transportation	864,249	808,209			864,249	808,209	
Other	126,980	156,418	10,266	10,171	137,246	166,589	
Total Expenses	<u>41,717,414</u>	<u>39,549,332</u>	<u>10,266</u>	<u>10,171</u>	<u>41,727,680</u>	<u>39,559,503</u>	5.48%
Increase/(Decrease) in							
Net Position	<u>\$ (357,333)</u>	<u>\$ (304,553)</u>	<u>\$ 600</u>	<u>\$ (749)</u>	<u>\$ (356,733)</u>	<u>\$ (305,302)</u>	16.85%

Governmental Activities

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

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

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

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

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

Governmental Activities

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

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

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2017/2018</u>	<u>2016/2017</u>	<u>2017/2018</u>	<u>2016/2017</u>
Instruction	\$ 28,177,728	\$ 26,148,559	\$ 15,058,448	\$ 14,252,623
Pupil and Instruction Services	5,562,794	5,574,764	4,522,572	5,190,573
Administrative and Business	3,350,248	3,228,859	3,350,248	2,649,302
Maintenance and Operations	3,635,415	3,632,523	3,232,649	3,632,523
Transportation	864,249	808,209	713,824	664,928
Other	126,980	156,418	126,980	156,418
	<u>\$ 41,717,414</u>	<u>\$ 39,549,332</u>	<u>\$ 27,004,721</u>	<u>\$ 26,546,367</u>

Business-Type Activities

Net position from the District's business-type activity increased by \$600 (Refer to Figure A-4).

Financial Analysis of the District's Funds

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

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

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

General Fund Budgetary Highlights

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

- Changes made within budgetary line items for changes in school-based needs for programs, supplies and equipment.
- The preparation of the 2017/2018 budget was difficult as a result of rising costs and the state mandated 2% tax levy increase cap. This resulted in the need for numerous line item transfers during the year.
- Allowable appropriation of capital reserve for Franklin Avenue Middle School boiler replacement project.

Capital Assets

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

	<u>Governmental Activities</u>		<u>Total School District</u>		<u>Percentage Change 2017/2018</u>
	<u>2017/2018</u>	<u>2016/2017</u>	<u>2017/2018</u>	<u>2016/2017</u>	
Land	\$ 1,809,389	\$ 1,809,389	\$ 1,809,389	\$ 1,809,389	
Construction in Progress	995,289	995,289	995,289	995,289	
Buildings and Building Improvements	17,549,527	18,157,906	17,549,527	18,157,906	
Machinery and Equipment	468,016	525,311	468,016	525,311	
Total Capital Assets (Net of Depreciation)	<u>\$20,822,221</u>	<u>\$21,487,895</u>	<u>\$20,822,221</u>	<u>\$21,487,895</u>	-3.10%

The District had \$912,101 in depreciation expense and \$267,140 of capital additions during the current fiscal year. More detailed information about the District's capital assets is presented in Note 7 to the Basic Financial Statements.

Long-term Liabilities

At year-end, the District had \$3,150,000 in general obligation bonds – a decrease of \$635,000 from last year – as shown in Figure A-7. More detailed information about the District's long-term liabilities is presented in Note 8 to the Basic Financial Statements.

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

	<u>Total School District</u>		<u>Percentage Change 2017/2018</u>
	<u>2017/2018</u>	<u>2016/2017</u>	
General Obligation Bonds (Financed with Property Taxes)	\$ 3,150,000	\$ 3,785,000	
Unamortized Bond Issuance Premiums	276,444	331,732	
Net Pension Obligation	7,459,772	8,567,270	
Other Long Term Liabilities	887,446	680,803	
	<u>\$ 11,773,662</u>	<u>\$ 13,364,805</u>	-11.91%

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

Long-term Liabilities

- The District's major change comes from change in Net Pension Obligation.

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

The primary factor considered by the District's Administration during the process of developing the fiscal year 2018-19 budget was the slowing rate of student population decline. Residents have begun to occupy the first phase of The Reserve which will consist of 275 units in the High Mountain Road school attendance area which is the school with the lowest enrollment.

Similar to last year the District has over \$745,000 in Banked Cap available for use in the next three budget cycles.

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

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

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 1,784,638		\$ 1,784,638
Receivable from Federal Government		\$ 492	492
Receivable from State Government	612,585		612,585
Other Accounts Receivable	87,598		87,598
Internal Balances	(842)	842	
Interfund Receivables	78,230		78,230
Restricted Assets - Cash and Cash Equivalents:			
Emergency Reserve Account	100,000		100,000
Capital Reserve Account	2,605,761		2,605,761
Capital Assets:			
Land	1,809,389		1,809,389
Construction-in-Progress	995,289		995,289
Depreciable Buildings and Building Improvements and Machinery and Equipment	18,017,543		18,017,543
Total Assets	<u>26,090,191</u>	<u>1,334</u>	<u>26,091,525</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amount on Refunding	192,044		192,044
Deferred Outflows Related to Pensions	2,759,019		2,759,019
Total Deferred Outflows of Resources	<u>2,951,063</u>		<u>2,951,063</u>
LIABILITIES			
Accounts Payable	971,203		971,203
Payable to State Government	15,542		15,542
Accrued Interest Payable	55,285		55,285
Unearned Revenue	101,454		101,454
Noncurrent Liabilities:			
Due Within One Year	867,027		867,027
Due Beyond One Year	10,906,635		10,906,635
Total Liabilities	<u>12,917,146</u>		<u>12,917,146</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources Related to Pensions	1,507,322		1,507,322
Total Deferred Inflows of Resources	<u>1,507,322</u>		<u>1,507,322</u>
NET POSITION			
Net Investment in Capital Assets	17,509,535		17,509,535
Restricted for:			
Capital Projects	2,605,761		2,605,761
Excess Surplus	1,000,000		1,000,000
Emergency	100,000		100,000
Unrestricted (Deficit)	(6,598,510)	1,334	(6,597,176)
Total Net Position	<u>\$ 14,616,786</u>	<u>\$ 1,334</u>	<u>\$ 14,618,120</u>

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

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 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	\$ 18,989,979	\$ 2,126,054	\$ 7,174,106		(11,815,873)		\$ (11,815,873)
Special Education	7,382,611		3,105,454		(2,151,103)		(2,151,103)
Other Special Instruction	1,588,672		632,605		(956,067)		(956,067)
School-Sponsored Instruction	216,466		81,061		(135,405)		(135,405)
Support Services:							
Tuition	721,217		246,540		(474,677)		(474,677)
Student & Instruction Related Services	4,841,577		793,682		(4,047,895)		(4,047,895)
General Administrative Services	548,517				(548,517)		(548,517)
School Administrative Services	2,170,418				(2,170,418)		(2,170,418)
Central Services	421,297				(421,297)		(421,297)
Administrative Information Technology	210,016				(210,016)		(210,016)
Plant Operations and Maintenance	3,635,415			\$ 402,766	(3,232,649)		(3,232,649)
Pupil Transportation	864,249	61,064	89,361		(713,824)		(713,824)
Interest and Other Charges	121,179				(121,179)		(121,179)
Unallocated Depreciation	5,801				(5,801)		(5,801)
Total Governmental Activities	41,717,414	2,187,118	12,122,809	402,766	(27,004,721)		(27,004,721)

BOROUGH OF FRANKLIN LAKES 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	\$ 10,266	\$ 3,981	\$ 6,885		\$ 600	\$ 600	600
Total Business-Type Activities	10,266	3,981	6,885		600	600	600
Total Primary Government	\$ 41,727,680	\$ 2,191,099	\$ 12,129,694	\$ 402,766	\$ (27,004,721)	600	(27,004,121)

General Revenue:

Taxes:

Property Taxes, Levied for General Purposes, Net	25,652,437						25,652,437
Taxes Levied for Debt Service	780,000						780,000
Federal and State Aid not Restricted	69,739						69,739
Miscellaneous Income	145,212						145,212
Total General Revenue	26,647,388						26,647,388
Change in Net Position					(357,333)	600	(356,733)
Net Position - Beginning					14,974,119	734	14,974,853
Net Position - Ending					\$ 14,616,786	\$ 1,334	\$ 14,618,120

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

FUND FINANCIAL STATEMENTS

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

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 1,761,736	\$ 19,905	\$ 2,997	\$ 1,784,638
Receivables from State Government	209,819		402,766	612,585
Other Receivables	87,598			87,598
Interfund Receivable	279,776			279,776
Restricted Cash and Cash Equivalents	2,705,761			2,705,761
Total Assets	<u>\$ 5,044,690</u>	<u>\$ 19,905</u>	<u>\$ 405,763</u>	<u>\$ 5,470,358</u>
<u>LIABILITIES AND FUND BALANCES:</u>				
Liabilities:				
Interfund Payable	\$ 842		\$ 201,546	\$ 202,388
Accounts Payable	669,513	\$ 1,690		671,203
Payable to State Government		15,542		15,542
Unearned Revenue	98,781	2,673		101,454
Total Liabilities	<u>769,136</u>	<u>19,905</u>	<u>201,546</u>	<u>990,587</u>
Fund Balances:				
Restricted:				
Excess Surplus	500,000			500,000
Excess Surplus - Designated for Subsequent Year's Expenditures	500,000			500,000
Emergency Reserve	100,000			100,000
Capital Reserve Account	2,605,761			2,605,761
Committed:				
Capital Project Fund			204,217	204,217
Unassigned (Deficit)	569,793			569,793
Total Fund Balances (Deficit)	<u>4,275,554</u>		<u>204,217</u>	<u>4,479,771</u>
Total Liabilities and Fund Balances	<u>\$ 5,044,690</u>	<u>\$ 19,905</u>	<u>\$ 405,763</u>	

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

Capital Assets Used in Governmental Activities are not Financial Resources and therefore are not reported in the Funds.	20,822,221
Deferred Amount on Refunding is not reported as an expenditure in the Governmental Funds in the year of the expenditure.	192,044
Certain Amounts Related to the Net Pension Liability are Deferred and Amortized in the Statement of Activities and are not Reported in the Governmental Funds:	
Changes in Assumptions - Pensions	1,502,887
Changes in Proportion - Pensions	729,684
Difference Between Expected and Actual Experience - Pensions	175,652
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	50,796
Changes in Assumptions - Pensions	(1,497,377)
Changes in Proportion - Pensions	(9,945)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(55,285)
Bond Issuance Premiums are reported as revenue in the Governmental Funds in the year the bonds are sold. The original amount was \$718,748 and accumulated amortization is \$442,304.	(276,444)
The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.	(7,459,772)
Long-Term Liabilities, Including Bonds Payable, Capital Leases Payable and Compensated Absences, Are not Due and Payable in the Current Period and Therefore are not Reported as Liabilities in the Funds.	<u>(4,037,446)</u>
Net Position of Governmental Activities	<u>\$ 14,616,786</u>

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

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

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 25,652,437			\$ 780,000	\$ 26,432,437
Other Local Government Units - Restricted	64,853				64,853
Tuition from Individuals	234,380				234,380
Tuition from Other LEAs	1,891,674				1,891,674
Transportation Fees	61,064				61,064
Interest Earned on Capital Reserve	1,800				1,800
Miscellaneous	78,559				78,559
Total - Local Sources	27,984,767			780,000	28,764,767
State Sources	5,081,883	\$ 91,442	402,766		5,576,091
Federal Sources		390,814			390,814
Total Revenues	33,066,650	482,256	402,766	780,000	34,731,672
EXPENDITURES:					
Current:					
Regular Instruction	8,901,711				8,901,711
Special Education Instruction	3,683,532	86,255			3,769,787
Other Special Instruction	717,743				717,743
School-Sponsored/Other Instruction	104,866				104,866
Support Services and Undistributed Costs:					
Tuition	474,677				474,677
Student and Other Instruction Related Services	3,278,455	246,540			3,525,000
General Administration Services	390,437	149,461			539,898
School Administration Services	1,111,871				1,111,871
Central Services	291,797				291,797
Administrative Information Technology	139,979				139,979
Plant Operations and Maintenance	2,576,431				2,576,431

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
EXPENDITURES:					
Student Transportation	\$ 851,977				\$ 851,977
Unallocated Benefits	10,343,872				10,343,872
Capital Outlay	682,708				682,708
Debt Service:					
Interest and Other Charges				\$ 145,000	145,000
Principal				635,000	635,000
Total Expenditures	<u>33,550,056</u>	<u>\$ 482,256</u>	<u>\$ - 0 -</u>	<u>780,000</u>	<u>34,812,312</u>
Excess/(Deficit) of Revenue Over/(Under) Expenditures	<u>(483,406)</u>	<u>- 0 -</u>	<u>402,766</u>	<u>- 0 -</u>	<u>(80,640)</u>
OTHER FINANCING SOURCES/(USES):					
Capital Leases (Non-Budgeted)	<u>356,206</u>				<u>356,206</u>
Total Other Financing Sources/(Uses)	<u>356,206</u>	<u>- 0 -</u>		<u>- 0 -</u>	<u>356,206</u>
Net Change in Fund Balances	<u>(127,200)</u>	<u>- 0 -</u>	<u>402,766</u>	<u>- 0 -</u>	<u>275,566</u>
Fund Balance/(Deficit) - July 1	<u>4,402,754</u>		<u>(198,549)</u>		<u>4,204,205</u>
Fund Balance/(Deficit) - June 30	<u>\$ 4,275,554</u>	<u>\$ - 0 -</u>	<u>\$ 204,217</u>	<u>\$ - 0 -</u>	<u>\$ 4,479,771</u>

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

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

Total Net Change in Fund Balances - Governmental Funds (Exhibit B-2) \$ 275,566

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

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

	Depreciation Expense	\$ (912,101)
	Capital Outlays	267,140
Disposal of Capital Assets, Net of Depreciation		<u>(20,713)</u>
		(665,674)

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

Change in Net Pension Liability		1,107,498
Deferred Outflows:		
Changes in Assumptions		(271,794)
Changes in Proportion		493,951
Difference Between Expected and Actual Experience		16,327
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		(275,882)
Deferred Inflows:		
Changes in Proportion		4,076
Changes in Assumptions		(1,497,377)

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

Capital leases entered into by the District are an other financing source in the Governmental Funds, but the acquisition increases Long-Term Liabilities in the Statement of Net Position and is not reported in the Statement of Activities. (34,772)

Repayment of serial bonds and capital leases is an expenditure in the Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Position and is not reported in the Statement of Activities. (356,206)

	Serial Bonds Principal	635,000
	Capital Lease Principal	<u>184,335</u>
		819,335

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

The governmental funds report the effect of bond issuance premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. (38,409)

In the Statement of Activities, interest on long term debt in the Statement of Activities is accrued, regardless of when due. 55,288

In the Governmental Funds, interest is reported when due. 10,740

Change in Net Position of Governmental Activities (Exhibit A-2) \$ (357,333)

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

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

	Business-type Activities - Enterprise Funds Food Service
ASSETS:	
Current Assets:	
Intergovernmental Accounts Receivable - Federal	\$ 492
Interfund Receivable - General Fund	842
Total Current Assets	1,334
Total Assets	1,334
 NET POSITION:	
Unrestricted	1,334
Total Net Position	\$ 1,334

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

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

	<u>Business-type Activities - Enterprise Funds Food Service</u>
Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs - Special Milk Program	\$ 3,981
Total Operating Revenue	<u>3,981</u>
Operating Expenses:	
Cost of Sales - Reimbursable Programs	<u>10,266</u>
Total Operating Expenses	<u>10,266</u>
Operating Loss	(6,285)
Non-Operating Revenue:	
Federal Sources - Special Milk Program	<u>6,885</u>
Total Non-Operating Revenue	<u>6,885</u>
Change in Net Position	600
Net Position - Beginning of Year	<u>734</u>
Net Position - End of Year	<u><u>\$ 1,334</u></u>

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

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

	Business-type Activities - Enterprise Funds Food Service
Cash Flows from Operating Activities	
Receipts from Customers	\$ 3,981
Payments to Suppliers	(10,266)
Net Cash Used for Operating Activities	(6,285)
Cash Flows from Noncapital Financing Activities:	
Interfund - General Fund	(498)
Federal Sources - Special Milk Program	6,783
Net Cash Provided by Noncapital Financing Activities	6,285
Net Increase in Cash and Cash Equivalents	-0-
Cash and Cash Equivalents, July 1	-0-
Cash and Cash Equivalents, June 30	\$ -0-
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (6,285)
Net Cash Used for Operating Activities	\$ (6,285)

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

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

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>	<u>Totals</u>
ASSETS:				
Cash and Cash Equivalents	\$ 145,438	\$ 397,668	\$ 91,496	\$ 634,602
Total Assets	<u>145,438</u>	<u>397,668</u>	<u>91,496</u>	<u>634,602</u>
LIABILITIES:				
Interfund Payable - General Fund	4,896		73,334	78,230
Due to Student Groups	<u>39,331</u>			<u>39,331</u>
Total Liabilities	<u>44,227</u>		<u>73,334</u>	<u>117,561</u>
NET POSITION:				
Held in Trust for:				
Unemployment Compensation Claims		397,668		397,668
Flexible Spending Claims			18,162	18,162
Laptop Replacement Costs	<u>101,211</u>			<u>101,211</u>
Total Net Position	<u>\$ 101,211</u>	<u>\$ 397,668</u>	<u>\$ 18,162</u>	<u>\$ 517,041</u>

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

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

	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>	<u>Totals</u>
Additions:			
Contributions:			
Plan Members	\$ 27,402	\$ 71,086	\$ 98,488
Total Contributions	<u>27,402</u>	<u>71,086</u>	<u>98,488</u>
Investment Earnings:			
Interest	18	8	26
Net Investment Earnings	<u>18</u>	<u>8</u>	<u>26</u>
Total Additions	<u>27,420</u>	<u>71,094</u>	<u>98,514</u>
Deductions			
Unemployment Compensation Claims	11,514		11,514
Flexible Spending Claims		56,420	56,420
Total Deductions	<u>11,514</u>	<u>56,420</u>	<u>67,934</u>
Change in Net Position	15,906	14,674	30,580
Net Position - Beginning of the Year	<u>381,762</u>	<u>3,488</u>	<u>385,250</u>
Net Position - End of the Year	<u>\$ 397,668</u>	<u>\$ 18,162</u>	<u>\$ 415,830</u>

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

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

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

B. Basis of Presentation:

District-Wide Financial Statements:

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

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

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

B. Basis of Presentation: (Cont'd)

District-Wide Financial Statements: (Cont'd)

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

Fund Financial Statements:

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

The District reports the following governmental funds:

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

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

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

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

B. Basis of Presentation: (Cont'd)

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

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

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

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

The District reports the following proprietary fund:

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

Additionally, the District reports the following fund type:

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

BOROUGH OF FRANKLIN LAKES 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)

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

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

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

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

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the General, Special Revenue and Debt Service Funds. The budget for the fiscal year ended June 30, 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)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

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

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

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

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

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

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue"		
from the Budgetary Comparison Schedule	\$ 33,068,949	\$ 482,256
Difference - Budget to GAAP:		
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	71,918	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(74,217)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 33,066,650	\$ 482,256
	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 33,550,056	\$ 482,256
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 33,550,056	\$ 482,256

BOROUGH OF FRANKLIN LAKES 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)

	Capital Projects Fund	
	Revenue	Fund Balance
Summary Schedule of Revenue, Expenditures and Changes in Fund Balance (Budgetary Basis) (per Exhibit F-1)	\$ (128,394)	\$ 204,217
Reconciliation to Governmental Funds Statement (GAAP):		
SDA Grants are Recognized as Revenue on the Budgetary Basis when awarded but are not Recongized on the GAAP Basis until Expended and submitted for reimbursement.	531,160	
Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds (GAAP Basis) (per Exhibit B-2)	\$ 402,766	\$ 204,217

E. Cash and Cash Equivalents and Investments:

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

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

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

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

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

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

F. Interfund Transactions:

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

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

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

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

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

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

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

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

BOROUGH OF FRANKLIN LAKES 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:

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.

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

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

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

L. Long Term Liabilities:

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

M. Accrued Salaries and Wages:

The District allows employees who provide services over the ten-month academic year the option to have their salaries distributed during the entire twelve-month year and all payments were made as of June 30, 2018.

BOROUGH OF FRANKLIN LAKES 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:

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

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

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

O. Unearned Revenue:

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

P. Fund Balance Appropriated:

General Fund: The \$4,275,554 General Fund balance at June 30, 2018, is comprised of \$2,605,761 restricted in the capital reserve account; \$100,000 is restricted in the emergency reserve account; \$500,000 is prior year excess surplus that has been restricted and appropriated and included in as anticipated budget revenue for the fiscal year ending June 30, 2019; \$500,000 restricted for current year excess surplus in accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2004, C.73 (S1701) and will be appropriated and included as anticipated budget revenue for the fiscal year ending June 30, 2020; and \$569,793 is unassigned which is \$74,217 less than the calculated unassigned fund balance, on a GAAP basis, due to the June state aid payments, which are not recognized until the fiscal year ended June 30, 2019.

Capital Projects Fund: The \$204,217 in the Capital Projects Fund balance at June 30, 2018 is committed fund balance.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, C.73 (S1701), the designation for Restricted Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District has excess surplus at June 30, 2018 as outlined above.

BOROUGH OF FRANKLIN LAKES 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)

P. Fund Balance Appropriated: (Cont'd)

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$74,217 as reported in the fund statements (modified accrual basis). N.J.A.C. 6A:23A-8.5(j) provides that in the event one or more state school aid payments are not made until the following school budget year, districts must record those state aid payments as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the June state aid payments in the subsequent fiscal year, the school district cannot recognize the June state aid payments on the GAAP financial statements until the fiscal year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the June state aid payments and not the fund balance reported on the fund statement which excludes the June state aid payments.

Q. Deficit Net Position:

The District had a \$6,598,510 deficit in unrestricted net position in governmental activities as of June 30, 2018 primarily due to the non-recognition of the June state aid payments as explained in Note 1P above, the accrual of \$532,716 in compensated absences payable, \$55,285 in accrued interest payable, and (with regard to pensions) deferred inflows of resources of \$1,507,322 and net pension liability of \$7,459,772, offset by (with regard to pensions) changes in assumptions of \$1,502,887, changes in proportion of \$729,684, the difference between expected and actual experience of \$175,652 and the net difference between projected and actual investment earnings on pension plan investments, and governmental funds committed, assigned and unassigned fund balances. This deficit does not indicate that the District is in financial difficulties and is a permitted practice under generally accepted accounting principles.

R. Net Position:

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

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. The District had deferred outflows of resources at June 30, 2018 for the deferred amount on refunding of debt related to the District's 2010 refunding bonds, and, with regard to pensions, changes in assumptions, changes in proportion, the difference between expected and actual experience, the net difference between projected and actual investment earnings on pension plan investments and the District contribution subsequent to the measurement date.

A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had deferred inflows of resources at June 30, 2018 for changes in proportion and assumptions in pensions.

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

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

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

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

R. Net Position: (Cont'd)

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

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

S. Fund Balance Restrictions, Commitments and Assignments:

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

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

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has \$204,217 of committed resources in its Capital Projects Fund on the GAAP basis 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 no assigned resources at June 30, 2018.

T. Revenue - Exchange and Nonexchange Transactions:

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

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

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

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

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

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

U. Operating Revenue and Expenses:

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

V. Management Estimates:

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

W. Pensions

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

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

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

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

(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

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

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

Deposits:

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

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

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

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

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

Investments

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

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

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

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

Investments (Cont'd)

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

- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located.
- (4) 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.L. 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) 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;

BOROUGH OF FRANKLIN LAKES 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)

- (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;
- (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:

	<u>Cash and Cash Equivalents</u>	<u>Restricted Cash & Cash Equivalents</u>		<u>Total</u>
		<u>Capital Reserve Account</u>	<u>Emergency Reserve Account</u>	
Checking Accounts	<u>\$ 2,419,240</u>	<u>\$ 2,605,761</u>	<u>\$ 100,000</u>	<u>\$ 5,125,001</u>

During the period ended June 30, 2018, the District did not hold any investments. The carrying amount of the District's cash and cash equivalents at June 30, 2018 was \$5,125,001 and the bank balance was \$5,609,781.

NOTE 4. CAPITAL RESERVE ACCOUNT

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

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

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

NOTE 4. CAPITAL RESERVE ACCOUNT (Cont'd)

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

Balance June 30, 2017	\$ 2,480,390
Interest Earnings	1,800
Deposit per Board Resolution June 26, 2018	156,322
Unexpended Withdrawals for Capital Outlay Returned	11,256
Withdrawals by Resolution for Capital Outlay	<u>(44,007)</u>
Balance June 30, 2018	<u>\$ 2,605,761</u>

The June 30, 2018 Capital Reserve Account balance does not exceed the local support costs of uncompleted capital projects in the District's Long Range Facilities Plan ("LRFP). Withdrawals from the Capital Reserve Account were for use in DOE approved facilities projects, consistent with the District's LRFP.

NOTE 5: EMERGENCY RESERVE ACCOUNT

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

The emergency reserve is used to accumulate funds in accordance with N.J.S.A. 18A:7F-41c(1) to finance unanticipated general fund expenditures required for a through and efficient education. The maximum balance permitted at any time in this reserve is the greater of \$250,000 or 1% of the general fund budget not to exceed one million dollars. Deposits may be made to the emergency reserve account by board resolution between June 1st and June 30th of any unanticipated revenue or unexpended line item appropriation or both. Withdrawals from the reserve require the approval of the Commissioner unless the withdrawal is necessary to meet an increase in total health care costs in excess of four percent or the withdrawal is included in the original budget certified for taxes to finance school improvements pursuant to N.J.S.A. 18A:7G-6(c)1.

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

Balance June 30, 2017	<u>\$ 100,000</u>
Balance June 30, 2018	<u>\$ 100,000</u>

NOTE 6: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2018, the District transferred \$44,007 to capital outlay line items for equipment which did not require County Superintendent approval.

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

NOTE 7. CAPITAL ASSETS

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

	Beginning Balance	Increases	Adjustments/ Decreases	Ending Balance
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 1,809,389			\$ 1,809,389
Construction in Progress	995,289			995,289
Total Capital Assets Not Being Depreciated	2,804,678			2,804,678
Capital Assets Being Depreciated:				
Buildings and Building Improvements	35,707,195	\$ 225,995		35,933,190
Machinery and Equipment	1,360,011	41,145	(121,558)	1,279,598
Total Capital Assets Being Depreciated	37,067,206	267,140	(121,558)	37,212,788
Governmental Activities Capital Assets	39,871,884	267,140	(121,558)	40,017,466
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(17,549,289)	(834,374)		(18,383,663)
Machinery and Equipment	(834,700)	(77,727)	100,845	(811,582)
	<u>(18,383,989)</u>	<u>(912,101)</u>	<u>100,845</u>	<u>(19,195,245)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$21,487,895</u>	<u>\$ (644,961)</u>	<u>\$ (20,713)</u>	<u>\$ 20,822,221</u>

Capital acquisitions totaled \$267,140 of current fiscal year capitalized expenditures in the Governmental Activities. As of June 30, 2018, the District had active construction projects balances totaling \$204,217 and no outstanding construction encumbrances.

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 668
Student and Instruction Related Services	11,859
General Administration	36,642
School Administration	3,517
Plant Operations and Maintenance	853,614
Unallocated	5,801
	<u>\$ 912,101</u>

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

NOTE 8. LONG-TERM LIABILITIES

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

	Balance 6/30/2017	Accrued	Retired	Balance 6/30/2018
Serial Bonds Payable	\$ 3,785,000		\$ 635,000	\$ 3,150,000
Unamortized Bond Issuance Premiums	331,732		55,288	276,444
Net Pension Liability	8,567,270		1,107,498	7,459,772
Capital Leases Payable	182,859	\$ 356,206	184,335	354,730
Compensated Absences Payable	497,944	85,737	50,965	532,716
	<u>\$ 13,364,805</u>	<u>\$ 441,943</u>	<u>\$ 2,033,086</u>	<u>\$ 11,773,662</u>

A. Bonds Payable:

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

The District had bonds outstanding as of June 30, 2018 as follows:

Purpose	Final Maturity	Interest Rate	Amount
Refunding School Bonds	08/01/22	4.00% - 4.50%	<u>\$ 3,150,000</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 635,000	\$ 119,600	\$ 754,600
2020	630,000	92,725	722,725
2021	630,000	64,375	694,375
2022	630,000	37,600	667,600
2023	625,000	12,500	637,500
	<u>\$ 3,150,000</u>	<u>\$ 326,800</u>	<u>\$ 3,476,800</u>

B. Bonds Authorized But Not Issued:

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

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

(Continued)

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

C. Compensated Absences:

The liability for compensated absences of the Governmental Fund types is recorded in the current and long-term liabilities. The long-term liability balance of compensated absences is \$532,716. No portion of the compensated absences balance represents a current liability. The General Fund will be used to liquidate Compensated Absences Payable.

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

D. Capital Leases Payable:

As of June 30, 2018, the District has two capital lease payable for laptop computers that originally totaled \$722,001 of which \$367,271 has been liquidated as of June 30, 2018. The first lease is for four years with the final payment occurring in fiscal year 2018-19. The second lease is also for four years with the final payment in fiscal year 2021-2022. The schedule of the future minimum lease payments under the District's capital lease and the present value of the net minimum lease payments at June 30, 2018 are detailed below.

<u>Fiscal Year</u>	<u>Amount</u>
2019	\$ 188,134
2020	93,846
2021	93,845
	<u>375,825</u>
Less: Amount Representing Interest	<u>(21,095)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 354,730</u>

The current portion of capital leases payable at June 30, 2018 is \$176,739 and the long-term portion is \$177,991. The General Fund will be used to liquidate capital leases payable.

E. Unamortized Bond Issuance Premiums:

The liability for unamortized bond issuance premiums of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of unamortized bond issuance premiums at June 30, 2018 is \$55,288 and the long-term portion is \$221,156.

F. Net Pension Liability:

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2018 is \$-0- and the long-term portion is \$7,459,772. See Note 9 for further information on the PERS.

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

NOTE 9. PENSION PLANS

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

A. Public Employees’ Retirement System (PERS)

Plan Description

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

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

Service retirement benefits of 1/55th 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 in level annual payments over a period of 15 years beginning with the

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

NOTE 9. PENSION PLANS (Cont'd)

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

Contributions (Cont'd)

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 \$304,088 for fiscal year 2018.

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$304,088 for fiscal year 2018.

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 District reported a liability of \$7,459,772 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 0.032%, which was an increase of 0.003% from its proportion measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the District recognized pension expense of \$725,047. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

NOTE 9. PENSION PLANS (Cont'd)

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

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

	Amortization Period	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions:			
2014	6.44 years	\$ 84,623	
2015	5.72 years	356,456	
2016	5.57 years	1,061,808	
2017	5.48 years	_____	\$ 1,497,377
Subtotal		1,502,887	1,497,377
Changes in Proportion:			
2014	6.44 years		9,945
2015	5.72 years	152,235	
2016	5.57 years	21,506	
2017	5.48 years	555,943	
		729,684	9,945
Difference Between Expected and Actual Experience:			
2015	5.72 years	98,897	
2016	5.57 years	32,223	
2017	5.48 years	44,532	
		175,652	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments:			
2014	5 years	(89,390)	
2015	5 years	76,255	
2016	5 years	319,726	
2017	5 years	(255,795)	
Subtotal		50,796	
District Contribution Subsequent to the Measurement Date - 2017			
	1 year	300,000	
		\$ 2,759,019	\$ 1,507,322

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

NOTE 9. PENSION PLANS (Cont'd)

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

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

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

Fiscal Year Ending June 30,	Total
2018	\$ 175,610
2019	265,000
2020	160,577
2021	(213,567)
2022	(155,662)
	\$ 231,958

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.

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

NOTE 9. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return

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

<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.

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

NOTE 9. PENSION PLANS (Cont'd)

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

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

The following presents the District's proportionate share of the collective net pension liability as of June 30, 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	\$ 9,254,354	\$ 7,459,772	\$ 5,964,664

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.

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

NOTE 9. PENSION PLANS (Cont'd)

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

Benefits Provided (Cont'd)

The following represents the membership tiers for TPAF:

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 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 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 \$1,891,641 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$6,121,085.

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.

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

NOTE 9. PENSION PLANS (Cont'd)

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

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

At June 30, 2018, the State's proportionate share of the net pension liability attributable to the District was \$88,359,305. 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 0.1311%, which was an increase of 0.002% from its proportion measured as of June 30, 2016.

District's Proportionate Share of the Net Pension Liability	\$ -0-
State's Proportionate Share of the Net Pension Liability Attributable to the District	<u>88,359,305</u>
Total	<u>\$ 88,359,305</u>

For the fiscal year ended June 30, 2018, the State recognized pension expense on behalf of the District in the amount of \$6,121,085 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>Amortization Period</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions:			
2014	8.5 years	\$ 1,383,974,317	
2015	8.3 years	3,776,126,119	
2016	8.3 years	8,218,154,928	
2017	8.3 years		\$ 11,684,858,458
Difference Between Expected and Actual Experience:			
2014	8.5 years		13,181,413
2015	8.3 years	233,218,057	
2016	8.3 years		102,199,790
2017	8.3 years	207,898,332	
Net Difference Between Projected and Actual			
Investment Earnings on Pension Plan Investments:			
2014	5 years	(435,309,142)	
2015	5 years	385,284,122	
2016	5 years	1,295,565,574	
2017	5 years	<u>(904,033,050)</u>	
		<u>\$ 14,160,879,257</u>	<u>\$ 11,800,239,661</u>

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

NOTE 9. PENSION PLANS (Cont'd)

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

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

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

Fiscal Year Ending June 30,	Total
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-year 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.

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

NOTE 9. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return

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

<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%

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

NOTE 9. PENSION PLANS (Cont'd)

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

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 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.

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

The following presents the net pension liability of the State as of June 30, 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	\$ 104,973,626	\$ 88,359,305	\$ 74,672,355

Pension Plan Fiduciary Net Position

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

C. Defined Contribution Retirement Program (DCRP)

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

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

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

NOTE 9. PENSION PLANS (Cont'd)

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

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

For DCRP, the District recognized no pension expense for the fiscal year ended June 30, 2018. Employee contributions to DCRP amounted to \$-0- for the year ended June 30, 2018.

NOTE 10. POST-RETIREMENT BENEFITS

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.

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.

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

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

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

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	<u>223,747</u>
Total	<u><u>366,078</u></u>

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.

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%		
	TPAF/ABP	PERS	PFRS
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.

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

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

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

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.

Changes in the State's Total OPEB Liability

	<u>Total OPEB Liability</u>
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:

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

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

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

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the District to Changes in the Discount Rate (Cont'd)

	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	\$ 62,172,311	\$ 52,374,501	\$ 44,602,785

	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	\$ 67,544,313	\$ 56,379,897	\$ 47,592,070

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	\$ 43,072,964	\$ 52,374,501	\$ 64,726,833

	June 30, 2016		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 46,261,275	\$ 56,379,897	\$ 69,907,530

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

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

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

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 \$3,650,385 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	
	\$ 1,190,373,242	\$ (6,343,769,032)

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)

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

NOTE 11. RISK MANAGEMENT

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

Property and Liability Insurance

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

New Jersey Unemployment Compensation Insurance

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Interest Earned</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2017-2018	\$ -0-	\$ 18	\$ 27,402	\$ 11,514	\$ 397,668
2016-2017	-0-	1,407	26,272	20,667	381,762
2015-2016	-0-	1,301	29,671	47,210	374,750

NOTE 12. ECONOMIC DEPENDENCY

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

NOTE 13. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 279,776	\$ 842
Capital Projects Fund		201,546
Proprietary Fund - Food Service	842	
Flexible Spending Trust Fund		73,334
Payroll Agency Fund		4,896
	<u>\$ 280,618</u>	<u>\$ 280,618</u>

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

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

NOTE 14. DEFERRED COMPENSATION

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

AXA Equitable	Mainstay Funds
Valic	Lincoln Investments

NOTE 15. ACCOUNTS PAYABLE

The following accounts payable balances existed as of June 30, 2018:

	Governmental Funds		District Contribution Subsequent to the Measurement Date	Total Governmental Activities
	General Fund	Special Revenue Fund	Date	
Vendors	\$ 669,513	\$ 1,690		\$ 671,203
Due to State of New Jersey			\$ 300,000	300,000
	\$ 669,513	\$ 1,690	\$ 300,000	\$ 971,203

NOTE 16. COMMITMENTS AND CONTINGENCIES

Grant Programs

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

Litigation

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

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

NOTE 16. COMMITMENTS AND CONTINGENCIES (Cont'd)

Encumbrances

At June 30, 2018, there were no encumbrances in the governmental funds. All governmental funds are considered to be major funds.

NOTE 17. TAX CALENDAR

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

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

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

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

	Fiscal Year Ending June 30,			
	2015	2016	2017	2018
District's Proportion of the Net Pension Liability	0.0270947244%	0.0287578055%	0.0289267370%	0.0320458958%
District's Proportionate Share of the Net Pension Liability	\$ 5,072,873	\$ 6,455,551	\$ 8,567,270	\$ 7,459,772
District's Covered Employee Payroll	\$ 1,863,030	\$ 1,907,591	\$ 2,208,730	\$ 2,171,186
District's Proportionate Share of the Net Pension Liability as a % of its Covered Employee Payroll	272.29%	338.41%	387.88%	343.58%
Plan Fiduciary Net Position as a % of the Total Pension Liability	52.08%	47.93%	40.14%	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.

BOROUGH OF FRANKLIN LAKES 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	2018
Contractually Required Contribution	\$ 217,181	\$ 247,240	\$ 256,981	\$ 304,088
Contributions in relation to the Contractually Required Contribution	<u>(217,181)</u>	<u>(247,240)</u>	<u>(256,981)</u>	<u>(304,088)</u>
Contribution Deficiency/(Excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's Covered Employee Payroll	\$ 1,802,647	\$ 1,863,030	\$ 1,907,591	\$ 2,208,730
Contributions as a percentage of Covered Employee Payroll	12.05%	13.27%	13.47%	13.77%

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

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

	Fiscal Year Ending June 30,			
	2015	2016	2017	2018
State's Proportion of the Net Pension Liability attributable to the District	0.1234828164%	0.1298212142%	0.1287734377%	0.1310509932%
State's Proportionate share of the Net Pension Liability attributable to the District	\$ 65,997,546	\$ 82,052,551	\$ 101,301,385	\$ 88,359,305
District's Covered Employee Payroll	\$ 13,096,690	\$ 12,932,849	\$ 13,319,779	\$ 13,290,759
State's Proportionate Share of the Net Pension Liability attributable to the District as a % of District's Covered Employee Payroll	503.93%	634.45%	760.53%	664.82%
Plan Fiduciary Net Position as a % of the Total Pension Liability	33.64%	28.71%	22.33%	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.

BOROUGH OF FRANKLIN LAKES 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	2018
Contractually Required Contribution	\$ 3,551,288	\$ 5,010,047	\$ 7,611,390	\$ 6,121,085
Contributions in relation to the Contractually Required Contribution	<u>(701,861)</u>	<u>(1,031,010)</u>	<u>(1,422,524)</u>	<u>(1,891,641)</u>
Contribution Deficiency/(Excess)	<u>\$ 2,849,427</u>	<u>\$ 3,979,037</u>	<u>\$ 6,188,866</u>	<u>\$ 4,229,444</u>
District's Covered Employee Payroll	\$ 12,932,849	\$ 13,319,779	\$ 13,290,759	\$ 13,107,406
Contributions as a percentage of Covered Employee Payroll	27.46%	37.61%	57.27%	46.70%

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

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

	Fiscal Years Ending	
	June 30, 2016	June 30, 2017
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.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Actuarial Assumptions

	<u>As of June 30,</u>	
	<u>2017</u>	<u>2016</u>
Discount Rate	5.00%	3.98%
Municipal Bond Rate	3.58%	2.85%
Inflation Rate	2.25%	3.08%
Long-Term Expected Rate of Return on Pension Plan Investments	7.00%	7.65%

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Actuarial Assumptions

	<u>As of June 30,</u>	
	<u>2017</u>	<u>2016</u>
Discount Rate	4.25%	3.22%
Municipal Bond Rate	3.58%	2.85%
Inflation Rate	2.25%	2.50%
Long-Term Expected Rate of Return on Pension Plan Investments	7.00%	7.65%

C. STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES OPEB 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

**BOROUGH OF FRANKLIN LAKES 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
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 25,652,437		\$ 25,652,437	\$ 25,652,437	
Other Local Government Units - Restricted	125,840		125,840	64,853	\$ (60,987)
Tuition from Individuals	250,000		250,000	234,380	(15,620)
Tuition from Other LEA's	1,645,350		1,645,350	1,891,674	246,324
Transportation Fees from Individuals	70,000		70,000	61,064	(8,936)
Interest Earned on Capital Reserve	1,800		1,800	1,800	
Miscellaneous	49,825		49,825	78,559	28,734
Total - Local Sources	27,795,252		27,795,252	27,984,767	189,515
State Sources:					
Categorical Special Education Aid	635,634		635,634	657,704	22,070
Categorical Security Aid	20,872		20,872	20,872	
Categorical Transportation Aid	61,872		61,872	61,872	
Adjustment Aid	14,036		14,036	14,036	
Per Pupil Growth Aid	12,010		12,010	12,010	
PARCC Readiness Aid	12,010		12,010	12,010	
Professional Learning Community Aid	10,830		10,830	10,830	
Extraordinary Aid	100,000		100,000	135,266	35,266
Additional Nonpublic Transportation Aid				27,508	27,508
On-Behalf TPAF Contributions (Non-budgeted):					
Pension				1,891,641	1,891,641
Post-Retirement Medical Benefits				1,251,420	1,251,420
Non-Contributory Insurance				45,905	45,905
Long-Term Disability Insurance				3,042	3,042
Reimbursed TPAF Social Security Contributions (Non-budgeted)				940,066	940,066
Total State Sources	867,264		867,264	5,084,182	4,216,918
TOTAL REVENUES	28,662,516		28,662,516	33,068,949	4,406,433

BOROUGH OF FRANKLIN LAKES 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:					
Preschool - Salaries of Teachers	\$ 175,500	\$ 1,000	\$ 176,500	\$ 176,045	\$ 455
Kindergarten - Salaries of Teachers	532,500	(51,000)	481,500	478,352	3,148
Grades 1-5 - Salaries of Teachers	4,062,600	(138,427)	3,924,173	3,904,750	19,423
Grades 6-8 - Salaries of Teachers	3,576,500	(14,644)	3,561,856	3,543,955	17,901
Regular Programs - Home Instruction:					
Salaries of Teachers	24,684		24,684	23,329	1,355
Other Salaries for Instruction	72,386		72,386	69,780	2,606
Regular Programs - Undistributed Instruction:					
Other Purchased Services (400-500 series)	107,253	(11,236)	96,017	96,004	13
General Supplies	662,644	(81,070)	581,574	562,941	18,633
Textbooks	72,919	(26,364)	46,555	46,555	
Total Regular Programs - Instruction	9,286,986	(321,741)	8,965,245	8,901,711	63,534
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	245,000	120,372	365,372	365,273	99
Other Salaries for Instruction	165,000	33,386	198,386	198,317	69
General Supplies	23,000	(183)	22,817	22,533	284
Total Learning and/or Language Disabilities	433,000	153,575	586,575	586,123	452
Resource Room/Resource Center:					
Salaries of Teachers	1,917,600	(287,040)	1,630,560	1,630,420	140
General Supplies	1,191	(6)	1,185	1,185	
Total Resource Room/Resource Center	1,918,791	(287,046)	1,631,745	1,631,605	140

BOROUGH OF FRANKLIN LAKES 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					
Autism:					
Salaries of Teachers	\$ 294,000	\$ 5,000	\$ 299,000	\$ 298,453	\$ 547
Other Salaries for Instruction	802,000	(39,919)	762,081	761,811	270
General Supplies	21,070	(11,562)	9,508	9,508	
Total Autism	<u>1,117,070</u>	<u>(46,481)</u>	<u>1,070,589</u>	<u>1,069,772</u>	<u>817</u>
Preschool Disabilities - Part-Time:					
Salaries of Teachers	225,000	6,000	231,000	230,165	835
Other Salaries for Instruction	165,000		165,000	164,076	924
General Supplies	2,000	(209)	1,791	1,791	
Total Preschool Disabilities - Part-Time	<u>392,000</u>	<u>5,791</u>	<u>397,791</u>	<u>396,032</u>	<u>1,759</u>
Total Special Education Instruction	<u>3,860,861</u>	<u>(174,161)</u>	<u>3,686,700</u>	<u>3,683,532</u>	<u>3,168</u>
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	513,000	95,000	608,000	607,623	377
General Supplies	1,764	(1,049)	715	715	
Total Basic Skills/Remedial - Instruction	<u>514,764</u>	<u>93,951</u>	<u>608,715</u>	<u>608,338</u>	<u>377</u>
Bilingual Education - Instruction:					
Salaries of Teachers	109,000		109,000	108,958	42
General Supplies	500	(53)	447	447	
Total Bilingual Education - Instruction	<u>109,500</u>	<u>(53)</u>	<u>109,447</u>	<u>109,405</u>	<u>42</u>

BOROUGH OF FRANKLIN LAKES 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					
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	\$ 64,726	\$ 9,801	\$ 74,527	\$ 71,402	\$ 3,125
Supplies and Materials	1,800	872	2,672	2,672	
Other Objects	750	(41)	709	709	
Total School-Sponsored Cocurricular Activities - Instruction	67,276	10,632	77,908	74,783	3,125
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	28,500	(6,132)	22,368	20,419	1,949
Purchased Services (300-500 series)	14,000	(3,500)	10,500	9,664	836
Total School-Sponsored Cocurricular Athletics - Instruction	42,500	(9,632)	32,868	30,083	2,785
Total Instruction	13,881,887	(401,004)	13,480,883	13,407,852	73,031
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Special	16,485	6,200	22,685	16,673	6,012
Tuition to CSSD & Regional Day Schools	1,214	60,650	61,864	49,439	12,425
Tuition to Private Schools for the Disabled - Within State	689,200	(137,887)	551,313	397,900	153,413
Tuition - Other	11,000		11,000	10,665	335
Total Undistributed Expenditures - Instruction	717,899	(71,037)	646,862	474,677	172,185
Health Services:					
Salaries	265,000	18,819	283,819	280,510	3,309
Other Purchased Services (400-500 series)	9,000	(9,000)			
Supplies and Materials	13,000	1,967	14,967	14,737	230
Total Health Services	287,000	11,786	298,786	295,247	3,539

BOROUGH OF FRANKLIN LAKES 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					
Speech, OT, PT and Related Services:					
Salaries	\$ 852,000	\$ 38,401	\$ 890,401	\$ 890,055	\$ 346
Purchased Professional - Educational Services	30,000	(4,459)	25,541	24,771	770
Supplies and Materials	3,000	(426)	2,574	2,572	2
Total Speech, OT, PT and Related Services	885,000	33,516	918,516	917,398	1,118
Extraordinary Services:					
Salaries	138,000	61,960	199,960	199,953	7
Purchased Professional - Educational Services	38,000	7,210	45,210	44,147	1,063
Total Extraordinary Services	176,000	69,170	245,170	244,100	1,070
Guidance:					
Salaries of Other Professional Staff	337,247	4,226	341,473	340,757	716
Other Purchased Professional and Technical Services	26,500	(1,618)	24,882	24,882	
Supplies and Materials		257	257	257	
Total Guidance	363,747	2,865	366,612	365,896	716
Child Study Teams:					
Salaries of Other Professional Staff	550,510	44,100	594,610	590,763	3,847
Salaries of Secretarial and Clerical Assistants	102,350	2,000	104,350	102,532	1,818
Purchased Professional - Educational Services	14,300	(2,000)	12,300	9,911	2,389
Other Purchased Professional and Technical Services	24,000		24,000	23,742	258
Supplies and Materials	17,000	(2,613)	14,387	8,548	5,839
Other Objects	3,100	(1,870)	1,230	1,230	
Total Child Study Teams	711,260	39,617	750,877	736,726	14,151

BOROUGH OF FRANKLIN LAKES 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					
Improvement of Instructional Services:					
Salaries of Other Professional Staff	\$ 66,010	\$ 6,579	\$ 72,589	\$ 65,320	\$ 7,269
Total Improvement of Instructional Services	66,010	6,579	72,589	65,320	7,269
Educational Media Services/School Library:					
Salaries	618,016	(116,823)	501,193	485,336	15,857
Purchased Professional and Technical Services	12,000	1,600	13,600	13,600	
Other Purchased Services (400-500)	25,300		25,300	25,300	
Supplies and Materials	27,756	(6,332)	21,424	21,122	302
Other Objects	1,350		1,350	1,350	
Total Educational Media Services/School Library	684,422	(121,555)	562,867	546,708	16,159
Instructional Staff Training Services:					
Salaries of Supervisors of Instruction	41,000	(41,000)			
Salaries of Other Professional Staff	87,000	19,644	106,644	105,060	1,584
Supplies and Materials	2,000		2,000	2,000	
Total Instructional Staff Training Services	130,000	(21,356)	108,644	107,060	1,584
Support Services - General Administration:					
Salaries	243,200	14,185	257,385	253,045	4,340
Legal Services	53,000	17,207	70,207	70,207	
Audit Fees	28,500	12,975	41,475	41,475	
Other Purchased Professional Services	2,000		2,000	2,000	
Communications/Telephone	12,500	(5,492)	7,008	7,008	
Miscellaneous Purchased Services (400-500 series)	800	(800)			
General Supplies	9,015	(2,859)	6,156	6,063	93
Miscellaneous Expenditures	10,600	39	10,639	10,639	
Total Support Services - General Administration	359,615	35,255	394,870	390,437	4,433

BOROUGH OF FRANKLIN LAKES 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					
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	\$ 719,500	\$ 10,238	\$ 729,738	\$ 729,738	
Salaries of Other Professional Staff	617	2,475	3,092	3,092	
Salaries of Secretarial and Clerical Assistants	275,200	81,087	356,287	353,590	\$ 2,697
Supplies and Materials	16,939	(548)	16,391	15,598	793
Other Objects	12,909	(3,056)	9,853	9,853	
Total Support Services - School Administration	1,025,165	90,196	1,115,361	1,111,871	3,490
Support Services - Central Services:					
Salaries	261,200	19,271	280,471	278,092	2,379
Miscellaneous Purchased Services (400-500 series)	27,900	(10,657)	17,243	10,964	6,279
Supplies and Materials	3,500	(544)	2,956	2,741	215
Total Support Services - Central Services	292,600	8,070	300,670	291,797	8,873
Support Services - Administration Information Technology:					
Salaries	135,000		135,000	134,979	21
Other Purchased Services (400-500 series)	5,000	(2,500)	2,500	2,500	
Supplies and Materials		2,500	2,500	2,500	
Total Support Services - Administration Information Technology	140,000		140,000	139,979	21
Required Maintenance for School Facilities:					
Cleaning, Repair and Maintenance Services	207,499	43,529	251,028	247,239	3,789
General Supplies	13,245	(10,430)	2,815	2,815	
Total Required Maintenance for School Facilities	220,744	33,099	253,843	250,054	3,789

BOROUGH OF FRANKLIN LAKES 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					
Custodial Services:					
Salaries of Non-Instructional Aides	\$ 293,200	\$ (18,990)	\$ 274,210	\$ 270,577	\$ 3,633
Purchased Professional and Technical Services	25,000	12,898	37,898	37,268	630
Cleaning, Repair and Maintenance Services	1,075,021	232,869	1,307,890	1,300,191	7,699
Other Purchased Property Services	40,000	2,476	42,476	42,476	
Insurance	144,449	(4,595)	139,854	139,479	375
General Supplies	8,900	(5,213)	3,687	3,488	199
Energy (Natural Gas)	140,517	(29,951)	110,566	99,487	11,079
Energy (Electricity)	400,000	7,434	407,434	407,434	
Total Custodial Services	2,127,087	196,928	2,324,015	2,300,400	23,615
Security:					
Purchased Professional and Technical Services	13,000	12,977	25,977	25,977	
Total Security	13,000	12,977	25,977	25,977	
Student Transportation Services:					
Salaries for Pupil Transportation:					
Between Home and School - Regular	26,500		26,500	26,500	
Management Fee - ESC and CTSA Transportation Programs	5,000	318	5,318	5,318	
Contracted Services:					
Aid in Lieu of Payments - Nonpublic School	88,000	(6,498)	81,502	78,355	3,147
Between Home and School - Vendors	325,000	(3,318)	321,682	321,526	156
Other than Between Home and School - Vendors	31,000		31,000	21,780	9,220
Special Education Students - Vendors	375,000	23,498	398,498	398,498	
Total Student Transportation Services	850,500	14,000	864,500	851,977	12,523

BOROUGH OF FRANKLIN LAKES 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					
Unallocated Benefits:					
Social Security Contributions	\$ 316,000	\$ (25,139)	\$ 290,861	\$ 290,861	
Other Retirement Contributions - PERS	253,200	53,824	307,024	304,088	\$ 2,936
Workmen's Compensation	222,000		222,000	222,000	
Health Benefits	5,301,640	14,970	5,316,610	5,316,610	
Tuition Reimbursement	45,000	(26,424)	18,576	18,576	
Other Employee Benefits	16,000	(16,000)			
Unused Sick Payment to Terminated/Retired Staff		59,663	59,663	59,663	
Total Unallocated Benefits	6,153,840	60,894	6,214,734	6,211,798	2,936
On-Behalf TPAF Contributions (Non-budgeted):					
Pension				1,891,641	(1,891,641)
Post-Retirement Medical Benefits				1,251,420	(1,251,420)
Non-Contributory Insurance				45,905	(45,905)
Long-Term Disability Insurance				3,042	(3,042)
Reimbursed TPAF Social Security Contributions (Non-budgeted)				940,066	(940,066)
Total On-Behalf Contributions				4,132,074	(4,132,074)
Total Personal Services - Employee Benefits	6,153,840	60,894	6,214,734	10,343,872	(4,129,138)
Total Undistributed Expenses	15,203,889	401,004	15,604,893	19,459,496	(3,854,603)
TOTAL CURRENT EXPENSE	29,085,776		29,085,776	32,867,348	(3,781,572)

BOROUGH OF FRANKLIN LAKES 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:					
CAPITAL OUTLAY					
Equipment:					
Undistributed Expenditures:					
Instruction	\$ 50,966	\$ (10,000)	\$ 40,966	\$ 6,655	\$ 34,311
Support Services:					
Custodial Services	34,200	7,000	41,200	41,145	55
Required Maintenance for School Facilities	213,917	47,007	260,924	249,668	11,256
Total Equipment	299,083	44,007	343,090	297,468	45,622
Facilities Acquisition and Construction Services:					
Assessment for Debt Services- SDA Funding	29,034		29,034	29,034	
Total Facilities Acquisition and Construction Services	29,034		29,034	29,034	
Assets Acquired Under Capital Leases (Non-budgeted):					
Undistributed Expenditures - Instruction				356,206	(356,206)
Total Assets Acquired Under Capital Leases (Non-budgeted)				356,206	(356,206)
TOTAL CAPITAL OUTLAY	328,117	44,007	372,124	682,708	(310,584)
TOTAL EXPENDITURES	29,413,893	44,007	29,457,900	33,550,056	(4,092,156)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(751,377)	(44,007)	(795,384)	(481,107)	314,277
Other Financing Sources:					
Capital Leases (Non-Budgeted)				356,206	356,206
Total Other Financing Sources				356,206	356,206

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

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	<u>Original</u> <u>Budget</u>	<u>Budget</u> <u>Transfers</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Final to Actual</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	\$ (751,377)	\$ (44,007)	\$ (795,384)	\$ (124,901)	\$ 670,483
Fund Balance, July 1	<u>\$ 4,474,672</u>		<u>\$ 4,474,672</u>	<u>\$ 4,474,672</u>	
Fund Balance, June 30	<u>\$ 3,723,295</u>	<u>\$ (44,007)</u>	<u>\$ 3,679,288</u>	<u>\$ 4,349,771</u>	<u>\$ 670,483</u>
<u>Recapitulation:</u>					
<u>Restricted:</u>					
Excess Surplus				\$ 500,000	
Excess Surplus - Designated for Subsequent Year's Expenditures				500,000	
Emergency Reserve				100,000	
Capital Reserve				2,605,761	
Unassigned				<u>644,010</u>	
				<u>4,349,771</u>	
Reconciliation to Governmental Funds Statements (GAAP):					
State Aid Payments not Recognized on GAAP Basis				<u>(74,217)</u>	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 4,275,554</u>	

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
State Sources	\$ 110,462	\$ (3,478)	\$ 106,984	\$ 91,442	\$ (15,542)
Federal Sources	386,320	7,167	393,487	390,814	(2,673)
Total Revenues	496,782	3,689	500,471	482,256	(18,215)
EXPENDITURES:					
Instruction:					
Salaries of Teachers	16,064	765	16,829	16,829	
Tuition	255,178	(8,638)	246,540	246,540	
General Supplies	59,000	3,633	62,633	62,633	
Textbooks	8,588	(1,795)	6,793	6,793	
Total Instruction	338,830	(6,035)	332,795	332,795	
Support Services:					
Purchased Professional and Technical Services	20,000	(3,500)	16,500	16,500	
Purchased Professional - Educational Services	137,952	13,224	151,176	132,961	18,215
Total Support Services	157,952	9,724	167,676	149,461	18,215
Total Expenditures	\$ 496,782	\$ 3,689	\$ 500,471	\$ 482,256	\$ 18,215
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
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

	General Fund	Special Revenue Fund
	<u> </u>	<u> </u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from Budgetary Comparison Schedule	\$ 33,068,949	\$ 482,256
Differences - Budget to GAAP:		
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Statements	71,918	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(74,217)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and and Changes in Fund Balances - Governmental Funds.	<u>\$ 33,066,650</u>	<u>\$ 482,256</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	<u>\$ 33,550,056</u>	<u>\$ 482,256</u>
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 33,550,056</u>	<u>\$ 482,256</u>

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budget for the fiscal year ended June 30, 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 June state aid payments for the current year. Since the State is recording the June state aid payments in the subsequent fiscal year, the District cannot recognize these payments in the current year GAAP financial statements.

**SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)**

SPECIAL REVENUE FUND

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

		Elementary and Secondary Education Act			
		Title I, Part A	Title II, Part A	Title IV	IDEA Part B, Basic Regular Preschool
REVENUE:					
State Sources		\$ 79,133	\$ 19,516	\$ 10,000	\$ 265,336
Federal Sources					\$ 16,829
Total Revenue		<u>79,133</u>	<u>19,516</u>	<u>10,000</u>	<u>265,336</u>
					<u>16,829</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers					16,829
Tuition					246,540
General Supplies		62,633			
Textbooks					
Total Instruction		<u>62,633</u>			<u>246,540</u>
					<u>16,829</u>
Support Services:					
Purchased Professional and Technical Services		16,500			
Purchased Professional - Educational Services			19,516	10,000	18,796
Total Support Services		<u>16,500</u>	<u>19,516</u>	<u>10,000</u>	<u>18,796</u>
Total Expenditures		<u>\$ 79,133</u>	<u>\$ 19,516</u>	<u>\$ 10,000</u>	<u>\$ 265,336</u>
					<u>\$ 16,829</u>

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

	Chapter 192 - Nonpublic Auxiliary Aid			
	Security Aid	Nonpublic Nursing Aid	Technology Initiative	Compensatory Education Transportation
REVENUE:				
State Sources	\$ 9,300	\$ 12,028	\$ 4,588	\$ 20,163
Federal Sources				
Total Revenue	<u>9,300</u>	<u>12,028</u>	<u>4,588</u>	<u>20,163</u>
EXPENDITURES:				
Instruction:				
Salaries of Teachers				
Tuition				
General Supplies				
Textbooks				
Total Instruction				
Support Services:				
Purchased Professional and Technical Services				
Purchased Professional - Educational Services	9,300	12,028	4,588	20,163
Total Support Services	<u>9,300</u>	<u>12,028</u>	<u>4,588</u>	<u>20,163</u>
Total Expenditures	<u>\$ 9,300</u>	<u>\$ 12,028</u>	<u>\$ 4,588</u>	<u>\$ 20,163</u>

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

	Nonpublic Textbook Aid	Chapter 193 - Nonpublic Handicapped Aid Examination & Classification	Supplementary Instruction	Corrective Speech	Totals
REVENUE:					
State Sources	\$ 6,793	\$ 11,087	\$ 3,561	\$ 10,304	\$ 91,442
Federal Sources					390,814
Total Revenue	<u>6,793</u>	<u>11,087</u>	<u>3,561</u>	<u>10,304</u>	<u>482,256</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers					16,829
Tuition					246,540
General Supplies					62,633
Textbooks	6,793				6,793
Total Instruction	<u>6,793</u>				<u>332,795</u>
Support Services:					
Purchased Professional and Technical Services					16,500
Purchased Professional - Educational Services		11,087	3,561	10,304	132,961
Total Support Services		<u>11,087</u>	<u>3,561</u>	<u>10,304</u>	<u>149,461</u>
Total Expenditures	<u>\$ 6,793</u>	<u>\$ 11,087</u>	<u>\$ 3,561</u>	<u>\$ 10,304</u>	<u>\$ 482,256</u>

CAPITAL PROJECTS FUND

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Revenue:	
State Sources - SDA Grant	\$ (128,394)
Total Revenue	<u>(128,394)</u>
Expenditures and Other Financing Uses:	
Total Expenditures and Other Financing Uses	<u>- 0 -</u>
Deficit of Revenue Under Expenditures and Other Financing Uses	(128,394)
Fund Balance - Beginning of Year	<u>332,611</u>
Fund Balance - End of Year	<u>\$ 204,217</u>
Reconciliation of Revenue from Budgetary Basis to GAAP Basis:	
SDA Grant Revenue (Budgetary Basis)	\$ (128,394)
SDA Grants Recognized as Revenue on the Budgetary Basis but not Recognized on the GAAP Basis until Expended and Submitted for Reimbursement	<u>531,160</u>
SDA Grant Revenue (GAAP Basis)	<u>\$ 402,766</u>

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
FRANKLIN AVENUE MIDDLE SCHOOL - PARTIAL ROOF REPLACEMENT,
LOCKER ROOM RENOVATIONS, AND ADA COMPLIANT DOOR LOCKS AND
HARDWARE ON ALL EXTERIOR DOORS
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 354,960	\$ (83,147)	\$ 271,813	\$ 271,813
Budget Appropriations	532,440		532,440	532,440
	887,400	(83,147)	804,253	804,253
Total Revenue and Other Financing Sources				
Expenditures:				
Legal Services	1,130		1,130	5,000
Architectural/Engineering Services	86,952		86,952	103,810
Purchased Professional/Technical Services	2,250		2,250	2,250
Construction Services	574,159		574,159	625,853
Other Objects				67,340
	664,491		664,491	804,253
Total Expenditures				
Excess (Deficit) of Revenue and Other Financing Sources over (under) Expenditures	\$ 222,909	\$ (83,147)	\$ 139,762	\$ -0-
Additional Project Information:				
Project Number(s)	1580-015-09-1001/OZPV			
Grant Date(s)	12/30/09			
Bond Authorization Date	N/A			
Bonds and Notes Authorized	\$ 532,440			
Bonds and Notes Issued	\$ 532,440			
Original Authorized Cost	\$ 887,400			
SDA Grant Cancelled	\$ (83,147)			
Revised Authorized Cost	\$ 804,253			
Percentage Completion	100.00%			
Original Target Completion Date	09/15/10			

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
HIGH MOUNTAIN ROAD SCHOOL - ADA COMPLIANT DOOR LOCKS
AND HARDWARE ON ALL EXTERIOR DOORS
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Prior</u> <u>Periods</u>	<u>Current</u> <u>Year</u>	<u>Totals</u>	<u>Revised</u> <u>Authorized</u> <u>Cost</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 13,000	\$ (2,938)	\$ 10,062	\$ 10,062
Budget Appropriations	19,500		19,500	19,500
Total Revenue and Other Financing Sources	<u>32,500</u>	<u>(2,938)</u>	<u>29,562</u>	<u>29,562</u>
Expenditures:				
Legal Services	41		41	1,000
Architectural/Engineering Services	4,529		4,529	5,000
Construction Services	19,782		19,782	20,000
Other Objects				3,562
Total Expenditures	<u>24,352</u>		<u>24,352</u>	<u>29,562</u>
Excess (Deficit) of Revenue and Other Financing Sources over (under) Expenditures	<u>\$ 8,148</u>	<u>\$ (2,938)</u>	<u>\$ 5,210</u>	<u>\$ -0-</u>
Additional Project Information:				
Project Number(s)	1580-020-09-1002/0ZBX			
Grant Date(s)	12/30/09			
Bond Authorization Date	N/A			
Bonds and Notes Authorized	\$ 19,500			
Bonds and Notes Issued	\$ 19,500			
Original Authorized Cost	\$ 32,500			
SDA Grant Cancelled	\$ (2,938)			
Revised Authorized Cost	\$ 29,562			
Change Order Percentage	0.00%			
Percentage Completion	100.00%			
Original Target Completion Date	09/15/10			

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
WOODSIDE AVENUE SCHOOL - BOILER AND ADA COMPLIANT DOOR LOCKS
AND HARDWARE ON ALL EXTERIOR DOORS
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Prior</u> <u>Periods</u>	<u>Current</u> <u>Year</u>	<u>Totals</u>	<u>Revised</u> <u>Authorized</u> <u>Cost</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 163,200	\$ (42,309)	\$ 120,891	\$ 120,891
Budget Appropriations	<u>244,800</u>		<u>244,800</u>	<u>244,800</u>
 Total Revenue and Other Financing Sources	 <u>408,000</u>	 <u>(42,309)</u>	 <u>365,691</u>	 <u>365,691</u>
Expenditures:				
Legal Services	520		520	2,500
Architectural/Engineering Services	43,819		43,819	44,000
Purchased Professional/Technical Services	8,250		8,250	8,250
Construction Services	<u>253,857</u>		<u>253,857</u>	<u>310,941</u>
 Total Expenditures	 <u>306,446</u>		 <u>306,446</u>	 <u>365,691</u>
 Excess (Deficit) of Revenue and Other Financing Sources over (under) Expenditures	 <u>\$ 101,554</u>	 <u>\$ (42,309)</u>	 <u>\$ 59,245</u>	 <u>\$ -0-</u>
Additional Project Information:				
Project Number(s)	1580-030-09-1003/0ZBY			
Grant Date(s)	12/30/09			
Bond Authorization Date	N/A			
Bonds and Notes Authorized	\$ 244,800			
Bonds and Notes Issued	\$ 244,800			
Original Authorized Cost	\$ 408,000			
SDA Grant Cancelled	\$ (42,309)			
Revised Authorized Cost	\$ 365,691			
 Percentage Completion	 100.00%			
Original Target Completion Date	09/15/10			

PROPRIETARY FUNDS

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

ASSETS:

Current Assets:		
Intergovernmental Accounts Receivable - Federal	\$	492
Interfund Receivable - General Fund		<u>842</u>
Total Current Assets		<u>1,334</u>
Total Assets		<u>1,334</u>
 NET POSITION:		
Unrestricted		<u>1,334</u>
Total Net Position	\$	<u><u>1,334</u></u>

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

Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs - Special Milk Program	\$ 3,981
Total Operating Revenue	<u>3,981</u>
Operating Expenses:	
Cost of Sales - Reimbursable Programs	<u>10,266</u>
Total Operating Expenses	<u>10,266</u>
Operating Loss	(6,285)
Non-Operating Revenue:	
Federal Sources - Special Milk Program	<u>6,885</u>
Total Non-Operating Revenue	<u>6,885</u>
Change in Net Position	600
Net Position - Beginning of Year	<u>734</u>
Net Position - End of Year	<u><u>\$ 1,334</u></u>

BOROUGH OF FRANKLIN LAKES 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	\$ 3,981
Payments to Suppliers	(10,266)
	<hr/>
Net Cash Used for Operating Activities	(6,285)
	<hr/>
Cash Flows from Noncapital Financing Activities:	
Interfund - General Fund	(498)
Federal Sources - Special Milk Program	6,783
	<hr/>
Net Cash Provided by Noncapital Financing Activities	6,285
	<hr/>
Net Increase in Cash and Cash Equivalents	-0-
Cash and Cash Equivalents, July 1	-0-
	<hr/>
Cash and Cash Equivalents, June 30	\$ -0-
	<hr/> <hr/>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (6,285)
	<hr/>
Net Cash Used for Operating Activities	\$ (6,285)
	<hr/> <hr/>

FIDUCIARY FUNDS

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

	<u>Student</u>	<u>Payroll</u>	<u>Laptop</u>	<u>Total</u>	<u>Unemployment</u>	<u>Flexible</u>
	<u>Activities</u>	<u>Agency</u>	<u>Replacement</u>	<u>Agency</u>	<u>Compensation</u>	<u>Spending</u>
		<u>Agency</u>	<u>Agency</u>	<u>Agency</u>	<u>Trust</u>	<u>Trust</u>
ASSETS:						
Cash and Cash Equivalents	\$ 39,331	\$ 4,896	\$ 101,211	\$ 145,438	\$ 397,668	\$ 91,496
Total Assets	39,331	4,896	101,211	145,438	397,668	91,496
LIABILITIES:						
Interfund Payable - General Fund		4,896		4,896		73,334
Due to Student Groups	39,331			39,331		
Total Liabilities	39,331	4,896		44,227		73,334
NET POSITION:						
Held in Trust for:						
Unemployment Compensation Claims					397,668	
Flexible Spending Claims						18,162
Laptop Replacement Costs			101,211	101,211		
Total Net Position	\$ - 0 -	\$ - 0 -	\$ 101,211	\$ 101,211	\$ 397,668	\$ 18,162

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

	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>
Additions:		
Contributions:		
Plan Contributions	<u>\$ 27,402</u>	<u>\$ 71,086</u>
Total Contributions	<u>27,402</u>	<u>71,086</u>
Investment Earnings:		
Interest	<u>18</u>	<u>8</u>
Net Investment Earnings	<u>18</u>	<u>8</u>
Total Additions	<u>27,420</u>	<u>71,094</u>
Deductions		
Unemployment Compensation Claims	<u>11,514</u>	
Flexible Spending Claims		<u>56,420</u>
Total Deductions	<u>11,514</u>	<u>56,420</u>
Change in Net Position	15,906	14,674
Net Position - Beginning of the Year	<u>381,762</u>	<u>3,488</u>
Net Position - End of the Year	<u>\$ 397,668</u>	<u>\$ 18,162</u>

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
ASSETS:				
Cash and Cash Equivalents	\$ 48,843	\$ 71,756	\$ 81,268	\$ 39,331
Total Assets	<u>\$ 48,843</u>	<u>\$ 71,756</u>	<u>\$ 81,268</u>	<u>\$ 39,331</u>
LIABILITIES				
Due to Student Groups	\$ 48,843	\$ 71,756	\$ 81,268	\$ 39,331
Total Liabilities	<u>\$ 48,843</u>	<u>\$ 71,756</u>	<u>\$ 81,268</u>	<u>\$ 39,331</u>

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<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>
Elementary School:				
Colonial Road School	\$ 3,308	\$ 4,360	\$ 5,337	\$ 2,331
High Mountain Road School	3,105	6,212	7,294	2,023
Woodside Avenue School	3,951	3,650	3,690	3,911
Middle Schools:				
Franklin Avenue Middle School	23,887	51,425	57,753	17,559
Snapple - Peer Leadership	14,592	6,109	7,194	13,507
 Total All Schools	 <u>\$ 48,843</u>	 <u>\$ 71,756</u>	 <u>\$ 81,268</u>	 <u>\$ 39,331</u>

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<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	\$ 17,147	\$ 19,095,580	\$ 19,107,831	\$ 4,896
Total Assets	<u>\$ 17,147</u>	<u>\$ 19,095,580</u>	<u>\$ 19,107,831</u>	<u>\$ 4,896</u>
<u>LIABILITIES:</u>				
Interfund Payable - General Fund	\$ 17,147		\$ 12,251	\$ 4,896
Payroll Deductions and Withholdings		<u>\$ 19,095,580</u>	<u>19,095,580</u>	
Total Liabilities	<u>\$ 17,147</u>	<u>\$ 19,095,580</u>	<u>\$ 19,107,831</u>	<u>\$ 4,896</u>

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
LAPTOP REPLACEMENT AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<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	\$ 92,256	\$ 29,830	\$ 20,875	\$ 101,211
Total Assets	<u>\$ 92,256</u>	<u>\$ 29,830</u>	<u>\$ 20,875</u>	<u>\$ 101,211</u>
<u>NET POSITION:</u>				
Laptop Replacement Costs	\$ 92,256	\$ 29,830	\$ 20,875	\$ 101,211
Total Net Position	<u>\$ 92,256</u>	<u>\$ 29,830</u>	<u>\$ 20,875</u>	<u>\$ 101,211</u>

LONG-TERM DEBT

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
LONG TERM DEBT
STATEMENT OF SERIAL BONDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance July 1, 2017	Retired or Matured	Balance June 30, 2018
			Date	Amount				
Refunding School Bonds	09/30/10	\$ 6,390,000	8/1/2018	\$ 635,000	4.00%			
			8/1/2019	630,000	4.50%			
			8/1/2020	630,000	4.50%			
			8/1/2021	630,000	4.00%			
			8/1/2022	625,000	4.00%	\$ 3,785,000	\$ 635,000	\$ 3,150,000
					\$ 3,785,000	\$ 635,000	\$ 3,150,000	

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
LONG-TERM DEBT
STATEMENT OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<u>Purpose</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Balance July 1, 2017</u>	<u>Issued</u>	<u>Retired or Matured</u>	<u>Balance June 30, 2018</u>
Laptop Computers	2.077%	\$ 365,795	\$ 182,859		\$ 90,489	\$ 92,370
Laptop Computers	3.612%	356,206	<u> </u>	<u>\$ 356,206</u>	<u>93,846</u>	<u>262,360</u>
			<u>\$ 182,859</u>	<u>\$ 356,206</u>	<u>\$ 184,335</u>	<u>\$ 354,730</u>

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 780,000		\$ 780,000	\$ 780,000	
Total Revenues	<u>780,000</u>		<u>780,000</u>	<u>780,000</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest	145,000		145,000	145,000	
Redemption of Principal	635,000		635,000	635,000	
Total Regular Debt Service	<u>780,000</u>		<u>780,000</u>	<u>780,000</u>	
Total Expenditures	<u>780,000</u>		<u>780,000</u>	<u>780,000</u>	
Excess of Revenues Over Expenditures	-0-	\$ -0-	-0-	-0-	\$ -0-
Fund Balance, July 1	<u>-0-</u>		<u>-0-</u>	<u>-0-</u>	
Fund Balance, June 30	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

STATISTICAL SECTION
(UNAUDITED)

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

Contents

Exhibit

Financial Trends

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

J-1 thru J-5

Revenue Capacity

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

J-6 thru J-9

Debt Capacity

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

J-10 thru J-13

Demographic and Economic Information

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

J-14 thru J-15

Operating Information

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

J-16 thru J-20

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

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

	June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities:										
Net Investment in										
Capital Assets	\$16,497,801	\$17,688,410	\$20,208,412	\$20,376,854	\$18,164,821	\$18,042,322	\$18,210,674	\$17,671,173	\$17,750,489	\$17,509,535
Restricted	980,178	1,795,817	1,600,063	2,023,639	2,109,714	2,519,204	3,138,863	3,352,028	3,580,390	3,705,761
Unrestricted (Deficit)	(136,650)	(143,854)	(532,122)	(303,939)	(468,422)	(5,538,776)	(5,660,067)	(5,744,529)	(6,536,760)	(6,598,510)
Total Governmental										
Activities Net Position	\$17,341,329	\$19,340,373	\$21,276,353	\$22,096,554	\$19,806,113	\$15,022,750	\$15,689,470	\$15,278,672	\$14,794,119	\$14,616,786
Business-Type Activities:										
Unrestricted	\$ 28,069	\$ 27,077	\$ 26,847	\$ 9,829	\$ 17,786	\$ 5,341	\$ 7,152	\$ 1,483	\$ 734	\$ 1,334
Total Business-Type										
Activities Net Position	\$ 28,069	\$ 27,077	\$ 26,847	\$ 9,829	\$ 17,786	\$ 5,341	\$ 7,152	\$ 1,483	\$ 734	\$ 1,334
District-Wide:										
Net Investment in										
Capital Assets	\$16,497,801	\$17,688,410	\$20,208,412	\$20,376,854	\$18,164,821	\$18,042,322	\$18,210,674	\$17,671,173	\$17,750,489	\$17,509,535
Restricted	980,178	1,795,817	1,600,063	2,023,639	2,109,714	2,519,204	3,138,863	3,352,028	3,580,390	3,705,761
Unrestricted (Deficit)	(108,581)	(116,777)	(505,275)	(294,110)	(450,636)	(5,533,435)	(5,652,915)	(5,743,046)	(6,536,026)	(6,597,176)
Total District-Wide Net Position	\$17,369,398	\$19,367,450	\$21,303,200	\$22,106,383	\$19,823,899	\$15,028,091	\$15,696,622	\$15,280,155	\$14,794,853	\$14,618,120

Source: Borough of Franklin Lakes School District Financial Reports.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

(UNAUDITED)

(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses:										
Governmental Activities:										
Instruction:										
Regular	\$12,086,630	\$12,045,778	\$12,352,045	\$12,421,382	\$12,900,206	\$12,852,499	\$14,455,143	\$16,320,528	\$17,670,259	\$18,989,979
Special Education	4,340,749	4,730,524	4,595,110	4,752,660	4,633,915	4,944,229	5,470,305	6,280,209	7,001,062	7,382,611
Other Special Instruction	647,574	445,005	602,667	573,125	632,933	599,078	1,029,789	1,176,165	1,279,602	1,588,672
School-Sponsored Instruction	150,979	142,543	108,527	125,369	145,964	126,247	207,167	201,257	197,636	216,466
Support Services:										
Tuition	166,231	87,232	198,186	357,294	764,909	926,665	779,729	527,733	786,696	721,217
Student & Instruction Related Services	3,355,727	3,236,637	3,747,085	3,963,614	4,154,137	4,062,891	4,124,758	4,523,346	4,788,068	4,841,577
General Administrative Services	611,581	692,663	538,848	573,298	572,586	630,900	524,643	548,147	539,252	548,517
School Administrative Services	1,282,228	1,178,475	1,406,480	1,380,949	1,615,493	1,408,197	1,649,779	1,800,803	2,030,641	2,170,418
Central Services/Admin. Technology	579,770	568,874	585,198	591,005	692,228	622,293	627,228	623,656	658,966	631,313
Plant Operations and Maintenance	4,006,142	2,928,186	2,765,484	3,419,560	3,840,866	3,707,881	3,707,558	3,790,330	3,632,523	3,635,415
Pupil Transportation	869,598	846,818	796,237	831,477	759,926	824,787	823,310	799,309	808,209	864,249
Capital Outlay	576,442	187,935	33,102							
Interest on Long-Term Debt	407,695	431,480	271,680	253,804	229,254	200,821	181,158	166,898	150,103	121,179
Unallocated Depreciation						18,483	12,028	9,036	6,315	5,801
Total Governmental Activities Expenses	29,081,346	27,522,150	28,000,649	29,243,537	30,942,417	30,924,971	33,592,595	36,767,417	39,549,332	41,717,414
Business-Type Activities:										
Milk Enterprise Fund	25,519	18,374	27,807	47,367	14,646	14,612	14,071	16,545	10,171	10,266
Total Business-Type Activities Expenses	25,519	18,374	27,807	47,367	14,646	14,612	14,071	16,545	10,171	10,266
Total District Expenses	29,106,865	27,540,524	28,028,456	29,290,904	30,957,063	30,939,583	33,606,666	36,783,962	39,559,503	41,727,680

BOROUGH OF FRANKLIN LAKES 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	2014	2015	2016	2017	2018
Program Revenues:										
Governmental Activities:										
Charges for Services:										
Special Education	\$ 1,794,627	\$ 1,757,801	\$ 1,529,041	\$ 1,794,954	\$ 1,693,662	\$ 1,926,933	\$ 1,750,765	\$ 2,016,141	\$ 1,744,354	\$ 2,126,054
Pupil Transportation	125,800	90,165	84,310	75,150	72,700	77,299	68,010	61,064	64,172	61,064
Operating Grants and Contributions	3,432,958	3,461,607	2,689,538	3,358,334	4,124,351	3,698,400	6,939,275	8,441,077	11,194,439	12,122,809
Capital Grants and Contributions						212,843				402,766
Total Governmental Activities Program Revenues	5,353,385	5,219,408	4,308,744	5,237,598	5,893,163	5,910,876	8,767,339	10,525,228	13,002,965	14,712,693
Business-Type Activities:										
Charges for Services:										
Milk Enterprise Fund	18,216	10,886	15,037	17,271	13,952	9,244	8,799	3,908	3,410	3,981
Operating Grants and Contributions	13,663	11,997	12,540	13,019	8,593	6,883	7,083	6,968	6,012	6,885
Total Business-Type Activities Revenues	31,879	22,883	27,577	30,290	22,545	16,127	15,882	10,876	9,422	10,866
Total District Program Revenues	5,385,264	5,242,291	4,336,321	5,267,888	5,915,708	5,927,003	8,783,221	10,536,104	13,012,387	14,723,559
Net (Expense)/Revenue										
Governmental Activities	(23,727,961)	(22,302,742)	(23,691,905)	(24,005,939)	(25,049,254)	(25,014,095)	(24,825,256)	(26,242,189)	(26,546,367)	(27,004,721)
Business-Type Activities	6,360	4,509	(230)	(17,077)	7,899	1,515	1,811	(5,669)	(749)	600
Total District Net (Expense)/Revenue	(23,721,601)	(22,298,233)	(23,692,135)	(24,023,016)	(25,041,355)	(25,012,580)	(24,823,445)	(26,247,858)	(26,547,116)	(27,004,121)

BOROUGH OF FRANKLIN LAKES 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	2014	2015	2016	2017	2018
General Revenues and Other Changes in Net Position:										
Governmental Activities:										
Property Taxes Levied for General Purposes	\$21,014,827	\$21,844,912	\$23,129,335	\$23,489,921	\$23,660,306	\$24,133,512	\$24,212,205	\$24,696,449	\$25,149,448	\$25,652,437
Taxes Levied for Debt Service	2,239,775	2,178,485	2,233,021	1,082,007	976,361	1,043,949	965,256	836,650	807,300	780,000
Federal and State Aid not Restricted	211,870	152,765	15,569	18,210	38,860	38,860	54,386	54,985	68,554	69,739
Interest and Miscellaneous Income Transfers	116,576	125,624	249,960	254,212	199,225	204,998	260,129	243,307	216,512	145,212
						14,000				
Total Governmental Activities	23,583,048	24,301,786	25,627,885	24,826,140	24,854,102	25,435,319	25,491,976	25,831,391	26,241,814	26,647,388
Business-Type Activities:										
Investment Earnings Transfers			59	58	58	40				
						(14,000)				
Total Business-Type Activities			59	58	58	(13,960)				
Total District General Revenues and Other Changes in Net Position	23,583,048	24,301,786	25,627,885	24,826,199	24,854,160	25,421,359	25,491,976	25,831,391	26,241,814	26,647,388
Change in Net Position:										
Governmental Activities	(144,913)	1,999,044	1,935,980	820,201	(195,152)	421,224	666,720	(410,798)	(304,553)	(357,333)
Business-Type Activities	6,360	4,509	(230)	(17,018)	7,957	(12,445)	1,811	(5,669)	(749)	600
Total District Change in Net Position	\$ (138,553)	\$ 2,003,553	\$ 1,935,750	\$ 803,183	\$ (187,195)	\$ 408,779	\$ 668,531	\$ (416,467)	\$ (305,302)	\$ (356,733)

Source: Borough of Franklin Lakes School District Financial Reports.

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

	June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund:										
Reserved	\$ 1,137,302	\$ 2,078,307								
Unreserved	483,431	501,093								
Restricted			\$ 1,461,600	\$ 1,884,175	\$ 2,050,683	\$ 2,463,235	\$ 3,138,863	\$ 3,352,028	\$ 3,580,390	\$ 3,705,761
Assigned			516,370	408,454	258,421	339,719	286,974	329,508	253,177	
Unassigned			671,908	784,311	786,704	786,237	706,262	544,977	569,187	569,793
Total General Fund	\$ 1,620,733	\$ 2,579,400	\$ 2,649,878	\$ 3,076,940	\$ 3,095,808	\$ 3,589,191	\$ 4,132,099	\$ 4,226,513	\$ 4,402,754	\$ 4,275,554
Other Governmental Funds:										
Unreserved (Deficit)	\$ (157,124)	\$ (282,490)								
Restricted			\$ 138,463	\$ 139,464	\$ 59,031	\$ 55,969				\$ 204,217
Committed										
Unassigned (Deficit)			(1,050,453)	(891,453)	(732,453)	(358,549)	(198,549)	(198,549)	(198,549)	
Total Other Governmental Funds	\$ (157,124)	\$ (282,490)	\$ (911,990)	\$ (751,989)	\$ (673,422)	\$ (302,580)	\$ (198,549)	\$ (198,549)	\$ (198,549)	\$ 204,217
Total Governmental Funds:										
Reserved	\$ 1,137,302	\$ 2,078,307								
Unreserved	326,307	218,603								
Restricted			\$ 1,600,063	\$ 2,023,639	\$ 2,109,714	\$ 2,519,204	\$ 3,138,863	\$ 3,352,028	\$ 3,580,390	\$ 3,705,761
Committed										204,217
Assigned			516,370	408,454	258,421	339,719	286,974	329,508	253,177	
Unassigned (Deficit)			(378,545)	(107,142)	54,251	427,688	507,713	346,428	370,638	569,793
Total Governmental Funds	\$ 1,463,609	\$ 2,296,910	\$ 1,737,888	\$ 2,324,951	\$ 2,422,386	\$ 3,286,611	\$ 3,933,550	\$ 4,027,964	\$ 4,204,205	\$ 4,479,771

Source: Borough of Franklin Lakes School District Financial Reports.

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

(UNAUDITED)

(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues:										
Tax Levy	\$23,254,602	\$24,023,397	\$25,362,356	\$24,571,928	\$24,636,667	\$25,177,461	\$25,177,461	\$25,533,099	\$25,956,748	\$26,432,437
Other Governmental Units - Restricted			123,410	118,648	125,866	128,383	118,129	143,806	122,902	64,853
Tuition Charges	1,794,627	1,757,801	1,529,041	1,794,954	1,693,662	1,926,933	1,750,765	2,016,141	1,744,354	2,126,054
Interest Earnings	19,835	1,800	1,800	1,800	9,927	11,647	10,205	13,213	15,044	15,032
Transportation Fees from Individuals	125,800	101,905	90,165	84,310	75,150	72,700	77,299	68,010	64,172	61,064
Miscellaneous	210,518	185,964	157,852	325,865	255,533	223,968	291,795	86,288	78,566	65,327
State Sources	3,185,753	2,875,932	2,206,241	2,935,225	3,772,987	3,634,851	3,814,603	4,186,233	4,686,656	5,576,091
Federal Sources	345,298	574,395	625,504	390,008	336,473	315,252	329,631	330,792	387,471	390,814
Total Revenues	28,936,433	29,521,194	30,096,369	30,222,738	30,906,265	31,491,195	31,569,888	32,377,582	33,055,913	34,731,672
Expenditures:										
Instruction:										
Regular Instruction	8,773,440	8,511,119	9,246,089	9,185,130	9,000,413	8,814,159	8,764,795	9,095,364	8,942,625	8,901,711
Special Education										
Instruction	3,167,135	3,466,504	3,445,443	3,478,316	3,300,491	3,490,328	3,396,428	3,602,531	3,668,974	3,769,787
Other Special Instruction	459,074	305,762	434,570	423,521	431,141	409,606	590,989	624,635	606,012	717,743
Other Instruction	115,852	97,007	81,449	93,249	102,730	89,736	123,119	111,792	101,605	104,866
Support Services:										
Tuition	166,231	87,232	198,186	357,294	764,909	926,665	779,729	527,733	786,696	721,217
Student & Instruction Related Services	2,733,763	2,567,125	2,785,867	3,150,929	3,309,210	3,188,642	3,220,053	3,383,766	3,376,756	3,427,916
General Administration	535,667	587,332	472,224	477,462	476,912	522,784	406,327	401,994	383,195	390,437
School Administration	1,020,578	921,275	1,020,002	1,013,628	1,149,221	1,000,746	1,036,945	1,053,527	1,077,685	1,111,871
Central Services/Admin. Technology	489,914	454,632	485,766	471,742	518,507	498,821	499,380	465,808	460,585	431,776
Operations/Maintenance	2,389,017	2,231,063	2,260,161	2,591,421	2,672,406	2,761,007	2,768,734	2,591,475	2,662,724	2,576,431
Pupil Transportation	866,043	843,918	793,564	828,372	756,292	820,818	818,637	791,761	795,221	851,977
Unallocated Benefits	5,812,000	6,110,227	6,030,939	6,318,468	7,102,936	6,912,571	7,342,692	8,363,369	9,015,836	10,343,872
Capital Outlay	579,041	326,212	1,248,549	165,137	166,868	623,557	153,896	798,558	194,458	682,708

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

(UNAUDITED)

(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2016	2017
Expenditures:										
Debt Service:										
Principal	\$ 1,745,000	\$ 1,715,000	\$ 1,824,740	\$ 809,000	\$ 809,000	\$ 819,000	\$ 815,000	\$ 650,000	\$ 640,000	\$ 635,000
Interest/Other Charges	516,065	463,485	327,842	272,006	247,794	225,950	206,225	186,650	167,300	145,000
Total Expenditures	29,368,820	28,687,893	30,655,391	29,635,675	30,808,830	31,104,390	30,922,949	32,648,963	32,879,672	34,812,312
Excess (Deficiency) of Revenues Over (Under) Expenditures	(432,387)	833,301	(559,022)	587,063	97,435	386,805	646,939	(271,381)	176,241	(80,640)
Other Financing Sources (Uses)										
Capital Leases	430,000					463,420		365,795		356,206
Serial Bonds Issued			6,390,000							
Serial Bonds Defeased			(6,499,000)							
Bond Issuance Costs			(110,432)							
Bond Premium			718,748							
Deferred Amount on Refunding			(499,316)							
Transfers In		372	1,121		15	14,015	55,730	10	12	
Transfers Out		(372)	(1,121)		(15)	(15)	(55,730)	(10)	(12)	
Total Other Financing Sources (Uses)	430,000	-0-	-0-	-0-	-0-	477,420	-0-	365,795	-0-	356,206
Net Change in Fund Balances	\$ (2,387)	\$ 833,301	\$ (559,022)	\$ 587,063	\$ 97,435	\$ 864,225	\$ 646,939	\$ 94,414	\$ 176,241	\$ 275,566
Debt Service as a Percentage of Noncapital Expenditures	8.5 %	8.3 %	7.9 %	3.8 %	3.6 %	3.5 %	3.4 %	2.6 %	2.5 %	2.3 %

Source: Borough of Franklin Lakes School District Financial Reports.

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Tuition</u>	<u>Transportation</u> <u>Fees</u>	<u>Other</u>	<u>Total</u>
2009	\$ 19,835	\$ 1,794,627	\$ 125,800	\$ 96,741	\$ 2,037,003
2010	14,240	1,757,801	101,905	111,012	1,984,958
2011	51,077	1,529,041	90,165	197,762	1,868,045
2012	11,895	1,794,954	84,310	242,317	2,133,476
2013	9,912	1,693,662	75,150	189,298	1,968,022
2014	11,632	1,926,933	72,700	193,351	2,204,616
2015	10,194	1,750,765	77,299	249,924	2,088,182
2016	13,203	2,016,141	68,010	230,094	2,327,448
2017	15,032	1,744,354	64,172	201,465	2,025,023
2018	23,148	2,126,054	61,064	122,064	2,332,330

Source: Borough of Franklin Lakes School District Financial Reports.

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

Year Ended December 31,	Vacant Land		Residential		Farm		Commercial		Industrial		Apartment		Total Assessed Value		Add: Public Utilities ^a		Net Valuation Taxable		Tax-Exempt Property		Total Direct School Tax Rate ^b		Estimated Actual (County Equalized Value)			
2008	\$90,703,100	\$4,349,987,800	\$6,344,900	\$4,388,465,100	\$	21,200	\$384,240,500	\$23,568,000	\$30,856,600	\$4,885,722,100	\$3,416,228	\$4,889,138,328	\$219,249,100	\$0.470	\$4,650,202,081											
2009	90,999,700	4,388,465,100	5,317,500	4,420,389,200		18,800	401,034,300	23,429,400	30,856,600	4,940,121,400	5,581,035	4,945,702,435	219,249,100	0.480	4,869,232,530											
2010	75,848,200	4,420,389,200	5,317,500	4,240,000		18,800	393,342,200	32,820,000	30,139,400	4,948,484,700	3,687,173	4,952,171,873	219,249,100	0.499	4,709,650,468											
2011*	53,113,100	3,563,332,500	4,240,000	3,561,581,700		21,400	408,302,900	32,758,500	30,139,400	4,091,969,300	3,325,267	4,095,294,567	190,895,400	0.620	4,354,743,831											
2012	52,494,400	3,566,930,300	4,240,000	3,584,962,000		21,400	405,702,600	32,285,300	30,139,400	4,086,938,000	2,370,663	4,089,308,663	194,171,500	0.602	4,471,193,866											
2013	50,565,400	3,593,943,600	4,505,500	3,584,962,000		23,700	405,652,400	31,751,400	30,139,400	4,090,102,000	- 0 -	4,090,102,000	193,846,600	0.610	4,344,917,974											
2014	48,992,100	3,609,749,700	3,470,900	3,593,943,600		18,800	403,843,900	31,751,400	38,139,400	4,111,178,500	- 0 -	4,111,178,500	194,652,600	0.613	4,267,554,280											
2015	51,052,600	3,648,064,000	3,470,900	3,609,749,700		18,800	403,874,900	30,724,200	38,139,400	4,122,251,600	- 0 -	4,122,251,600	199,925,300	0.617	4,358,772,529											
2016	56,235,500		3,470,900			18,800	381,718,500	30,424,200	56,562,000	4,176,138,000	- 0 -	4,176,138,000	203,901,300	0.625	4,482,738,039											
2017	40,151,200		3,470,900			18,800	397,446,900	30,424,200			- 0 -		203,692,200	0.627	4,454,241,736											

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 value.

* Year in which revaluation/reassessment was effective.

Source: Borough of Franklin Lakes Tax Assessor.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN YEARS
(UNAUDITED)

(Rate per \$100 of Assessed Value)

Year Ended December 31,	Franklin Lakes School District Direct Rate			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct School Tax Rate	Borough of Franklin Lakes	Ramapo- Indian Hills Regional School	Bergen County	
2008	\$ 0.423	\$ 0.047	\$ 0.470	\$ 0.180	\$ 0.330	\$ 0.170	\$ 1.150
2009	0.434	0.046	0.480	0.192	0.340	0.188	1.200
2010	0.454	0.045	0.499	0.210	0.350	0.187	1.246
2011 *	0.565	0.055	0.620	0.259	0.431	0.219	1.529
2012	0.575	0.027	0.602	0.264	0.427	0.240	1.533
2013	0.586	0.024	0.610	0.269	0.434	0.244	1.557
2014	0.588	0.025	0.613	0.272	0.444	0.243	1.572
2015	0.593	0.024	0.617	0.277	0.451	0.254	1.599
2016	0.605	0.020	0.625	0.281	0.467	0.268	1.641
2017	0.607	0.020	0.627	0.282	0.460	0.267	1.636

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

^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.

* Year in which revaluation/reassessment was effective.

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

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2009	\$ 23,254,602	\$ 23,254,602	100.00 %	\$ - 0 -
2010	24,023,397	24,023,397	100.00 %	- 0 -
2011	25,362,356	25,362,356	100.00 %	- 0 -
2012	24,571,928	24,571,928	100.00 %	- 0 -
2013	24,636,667	24,636,667	100.00 %	- 0 -
2014	25,177,461	25,177,461	100.00 %	- 0 -
2015	25,177,461	25,177,461	100.00 %	- 0 -
2016	25,533,099	25,533,099	100.00 %	- 0 -
2017	25,956,748	25,956,748	100.00 %	- 0 -
2018	26,432,437	26,432,437	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: Borough of Franklin Lakes School District records, including the Certificate and Report of School Taxes (A4F form).

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

Fiscal Year Ended June 30,	Governmental Activities		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Capital Leases			
2009	\$ 11,179,000	\$ 339,163	\$ 11,518,163	1.54 %	\$ 991.49
2010	9,464,000	258,588	9,722,588	1.40 %	916.19
2011	7,690,000	175,266	7,865,266	1.08 %	734.66
2012	7,040,000	89,102	7,129,102	0.93 %	663.11
2013	6,390,000		6,390,000	0.84 %	590.85
2014	5,730,000	343,670	6,073,670	0.76 %	558.04
2015	5,075,000	231,653	5,306,653	0.64 %	486.89
2016	4,425,000	388,622	4,813,622	0.57 %	443.57
2017	3,785,000	182,859	3,967,859	0.46 %	352.54
2018	3,150,000	354,730	3,504,730	0.40 %	311.39

Note: Details regarding the District's outstanding debt can be found in the notes to the basic 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: Borough of Franklin Lakes School District Financial Reports.

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Net Taxable Value of Property ^a	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2009	\$ 11,179,000	\$ - 0 -	\$ 11,179,000	0.23 %	\$ 962.30
2010	9,464,000	- 0 -	9,464,000	0.19 %	891.82
2011	7,690,000	- 0 -	7,690,000	0.16 %	718.29
2012	7,040,000	- 0 -	7,040,000	0.17 %	654.82
2013	6,390,000	- 0 -	6,390,000	0.16 %	590.85
2014	5,730,000	- 0 -	5,730,000	0.14 %	526.46
2015	5,075,000	- 0 -	5,075,000	0.12 %	465.64
2016	4,425,000	- 0 -	4,425,000	0.11 %	407.76
2017	3,785,000	- 0 -	3,785,000	0.09 %	336.29
2018	3,150,000	- 0 -	3,150,000	0.08 %	279.88

Note: Details regarding the District's outstanding debt can be found in the notes to the basic 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: Borough of Franklin Lakes School District Financial Reports.

BOROUGH OF FRANKLIN LAKES 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 ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Borough of Franklin Lakes	\$ 11,603,058	100.00 %	\$ 11,603,058
Ramapo-Indian Hills Regional High School	18,320,000	39.10 %	7,163,580
Bergen County General Obligation Debt	876,045,885	2.59 %	<u>22,682,678</u>
Subtotal, Overlapping Debt			41,449,318
Franklin Lakes Board of Education Direct Debt			<u>3,504,730</u>
Total Direct and Overlapping Debt			<u><u>\$ 44,954,048</u></u>

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

^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 another governmental unit's equalized property value that is within the District's boundaries and dividing it by each unit's total equalized property value.

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

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

	Fiscal Year				
	2009	2010	2011	2012	2013
Debt Limit	\$ 138,613,851	\$ 141,661,097	\$ 140,829,991	\$ 137,481,129	\$ 133,924,677
Total Net Debt Applicable to Limit	11,179,000	9,464,000	7,690,000	7,040,000	6,390,000
Legal Debt Margin	<u>\$ 127,434,851</u>	<u>\$ 125,402,097</u>	<u>\$ 125,402,097</u>	<u>\$ 83,521,940</u>	<u>\$ 127,534,677</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	8.06 %	6.68 %	5.46 %	5.12 %	4.77 %

	Fiscal Year				
	2014	2015	2016	2017	2018
Debt Limit	\$ 130,460,856	\$ 129,191,012	\$ 130,630,488	\$ 132,119,809	\$ 133,040,073
Total Net Debt Applicable to Limit	5,730,000	5,075,000	4,425,000	3,785,000	3,150,000
Legal Debt Margin	<u>\$ 124,730,856</u>	<u>\$ 124,116,012</u>	<u>\$ 126,205,488</u>	<u>\$ 128,334,809</u>	<u>\$ 129,890,073</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	4.39 %	3.93 %	3.39 %	2.86 %	2.37 %

Legal Debt Margin Calculation for Fiscal Year 2018

Year Ended December 31,	Equalized Valuation Basis
2015	\$ 4,480,221,280
2016	4,389,577,030
2017	4,434,208,962
	<u>\$13,304,007,272</u>
Average Equalized Valuation of Taxable Property	<u>\$ 4,434,669,091</u>
Debt Limit (3% of Average Equalization Value) ^a	\$ 133,040,073
Net Bonded School Debt at June 30, 2018	3,150,000
Legal Debt Margin	<u>\$ 129,890,073</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.

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

Year	Borough Population ^a	Bergen County Per Capita Personal Income ^b	Borough Personal Income ^c	Borough Unemployment Rate ^d
2009	11,617	\$ 64,571	\$ 750,121,307	4.90 %
2010	10,612	65,275	692,698,300	5.00 %
2011	10,706	68,244	730,620,264	4.90 %
2012	10,751	71,380	767,406,380	5.00 %
2013	10,815	70,498	762,435,870	6.50 %
2014	10,884	73,536	800,365,824	4.10 %
2015	10,899	75,849	826,678,251	3.90 %
2016	10,852	77,187	837,633,324	3.30 %
2017	11,255	77,187 *	868,739,685 *	3.30 %
2018	11,255 **	77,187 **	868,739,685 **	N/A

N/A - Information is not available.

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

** - Latest Borough population available (2017) and Bergen County per capita personal income available (2016) was used for for calculation purposes.

Sources:

- ^a Population information provided by the US Department of Census - Population Division.
- ^b Per Capita Personal Income information provided by the US Department of Commerce - Bureau of Economic Analysis.
- ^c Personal Income information provided by the US Department of Commerce - Bureau of Economic Analysis.
- ^d Unemployment data provided by the NJ Department of Labor and Workforce Development.

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

2017		2008	
Employer	Employees	Employer	Employees
	Percentage of Total Employment		Percentage of Total Employment
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
Total	N/A	Total	N/A

N/A - Information is not available.

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

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

<u>Function/Program</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Instruction:										
Regular	126	125	126	129	129	130	130	129	130	130
Support Services:										
Student & Instruction Related Services	39	39	41	41	41	40	40	40	41	41
General Administrative Services	4	4	4	4	4	4	4	4	4	4
School Administrative Services	12	12	13	13	13	13	13	13	13	13
Central Services	2	2	2	2	2	2	2	2	2	2
Total	183	182	186	189	189	189	189	188	190	190

Source: Borough of Franklin Lakes School District Personnel Records.

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

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil ^b	Percentage Change	Teaching Staff ^c	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^d	Average Daily Attendance (ADA) ^d	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School				
2009	1,492	\$ 26,528,714	\$ 17,781	0.45 %	137	1:12	1:12	1,492	1,416	0.20 %	94.91 %
2010	1,464	26,183,196	17,885	0.59 %	136	1:12	1:12	1,458	1,381	-2.28 %	94.72 %
2011	1,433	27,254,260	19,019	6.34 %	135	1:12	1:12	1,429	1,375	-1.99 %	96.22 %
2012	1,410	28,389,532	20,134	5.86 %	139	1:11	1:12	1,414	1,352	-1.05 %	95.62 %
2013	1,311	29,585,168	22,567	12.08 %	138	1:11	1:12	1,311	1,264	-7.28 %	96.41 %
2014	1,285	29,435,883	22,907	1.51 %	139	1:11	1:12	1,281	1,230	-2.29 %	96.02 %
2015	1,236	29,747,828	24,068	5.07 %	136	1:12	1:12	1,231	1,183	-3.90 %	96.10 %
2016	1,187	31,013,755	26,128	8.56 %	136	1:11	1:12	1,184	1,143	-3.82 %	96.54 %
2017	1,147	31,877,914	27,792	6.37 %	136	1:11	1:12	1,153	1,113	-2.62 %	96.53 %
2018	1,135	33,349,604	29,383	5.72 %	136	1:11	1:12	1,129	1,081	-2.08 %	95.75 %

Note: Enrollment based on annual October District count.

- ^a Operating expenditures equal total expenditures less debt service and capital outlay.
- ^b Cost per pupil is calculated based upon enrollment and operating expenditures presented above which may not be the same as State cost per pupil calculations.
- ^c Teaching staff includes only full-time equivalents of certificated staff.
- ^d Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

Source: Borough of Franklin Lakes School District Records.

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

<u>District Building</u>	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Colonial Road School (2004):										
Square Feet	59,645	59,645	59,645	59,645	59,645	59,645	59,645	59,645	59,645	59,645
Capacity (Students)	373	373	373	373	373	373	373	373	373	373
Enrollment	364	353	340	320	287	277	267	280	251	260
High Mountain Road School:										
Square Feet	47,173	47,173	47,173	47,173	47,173	47,173	47,173	47,173	47,173	47,173
Capacity (Students)	359	359	359	359	359	359	359	359	359	359
Enrollment	280	267	259	263	249	249	227	225	213	200
Woodside Avenue School:										
Square Feet	53,409	53,409	53,409	53,409	53,409	53,409	53,409	53,409	53,409	53,409
Capacity (Students)	363	363	363	363	363	363	363	363	363	363
Enrollment	331	334	330	315	286	286	278	235	247	254
Franklin Avenue Middle School:										
Square Feet	78,806	78,806	78,806	78,806	78,806	78,806	78,806	78,806	78,806	78,806
Capacity (Students)	540	540	540	540	540	540	540	540	540	540
Enrollment	517	510	504	512	489	473	464	447	436	421

Number of Schools at June 30, 2018:

Elementary = 3

Middle School = 1

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

Source: Borough of Franklin Lakes School District Facilities Office.

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

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

Fiscal Year Ending June 30	Colonial Road Elementary School	High Mountain Road Elementary School	Woodside Avenue Elementary School	Franklin Avenue Middle School	Total School Facilities*
2009	\$ 18,404	\$ 80,870	\$ 133,877	\$ 240,025	\$ 473,176
2010	39,591	90,399	129,192	150,494	409,676
2011	53,988	76,199	89,168	175,429	394,784
2012	48,828	166,381	198,933	161,881	576,023
2013	57,336	158,111	248,182	207,890	671,519
2014	161,539	195,717	180,141	231,433	768,830
2015	222,767	151,617	204,524	254,963	833,871
2016	63,774	111,494	323,826	151,046	650,140
2017	107,066	129,774	138,239	266,024	641,103
2018	33,144	46,750	89,233	80,927	250,054

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

Source: Borough of Franklin Lakes School District Records.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2018
(UNAUDITED)

	Coverage	Deductible
American Alternative Insurance Corp.:		
General Liability:		
General Aggregate	\$ 3,000,000	
Each Occurrence	1,000,000	
Production/Completed Operations	3,000,000	
Personal Injury	1,000,000	
Fire Damage	1,000,000	
Medical Expense	10,000	
Employee Benefits Liability	1,000,000	NONE
Commercial Property Coverage:		
Property Building & Contents Replacement		
Cost Values	68,407,869	\$ 5,000
Business Income & Extra Expense	3,250,000	72Hr Waiting Period
Earthquake and Volcanic Eruption	5,000,000	100,000
Flood (Outside Zones A, V or B)	5,000,000	50,000
Flood (Zone B)	2,000,000	100,000
Flood (Zones A or V)	1,000,000	500,000
Valuable Papers	250,000	5,000
Electronic Data Processing Equipment	3,000,000	5,000
Boiler and Machinery:		
Blanket Property Damage Per Breakdown	25,000,000	5,000
Crime:		
Employee Dishonesty with Faithful Performance	500,000	5,000
Forgery & Alteration	250,000	5,000
Theft - Inside - Money and Securities	100,000	5,000
Theft - Outside - Money and Securities	100,000	5,000
Computer Fraud	250,000	5,000
Commercial Automobile:		
Combined Single Limit	1,000,000	
Automobile Medical Payments	5,000	
Hired/Non-Owned	1,000,000	
Uninsured/Underinsured	1,000,000	
Hired Auto Physical Damage	100,000	1,000
School Board Legal Liability Coverage:		
Each Loss	1,000,000	25,000
Aggregate	3,000,000	
Employment Practices Liability	1,000,000	25,000
Cyber Liability & Privacy Crisis Management Liability:		
Cyber Liability Occurrence & Aggregate Limit	1,000,000	25,000
Privacy Crisis Management Expense	100,000	

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2018
(UNAUDITED)

	<u>Coverage</u>	<u>Deductible</u>
Catastrophic Liability Coverage - American Guarantee & Liability:		
Per Occurrence	\$ 10,000,000	
Aggregate Limit	10,000,000	
Retained Limit	10,000	
Fidelity Bonds - Western Surety Company:		
Board Secretary/Business Administrator:	250,000	
Treasurer of School Monies:	250,000	
Workers' Compensation - Manufacturers Alliance Insurance Co.:		
Covered Payrolls - Professional	17,500,000	

Source: Borough of Franklin Lakes School District Records.

SINGLE AUDIT SECTION



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

Independent Auditors' Report

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Nisivoccia, LLP

Mount Arlington, New Jersey
January 18, 2019

NISIVOCCIA, LLP

Kathryn L. Mantell

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



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

Independent Auditors' Report

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

Report on Compliance for Each Major State Program

We have audited the Board of Education of the Borough of Franklin Lakes School District's (the "District's") compliance with the types of compliance requirements described in the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on each of the District's major state programs for the fiscal year ended June 30, 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 the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"); and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, the Uniform Guidance and New Jersey's OMB Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

Opinion on Each Major State Program

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

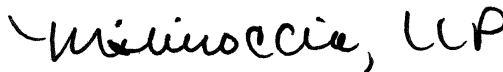
Report on Internal Control Over Compliance

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.

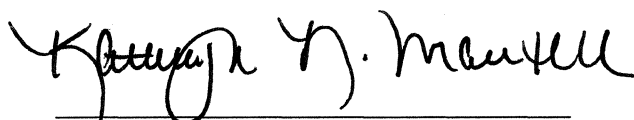
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any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



NISIVOCIA, LLP

Mount Arlington, New Jersey
January 18, 2019



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

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

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period		Program or Award Amount	Balance June 30, 2017 Unearned Revenue/ (Accounts Receivable)	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Balance June 30, 2018		Amount Provided to Subrecipients
			From	To						(Accounts Receivable)	Unearned Revenue	
U.S. Department of Agriculture -												
Passed-through State Department of Agriculture:												
Child Nutrition Cluster:												
Special Milk Program	10.556	N/A	7/1/17	6/30/18	\$ 6,885	\$ (390)	\$ 6,393	\$ (6,885)	\$ (492)			
Special Milk Program	10.556	N/A	7/1/16	6/30/17	6,012	(390)	390	(6,885)	(492)			
Total Child Nutrition Cluster						(390)	6,783	(6,885)	(492)			
Total Enterprise Fund						(390)	6,783	(6,885)	(492)			
Total U.S. Department of Agriculture												
U.S. Department of Education -												
Passed-through State Department of Education:												
Special Revenue Fund:												
Special Education Cluster:												
I.D.E.A. Part B, Basic	84.027	IDEA-1580-18	7/1/17	6/30/18	268,009	\$ 463	267,546	(265,336)	\$ 2,673			
I.D.E.A. Part B, Basic	84.027	IDEA-1580-17	7/1/16	6/30/17	275,328	463		(463)				
I.D.E.A. Part B, Preschool	84.173	IDEA-1580-18	7/1/17	6/30/18	16,829		16,829	(16,829)				
Total Special Education Cluster						463	284,375	(282,165)	2,673			
Elementary and Secondary Education Act:												
Title I, Part A	84.010A	ESEA-1580-18	7/1/17	6/30/18	79,133		79,133	(79,133)				
Title II, Part A	84.367A	ESEA-1580-18	7/1/17	6/30/18	19,516		19,516	(19,516)				
Title IV	84.365A	ESEA-1580-18	7/1/17	6/30/18	10,000		10,000	(10,000)				
Total Special Revenue Fund						463	393,024	(390,814)	2,673			
Total U.S. Department of Education						463	393,024	(390,814)	2,673			
TOTAL FEDERAL AWARDS						\$ 73	\$ 399,807	\$ (397,699)	\$ (492)	\$ 2,673	\$ -0-	

N/A - Not Available/Applicable

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

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

State Grantor/Program Title	Grant or State Project Number	Grant Period		Program or Award Amount	Balance June 30, 2017		Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Prior Year Balances Canceled	Balance June 30, 2018		MEMO		
		From	To		Budgetary Unearned Revenue/(Accounts Receivable)	Due to Grantor					GAAP (Accounts Receivable)	Due to Grantor	Budgetary (Accounts Receivable)	Cumulative Total Expenditures	
Total State Department of Education					\$ (302,618)	\$ 20,738	\$ 5,209,748	\$ (5,175,624)	\$ (20,738)			\$ (209,819)	\$ 15,542	\$ (284,036)	\$ 7,109,731
Schools Development Authority:															
Capital Projects Fund:															
Educational Facilities Construction & Financing Act:															
District School:															
High Mountain Road Elementary	SP-1580-020-09-1002	12/30/09	06/30/11	\$ 13,000						\$ 2,938		(10,062)		(10,062)	10,062
Woodside Avenue Elementary	SP-1580-030-09-1003	12/30/09	06/30/11	163,200						42,309		(120,891)		(120,891)	120,891
Franklin Avenue Middle	SP-1580-015-09-1001	12/30/09	06/30/11	354,960						83,147		(271,813)		(271,813)	271,813
Total Capital Projects Fund					(531,160)					128,394		(402,766)		(402,766)	402,766
Total Schools Development Authority					(531,160)					128,394		(402,766)		(402,766)	402,766
TOTAL STATE AWARDS SUBJECT TO SINGLE AUDIT DETERMINATION					\$ (833,778)	\$ 20,738	\$ 5,209,748	\$ (5,175,624)	\$ (20,738)	\$ 128,394		\$ (612,585)	\$ 15,542	\$ (686,802)	\$ 7,512,497
Less - State Awards Not Subject to Single Audit Major Program Determination:															
On-Behalf TPAF Pension System Contributions:															
Post-Retirement Medical	18-495-034-5094-001	7/1/17	6/30/18	1,251,420				1,251,420							
Pension	18-495-034-5094-002	7/1/17	6/30/18	1,891,641				1,891,641							
Non-Contributory Insurance	18-495-034-5094-004	7/1/17	6/30/18	45,905				45,905							
Long-Term Disability Insurance	18-495-034-5094-004	7/1/17	6/30/18	3,042				3,042							
Subtotal On-Behalf TPAF Pension System Contributions								3,192,008							
TOTAL STATE AWARDS SUBJECT TO SINGLE AUDIT MAJOR PROGRAM DETERMINATION								\$ (1,983,616)							

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

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. INDIRECT COST RATE

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

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

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

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

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$(2,299) for the General Fund and \$-0- for the Special Revenue Fund. See Note 1D for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the General and Special Revenue Funds.

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

	Federal	State	Total
General Fund		\$ 5,081,883	\$ 5,081,883
Special Revenue Fund	\$ 390,814	91,442	482,256
Proprietary Fund	6,885		6,885
Total Financial Assistance	\$ 397,699	\$ 5,173,325	\$ 5,571,024

NOTE 5. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 6. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2018.

NOTE 7. SCHOOLS DEVELOPMENT AUTHORITY (SDA) GRANT

The District has been awarded grants in the amount of \$531,160 from the Schools Development Authority (SDA) under the Educational Facilities Construction and Financing Act. As of June 30, 2018, \$402,766 of the grant funds have been expended, drawn down and submitted for reimbursement, and recognized as revenue and receivable on the GAAP basis. Accordingly, the District cancelled the balance of \$128,394 which was not expended under the grants.

BOROUGH OF FRANKLIN LAKES 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 the major state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance*.
- The auditor's report on compliance for the major state programs for the District expresses an unmodified opinion on each major state program.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance.
- The District was not subject to the single audit provisions of the Uniform Guidance for the fiscal year ended June 30, 2018 as federal grant expenditures were less than the single audit threshold of \$750,000 identified in the Circular.
- The District's state programs tested as major programs for the current fiscal year were the following:

	<u>Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
<u>State:</u>				
Special Education Categorical Aid	18-495-034-5120-089	7/1/17-6/30/18	\$ 657,704	\$ 657,704
Security Aid	18-495-034-5120-084	7/1/17-6/30/18	20,872	20,872
Adjustment Aid	18-495-034-5120-085	7/1/17-6/30/18	14,036	14,036
Per Pupil Growth Aid	18-495-034-5120-097	7/1/17-6/30/18	12,010	12,010
PARCC Readiness Aid	18-495-034-5120-098	7/1/17-6/30/18	12,010	12,010
Professional Learning Community Aid	18-495-034-5120-101	7/1/17-6/30/18	10,830	10,830

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

BOROUGH OF FRANKLIN LAKES 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.

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

Status of Prior Year Findings:

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