

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT

Franklinville, New Jersey
County of Gloucester

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF THE

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT

FRANKLINVILLE, NEW JERSEY

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Prepared by

**Township of Franklin School District
Finance Department**

OUTLINE OF CAFR - GASB #34

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INTRODUCTORY SECTION

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TOWNSHIP OF FRANKLIN PUBLIC SCHOOLS

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February 21, 2019

Honorable President and Members
of the Board of Education
Township of Franklin Board of Education
Franklinville, New Jersey 08322

Dear Board Members/Citizens,

It is with pleasure that we submit the Comprehensive Annual Financial Report (CAFR) of the Township of Franklin School District (District) for the fiscal year ended June 30, 2018. This CAFR includes the District's Basic Financial Statement prepared in accordance with Governmental Accounting Standards Board Statement 34. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the District. To the best of our knowledge and belief, data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The CAFR is presented in four sections as follows:

- ◆ The Introductory Section contains a Table of Contents, Letter of Transmittal, List of Principal Officials, and an Organizational Chart of the School District;
- ◆ The Financial Section begins with the Independent Auditors' Report and includes the Management's Discussion and Analysis, the Basic Financial Statements and Notes providing an overview of the School District's financial position and operating results, and other schedules providing detailed budgetary information;
- ◆ The Statistical Section includes selected economic and demographic information, financial trends, and the fiscal capacity of the District, generally presented on a multi-year basis; and
- ◆ The Single Audit Section - The District is required to undergo an annual audit in conformity with the provisions of Title 2 CFR 200-Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), "Audits of States, Local Governments, and Non-Profit Organizations" and the State Treasury Circular Letter 15-08 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid." Information related to this single audit, including the independent auditors' report on the internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, if any, is included in the single audit section of this report.

REPORTING ENTITY AND ITS SERVICES

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

The District continues to maintain a high quality of education. The District provides a full-range of programs and services appropriate to grades pre-K disabled through 6. These include regular education, programs for the very able students (gifted and talented), as well a special education for handicapped children in- and out-of-district. Three elementary schools comprise the district's facilities.

Supervising district-wide goals is a superintendent, a school business administrator/board secretary, a curriculum supervisor, and a supervisor of special services. Technology services are contracted through the Delsea Board of Education as a shared service. Each of the three elementary schools has a principal.

The Board of Education, comprised of nine members, each elected to three-year terms, meets on the third Monday of each month for its regular board meeting (with some exceptions) and on the 2nd Wednesday for committee-as-a-whole work-session meetings (with some exceptions). During its committee-as-a-whole work-session and board meetings, the board determines district goals and priorities and conducts the business of the Board of Education. Board meetings are open to the public and begin at 7:00 p.m.

PTAs are highly active in the District and provide community support for a variety of programs and activities for the children. To maintain effective communications, each school produces newsletters and the district maintains a website. Each of the schools follows district-wide goals and educational approaches in the teaching of children, while maintaining a unique personality that makes up that particular school. All curricula in our District have been aligned to the New Jersey Student Learning Standards.

In July 2018, the New Jersey Department of Education released its Taxpayer's Guide to Education Spending for all school districts in the state. The guide compares districts with those who are similar in enrollment/configurations. The information on expenditures was taken from certified budgets on file with the State Department of Education. This report shows that the district spends \$17,619 per pupil while the average costs for similar districts are \$19,607. According to the report, per pupil costs range from a low of \$15,652 to a high of \$32,305 across the state. Of the 56 other K-6 school districts in the state, the Township of Franklin School District ranked ninth lowest in total budgeted cost per pupil.

Elementary Schools

Currently there are four elementary schools (Mary F. Janvier, Lake School, Main Road, and Caroline L. Reutter) that offer students in grades Pre-Kindergarten through 6 a comprehensive educational program.

Mary F. Janvier School – a Pre-Kindergarten to Grade 2 school of 605 students. There is one principal and a staff of 61 teachers and classroom teacher aides/one to one assistants. The school is located on 1532 Pennsylvania Avenue.

Lake School – up through June 2010, this location housed the preschool disabled and inclusion program. From 2010-11 through 2013-14 school year, this program was housed at Main Road School. Effective 2014-15, this program is housed at the Mary F. Janvier School. There are no students at this school.

Main Road School - grades 3-4 school of 418 students. There is one principal and a staff of 43 teachers and classroom teacher aides/one to one assistants. The school is located on 1452 Main Road.

Caroline L. Reutter School - a grades 5-6 school of 434 students. There is one principal and a staff of 49 teachers and classroom teacher aides/one to one assistants. The school is located on 2150 Delsea Drive.

Special Education

The Special Education program is an integral part of each school. In the 2017-18 school year, there were approximately 235 students classified as eligible to receive special education and related services, including 14 students who were placed in out of district settings. The district offers a number of special education programs including in-class resource or co-teaching, pull-out resource as well as self-contained classrooms. The district also offers related services including counseling, speech therapy, occupational therapy and physical therapy.

New Jersey Student Learning Standards

Our district curriculum has been aligned with the revised New Jersey Student Learning Standards, according to state-defined timelines.

Staff Development

The Township of Franklin School District provides its teaching staff with many opportunities for professional development. In the beginning of the school year, all newly hired teachers are afforded the opportunity to participate in the Beginning Teacher Induction Program sponsored by Rowan University. The program encompasses training in instructional strategies, classroom management, curriculum, mentoring, and parent conferencing. Mentors are assigned to new staff members to provide support throughout the school year.

Professional in-service days are built into the school calendar to enable teachers to attend sessions related to instructional strategies, curricular updates, text orientation, and district-wide grade level meetings. Teachers are also afforded the opportunity to participate in various in-district workshops related to their PDPs and/or areas of interest.

Technology

District-wide technology is used to increase productivity, to enhance communication, and to enrich curriculum and instruction. Every classroom, computer lab and office in all three schools and the administration building are linked together in local and wide-area networks. All administrators and teachers, and some of the support staff have access to computers, printers, email accounts and the Internet within their work areas. All students in grades 3 through 6 are assigned a district issued Chromebook.

Pupil Enrollment

The district completed the 2017-18 fiscal year with an average daily enrollment of 1,405.7 students. Enrollment has fluctuated over the past five years; however, the District had a decrease in enrollment this past year. The following details the changes in the student enrollment of the district over the last five years. The table presents the actual historical pupil enrollment as of October 15, for the school years 2013-14 through 2017-18.

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2017-18	1405.7	-2.88%
2016-17	1447.4	2.05%
2015-16	1418.3	1.37%
2014-15	1399.2	1.03%
2013-14	1384.9	-1.51%

ECONOMIC CONDITION AND OUTLOOK

Overall enrollments have remained steady from 2014-15 to 2016-17. The district continues to work within the 2% local revenue cap to minimize the tax impact, however has banked cap of \$131,023 available for use in the 2019-2020 budget. It continues to incorporate efficiencies throughout the budget to fund initiatives to enhance educational programs.

MAJOR INITIATIVES-VISION 2019 STRATEGIC PLAN

The Township of Franklin Board of Education adopted a five-year strategic plan in June 2014. The Vision 2019 Strategic Plan remains the focal point of administrative and board discussions on planning for the future of our district. The superintendent periodically reports to the Board of Education on the district's progress toward the six (6) goals defined in the strategic plan. The reports outline progress on the thirty-six (36) current strategic activities individually tied to specific goals. This was the fourth year of the five-year strategic plan. The Board of Education plans to update the strategic plan this coming year.

In efforts to inform the community of progress toward our strategic plan goals, updated reports are electronically sent to all of the Vision 2019 participants, posted on the district's website and distributed via social media.

In March 2018, the superintendent and school business administrator presented an executive budget summary to the board members in preparation for adoption of the 2018-2019 budget. The summary tied spending and new staffing and/or initiatives to specific goals within the strategic plan. All of the goals, objectives, and proposed activities can be found on the district's website at www.franklintwpschools.org

PROFESSIONAL DEVELOPMENT ACTIVITIES

District personnel participated in a variety of professional development activities in accordance with the Township of Franklin's Professional Development Plan that incorporates district and school goals. Activities were also relevant to individual professional development plans, student achievement needs, curriculum development and content standards:

- Tuition reimbursement was provided to teachers for graduate course work.
- Grade level meetings were conducted district wide to implement district initiatives and to improve programs.
- Vertical articulation meetings within our district and with our constituent districts were held to discuss curriculum and standards.
- Teachers provided turnkey training and developed their own workshops in areas of expertise.
- All employees received school security and Harassment, Intimidation and Bullying training as well as other state mandated trainings.
- New teachers were provided with an in-district New Teacher Orientation that focused on district technology systems and effective instructional techniques.
- Specific teacher development included, but was not limited to:
 - Co-Teaching
 - RTI – Response To Intervention
 - DIBELS and DRA2 reading assessments and instruction
 - Differentiated instruction
 - Integration of technology into instruction
 - Using data to make decisions
 - Small group instruction

Achievements

All grade levels have implemented common formative assessments in the areas of mathematics and language arts to further assist in guiding instruction for individual students. Franklin Township School District has fully integrated a Standards Based Grading initiative.

Community Support

Resources and Links to Social Service Agencies:

Division of Youth and Family Services	Veterans of Foreign Wars - Loyalty Day
United Way of Gloucester County	Twp. of Franklin Police Dept. - DARE Program
N.J. State Police - Safety Patrol Program	Camden County Mental Health Assn.
U.S. Marine Corps - Toys for Tots	Gloucester County Sheriff - Fingerprinting Project
Together - Coats for Kids Program	N.J. Head Injury Assn. - Bicycle Safety
N.J. Dental Health Dept. - Fluoride Program	American Lung Association
Kessler Memorial Hospital Outreach Program	Epilepsy Foundation of America
American Heart Association	American Diabetes Association
American Red Cross	Lyme Disease Foundation
American Cancer Society	Library for the Blind and Handicapped
Gloucester County Dept. of Youth Services - Project Aware	Food Bank of South Jersey
	Commission for the Blind and Visually Impaired
	Child Assault Prevention
	Special Children's Health Services

Community Involvement

The district involved the community in the following ways during the 2016-17 school year:

- Malaga, Star Cross, Franklinville, Janvier, Forest Grove Fire Departments - Prevention Program
- Toys for Tots Collection Program - U.S. Marine Corps
- Holiday Music Programs
- Canned Goods Drive
- Recycling Projects
- Sentinel Newspaper - Publishing of School Events
- Gloucester County Times Newspaper - Publishing of School Events
- Safe Kids Program
- Township of Franklin Police Department - Assembly, School Violence Awareness
- Assembly Honoring Veterans - VFW Ladies Auxiliary
- Franklin Township Community Day
- Vision 2019 - Strategic Plan Process
- Community Survey
- Association of Art Educators of N.J. (AAENJ)
- Youth Art Show Participation
- Township of Franklin Annual Tree Lighting Ceremony

Parental Involvement

Library Parent Volunteer Program	Parent-Teacher Association
Fluoride Parent Volunteer Program	Child Assault Prevention Program
School Nurse Parent Volunteer Program	Family Fun Night
Parent Visitation Day	Budget Committee
Teacher-Parent Conferences	Participation As Members of the School
Back to School Night	Planning Teams
4 th Friday of the month	Curbing Hunger Program
Preschool Community Activity	Kindergarten Orientation Program
Project THINK	Reading Workshops
Musical Presentations	Bullies/Victims Program
Classroom Star of the Week Program	Grandparents' Day Program
Parent Education Workshops	Grade 3 Orientation
Vision 2019 - Strategic Plan Process	Student Fingerprinting
NJASK Family Night	School Safety Team
Grade 5 Orientation	Parents for Positive Change
Book Fairs	Field Trip Chaperones
Grade 4 Student-Parent Dance	Holiday Shop
Student Birthdays	Classroom Parties

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 are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). Internal control 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 is also responsible for ensuring that an adequate internal control is in place to ensure compliance with applicable laws, regulations, contracts and grants related to those programs. This internal control system is also subject to periodic evaluation by the District management. As part of the District's single audit described earlier, tests are made to determine the adequacy of the internal control system, including that portion related to federal and state financial assistance programs, as well as to determine that the District has complied with applicable laws and regulations.

BUDGETARY CONTROL

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

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

CASH MANAGEMENT

The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements," Note 3. The District has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provision of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was

enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

RISK MANAGEMENT

The Board carries various forms of insurance, including but not limited to general liability, automobile liability, and comprehensive/collision, hazard and theft insurance on property and contents, fidelity bonds and worker's compensation. A schedule of insurance coverage is found in J-20.

OTHER INFORMATION

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Holman Frenia Allison, P.C. was appointed by the Board. In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of the Title 2 CFR 200-Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and State of New Jersey Treasury Circular 15-08 OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. The auditor's report on the basic financial statements and combining and individual fund statements and schedules are included in the financial section of this report. The auditor's report related specifically to the single audit are included in the single audit section of this report.

ACKNOWLEDGMENTS

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

Respectfully submitted,



Troy Walton
Superintendent

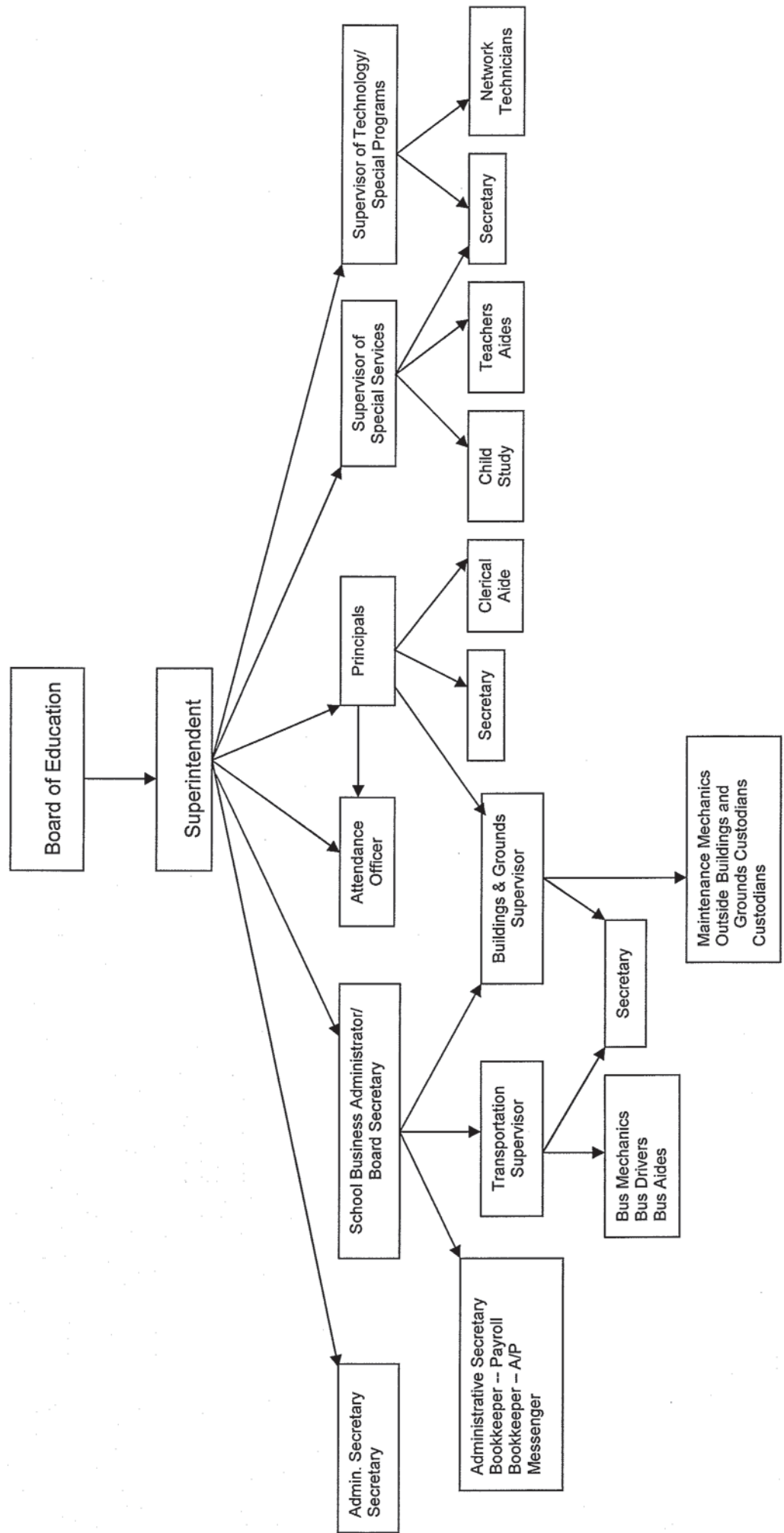


Trish Birmingham
School Business Administrator/Board Secretary

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TOWNSHIP OF FRANKLIN BOARD OF EDUCATION

Organizational Chart – Unit Control



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TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
3228 Coles Mill Road
Franklinville, New Jersey 08322

ROSTER OF OFFICIALS

June 30, 2018

MEMBERS OF THE BOARD OF EDUCATION	TERM EXPIRES
Stephanie Starr, President	2020
Dawn Gelsi-Collins, Vice President	2018
Coleen Barrielli Lahr	2019
Jason Brandy	2019
Lisa Heenan	2018
Barbara Ciancaglini	2018
Michele Cunningham	2018
Nicholas DeSilvio	2019
Diane T. Trace	2020

OTHER OFFICIALS

Mr. Troy Walton, Superintendent

Mr. Frank Domin, Interim School Business Administrator

B. Michael Borelli, Esq., Board Solicitor

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**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
FRANKLINVILLE, NEW JERSEY**

CONSULTANTS AND ADVISORS

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Holman Frenia Allison, P.C.
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ATTORNEY

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ARCHITECT

Garrison Architects
713 Creek Road
Bellmawr, New Jersey 08031

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
Township of Franklin School District
County of Gloucester
Franklinville, 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 Township of Franklin School District, County of Gloucester, State of New Jersey, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Governmental 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 Township of Franklin School District, County of Gloucester, State of New Jersey, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 1 to the financial statements, during the fiscal year ended June 30, 2018 the District adopted Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions – an amendment of GASB Statement No. 45, 57 & 74. Our opinion is 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, budgetary comparison information, and the schedules related to accounting and reporting for pensions and other post-employment benefits, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Franklin School District's basic financial statements. The introductory section, combining statements and related major fund supporting statements and schedules, and statistical section are presented for purposes of additional analysis, as required by the Division of Administration and Finance, Department of Education, State of New Jersey, and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey OMB's

Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying combining statements and related major fund supporting statements and schedules, and the schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relates 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 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 accompanying combining statements and related major fund supporting statements and schedules and schedules of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2019 on our consideration of the School 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 School District's internal control over financial reporting and compliance.

Respectfully Submitted,

HOLMAN FRENIA ALLISON, P.C.

Michael Holt
Certified Public Accountant
Public School Accountant, No. 1148

Medford, New Jersey
February 21, 2019

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REQUIRED SUPPLEMENTARY INFORMATION - PART I

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TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)

As management of the Township of Franklin School District, New Jersey (School District), we offer readers of the School District's financial statements this narrative overview and analysis of the School District for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. Comparison to the prior year's activity is provided in this document. The basic financial statements are comprised of three components:

- 1) Government-Wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide the reader with a broad overview of the financial activities in a manner similar to a private-sector business. The government-wide financial statements include the statement of net position and the statement of net activities.

The *statement of net position* presents information about all of the School District's assets and liabilities. The difference between the assets plus deferred outflows or resources and liabilities plus deferred inflows of resources is reported as net position. Over time, changes in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The *statement of activities* presents information showing how the net position of the School District changed during the current fiscal year. Changes in net position are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in this statement even though the resulting cash flows may be recorded in a future period.

Both of the government-wide financial statements distinguish functions of the School District that are supported from taxes and intergovernmental revenues (*governmental activities*) and other functions that are intended to recover most of their costs from user fees and charges (*business-type activities*). Governmental activities consolidate governmental funds including the General Fund, Special Revenue Fund, Capital Projects Fund, Debt Service Fund and Internal Service Fund. Business-type activities reflect the Food Service Fund.

Fund Financial Statements

Fund financial statements are designed to demonstrate compliance with financial-related requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific objectives. All of the funds of the School District are divided into three categories: *governmental funds*, *proprietary funds* and *fiduciary funds*.

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited) (Continued)

Overview of the Basic Financial Statements (continued)

Fund Financial Statements (continued)

Governmental funds account for essentially the same information reported in the governmental activities of the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term financial resources and fund balances. Such information may be useful in evaluating the financial requirements in the near term.

Since the governmental funds and the governmental activities report information using the same functions, it is useful to compare the information presented. Because the focus of each report differs, a reconciliation is provided on the fund financial statements to assist the reader in comparing the near-term requirements with the long-term needs.

The School District maintains four individual governmental funds. The major funds are the General Fund, the Special Revenue Fund, the Capital Projects Fund, and the Debt Service Fund. They are presented separately in the fund financial statements.

The School District adopts an annual appropriated budget for the General Fund, Special Revenue Fund and the Debt Service Fund. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with budgetary requirements.

Proprietary funds are used to present the same functions as the business-type activities presented in the government-wide financial statements. The School District maintains two types of proprietary funds – the Enterprise Fund and the Internal Service Fund. The fund financial statements of the enterprise and internal funds provide the same information as the government-wide financial statements, only in more detail.

The School District's one enterprise fund (Food Service Fund) and internal service fund are listed individually and are considered to be major funds.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's programs.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited) (Continued)

Financial Analysis of the School District as a Whole

Table 1 provides a summary of the School Districts net position for the fiscal years 2018 compared to fiscal year 2017.

Table 1
Summary of Net Position

	June 30, <u>2018</u>	June 30, <u>2017</u>	Increase/ <u>(Decrease)</u>	Percentage <u>Change</u>
Current & Other Assets	\$ 5,100,505	\$ 5,006,261	\$ 94,244	1.9%
Capital Assets, Net	<u>13,706,527</u>	<u>13,898,577</u>	<u>(192,050)</u>	-1.4%
Total Assets	<u>18,807,032</u>	<u>18,904,838</u>	<u>(97,806)</u>	-0.5%
Deferred Outflow of Resources	<u>2,617,720</u>	<u>3,580,467</u>	<u>(962,747)</u>	-26.9%
Current and other Liabilities	441,272	214,285	226,987	105.9%
Noncurrent Liabilities	<u>9,698,678</u>	<u>12,258,613</u>	<u>(2,559,935)</u>	-20.9%
Total Liabilities	<u>10,139,950</u>	<u>12,472,898</u>	<u>(2,332,948)</u>	-18.7%
Deferred Inflow of Resources	<u>1,616,076</u>	-	<u>1,616,076</u>	100.0%
Net Position:				
Net Investment in Capital Assets	11,638,680	13,898,577	(2,259,897)	-16.3%
Restricted	5,249,395	3,202,593	2,046,802	63.9%
Unrestricted (Deficit)	<u>(7,219,349)</u>	<u>(7,088,763)</u>	<u>(130,586)</u>	1.8%
Total Net Position	<u>\$ 9,668,726</u>	<u>\$ 10,012,407</u>	<u>\$ (343,681)</u>	-3.4%

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited) (Continued)

Table 2 shows the changes in net position for fiscal year 2018 compared to fiscal year 2017.

Table 2
Summary of Changes in Net Position

	June 30, <u>2018</u>	June 30, <u>2017</u>	Increase/ <u>(Decrease)</u>	Percentage <u>Change</u>
Revenues:				
Program Revenues:				
Charges for Services	\$ 254,464	\$ 259,647	\$ (5,183)	-2.0%
Operating Grants & Contributions	8,824,891	2,475,591	6,349,300	256.5%
General Revenues:				
Property Taxes	10,774,405	10,747,203	27,202	0.3%
Federal & State Aid	9,000,574	13,719,661	(4,719,087)	-34.4%
Other General Revenues	1,400,219	1,686,729	(286,510)	-17.0%
Total Revenues	<u>30,254,553</u>	<u>28,888,831</u>	<u>1,365,722</u>	<u>4.7%</u>
Function/Program Expenditures:				
Regular Instruction	5,127,719	6,175,631	(1,047,912)	-17.0%
Special Education Instruction	2,457,575	1,802,721	654,854	36.3%
Other Instruction	711,574	556,828	154,746	27.8%
Tuition	472,191	818,315	(346,124)	-42.3%
Student & Instruction Related Services	2,026,851	2,130,337	(103,486)	-4.9%
General Administrative Services	661,700	456,145	205,555	45.1%
School Administrative Services	534,324	458,297	76,027	16.6%
Central Services	383,550	311,582	71,968	23.1%
Administration Information Technology	110,700	110,400	300	0.3%
Plant Operations & Maintenance	2,006,657	2,527,001	(520,344)	-20.6%
Pupil Transportation	1,982,516	1,881,306	101,210	5.4%
Unallocated Benefits	12,562,475	11,373,075	1,189,400	10.5%
Interest & Other Charges	58,883	62,438	(3,555)	-5.7%
Unallocated Depreciation	589,348	513,610	75,738	-100.0%
Food Service	618,895	672,644	(53,749)	-8.0%
Total Expenditures	<u>30,304,958</u>	<u>29,850,330</u>	<u>454,628</u>	<u>1.5%</u>
Change In Net Position	(50,405)	(961,499)	911,094	-94.8%
Net Position - Beginning as previously stated	10,012,407	10,973,906	(961,499)	-8.8%
Prior Period Adjustment	(293,276)	-	(293,276)	100.0%
Net Position - Beginning as restated	9,719,131	10,973,906	(1,254,775)	-11.4%
Net Position - Ending	<u>\$ 9,668,726</u>	<u>\$ 10,012,407</u>	<u>\$ (343,681)</u>	<u>-3.4%</u>

Governmental Activities

During the fiscal year 2018, the net position of governmental activities decreased by (\$35,293) or 0.4%. The primary reason for the decrease was related to normal operations of the District.

The assets and deferred outflows of the primary government activities exceeded liabilities and deferred inflows by \$9,564,769, with an unrestricted deficit balance of (\$7,262,246). The deficit in unrestricted net position is primarily due to accounting treatment for compensated absences payable, GASB 68 net pension liability, and the last two state aid payments. In addition, state statutes prohibit school districts from maintaining more than 2% of its adopted budget as unassigned fund balance.

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited) (Continued)

The School District's governmental activities unrestricted net position had GASB 68 pension not been implemented would have been as follows:

Table 3
GASB 68 Effect on Unrestricted Net Position

Unrestricted Net Position (With GASB 68)	\$	(7,262,246)
Add back: PERS Pension Liability		7,483,443
Less: Deferred Outflows related to pensions		(2,617,720)
Add back: Deferred Inflows related to pensions		<u>1,616,076</u>
Unrestricted Net Position (Without GASB 68)	<u>\$</u>	<u>(780,447)</u>

Business-type Activities

During the fiscal year 2018, the net position of business-type activities decreased by \$15,112 or 12.7%.

The assets and deferred outflows of the business-type activities exceeded liabilities and deferred inflows by \$103,957.

General Fund Budgeting Highlights

Final budgeted revenues were \$21,019,411, which was an increase to the original budget of \$71,691 for additional state aid awarded to the School District. Excluding nonbudgeted revenues, the School District's actual revenues exceeded budgeted revenues by \$373,582.

Final budgeted appropriations were \$23,757,909, which was an increase of \$158,306 from the original budget. The increase is primarily due to prior year reserve for encumbrances, which increase the budget appropriations in the subsequent fiscal year's budget. Excluding nonbudgeted expenditures, the School District's budget appropriations exceeded actual expenditures by \$1,715,695.

The School District's general fund balance – budgetary basis (Exhibit C-1) was \$3,556,911 at June 30, 2018, a decrease of \$906,911 from the prior year.

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited) (Continued)

Governmental Funds

At the end of the current fiscal year, the School District's governmental funds reported a combined ending fund balance of \$4,964,986, an increase of \$217,730 from the prior year.

General fund - During the current fiscal year, the fund balance of the School District's general fund decreased by \$921,195 or 25.5% to \$2,684,640 at June 30, 2018, compared to a decrease of \$736,643 in fund balance in the prior fiscal year. The primary factor(s) affecting the change in fund balance of the general fund is as follows:

- The cancellation of prior year accounts receivable determined to be uncollectible
- A transfer of local funds totaling \$1,505,430 to the capital projects fund for the funding of newly approved capital projects in the District

Special revenue fund – There was no change in the fund balance for the special revenue fund.

Capital projects fund - During the current fiscal year, the fund balance of the School District's capital projects fund increased by \$1,138,925 or 99.8% to \$2,280,346 at June 30, 2018, compared to no change in fund balance in the prior fiscal year. The primary factor affecting the change in fund balance of the capital projects fund is as follows:

- The transfer of local funds for newly approved capital projects in the District

Debt service fund – There was no change in fund balance for the debt service fund.

Proprietary Funds

Food service fund - During the current fiscal year, the net position of the School District's food service fund increased by \$15,112 or 12.7% to \$103,957 at June 30, 2018, compared to a decrease of \$23,576 in fund balance in the prior fiscal year. The primary factor affecting the change in net position of the food service fund is a slight increase in number of meals served during the year.

Internal Service Fund – There was no change in fund balance for the internal service fund.

Capital Assets

The School District's capital assets for its governmental and business-type activities as of June 30, 2018, totaled \$13,706,527 (net of accumulated depreciation). Capital assets includes land, land improvements, buildings and improvements and equipment. The School Districts "Net Investment in Capital Assets" component of net position represents capital assets, net of accumulated depreciation less any outstanding debt associated with the capital assets. There was a net decrease in the School District's investment in capital assets for the current fiscal year in the amount of \$452,897. This decrease is primarily due to current year additions to capital assets and pay down of debt being less than current year depreciation. Table 4 shows fiscal 2018 balances compared to 2017.

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited) (Continued)

Capital Assets (continued):

Table 4
Summary of Capital Assets

<u>Capital Asset (Net of Depreciation):</u>	June 30, 2018	June 30, 2017	Increase/ (Decrease)	Percentage Change
Land	\$ 200,445	\$ 200,445	\$ -	0.0%
Construction in Progress	264,033	-	264,033	100.0%
Site Improvements	60,989	75,216	(14,227)	-18.9%
Building and Improvements	11,627,816	12,141,616	(513,800)	-4.2%
Equipment	1,553,244	1,481,300	71,944	4.9%
	<u>\$ 13,706,527</u>	<u>\$ 13,898,577</u>	<u>\$ (192,050)</u>	-1.4%

Depreciation expense for the year was \$870,196. Additional information on the School District's capital assets can be found in the notes to the basic financial statements (Note 5) of this report.

Debt Administration

Long-term debt – At the end of the current fiscal year, the School District had total bonded debt outstanding of \$1,667,000, which is a decrease of \$140,000 from the prior year.

Additional information on the School District's long-term obligations can be found in the notes to the basic financial statements (Note 7) of this report.

Factors on the School District's Future

The Township of Franklin School District is presently in good financial condition. However, future finances are not without challenges as state and federal funding may be unstable. The District is also dealing with implementing a 2% cap on tax revenues to support appropriations. New teacher evaluation initiatives will create the need to budget for additional professional development for teaching staff members and administrators as we meet the demands of this mandate.

The Township of Franklin is primarily a residential/rural community, with very few significant ratables; thus the burden is focused on homeowners to foot the tax bill.

The fiscal outlook in the near term is a concern for most school districts and municipalities, including this one. Top-down changes in funding will require flexibility and very careful planning at the local level. The Township of Franklin School District will continue to employ prudent and responsible fiscal practices to maintain its sound financial condition.

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited) (Continued)

Contacting the School Districts Financial Management

This financial report is designed to provide a general overview of the School District's finances for all those with an interest in the School District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the School Business Administrator, 3228 Coles Mill Road, Franklinville, New Jersey 08322-3029.

BASIC FINANCIAL STATEMENTS

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A. District-Wide Financial Statements

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

ASSETS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Cash & Cash Equivalents	\$ 1,827,721	\$ 18,383	\$ 1,846,104
Receivables, Net	1,305,584	22,426	1,328,010
Inventory	-	22,290	22,290
Restricted Cash & Cash Equivalents	1,904,101	-	1,904,101
Capital Assets, Net (Note 5)			
Non-Depreciable	200,446	-	200,446
Depreciable	13,445,021	61,060	13,506,081
	<hr/>		
Total Assets	18,682,873	124,159	18,807,032
DEFERED OUTFLOW OF RESOURCES			
Related to Pensions (Note 8)	2,617,720	-	2,617,720
	<hr/>		
Total Deferred Outflow of Resources	2,617,720	-	2,617,720
	<hr/>		
Total Assets and Deferred Outflow of Resources	21,300,593	124,159	21,424,752
LIABILITIES			
Accounts Payable	53,451	-	53,451
Accrued Interest Payable	2,023	-	2,023
Due to Other Governments	346,627	-	346,627
Unearned Revenue	18,969	20,202	39,171
Noncurrent Liabilities (Note 7):			
Due Within One Year	339,725	-	339,725
Due Beyond One Year	9,358,953	-	9,358,953
	<hr/>		
Total Liabilities	10,119,748	20,202	10,139,950
DEFERED INFLOW OF RESOURCES			
Deferred Inflows Related to Pensions (Note 8)	1,616,076	-	1,616,076
	<hr/>		
Total Deferred Inflow of Resources	1,616,076	-	1,616,076
	<hr/>		
Total Liabilities and Deferred Inflow of Resources	11,735,824	20,202	11,756,026
NET POSITION			
Net Investment in Capital Assets	11,577,620	61,060	11,638,680
Restricted For:			
Capital Projects	3,566,647	-	3,566,647
Excess Surplus	1,064,948	-	1,064,948
Maintenance Reserve	617,800	-	617,800
Unrestricted	(7,262,246)	42,897	(7,219,349)
	<hr/>		
Total Net Position	\$ 9,564,769	\$ 103,957	\$ 9,668,726
	<hr/>		

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

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2018**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			TOTAL
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES		
Governmental Activities:							
Instruction:							
Regular	\$ 5,127,719	\$ -	\$ -	\$ (5,127,719)	\$ -	\$ -	\$ (5,127,719)
Special Education	2,457,575	-	597,367	(1,860,208)	-	-	(1,860,208)
Other Instruction	711,574	-	-	(711,574)	-	-	(711,574)
Support Services:							
Tuition	472,191	-	-	(472,191)	-	-	(472,191)
Student & Instruction Related Services	1,660,088	-	55,532	(1,604,556)	-	-	(1,604,556)
Health Services	254,064	-	-	(254,064)	-	-	(254,064)
Educational Media Services/School Library	112,699	-	-	(112,699)	-	-	(112,699)
School Administrative Services	534,324	-	-	(534,324)	-	-	(534,324)
General Administration	661,700	-	-	(661,700)	-	-	(661,700)
Central Services	383,550	-	-	(383,550)	-	-	(383,550)
Administrative Information Technology	110,700	-	-	(110,700)	-	-	(110,700)
Plant Operations & Maintenance	2,006,657	-	-	(2,006,657)	-	-	(2,006,657)
Pupil Transportation	1,982,516	-	-	(1,982,516)	-	-	(1,982,516)
Unallocated Benefits	12,562,475	-	7,822,673	(4,739,802)	-	-	(4,739,802)
Interest and Charges on Long-Term Debt	58,883	-	-	(58,883)	-	-	(58,883)
Unallocated Depreciation	589,348	-	-	(589,348)	-	-	(589,348)
Total Governmental Activities	29,686,063	-	8,475,572	(21,210,491)	-	-	(21,210,491)

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2018**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		TOTAL
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	
Business-Type Activities:					
Food Service	618,895	254,464	349,319	-	(15,112)
Total Business-Type Activities	618,895	254,464	349,319	-	(15,112)
Total Primary Government	\$ 30,304,958	\$ 254,464	\$ 8,824,891	(21,210,491)	(21,225,603)
General Revenues:					
Taxes:					
Property Taxes, Levied for General Purposes				10,774,405	10,774,405
Federal & State Aid Not Restricted				9,000,574	9,000,574
Tuition Charges				1,368,146	1,368,146
Investment Earnings				45	45
Miscellaneous Income				66,737	66,737
Capital Asset Adjustment				(34,709)	(34,709)
Total General Revenues, Special Items, Extraordinary Items & Transfers				21,175,198	21,175,198
Change In Net Position				(35,293)	(50,405)
Net Position - Beginning				9,893,338	10,012,407
Prior Period Adjustment				(293,276)	(293,276)
Net Position - Beginning, as restated				9,600,062	9,719,131
Net Position - Ending				\$ 9,564,769	\$ 9,668,726

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

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B. Fund Financial Statements

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Governmental Funds

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**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018**

ASSETS	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
Cash & Cash Equivalents	\$ 9,656	\$ -	\$ 2,280,346	\$ -	\$ 2,290,002
Receivables from Other Governments	640,696	646,666	-	-	1,287,362
Other Accounts Receivable	18,222	-	-	-	18,222
Interfund Accounts Receivable	165,416	-	-	-	165,416
Restricted Cash & Cash Equivalents	1,904,101	-	-	-	1,904,101
	<hr/>				
Total Assets	\$ 2,738,091	\$ 646,666	\$ 2,280,346	\$ -	\$ 5,665,103
	<hr/>				
LIABILITIES & FUND BALANCES					
Liabilities:					
Cash Overdraft	\$ -	\$ 471,601	\$ -	\$ -	\$ 471,601
Accounts Payable	53,451	-	-	-	53,451
Interfund Accounts Payable	-	165,416	-	-	165,416
Unearned Revenue	-	9,649	-	-	9,649
	<hr/>				
Total Liabilities	53,451	646,666	-	-	700,117
	<hr/>				
Fund Balances:					
Restricted for:					
Maintenance Reserve	617,800	-	-	-	617,800
Capital Reserve Account	1,286,301	-	-	-	1,286,301
Excess Surplus	1,064,948	-	-	-	1,064,948
Capital Projects Fund	-	-	2,280,346	-	2,280,346
Assigned to:					
Other Purposes	22,521	-	-	-	22,521
Designated for Subsequent Year Expenditu	23,619	-	-	-	23,619
Unassigned:					
General Fund	(330,549)	-	-	-	(330,549)
	<hr/>				
Total Fund Balances	2,684,640	-	2,280,346	-	4,964,986
	<hr/>				
Total Liabilities & Fund Balances	\$ 2,738,091	\$ 646,666	\$ 2,280,346	\$ -	
	<hr/>				

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. The cost of the assets is \$25,205,611 and the accumulated depreciation is \$11,560,144.

\$ 13,645,467

Accrued interest on long-term debt is not due and payable in the current period and therefore is not reported as a liability in the funds.

(2,023)

Deferred outflows and inflows of resources related to pensions and deferred charges or credits on debt refunding are applicable to future reporting periods and therefore are not reported in the funds.

Deferred Outflows related to pensions

2,617,720

Deferred Inflows related to pensions

(1,616,076)

Accrued pension contributions for the June 30, 2018 plan year are not paid with current economic resources and are therefore not reported as a liability in the funds, but are included in accounts payable in the government-wide statement of net position.

(346,627)

Long-term liabilities, including net pension liability and bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.

(9,698,678)

Net position of Governmental Activities

\$ 9,564,769

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

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR 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	\$ 10,774,405	\$ -	\$ -	\$ -	\$ 10,774,405
Tuition	1,368,146	-	-	-	1,368,146
Transportation	124,077	-	-	-	124,077
Interest Earned on Capital Reserve Funds	45	-	-	-	45
Miscellaneous	108,002	3,460	88,888	-	200,350
Total Local Sources	12,374,675	3,460	88,888	-	12,467,023
State Sources	11,578,617	-	-	-	11,578,617
Federal Sources	20,227	649,439	-	-	669,666
Total Revenues	23,973,519	652,899	88,888	-	24,715,306
Expenditures:					
Current Expense:					
Regular Instruction	5,279,673	-	-	-	5,279,673
Special Education Instruction	1,860,208	597,367	-	-	2,457,575
Other Instruction	711,574	-	-	-	711,574
Support Services:					
Tuition	472,191	-	-	-	472,191
Student & Instruction Related Services	1,596,206	55,532	-	-	1,651,738
Health Services	254,064	-	-	-	254,064
Educational Media Services/ School Library	112,699	-	-	-	112,699
Instructional Staff Training	50,861	-	-	-	50,861
General Administrative	602,618	-	-	-	602,618
School Administrative Services	472,876	-	-	-	472,876
Central Services	383,550	-	-	-	383,550
Administrative Information Technology	110,700	-	-	-	110,700
Plant Operations & Maintenance	1,979,544	-	-	-	1,979,544
Pupil Transportation	1,856,479	-	-	-	1,856,479
Employee Benefits	4,460,760	-	-	-	4,460,760
On Behalf TPAF Pension and Social Security Contributions	2,594,810	-	-	-	2,594,810
Debt Service:					
Principal	-	-	-	140,000	140,000
Interest & Other Charges	7,640	-	-	51,360	59,000
Capital Outlay	325,141	-	264,033	-	589,174
Total Expenditures	23,131,594	652,899	264,033	191,360	24,239,886
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	841,925	-	(175,145)	(191,360)	475,420
Other Financing Sources/(Uses):					
Transfers In	-	-	1,505,430	191,360	1,696,790
Transfers Out	(1,505,430)	-	(191,360)	-	(1,696,790)
Cancellation of Prior Year AR	(257,690)	-	-	-	(257,690)
Total Other Financing Sources & Uses	(1,763,120)	-	1,314,070	191,360	(257,690)
Net Change in Fund Balances	(921,195)	-	1,138,925	-	217,730
Fund Balances July 1,	3,605,835	-	1,141,421	-	4,747,256
Fund Balances June 30,	\$ 2,684,640	\$ -	\$ 2,280,346	\$ -	\$ 4,964,986

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

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

Total Net Change in Fund Balances - Governmental Funds (From B-2) \$ 217,730

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 capital outlays exceeded depreciation in the period.

Depreciation Expense	\$	(859,048)	
Capital Outlays Adjustments		(34,709)	
Assets Aquired Under Capital Lease		178,729	
Capital Outlays		534,127	(180,901)

Repayment of long-term debt principal and obligation of lease purchase agreements are 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. 385,532

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. The accrued interest is an addition in the reconciliation (+). 117

Governmental funds report School District pension contributions as expenditures. However in the statement of activities, the cost of pension benefits earned is reported as pension expense. This is the amount by which pension benefits earned exceeded the School District's pension contributions in the current period. (405,082)

In the statement of activities, certain operating expenses, e.g. supplie acquired through a capital lease, are expensed with the liability is incurred, whereas the expense is not recognized in the governmental fund until the financial resources are used (paid). (178,729)

In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+). 126,040

Change in Net Position of Governmental Activities \$ (35,293)

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

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Proprietary Funds

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**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 FOR FISCAL YEAR ENDED JUNE 30, 2018**

ASSETS	BUSINESS-TYPE ACTIVITIES		TOTAL
	ENTERPRISE FUNDS FOOD SERVICE FUND	GOVERNMENTAL ACTIVITIES- INTERNAL SERVICE FUND	
Current Assets:			
Cash & Cash Equivalents	\$ 18,383	\$ 9,320	\$ 27,703
Accounts Receivable:			
Federal	18,980	-	18,980
State	351	-	351
Other	3,095	-	3,095
Inventories	22,290	-	22,290
Total Current Assets	63,099	9,320	72,419
Fixed Assets:			
Equipment	277,060	-	277,060
Accumulated Depreciation	(216,000)	-	(216,000)
Total Fixed Assets	61,060	-	61,060
Total Assets	124,159	9,320	133,479
LIABILITIES			
Current Liabilities:			
Unearned Revenue	20,202	9,320	29,522
Total Current Liabilities	20,202	9,320	29,522
Total Liabilities	20,202	9,320	29,522
NET POSITION			
Investment in Capital Assets	61,060	-	61,060
Unrestricted	42,897	-	42,897
Total Net Position	\$ 103,957	\$ -	\$ 103,957

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

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES
 IN FUND NET POSITION
 FOR FISCAL YEAR ENDED JUNE 30, 2018**

	BUSINESS-TYPE ACTIVITIES		TOTAL
	ENTERPRISE FUND FOOD SERVICE FUND	GOVERNMENTAL ACTIVITIES- INTERNAL SERVICE FUND	
Operating Revenue:			
Daily Sales - Reimbursable Programs	\$ 170,449	\$ -	\$ 170,449
Daily Sales - Nonreimbursable Programs	83,319	-	83,319
Special Functions	696	-	696
Total Operating Revenue	254,464	-	254,464
Operating Expenses:			
Salaries	242,640	-	242,640
Employee Benefits	66,378	-	66,378
Supplies and Materials	21,258	-	21,258
Other Purchased Services	40,623	-	40,623
Depreciation	11,149	-	11,149
Miscellaneous Other Expenses	17,481	-	17,481
Cost of Sales - Reimbursable Programs	171,105	-	171,105
Cost of Sales - Non-Reimbursable Programs	48,261	-	48,261
Total Operating Expenses	618,895	-	618,895
Operating (Loss)/Gain	(364,431)	-	(364,431)
Nonoperating Revenues/(Expenses):			
State Sources:			
State School Lunch Program	5,747	-	5,747
Federal Sources:			
National School Lunch Program	200,815	-	200,815
Food Distribution Program	42,951	-	42,951
Special Milk Program	515	-	515
National Breakfast Program	99,291	-	99,291
Total Nonoperating Revenues	349,319	-	349,319
Change in Net Position	(15,112)	-	(15,112)
Net Position - Beginning of Year	119,069	-	119,069
Total Net Position - End of Year	\$ 103,957	\$ -	\$ 103,957

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

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

	BUSINESS-TYPE ACTIVITIES		
	<u>ENTERPRISE FUND</u>	<u>GOVERNMENTAL</u>	
	FOOD SERVICE FUND	ACTIVITIES- INTERNAL SERVICE FUND	TOTAL
Cash Flows From Operating Activities:			
Receipts from Customers	\$ 254,669	\$ -	\$ 254,669
Payments to Employees	(242,640)	-	(242,640)
Payments for Employee Benefits	(66,378)	-	(66,378)
Payments to Suppliers	(300,708)	-	(300,708)
Net Cash Provided/(Used) by Operating Activities	(355,057)	-	(355,057)
Cash Flows From Noncapital Financing Activities:			
Cash Received From State & Federal Reimbursements	349,319	-	349,319
Net Cash Provided by Noncapital Financing Activities	349,319	-	349,319
Net Increase/(Decrease) in Cash & Cash Equivalents	(5,738)	-	(5,738)
Cash & Cash Equivalents, July 1	24,121	9,320	33,441
Cash & Cash Equivalents, June 30	\$ 18,383	\$ 9,320	\$ 27,703

RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES:

Cash Provided/(Used) by Operating Activities:			
Operating Income/(Loss)	\$ (364,431)	\$ -	\$ (364,431)
Adjustments to Reconcile Operating Income/(Loss) to Cash Provided/(Used) by Operating Activities:			
Depreciation Expense	11,149	-	11,149
Change in Assets & Liabilities:			
(Increase)/Decrease in Accounts Receivable	(2,352)	-	(2,352)
(Increase)/Decrease in Inventory	(1,980)	-	(1,980)
Increase/(Decrease) in Unearned Revenue	2,557	-	2,557
Total Adjustments	9,374	-	9,374
Net Cash Provided/(Used) by Operating Activities	\$ (355,057)	\$ -	\$ (355,057)

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

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Fiduciary Fund

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**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018**

ASSETS	UNEMPLOYMENT COMPENSATION TRUST	PAYROLL FUND	AGENCY STUDENT ACTIVITIES	TOTAL
Cash & Cash Equivalents	\$ 345,134	\$ 5,524	\$ 13,947	\$ 364,605
Total Assets	<u>345,134</u>	<u>5,524</u>	<u>13,947</u>	<u>364,605</u>
LIABILITIES				
Payroll Deductions & Withholdings	-	5,524	-	5,524
Accounts Payable	349	-	-	349
Due to Student Groups	-	-	13,947	13,947
Total Liabilities	<u>349</u>	<u>5,524</u>	<u>13,947</u>	<u>19,820</u>
NET POSITION				
Reserved:				
Unemployment Claims	344,785	-	-	344,785
Total Net Position	<u>\$ 344,785</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 344,785</u>

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

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR FISCAL YEAR ENDED JUNE 30, 2018**

	UNEMPLOYMENT COMPENSATION TRUST	TOTAL
ADDITIONS:		
Contributions:		
Plan Member	\$ 23,051	\$ 23,051
Total Contributions	<u>23,051</u>	<u>23,051</u>
Investment Earnings:		
Interest on Investments	<u>1,650</u>	<u>1,650</u>
Total Investment Earnings	<u>1,650</u>	<u>1,650</u>
Total Additions	<u>24,701</u>	<u>24,701</u>
DEDUCTIONS:		
Unemployment Claims	<u>7,870</u>	<u>7,870</u>
Total Deductions	<u>7,870</u>	<u>7,870</u>
Change in Net Position	16,831	16,831
Net Position - Beginning of Year	<u>327,954</u>	<u>327,954</u>
Net Position - End of Year	<u>\$ 344,785</u>	<u>\$ 344,785</u>

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

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

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**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

Note 1. Summary of Significant Accounting Policies

The financial statements of the Board of Education of Township of Franklin School District (the ‘District’) have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of more significant accounting policies.

Reporting Entity

The Township of Franklin School District (hereafter referred to as the “District”) is a Type II district located in the County of Gloucester, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The Board is comprised of nine members elected to three-year terms. These terms are staggered so that three members’ terms expire each year. The purpose of the District is to educate students in grades kindergarten through sixth, as well as having a preschool program for handicapped children, at its three schools. The District has an approximate enrollment at June 30, 2018 of 1,402 students.

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

- ◆ the organization is legally separate (can sue or be sued in their own name);
- ◆ the District holds the corporate powers of the organization;
- ◆ the District appoints a voting majority of the organization’s board
- ◆ the District is able to impose its will on the organization;
- ◆ the organization has the potential to impose a financial benefit/burden on the District
- ◆ there is a fiscal dependency by the organization on the District.

There were no additional entities required to be included in the reporting entity under the criteria as described above. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

Component Units

GASB Statement No.14. The Financial Reporting Entity, provides guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity but also for legally separate organizations that meet the criteria established by GASB Statement No. 14, as amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units and GASB Statement No. 61, The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34. The District had no component units as of for the year ended June 30, 2018.

Government-Wide Financial Statements

The District’s Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the District accompanied by a total column. Fiduciary activities of the District are not included in these statements.

These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the District’s assets, deferred outflows of resources, liabilities, and

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Note 1. Summary of Significant Accounting Policies (continued):

deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the District are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule (Exhibit B-3) is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-Wide financial statements. The District has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. (The District’s deferred outflows of resources and deferred inflows of resources are noncurrent.) The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the District, are property tax and intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund and for the non-major funds aggregated. A column representing internal service funds is also presented in these statements. However, internal service funds balances and activities have been combined with the governmental activities in the Government-Wide financial statements.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

Note 1. Summary of Significant Accounting Policies (continued):

in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Net Position. The District's fiduciary funds are Agency Funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency funds are accounted for on a spending or "economic resources" measurement focus and the accrual basis of accounting as are the proprietary funds explained above.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

While government-wide and fund financial statements are presented separately, they are interrelated. The governmental activities column of the government wide statements incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the District's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. However, data from the fiduciary funds is not incorporated in the government-wide financial statements

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

Property taxes, charges for services, licenses, and interest on notes receivable associated with the current fiscal period are all considered to be susceptible to accrual and accordingly have been recognized as

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Note 1. Summary of Significant Accounting Policies (continued):

revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available when cash is received.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Food Service Fund and the C.D.A. program are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, employee salaries and benefits, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Internal service funds are used to account for those operations which provide benefits to other funds, departments, or agencies of the primary government and its component unit. Although internal service funds are reported as a proprietary fund in the fund financial statements, it is incorporated into governmental activities in the government-wide financial statements. The District does not maintain any internal service funds.

The District reports the following major governmental funds:

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

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

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, interest earnings and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to capital assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by board resolution.

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Government, (other than major capital projects, Debt

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

Note 1. Summary of Significant Accounting Policies (continued):

Service or the Enterprise Funds) and local appropriations that are legally restricted to expenditures for specified purposes.

Capital Projects Fund - The capital projects fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

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

The District reports the following major proprietary funds:

Food Service Fund – This fund accounts for the revenues and expenses pertaining to the District’s cafeteria operations.

Additionally, the District reports the following major fiduciary funds:

Private Purpose Trust Funds - Private-purpose trust funds are used to account for the principal and income for trust arrangements that benefit individuals, private organizations, or other governments. The district currently maintains the following private purpose trust funds:

Unemployment Trust Fund – Revenues consist of employee payroll withholdings, interest income, and contributions through the annual budget process of the District. Expenditures consist of unemployment reimbursement claims.

Agency Funds - Agency funds are assets held by a governmental entity (either as trustee or as an agent) for other parties that cannot be used to finance the governmental entity’s own operating programs. The district currently maintains Payroll funds and Student Activity Funds as Agency Funds.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Note 1. Summary of Significant Accounting Policies (continued):

Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budgets are submitted to the county office. In accordance with P.L.2011 c.202, which became effective January 17, 2012, the District eliminated the April annual voter referendum on budgets which met the statutory tax levy cap limitations and the board of education members are elected at the November general election. 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. 6A:23-2-2(f)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year in accordance with N.J.A.C. 6A:23-2-11.

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

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

The budget, as detailed on Exhibit C-1, Exhibit C-2, and Exhibit I-3, includes all amendments to the adopted budget, if any.

Exhibit C-3 presents a reconciliation of the general fund revenues and special revenue fund revenues and expenditures from the budgetary basis of accounts as presented in the General Fund Budgetary Comparison Schedules and the Special Revenue Fund Budgetary Comparison Schedule to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds. Note that the District does not report encumbrances outstanding at fiscal year-end as expenditures in the general fund since the general fund budget follows modified accrual basis with the exception of the revenue recognition policy for the last state aid payments.

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 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 a reduction of the accounts receivables or as unearned revenue at fiscal year-end.

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Note 1. Summary of Significant Accounting Policies (continued):

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.

Cash and Cash Equivalents

Cash and Cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost.

New Jersey School Districts are limited as to the types of investments and types of financial institutions they may invest in. *N.J.S.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 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 public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

Tuition Payable/Receivable

Tuition rates for the fiscal year end June 30, 2018 were established by the receiving district based on estimated costs. The charges are subject to adjustment when the final costs have been determined.

Inventories

Inventories are valued at cost, using the first-in/first-out (FIFO) method. The costs of inventories are recorded as expenditures when consumed rather than when purchased.

Interfund Receivables/Payables

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. The amounts are eliminated in the governmental and business-type activities, which are presented as Internal Balances. Balances with fiduciary funds are not considered Internal Balances; therefore those balances are reported on the Statement of Net Position.

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

Note 1. Summary of Significant Accounting Policies (continued):

Capital Assets

Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair value at the date of donation. The District has established a threshold of \$2,000 for capitalization of depreciable assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the District are depreciated or amortized using the straight-line method over the following estimated lives:

Equipment & Vehicles	3 – 20 Years
Buildings	30 – 50 Years
Improvements	10 – 50 Years
Software	5 – 7 Years

Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the District and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the District and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

The entire compensated absences liability is reported on the government-wide financial statements and proprietary fund financial statements. Compensated absences liability is not recorded in the governmental funds. Instead expenditures are recognized in the governmental funds as payments come due each period, for example, as a result of resignations or retirements.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and is recorded as a liability until the revenue is both measureable and the District is eligible to realize the revenue.

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Note 1. Summary of Significant Accounting Policies (continued):

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. In general, government fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumption that affect certain reported amounts reported in the financial statements and accompanying note disclosures. Actual results could differ from those estimates.

Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Reimbursements from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Balance

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies governmental fund balances as follows:

- **Non-spendable** – This classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Non-spendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

- **Restricted** – This classification includes amounts for which constraints have been placed on the use of the resources either externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

Note 1. Summary of Significant Accounting Policies (continued):

- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education. These amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The School Board did not have any committed resources as of June 30, 2018.
- Assigned – This classification includes amounts that are constrained by the School District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Education or through the Board of Education delegating this responsibility to the business administrator through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the District's policy to consider restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, it is the District's policy to consider amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

Net Position

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

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

Subsequent Event

Management has reviewed and evaluated all events and transactions that occurred between June 30, 2018 and February 21, 2019, the date that the financial statements were available for issuance, for a possible disclosure and recognition in the financial statements, and no items have come to the attention of the School District that would require disclosure.

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Note 1. Summary of Significant Accounting Policies (continued):

Impact of Recently Issued Accounting Principles

Adopted Accounting Pronouncements

The following GASB Statements became effective for the fiscal year ended June 30, 2018:

Statement No. 75, Accounting and Financial Reporting for Post-employment Benefits Other than Pensions. This Statement replaces the requirements of Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agency Employers and Agent Multi-Employer Plans, for OPEB Statement No. 74, Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB Plans.

Statement No. 82, Pension Issues – an amendment of GASB Statements No. 67, 68 and No. 73. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. This Statement will be effective for the year ended June 30, 2018.

Recently Issued Accounting Pronouncements

The GASB has issued the following Statements which will become effective in future fiscal years as shown below:

Statement No. 83, Certain Asset Retirement Obligations. An asset retirement obligation is a legally enforceable liability associated with the retirement of a tangible capital asset. Statement No. 83 establishes guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to such obligations. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Management does not expect this Statement to have a material impact on the School District's financial statements.

Statement No. 84, Fiduciary Activities. The Statement intends to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. To that end, Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments and clarifies whether and how business-type activities should report their fiduciary activities. Statement No. 84 is effective for reporting periods beginning after December 15, 2018. Management has not yet determined the potential impact on the School District's financial statements.

Statement No. 87, Leases. Statement No. 87 establishes a single approach to accounting for and reporting leases by state and local governments. The GASB based the new standard on the principle that leases are financing of the right to use an underlying asset. Statement No. 87 is effective for reporting periods beginning after December 15, 2019. Management has not yet determined the potential impact on the School District's financial statements.

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Note 1. Summary of Significant Accounting Policies (continued):

Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements. The Governmental Accounting Standards Board (GASB) has issued a new standard with guidance the GASB believes will enhance debt-related disclosures in notes to financial statements, including those addressing direct borrowings and direct placements. The new standard clarifies which liabilities governments should include in their note disclosures related to debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Management has not yet determined the potential impact on the School District's financial statements.

Bond Premiums, Discounts and Issuance Costs

In the government-wide financial statements and in the proprietary fund financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when bonds are issued.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

Deferred Loss on Refunding Debt

Deferred loss on refunding debt arising from the issuance of the refunding bonds is recorded as deferred outflows of resources. It is amortized in a systematic and rational manner over the shorter of the duration of the related debt or the new debt issues as a component of interest expense.

Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time.

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 pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2018**

Note 2. Cash Deposits and Investments

Cash Deposits

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Board’s deposits may not be recovered. Although the Board does not have a formal policy regarding custodial credit risk, NJSA 17:9-41 et seq. requires that the governmental units shall deposit public funds in public depositories protected from loss under the provisions of GUDPA. Under the Act, the first \$250,000.00 of governmental deposits in each insured depository is protected by FDIC. Public fund owned by the Board in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, student activity may pass to the Board relative to the happening of a future condition. Such funds are shown as Uninsured and Uncollateralized in the schedule below. As of June 30, 2018, the District’s bank balance of \$4,792,309 was exposed to custodial credit risk as follows:

Insured under FDIC and GUDPA	\$	4,697,000
Uninsured and Uncollateralized		95,309
	\$	4,792,309

Investments

The School District has no investments at June 30, 2018.

Note 3. Reserve Accounts

A. Capital Reserve

A capital reserve account was established by the Township of Franklin Board of Education, in prior years, for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the district’s approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year-end (June 1 to June 30) of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant *N.J.S.A.19:60-2*. Pursuant to *N.J.A.C.6:23A-14.1(g)*, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

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

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

Note 3. Reserve Accounts (Continued):

A. Capital Reserve (Continued):

Beginning Balance, July 1, 2017		\$	2,379,851
Increased by:			
Interest Earnings			45
Deposits approved by Board			<u>500,000</u>
Decreased by:			
Budget Withdrawals			(1,505,430)
Withdrawals approved by Board			<u>(88,165)</u>
Ending Balance, June 30, 2018		\$	<u><u>1,286,301</u></u>

The June 30, 2018 balance did not exceed the LRFPP balance of local support costs of uncompleted capital projects.

B. Maintenance Reserve Account

The District established a Maintenance Reserve Account for the accumulation of Funds for use as maintenance expenditures in subsequent fiscal years. The Maintenance Reserve Account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the maintenance reserve account are restricted to maintenance projects in the District's approved Maintenance Plan (M-1). A district may increase the balance in the maintenance 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

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

Beginning Balance, July 1, 2017		\$	1,078,306
Increased by:			
Deposits approved by Board			<u>250,000</u>
Decreased by:			
Budget Withdrawals			<u>(710,506)</u>
Ending Balance, June 30, 2018		\$	<u><u>617,800</u></u>

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

Note 3. Reserve Accounts (Continued):

C. Emergency Reserve

An emergency reserve account was established for the accumulation of funds for use as emergency 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 account 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 thorough and efficient education. Unanticipated means reasonably unforeseeable and shall not include additional costs caused by poor planning. The maximum balance permitted at any time in this reserve is the greater of \$250,000 or 1 percent of the general fund budget not to exceed \$1 million. Deposits may be made to the emergency reserve account by board resolution at year end of any unanticipated revenue or unexpended line item appropriation or both. The department has defined year end for the purpose of depositing surplus into reserve accounts as an amount approved by the district board of education between June 1 and June 30. 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 4 percent.

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

Beginning Balance, July 1, 2017	\$	250,000
Decreased by:		
Budget Withdrawals		(250,000)
Ending Balance, June 30, 2018	\$	-

Note 4. Accounts Receivable

Accounts receivable at June 30, 2018 consisted of accounts and intergovernmental grants. All state and federal receivables are considered collectible in full due to the stable condition of state programs and the current fiscal year guarantee of federal funds. Accounts receivable as of fiscal year end for the School District's individual major and fiduciary funds, in the aggregate, are as follows:

<u>Description</u>	<u>Governmental Funds</u>			<u>Proprietary Funds</u>	
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Activities</u>	<u>Food Service Fund</u>	<u>Total Business-Type Activities</u>
Federal Awards	\$ 11,231	\$ 646,666	\$ 657,897	\$ 18,580	\$ 18,580
State Awards	130,568	-	130,568	751	751
Tuition	393,042	-	393,042	-	-
Other	124,077	-	124,077	900	900
Total	\$ 658,918	\$ 646,666	\$ 1,305,584	\$ 20,231	\$ 20,231

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2018 was as follows:

	Balance July 1, <u>2017</u>	<u>Additions</u>	Retirements and <u>Adjustments</u>	Balance June 30, <u>2018</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 200,446	\$ -	\$ -	\$ 200,446
Construction in Progress	-	264,033	-	264,033
Total Capital Assets not being depreciated	<u>200,446</u>	<u>264,033</u>	<u>-</u>	<u>464,479</u>
Capital Assets being depreciated:				
Land Improvements	999,519	-	(748,712)	250,807
Buildings and Improvements	20,300,730	-	(626,700)	19,674,030
Equipment	5,188,489	448,823	(821,016)	4,816,296
Total Capital Assets being depreciated	<u>26,488,738</u>	<u>448,823</u>	<u>(2,196,428)</u>	<u>24,741,133</u>
Less: Accumulated Depreciation:				
Land Improvements	(924,303)	(14,227)	748,712	(189,818)
Buildings and Improvements	(8,159,114)	(494,800)	607,700	(8,046,214)
Equipment	(3,779,398)	(350,021)	805,306	(3,324,113)
Total Accumulated Depreciation	<u>(12,862,815)</u>	<u>(859,048)</u>	<u>2,161,718</u>	<u>(11,560,145)</u>
Total Capital Assets being depreciated, net	<u>13,625,923</u>	<u>(410,225)</u>	<u>(34,710)</u>	<u>13,180,988</u>
Total Governmental Activities Capital Assets, net	<u>\$ 13,826,369</u>	<u>\$ (146,192)</u>	<u>\$ (34,710)</u>	<u>\$ 13,645,467</u>

	Balance July 1, <u>2017</u>	<u>Additions</u>	Retirements and <u>Transfers</u>	Balance June 30, <u>2018</u>
Business-Type Activities:				
Equipment	\$ 277,060	\$ -	\$ -	\$ 277,060
	<u>277,060</u>	<u>-</u>	<u>-</u>	<u>277,060</u>
Less: Accumulated Depreciation:				
Equipment	(204,851)	(11,149)	-	(216,000)
	<u>(204,851)</u>	<u>(11,149)</u>	<u>-</u>	<u>(216,000)</u>
Total Business-Type Activities Capital Assets, net	<u>\$ 72,209</u>	<u>\$ (11,149)</u>	<u>\$ -</u>	<u>\$ 61,060</u>

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

Note 6. Interfund Receivables, Payables and Transfers

Individual fund receivables/payables balances at June 30, 2018 are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 165,416	\$ -
Special Revenue Fund	-	165,416
	<u>\$ 165,416</u>	<u>\$ 165,416</u>

The interfund receivables and payables above predominately resulted from payment made by certain funds on behalf of other funds. All interfund balances are expected to be repaid within one year.

The summary of interfund transfers follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 1,505,430
Capital Projects Fund	1,505,430	191,360
Debt Service Fund	191,360	-
	<u>\$ 1,696,790</u>	<u>\$ 1,696,790</u>

The purpose of interfund transfers were for the liquidation of prior year interfund receivables and payables and for payments made on behalf of other funds.

Note 7. Long-Term Obligations

During the fiscal year-ended June 30, 2018 the following changes occurred in long-term obligations:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2018</u>	<u>Balance Due Within One Year</u>
Governmental Activities:					
General Obligation Bonds	\$ 1,807,000	\$ -	\$ 140,000	\$ 1,667,000	\$ 145,000
Capital Leases	467,650	178,729	245,532	400,847	194,725
Compensated Absences	273,428	-	126,040	147,388	-
Net Pension Liability	9,710,535	-	2,227,092	7,483,443	-
	<u>\$ 12,258,613</u>	<u>\$ 178,729</u>	<u>\$ 2,738,664</u>	<u>\$ 9,698,678</u>	<u>\$ 339,725</u>

For governmental activities, the bonds payable are liquidated from the District's debt service fund. Compensated absences and capital leases are liquidated by the general fund.

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

Note 7. Long-Term Obligations (Continued):

A. Bonds Payable:

The voters of the municipality through referendums authorize bonds in accordance with State Law. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the District are general obligation bonds. At June 30, 2018, bonds payable consisted of the following individual issues:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
2013 School Bonds	2.00% - 3.00%	6/15/2028	\$ 2,332,000	\$ 1,667,000
				<u>\$ 1,667,000</u>

Principal and Interest due on the outstanding bonds is as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 145,000	\$ 48,560	\$ 193,560
2020	150,000	45,660	195,660
2021	155,000	41,160	196,160
2022	155,000	36,510	191,510
2023	165,000	31,860	196,860
2024-2028	<u>897,000</u>	<u>82,050</u>	<u>979,050</u>
	<u>\$ 1,667,000</u>	<u>\$ 285,800</u>	<u>\$ 1,952,800</u>

Bonds Authorized But Not Issued:

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

B. Capital Leases

During the year ended June 30, 2018, three new capital leases were approved totaling \$178,729, which were for various computer equipment. Prior year capital leases provided for Chrome Books, other computer equipment, two school buses and a truck. The following is a schedule of the remaining future minimum lease payments under these capital leases and the present value of the net minimum lease payments at June 30, 2018:

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

Note 7. Long-Term Obligations (Continued):

Fiscal Year Ending <u>June 30,</u>	
2019	199,956
2020	156,127
2021	53,539
2022	<u>8,696</u>
Total Minimum Lease Payments	418,318
Less: Amount Representing Interest	<u>(17,471)</u>
Present Value of Minimum Lease Payments	<u>\$ 400,847</u>

Note 8. Pension Plans

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 PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

The vesting and benefit provisions are set by *N.J.S.A. 43:15A*. PERS provides retirement, death and disability benefits. All benefits vest after 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 tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

Note 8. Pension Plans (Continued):

A. Public Employees' Retirement System (PERS) (Continued)

Contributions - The contribution policy for PERS is set by *N.J.S.A. 15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2017, the State's pension contribution was less than the actuarial determined amount.

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, 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.

Pension Liability, Pension Expense and Deferred Outflows/Inflows of Resources - At June 30, 2018, the School District reported a liability of \$7,483,443 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2016, to the measurement date of June 30, 2017. The School District's proportion of the net pension liability was based on the School District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2017. The School District's proportion measured as of June 30, 2017, was .03215%, which was a decrease of .00064% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School District recognized full accrual pension expense of \$702,899 in the government-wide financial statements. This pension expense was based on the pension plans June 30, 2017 measurement date. At June 30, 2018 the School District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

Note 8. Pension Plans (Continued):

A. Public Employees' Retirement System (PERS) (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 176,209	\$ -
Changes of Assumptions	1,507,656	1,502,129
Net Difference between Projected and Actual Earnings on Pension Plan Investments	50,957	-
Changes in Proportion and Differences between District Contributions and Proportionate Share of Contributions	536,271	113,947
School District contributions subsequent to measurement date	346,627	-
	\$ 2,617,720	\$ 1,616,076

\$346,627 reported as deferred outflows of resources resulting from school district contributions subsequent to the measurement date is estimated based on unadjusted 2017-2018 total salaries for PERS employees multiplied by an employer pension contribution rate of 13.37%. The payable is due on April 1, 2019 and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Client Year Ending	Amount
<u>June 30,</u>	
2019	\$ 351,257
2020	409,197
2021	250,165
2022	(189,872)
2023	(165,728)
	\$ 655,019

The amortization of the above other deferred outflows of resources and deferred inflows of resources related to pensions will be over the following number of years:

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

Note 8. Pension Plans (Continued):

A. Public Employees' Retirement System (PERS) (Continued)

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
June 30, 2017	5.00	-
Changes in Proportion and Differences between Bordentown Regional School District Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57
June 30, 2017	5.48	5.48

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.48, 5.57, 5.72 and 6.44 years for the 2017, 2016, 2015, and 2014 amounts, respectively.

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2018**

Note 8. Pension Plans (Continued):

A. Public Employees' Retirement System (PERS) (Continued)

Actuarial Assumptions – The collective 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 assumptions:

Inflation	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%
Mortality Rate Table	RP-2000
Period of Actuarial Experience Study upon which Actuarial Assumptions were Based	July 1, 2011 - June 30, 2014

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. 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 rate were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on the 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 scales. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 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.

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

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

Note 8. Pension Plans (Continued):

A. Public Employees' Retirement System (PERS) (Continued)

percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS'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	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 Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%
	<u>100.00%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. The single blended discount rate was based on 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 municipals 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 employer contributed 40% of the actuarially determined contributions and 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.

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

Note 8. Pension Plans (Continued):

A. Public Employees' Retirement System (PERS) (Continued)

Sensitivity of the School District's proportionate share of the Net Pension Liability to Changes in the Discount Rate - The following presents the School District's proportionate share of the net pension liability as of June 30, 2017, calculated using the discount rate of 5.00% as well as what the School 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:

	1% Decrease <u>(4.00%)</u>	Current Discount Rate <u>(5.00%)</u>	1% Increase <u>(6.00%)</u>
District's Proportionate Share of the Net Pension Liability	\$ 9,283,719	\$ 7,483,443	\$ 5,983,590

Additional Information - The following is a summary of the collective balances of the local group at June 30, 2018 and 2017

Collective Balances at June 30, 2018 and June 30, 2017

	<u>6/30/2018</u>	<u>6/30/2017</u>
Actuarial valuation date (including roll forward)	June 30, 2017	June 30, 2016
Deferred Outflows of Resources	\$ 2,271,093	\$ 3,287,199
Deferred Inflows of Resources	1,616,076	-
Net Pension Liability	7,483,443	9,710,535
District's portion of the Plan's total net pension Liability	0.03215%	0.03279%

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. TPAF is administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about TPAF, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after 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.

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

Note 8. Pension Plans (Continued):

B. Teachers' Pension and Annuity Fund (TPAF) (Continued)

The following represents the membership tiers for TPAF:

<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 tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit, and tier 5 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 employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.2% in State fiscal year 2017. 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 2017, the State's pension contribution was less than the actuarial determined amount.

As mentioned previously, 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, the School District is considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity. Since the School District does 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.

Pension Liability and Pension Expense - The State's proportionate share of the TPAF net pension liability, attributable to the School District as of June 30, 2017 was \$54,527,584. The School District's proportionate share was \$0.

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 State's proportionate share of the net pension liability associated with the District was based on projection of the State's long-term contributions to the pension plan associated with the District relative to the projected contributions by the State associated with all participating school districts, actuarially determined. At June 30, 2017, the State proportionate share of the TPAF net pension liability attributable to the School District was .08087%, which was an increase of .00007% from its proportion measured as of June 30, 2016.

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2018**

Note 8. Pension Plans (Continued):

B. Teachers' Pension and Annuity Fund (TPAF) (Continued)

For the fiscal year ended June 30, 2018, the School District recognized \$1,992,913 in on-behalf pension expense and revenue in the government-wide financial statements, for the State of New Jersey on-behalf TPAF pension contributions. This pension expense and revenue was based on the pension plans June 30, 2017 measurement date.

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 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.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2016 are summarized in the following table:

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

Note 8. Pension Plans (Continued):

B. Teachers' Pension and Annuity Fund (TPAF) (Continued)

<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	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 Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%
	<hr style="border-top: 1px solid black;"/>	
	100.00%	

Discount Rate - The discount rate used to measure the total pension liability was 4.25% as of June 30, 2017. The single blended discount rate was based on 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 municipals 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 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 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 School District's proportionate share of the Net Pension Liability to Changes in the Discount Rate – As previously mentioned, TPAF has a special funding situation where the State pays 100% of the School District's annual required contribution. The following represents the State's proportionate share of the net pension liability, attributable to the School District calculated using the discount rate of 4.25% as well as what the State's proportionate share of the net pension liability, attributable to the School District's 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:

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

Note 8. Pension Plans (Continued):

B. Teachers' Pension and Annuity Fund (TPAF) (Continued)

	1% Decrease <u>(3.25%)</u>	Current Discount Rate <u>(4.25%)</u>	1% Increase <u>(5.25%)</u>
District's Proportionate Share of the Net Pension Liability	\$ -	\$ -	\$ -
State of New Jersey's Proportionate Share of Net Pension Liability associated with the District	<u>\$ 64,780,480</u>	<u>\$ 54,527,584</u>	<u>\$ 46,081,204</u>
	<u>\$ 64,780,480</u>	<u>\$ 54,527,584</u>	<u>\$ 46,081,204</u>

Pension Plan Fiduciary Net Position - 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 Teachers' Pension and Annuity Fund (TPAF) and additions to/deductions from the TPAF's fiduciary net position have been determined on the same basis as they are reported by the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Additional Information - The following is a summary of the collective balances of the local group at June 30, 2018 and 2017:

	<u>6/30/2018</u>	<u>6/30/2017</u>
Collective Deferred Outflows of Resources	\$ 14,353,461,035.00	\$ 17,581,004,496.00
Collective Deferred Inflows of Resources	\$ 11,992,821,439.00	\$ 300,836,088.00
Collective Net Pension Liability	\$ 67,670,209,171.00	\$ 79,028,907,033.00
School District's portion	0.03749%	0.03432%

C. Defined Contribution Plan (DCRP)

Plan Description - The Defined Contribution Retirement Program (DCRP) was established July 1, 2007, under the provisions of N.J.S.A. 43:15C-1 et seq. The DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage

Individuals eligible for membership in the DCRP include:

- State or local officials who are elected or appointed on or after July 1, 2007;

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Note 8. Pension Plans (Continued):

C. Defined Contribution Plan (DCRP) (Continued)

- Employees enrolled in the Public Employees' Retirement System (PERS) or Teachers' Pension and Annuity Fund (TPAF) on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits;
- Employees enrolled in the Police and Firemen's Retirement System (PFRS) or State Police Retirement System (SPRS) after May 21, 2010, who earn salary in excess of established "maximum compensation" limits;
- Employees otherwise eligible to enroll in the PERS or TPAF on or after November 2, 2008, who do not earn the minimum annual salary for PERS or TPAF Tier 3 enrollment but who earn salary of at least \$5,000 annually. The minimum salary in 2017 is \$8,300 and is subject to adjustment in future years.
- Employees otherwise eligible to enroll in the PERS or TPAF after May 21, 2010, who do not work the minimum number of hours per week required for PERS or TPAF Tier 4 or Tier 5 enrollment but who earn salary of at least \$5,000 annually. The minimum number is 35 hours per week for State employees, or 32 hours per week for local government or local education employees

Contributions - The contribution policy is set by N.J.S.A. 43:15C-3 and requires active members and contribution employers. When enrolled in the DCRP, members are required to contribute 5.5% of their base salary to a tax-deferred investment account established with Prudential Financial, which jointly administers the DCRP investments with the Division of Pension and Benefits. Member contributions are matched by a 3% contribution from the School District.

For the year ended June 30, 2018, employee contributions totaled \$17,395 and the District recognized pension expense of \$2,227.

Note 9. Post-Retirement Benefits

General Information about the OPEB Plan

The State of New Jersey reports a liability as a result of its statutory requirements to pay other postemployment (health) benefits for State Health Benefit Local Education Retired Employees 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 No. 75, Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions. The State Health Benefit 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'

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

Note 9. Post-Retirement Benefits (Continued):

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 or more years 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 are the responsibility of the individual local education employers.

Basis of Presentation

The Schedule presents the State of New Jersey’s obligation under NJSA 52:14-17.32f. The Schedule does not purport to be a complete presentation of the financial position or changes in financial position of the State Health Benefit Local Education Retired Employees Plan or the State of New Jersey. The accompanying Schedule was prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of the State of New Jersey to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

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. 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 the MP-2017 scale. Postretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy 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.

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Note 9. Post-Retirement Benefits (Continued):

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.

OPEB Obligation and OPEB Expense – The State’s proportionate share of the total Other Post-Employment Benefits Obligations attributable to the School District as of June 30, 2017 was \$61,290,488. The School District’s proportionate share was \$0.

The OPEB Obligation was measured as of June 30, 2017, and the total OPEB Obligation used to calculate the OPEB Obligation was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The State’s proportionate share of the OPEB Obligation associated with the District was based on projection of the State’s long-term contributions to the OPEB plan associated with the District relative to the projected contributions by the State associated with all participating school districts, actuarially determined. At June 30, 2017, the State proportionate share of the OPEB Obligation attributable to the School District was 0.114263%, which was an increase of 0.000485% from its proportion measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the State of New Jersey recognized an OPEB expense in the amount of \$3,440,947 for the State’s proportionate share of the OPEB expense attributable to the School District. This OPEB expense was based on the OPEB plans June 30, 2017 measurement date.

Healthcare 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 trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long-term trend 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 return rate as chosen by the Division. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Total Nonemployer OPEB Liability to changes in discount rate:

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

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

Note 9. Post-Retirement Benefits (Continued):

	June 30, 2017		
	At 1% Decrease (2.58%)	At Discount Rate (3.58%)	At 1% Increase (4.58%)
State of New Jersey's Proportionate Share of Total OPEB Obligations Associated with the School District	\$ 72,756,231.14	\$ 61,290,488.00	\$ 52,195,751.57
State of New Jersey's Total Nonemployer OPEB Liability	\$ 63,674,362,200.00	\$ 53,639,841,858.00	\$45,680,364,953.00
	June 30, 2016		
	At 1% Decrease (1.85%)	At Discount Rate (2.85%)	At 1% Increase (3.85%)
State of New Jersey's Proportionate Share of Total OPEB Obligations Associated with the School District	\$ 79,501,417.06	\$ 66,360,608.00	\$ 56,017,106.92
State of New Jersey's Total Nonemployer OPEB Liability	\$69,283,705,084.00	\$57,831,784,184.00	\$48,817,654,566.00

Sensitivity of Total Nonemployer OPEB Liability to changes in the healthcare trend rate:

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

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

Note 9. Post-Retirement Benefits (Continued):

	June 30, 2017		
	1% Decrease	Healthcare Cost Trend Rate*	1% Increase
State of New Jersey's Proportionate Share of Total OPEB Obligations Associated with the School District	\$ 72,756,231.14	\$ 61,290,488.00	\$ 52,195,751.57
State of New Jersey's Total Nonemployer OPEB Liability	\$ 63,674,362,200.00	\$ 53,639,841,858.00	\$45,680,364,953.00
	June 30, 2016		
	1% Decrease	Healthcare Cost Trend Rate*	1% Increase
State of New Jersey's Proportionate Share of Total OPEB Obligations Associated with the School District	\$ 79,501,417.06	\$ 66,360,608.00	\$ 56,017,106.92
State of New Jersey's Total Nonemployer OPEB Liability	\$69,283,705,084.00	\$57,831,784,184.00	\$48,817,654,566.00

* See Healthcare Cost Trend Assumptions for details of rates.

Additional Information

Collective balances of the Local Group at June 30, 2017 are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in Proportion	\$ 99,843,255.00	\$ (99,843,255.00)
Change in Assumptions	-	(6,343,769,032.00)
Contributions Made in Fiscal Year Year Ending 2018 After June 30, 2017 Measurement Date **	1,190,373,242.00	-
	<u>\$ 1,290,216,497.00</u>	<u>\$ (6,443,612,287.00)</u>

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

Note 9. Post-Retirement Benefits (Continued):

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,	
2018	\$ (742,830,097.00)
2019	(742,830,097.00)
2020	(742,830,097.00)
2021	(742,830,097.00)
2022	(742,830,097.00)
Thereafter	(2,629,618,547.00)
	\$ (6,343,769,032.00)

** Employer Contributions made after June 30, 2017 are reported as a deferred outflow of resources, but are not amortized in expense.

Plan Membership

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

	June 30, 2016
Active Plan Members	223,747.00
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	142,331.00
	366,078.00

Changes in the Total OPEB Liability

The change in the State's Total OPEB liability for the fiscal year ended June 30, 2018 (measurement date June 30, 2017) is as follows:

Total OPEB Liability	
Service Cost	\$ 2,391,878,884.00
Interest Cost	1,699,441,736.00
Changes of Assumptions	(7,086,599,129.00)
Contributions: Member	45,748,749.00
Gross Benefit Payments	(1,242,412,566.00)
Net Change in Total OPEB Liability	(4,191,942,326.00)
Total OPEB Liability (Beginning)	57,831,784,184.00
Total OPEB Liability (Ending)	\$ 53,639,841,858.00
Total Covered Employee Payroll	13,493,400,208.00
Net OPEB Liability as a Percentage of Payroll	398%

Note 10. On-Behalf Payments for Fringe Benefits and Salaries

As previously mentioned, the School District receives on-behalf payments from the State of New Jersey for normal costs and post-retirement medical costs related to the Teachers' Pension and Annuity Fund (TPAF) pension plan. The School District is not legally responsible for these contributions. The on-behalf payments are recorded as revenues and expenditures in the government-wide and general fund financial statements. For the fiscal year ended June 30, 2018, the on-behalf payments for pension, social security, post-retirement medical costs, and long-term disability were \$1,209,372, \$601,897, \$781,107 and \$2,434, respectively.

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

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.

Property and Liability Insurance – The District maintains commercial insurance coverage for property, liability, student accident and surety bonds. A complete schedule of insurance coverage can be found 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 School District contributions, reimbursements to the State for benefits paid and the ending balance of the School District’s trust fund for the current and previous two years:

<u>Fiscal Year</u>	<u>School District Contributions</u>	<u>Employee Contributions</u>	<u>Interest Earnings</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2017-2018	\$ -	\$ 23,051	\$ 1,650	\$ 7,870	\$ 344,785
2016-2017	-	52,919	1,724	85,541	327,954
2015-2016	-	63,415	-	27,227	358,852

Note 12. Contingencies

State and Federal Grantor Agencies - The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2018 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been recorded in the accompanying combined financial statements for such contingencies.

Pending Litigation – The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the Districts’ attorney that resolution of these matters will not have a material adverse effect on the financial condition of the District.

Note 13. Economic Dependency

The District 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, could have an effect on the District’s programs and activities.

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Note 14. Deferred Compensation

The District offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Section 403(b) and 457(b). The plans, which are administered by the entities listed below, permits 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:

Met Life
American General Securities
Aspire Financial Services
GWN Investments
Lincoln Investment Planning
AXA Equitable
Vanguard Group
Voya Financial

Note 15. Compensated Absences

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

District employees are granted varying amount of vacation and sick leave in accordance with the District's personnel policies. The District 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 Districts' agreements with the various employee unions.

The liability for vested compensated absences of the governmental fund types is recorded in the statement of net position under governmental activities. The current portion of the compensated absence balance is not considered material to the applicable funds total liabilities, and is therefore not shown separately from the long-term liability balance of compensated absences. The amount at June 30, 2018 is \$147,388.

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

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

Note 16. Operating Leases

There was one operating lease obligation that existed for the year ended June 30, 2018, for which the District had commitments to lease seven Xerox copiers under operating lease that expire in 2021. Future minimum lease payments are as follows:

Fiscal Year Ending <u>June 30,</u>	
2019	\$ 49,089
2020	49,089
2021	<u>8,181</u>
Total Minimum Lease Payments	<u>\$ 106,359</u>

Note 17. Tax Abatements

As defined by the Governmental Accounting Standards Board (GASB) Statement No. 77, a tax abatement is an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. School districts are not authorized by New Jersey statute to enter into tax abatement agreements. However, the county or municipality in which the school district is situated may have entered into tax abatement agreements, and that potential must be disclosed in these financial statements. If the county or municipality entered into tax abatement agreements, those agreements will not directly affect the school district’s local tax revenue because N.J.S.A. 54:4-75 and N.J.S.A. 54:4-76 require that amounts so forgiven must effectively be recouped from other taxpayers and remitted to the school district.

For a local school district board of education or board of school estimate that has elected to raise their minimum tax levy using the required local share provisions at N.J.S.A. 18A:7F-5(b), the loss of revenue resulting from the municipality or county having entered into a tax abatement agreement is indeterminate due to the complex nature of the calculation of required local share performed by the New Jersey Department of Education based upon district property value and wealth.

Note 18. Calculation of Excess Surplus

The designation for Restricted Fund Balance – Excess Surplus is a required calculation pursuant to N.J.S.A.18A:7F-7. New Jersey school districts are required to reserve General Fund fund balance at the fiscal year-end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years’ budget. The excess fund balance at June 30, 2018 was \$1,020,768.

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Note 19. Fund Balance

General Fund – Of the \$2,684,640 General Fund fund balance at June 30, 2018, \$1,286,301 has been reserved in the Capital Reserve Account; \$617,800 has been reserved in the Maintenance Reserve Account; \$1,064,948 is restricted for current year excess surplus; \$22,521 has been reserved for encumbrances; \$23,619 has been designated for subsequent year expenditures; and \$(330,549) is unassigned.

Capital Projects Fund – Of the \$2,280,346 Capital Projects Fund fund balance at June 30, 2018, \$2,280,346 is restricted for capital projects.

Note 20. Deficit in Net Position

Unrestricted Net Position – The School District’s governmental activities had a deficit in unrestricted net position in the amount of \$(7,262,246). The primary causes of the deficit are the School District not recognizing the receivable for the last two state aid payments and the recording of the net pension liability for the Public Employees’ Retirement System (PERS) as of June 30, 2018. This deficit in unrestricted net position for governmental activities does not indicate that the School District is facing financial difficulties.

Note 21. Deficit Fund Balances

The School District has a deficit fund balance of \$(330,549) in the General Fund as of June 30, 2018 as reported in the fund statements (modified accrual basis). N.J.S.A. 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the delayed one or more June 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 payment(s) in the subsequent fiscal year, the school district cannot recognize the June state aid payment(s) (on the GAAP financial statements) until the year the State records the payable. Due to the timing difference of recording the June state aid payment(s), the General Fund balance deficit does not alone indicate that the district is facing financial difficulties.

Pursuant to N.J.S.A. 18A:22-44.2 any negative unreserved, undesignated general fund balance that is reported as a direct result from a delay in the June payment(s) of state aid until the following fiscal year, is not considered in violation of New Jersey statute and regulation nor in need of corrective action. The School District deficit in the GAAP funds statements of \$(330,549) which is less than the last state aid payments.

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Note 22. Prior Period Adjustment

A prior period adjustment was made to record \$293,276 in unrecorded pension costs for amounts payable to other governments and to increase the deferred outflows of resources related to pension costs in accordance with GASB 68.

Net position as of July 1, 2018 has been restated as follows to record amounts payable to other governments for pension costs in relation to the implementation of GASB No. 68:

Net position as previous report at June 30, 2017	\$ 9,893,338
Prior period adjustment - recalculation of costs related to pension expenses in accordance with GASB 68	<u>(293,276)</u>
Net position as restated, July 1, 2018	<u>\$ 9,600,062</u>

REQUIRED SUPPLEMENTARY INFORMATION - PART II

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C. Budgetary Comparison Schedules

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**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	ACCOUNT NUMBERS	JUNE 30, 2018				POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	
Revenues:						
Local Tax Levy	10-1210	\$ 10,774,405	\$ -	\$ 10,774,405	\$ 10,774,405	\$ -
Tuition from Individuals	10-1310	36,000	-	36,000	36,000	-
Tuition from Other LEA's Within the State	10-1320	1,203,370	-	1,203,370	1,290,165	86,795
Tuition from Other Governmental Sources within State	10-1321	-	-	-	41,981	41,981
Transportation Fees from Other LEA's	10-1420-1440	80,000	-	80,000	124,077	44,077
Interest on Maintenance Reserve Funds	10-XXX	487	-	487	-	(487)
Interest on Capital Reserve Funds	10-XXX	930	-	930	45	(885)
Miscellaneous Revenues	10-1XXX	4,940	-	4,940	108,002	103,062
Total Local Sources		12,100,132	-	12,100,132	12,374,675	274,543
State Sources:						
Equalization Aid	10-3176	7,451,834	71,691	7,523,525	7,523,525	-
Categorical Security Aid	10-3177	177,000	-	177,000	177,000	-
Categorical Transportation Aid	10-3121	398,979	-	398,979	398,979	-
Categorical Special Education Aid	10-3132	737,647	-	737,647	737,647	-
Per Pupil Growth Aid	10-3181	12,550	-	12,550	12,550	-
PARCC Readiness Aid	10-3182	12,550	-	12,550	12,550	-
Professional Learning Comm. Aid	10-3183	12,970	-	12,970	12,970	-
Extraordinary Aid	10-3131	-	-	-	93,628	93,628
Non-Public Transportation Aid	10-3190	-	-	-	7,250	7,250
Lead Testing for Schools Aid		-	-	-	1,392	1,392
Homeless Tuition		-	-	-	20,600	20,600
Nonbudgeted:						
On-Behalf TPAF Pension Contributions		-	-	-	1,209,372	1,209,372
On-Behalf TPAF Post-Retirement Medical Contributions		-	-	-	781,107	781,107
On-Behalf TPAF Long Term Disability Insurance Contributions		-	-	-	2,434	2,434
Reimbursed TPAF Social Security Contribution		-	-	-	601,897	601,897
Total State Sources		8,803,530	71,691	8,875,221	11,592,901	2,717,680
Federal Sources:						
Medicaid Reimbursement		44,058	-	44,058	20,227	(23,831)
Total Federal Sources		44,058	-	44,058	20,227	(23,831)
Total Revenues		20,947,720	71,691	21,019,411	23,987,803	2,968,392
Expenditures:						
Current Expense:						
Instruction - Regular Programs:						
Salaries of Teachers:						
Kindergarten	11-110-100-101	597,872	(15,984)	581,888	581,888	-
Grades 1 - 5	11-120-100-101	3,429,706	(96,962)	3,332,744	3,299,757	32,987
Grades 6 - 8	11-130-100-101	685,515	(2,222)	683,293	672,528	10,765
Home Instruction:						
Salaries of Teachers	11-150-100-101	4,832	(4,832)	-	-	-
Purchased Professional/Education Services	11-150-100-320	5,000	(2,000)	3,000	600	2,400
Regular Programs - Undistributed Instruction:						
Purchased Professional/Education Services	11-190-100-320	7,500	25,548	33,048	33,047	1
Other Purchased Services	11-190-100-500	386,524	(3,195)	383,329	364,892	18,437
General Supplies	11-190-100-610	442,658	(9,196)	433,462	320,060	113,402
Textbooks	11-190-100-640	30,600	(5,000)	25,600	-	25,600
Miscellaneous Expenditures	11-190-100-890	20,091	1,091	21,182	6,901	14,281
Total Regular Programs		5,610,298	(112,752)	5,497,546	5,279,673	217,873
Special Education:						
Learning and/or Language Disabilities:						
Salaries of Teachers	11-204-100-101	166,884	(1,112)	165,772	158,418	7,354
Other Salaries for Instruction	11-204-100-106	87,999	(18,839)	69,160	68,626	534
General Supplies	11-204-100-610	2,325	-	2,325	1,295	1,030
Total Learning and/or Language Disabilities		257,208	(19,951)	237,257	228,339	8,918

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	ACCOUNT NUMBERS	JUNE 30, 2018				POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	
Multiple Disabilities:						
Salaries of Teachers	11-212-100-101	169,369	(38,665)	130,704	130,354	350
Other Salaries for Instruction	11-212-100-106	45,348	60,843	106,191	106,191	-
General Supplies	11-212-100-610	3,350	(1,215)	2,135	1,154	981
Total Multiple Disabilities		218,067	20,963	239,030	237,699	1,331
Resource Room:						
Salaries of Teachers	11-213-100-101	1,090,938	5,498	1,096,436	1,088,406	8,030
Other Salaries for Instruction	11-213-100-106	120,026	16,971	136,997	134,474	2,523
General Supplies	11-213-100-610	12,500	-	12,500	10,667	1,833
Total Resource Room		1,223,464	22,469	1,245,933	1,233,547	12,386
Preschool Disabilities - Part-Time:						
Salaries of Teachers	11-215-100-101	98,048	-	98,048	96,943	1,105
Other Salaries for Instruction	11-215-100-106	50,721	(5,819)	44,902	44,287	615
General Supplies	11-215-100-600	1,350	-	1,350	421	929
Total Preschool Disabilities - Part-Time		150,119	(5,819)	144,300	141,651	2,649
Home Instruction:						
Salaries of Teachers	11-219-100-101	4,500	4,104	8,604	8,604	-
Purchased Professional/Education Services	11-219-100-320	5,000	5,966	10,966	10,368	598
Other Purchased Services	11-219-100-500	150	-	150	-	150
Total Home Instruction		9,650	10,070	19,720	18,972	748
Total Special Education		1,858,508	27,732	1,886,240	1,860,208	26,032
Basic Skills/Remedial - Instruction:						
Salaries of Teachers	11-230-100-101	575,252	(71,122)	504,130	494,934	9,196
Total Bilingual Education - Instruction		575,252	(71,122)	504,130	494,934	9,196
Bilingual Education - Instruction:						
Salaries of Teachers	11-240-100-101	23,484	-	23,484	23,484	-
Total Bilingual Education - Instruction		23,484	-	23,484	23,484	-
School Sponsored Cocurricular Activities:						
Salaries	11-401-100-100	36,850	-	36,850	23,340	13,510
Transfers to Cover Deficit	11.401-100-930	3,000	-	3,000	-	3,000
Total School Sponsored Cocurricular Activities		39,850	-	39,850	23,340	16,510
Total Other Instructional Programs		638,586	(71,122)	567,464	541,758	25,706
Other Supplemental/At-Risk Programs - Instruction:						
Salaries of Reading Specialists	11-424-100-179	197,601	(27,229)	170,372	169,816	556
Total Other Instructional Programs		197,601	(27,229)	170,372	169,816	556

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	ACCOUNT NUMBERS	JUNE 30, 2018			ACTUAL	POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET		
Total Instruction		8,304,993	(183,371)	8,121,622	7,851,455	270,167
Undistributed Expenditures:						
Instruction :						
Tuition to Other LEAs Within the State - Regular	11-000-100-561	80,000	(13,456)	66,544	48,751	17,793
Tuition to Other LEAs Within the State - Special	11-000-100-562	20,000	-	20,000	9,058	10,942
Tuition to County Special Services District/Regional Day Schools	11-000-100-565	317,744	(317,744)	-	-	-
Tuition to Private School for the Handicapped - State	11-000-100-566	208,918	281,443	490,361	265,840	224,521
Tuition to Private School for the Handicapped - Other LEA's Out of State	11-000-100-567	97,175	(5,966)	91,209	91,209	-
Tuition - State Facilities	11-000-100-568	32,952	-	32,952	25,554	7,398
Tuition - Other	11-000-100-569	-	31,779	31,779	31,779	-
Total Undistributed Expenditures - Instruction		756,789	(23,944)	732,845	472,191	260,654
Attendance & Social Work Services:						
Salaries	11-000-211-100	11,953	152	12,105	12,105	-
Other Purchased Services	11-000-211-500	500	-	500	81	419
Total Attendance & Social Work Services		12,453	152	12,605	12,186	419
Health Services:						
Salaries	11-000-213-100	250,344	(10,683)	239,661	233,339	6,322
Purchased Professional & Technical Services	11-000-213-300	15,790	(2,790)	13,000	12,000	1,000
Other Purchased Services	11-000-213-500	1,045	-	1,045	545	500
Supplies and Materials	11-000-213-600	9,128	-	9,128	8,180	948
Total Health Services		276,307	(13,473)	262,834	254,064	8,770

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	ACCOUNT NUMBERS	JUNE 30, 2018				POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	
Other Support Services - Students - Related Services:						
Salaries of Teachers	11-000-216-100	330,798	(16,608)	314,190	314,190	-
Purchased Professional/Education Services	11-000-216-320	46,255	-	46,255	35,802	10,453
Supplies and Materials	11-000-216-600	3,200	500	3,700	3,571	129
Total Other Support Services - Students - Related Services		380,253	(16,108)	364,145	353,563	10,582
Other Support Services - Students - Extra Services:						
Salaries of Teachers	11-000-217-100	90,833	(42,664)	48,169	46,028	2,141
Purchased Professional/Education Services	11-000-217-320	47,500	19,000	66,500	44,640	21,860
Supplies and Materials	11-000-217-600	15,000	(12,356)	2,644	2,595	49
Total Other Support Services - Students - Extra Services		153,333	(36,020)	117,313	93,263	24,050
Other Support Services - Students - Regular:						
Salaries of Other Professional Staff	11-000-218-104	154,536	(864)	153,672	152,628	1,044
Other Salaries	11-000-218-110	4,080	-	4,080	289	3,791
Other Purchased Professional and Technical Services	11-000-218-390	530	-	530	-	530
Other Purchased Services	11-000-218-500	5,000	-	5,000	2,130	2,870
Supplies and Materials	11-000-218-600	5,000	-	5,000	1,500	3,500
Total Other Support Services - Students - Regular		169,146	(864)	168,282	156,547	11,735
Other Support Services - Students - Special Services:						
Salaries of Other Professional Staff	11-000-219-104	409,401	(15,402)	393,999	393,999	-
Salaries of Secretarial & Clerical Assistants	11-000-219-105	43,320	110	43,430	43,430	-
Unused Vacation Payment to Termin/Retired Staff	11-000-219-199	-	6,217	6,217	6,217	-
Other Purchased Professional and Technical Services	11-000-219-390	18,720	23,200	41,920	41,274	646
Miscellaneous Purchased Services	11-000-219-592	13,300	-	13,300	8,687	4,613
Supplies and Materials	11-000-219-600	7,320	473	7,793	7,231	562
Other Objects	11-000-219-800	1,000	-	1,000	820	180
Total Other Support Services - Students - Special Services		493,061	14,598	507,659	501,658	6,001
Improvement of Instruction Services/Other Support Services - Instructional Staff:						
Salaries of Supervisors of Instruction	11-000-221-102	179,232	85	179,317	179,306	11
Salaries of Secretarial & Clerical Assistants	11-000-221-105	35,860	(147)	35,713	35,686	27
Other Salaries	11-000-221-110	58,650	(1,800)	56,850	54,345	2,505
Salaries of Facilitators, Math & Literacy Coaches	11-000-221-176	138,372	35,800	174,172	167,405	6,767
Other Purchased Professional and Technical Services	11-000-221-390	38,065	-	38,065	36,953	1,112
Other Purchased Services	11-000-221-500	4,400	-	4,400	1,362	3,038
Supplies and Materials	11-000-221-600	2,500	-	2,500	2,292	208
Other Objects	11-000-221-800	2,000	-	2,000	1,640	360
Total Improvement of Instruction Services/Other Support Services - Instructional Staff		459,079	33,938	493,017	478,989	14,028
Educational Media Services/School Library:						
Salaries	11-000-222-100	110,214	45	110,259	104,590	5,669
Supplies and Materials	11-000-222-600	12,507	458	12,965	8,109	4,856
Total Educational Media Services/School Library		122,721	503	123,224	112,699	10,525
Support Services Instructional Staff Training Service:						
Other Salaries	11-000-223-110	30,950	-	30,950	8,261	22,689
Purchased Professional/Education Services	11-000-223-320	27,908	1,900	29,808	22,530	7,278
Other Purchased Professional and Technical Services	11-000-223-390	3,325	(58)	3,267	1,381	1,886
Other Purchased Services	11-000-223-500	12,500	4,000	16,500	16,222	278
Supplies and Materials	11-000-223-600	5,525	(150)	5,375	2,317	3,058
Other Objects	11-000-223-800	-	150	150	150	-
Total Support Services Instructional Staff Training Services		80,208	5,842	86,050	50,861	35,189

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	ACCOUNT NUMBERS	JUNE 30, 2018				POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	
Support Services General Administration:						
Salaries	11-000-230-100	247,755	-	247,755	244,278	3,477
Legal Services	11-000-230-331	44,000	8,321	52,321	47,346	4,975
Audit Services	11-000-230-332	15,790	-	15,790	15,790	-
Architectural/Engineering Services	11-000-230-334	12,500	(9,500)	3,000	3,000	-
Other Purchased Professional Services	11-000-230-339	19,800	12,029	31,829	26,854	4,975
Purchased Technical Services	11-000-230-340	15,000	8,010	23,010	22,446	564
Communications/Telephone	11-000-230-530	53,586	4,550	58,136	54,995	3,141
BOE Other Purchased Professional Services	11-000-230-585	2,850	-	2,850	1,553	1,297
Other Purchased Services	11-000-230-590	62,910	140	63,050	50,237	12,813
Supplies & Materials	11-000-230-610	30,000	(10,850)	19,150	12,932	6,218
Judgements Against District	11-000-230-820	-	105,728	105,728	105,728	-
Miscellaneous Expenditures	11-000-230-890	9,850	-	9,850	6,477	3,373
BOE Membership Dues & Fees	11-000-230-895	11,080	-	11,080	10,982	98
Total Support Services General Administration		525,121	118,428	643,549	602,618	40,931
Support Services School Administration:						
Salaries of Principals & Assistant Principals	11-000-240-103	321,795	672	322,467	322,236	231
Salaries of Secretarial & Clerical Assistants	11-000-240-105	124,015	6,946	130,961	128,086	2,875
Other Purchased Services	11-000-240-500	5,954	-	5,954	2,191	3,763
Supplies and Materials	11-000-240-600	21,179	576	21,755	14,886	6,869
Other Objects	11-000-240-800	12,850	-	12,850	5,477	7,373
Total Support Services School Administration		485,793	8,194	493,987	472,876	21,111
Central Services:						
Salaries	11-000-251-100	277,195	9,960	287,155	287,155	-
Unused Vacation Payment to Termin/Retired Staff	11-000-251-199	-	30,929	30,929	29,678	1,251
Purchased Professional Services	11-000-251-330	3,700	-	3,700	3,700	-
Purchased Technical Services	11-000-251-340	24,546	39,861	64,407	55,582	8,825
Other Purchased Services	11-000-251-592	4,272	-	4,272	3,289	983
Supplies & Materials	11-000-251-600	4,115	195	4,310	3,569	741
Other Objects	11-000-251-890	2,150	(146)	2,004	577	1,427
Total Central Services		315,978	80,799	396,777	383,550	13,227
Administrative Information Technology:						
Salaries	11-000-252-100	5,700	-	5,700	5,700	-
Purchased Technical Services	11-000-252-340	105,000	-	105,000	105,000	-
Other Objects	11-000-252-800	100	-	100	-	100
Total Administrative Information Technology		110,800	-	110,800	110,700	100
Allowance Maintenance for School Facilities:						
Salaries	11-000-261-100	179,882	2	179,884	149,443	30,441
Cleaning, Repair & Maintenance Services	11-000-261-420	475,674	8,618	484,292	373,683	110,609
General Supplies	11-000-261-610	54,950	2,762	57,712	15,734	41,978
Total Allowance Maintenance for School Facilities		710,506	11,382	721,888	538,860	183,028

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	ACCOUNT NUMBERS	JUNE 30, 2018				POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	
Other Operation & Maintenance of Plant Services:						
Salaries	11-000-262-100	645,220	(2,067)	643,153	617,172	25,981
Salaries of Non-Instructional Aides	11-000-262-107	48,042	-	48,042	46,256	1,786
Purchased Professional & Technical Services	11-000-262-300	16,400	9,470	25,870	25,371	499
Cleaning, Repair & Maintenance Services	11-000-262-420	40,850	955	41,805	35,005	6,800
Other Purchased Property Services	11-000-262-490	1,345	-	1,345	182	1,163
Insurance	11-000-262-520	127,358	(6,436)	120,922	110,514	10,408
Other Purchased Services	11-000-262-590	1,150	-	1,150	-	1,150
General Supplies	11-000-262-610	84,825	16,436	101,261	100,250	1,011
Energy (Natural Gas)	11-000-262-621	161,741	6,627	168,368	145,026	23,342
Energy (Electricity)	11-000-262-622	309,812	(15)	309,797	243,163	66,634
Miscellaneous Expenditures	11-000-262-800	5,380	5,000	10,380	9,945	435
Total Other Operation & Maintenance of Plant Services		1,442,123	29,970	1,472,093	1,332,884	139,209
Care & Upkeep of Grounds:						
Salaries	11-000-263-100	95,359	2,068	97,427	91,803	5,624
Cleaning, Repair & Maintenance Services	11-000-263-420	500	-	500	-	500
General Supplies	11-000-263-610	6,800	-	6,800	2,690	4,110
Total Care & Upkeep of Grounds		102,659	2,068	104,727	94,493	10,234
Security:						
Purchased Professional & Technical Services	11-000-266-300	15,000	-	15,000	6,000	9,000
Cleaning, Repair & Maintenance Services	11-000-266-420	15,000	-	15,000	5,961	9,039
General Supplies	11-000-266-610	2,100	-	2,100	1,346	754
Total Security		32,100	-	32,100	13,307	18,793
Total Operation & Maintenance of Plant Services		2,287,388	43,420	2,330,808	1,979,544	351,264
Student Transportation Services:						
Salaries for Pupil Transportation (Between Home & School) - Regular	11-000-270-160	807,769	(49,991)	757,778	725,682	32,096
Salaries for Pupil Transportation (Between Home & School) - Special	11-000-270-161	180,184	(7,625)	172,559	145,004	27,555
Salaries for Pupil Transportation (Other Than Between Home & School)	11-000-270-162	11,473	-	11,473	4,587	6,886
Purchased Professional & Technical Services	11-000-270-390	1,098	1,000	2,098	1,595	503
Cleaning, Repair & Maintenance Services	11-000-270-420	30,150	21,267	51,417	51,417	-
Lease Purchase Payments - School Buses	11-000-270-443	45,000	(45,000)	-	-	-
Aid in Lieu of Payments - Nonpublic	11-000-270-503	35,360	(10,360)	25,000	18,000	7,000
Aid in Lieu of Payments - Choice School	11-000-270-505	884	6,000	6,884	2,500	4,384
Contracted Services (Other Than Between Home & School) - Joint Agreements	11-000-270-513	205,275	(88,732)	116,543	113,045	3,498
Contracted Services (Special Education Students) - Joint Agreements	11-000-270-515	223,275	225,817	449,092	449,092	-
Miscellaneous Purchased Services - Transportation	11-000-270-593	72,724	-	72,724	69,718	3,006
Supplies and Materials	11-000-270-610	1,500	-	1,500	1,164	336
Transportation Supplies	11-000-270-615	370,534	(93,267)	277,267	272,196	5,071
Other Objects	11-000-270-800	2,250	500	2,750	2,479	271
Total Student Transportation Services		1,987,476	(40,391)	1,947,085	1,856,479	90,606

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	ACCOUNT NUMBERS	JUNE 30, 2018			ACTUAL	POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET		
Unallocated Benefits - Employee Benefits:						
Social Security	11-000-291-220	275,000	-	275,000	272,034	2,966
Other Retirement Contributions - PERS	11-000-291-241	302,807	-	302,807	301,951	856
Other Retirement Contributions - Regular	11-000-291-249	21,683	-	21,683	12,933	8,750
Worker's Compensation	11-000-291-260	201,013	-	201,013	167,738	33,275
Health Benefits	11-000-291-270	3,938,298	(14,722)	3,923,576	3,599,950	323,626
Tuition Reimbursement	11-000-291-280	36,000	-	36,000	11,353	24,647
Other Employee Benefits	11-000-291-290	96,430	(2,210)	94,220	76,126	18,094
Unused Sick Payment to Term/Ret Staff	11-000-291-299	15,000	3,675	18,675	18,675	-
Total Unallocated Benefits - Employee Benefits		4,886,231	(13,257)	4,872,974	4,460,760	412,214
Nonbudgeted:						
On-Behalf TPAF Pension Contribution		-	-	-	1,209,372	(1,209,372)
On-Behalf TPAF Post-Retirement Medical Contribution		-	-	-	781,107	(781,107)
On-Behalf TPAF Long Term Disability Insurance Contribution		-	-	-	2,434	(2,434)
Reimbursed TPAF Social Security Contribution		-	-	-	601,897	(601,897)
Total Nonbudgeted		-	-	-	2,594,810	(2,594,810)
Total Undistributed Expenditures		13,502,137	161,817	13,663,954	14,947,358	(1,283,404)
Increase in Maintenance Reserve	10-606	487	-	487	-	487
Total Expenditures - Current Expense		21,807,617	(21,554)	21,786,063	22,798,813	(1,012,750)
Capital Outlay:						
Undistributed Expenditures:						
Required Maintenance for School Facilities	12-000-261-730	31,100	134,394	165,494	165,494	-
Security	12-000-266-730	-	12,495	12,495	12,495	-
Student Transportation - Non-Instructional Equipment	12-000-270-732	56,034	(56,034)	-	-	-
Student Transportation - School Buses - Regular	12-000-270-733	-	49,434	49,434	47,546	1,888
Special Schools - All Programs	12-XXX-X00-730	-	55,877	55,877	55,877	-
Total Equipment		87,134	196,166	283,300	281,412	1,888
Facilities Acquisition & Construction Services:						
Assessment for Debt Service on						
Other Purchased Professional & Technical Services	12-000-400-390	339,086	(339,086)	-	-	-
Construction Services	12-000-400-450	1,356,345	(1,182,650)	173,695	43,729	129,966
SDA Funding	12-000-400-896	8,491	-	8,491	7,640	851
Total Facilities Acquisition & Construction Services		1,703,922	(1,521,736)	182,186	51,369	130,817
Capital Reserve Transfer to Capital Projects	12-000-400-931	-	1,505,430	1,505,430	1,505,430	-
Increase in Capital Reserve	10-604	930	-	930	-	930
Total Capital Outlay		1,791,986	179,860	1,971,846	1,838,211	133,635
Total Expenditures		23,599,603	158,306	23,757,909	24,637,024	(879,115)
Excess/(Deficiency) of Revenues Over/(Under) Expenditures		(2,651,883)	(86,615)	(2,738,498)	(649,221)	2,089,277

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

ACCOUNT NUMBERS	JUNE 30, 2018				POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	
Other Financing Sources/(Uses):					
Cancellation of Accounts Receivable	-	-	-	(257,690)	(257,690)
Transfer of Capital Reserve to Debt Service	-	-	-	-	-
Total Other Financing Sources/(Uses)	-	-	-	(257,690)	(257,690)
Excess/(Deficiency) of Revenues & Other Financing Sources					
Over/(Under) Expenditures & Other Financing Sources/(Uses)	(2,651,883)	(86,615)	(2,738,498)	(906,911)	1,831,587
Fund Balances, July 1	4,463,822	-	4,463,822	4,463,822	-
Fund Balances, June 30	<u>\$ 1,811,939</u>	<u>\$ (86,615)</u>	<u>\$ 1,725,324</u>	<u>\$ 3,556,911</u>	<u>\$ 1,831,587</u>

RECAPITULATION OF BUDGET TRANSFERS

Prior Year Encumbrances	\$ 70,141
Increase in State Aid not recorded	(71,691)
Additional Withdrawal from Capital Reserve	88,165
Total	<u>\$ 86,615</u>

RECAPITULATION OF FUND BALANCE:

Restricted for:	
Capital Reserve	1,286,301
Maintenance Reserve	617,800
Emergency Reserve	-
Excess Surplus	1,064,948
Excess Surplus Designated for Subsequent Year's Expenditures	-
Assigned to:	
Year-End Encumbrances	22,521
Designated for Subsequent Year's Expenditures	23,619
Unassigned Fund Balance	<u>541,722</u>
Subtotal	3,556,911
Reconciliation to Governmental Fund Statements (GAAP):	
Last Two State Aid Payments Not Recognized on GAAP Basis	<u>(872,271)</u>
Fund Balance Per Governmental Funds (GAAP)	<u>\$ 2,684,640</u>

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	ORIGINAL BUDGET	BUDGET TRANSFERS/ ADJUSTMENTS	FINAL BUDGET	ACTUAL	POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
Revenues:					
Federal Sources	\$ 543,337	\$ 149,460	\$ 692,797	\$ 655,489	\$ (37,308)
Local Sources	-	4,225	4,225	3,460	(765)
Total Revenues	543,337	153,685	697,022	658,949	(38,073)
Expenditures:					
Instruction:					
Salaries of Teachers	229,313	(14,825)	214,488	207,109	7,379
Other Purchased Professional Services	314,024	63,009	377,033	377,033	-
General Supplies	-	32,406	32,406	13,225	19,181
Total Instruction	543,337	80,590	623,927	597,367	26,560
Support Services:					
Personal Services - Employee Benefits	-	35,086	35,086	29,294	5,792
Purchased Professional Services	-	29,284	29,284	27,000	2,284
Other Purchased Services	-	4,500	4,500	1,828	2,672
Supplies and Materials	-	4,225	4,225	3,460	765
Total Support Services	-	73,095	73,095	61,582	11,513
Total Expenditures	543,337	153,685	697,022	658,949	38,073
Total Outflows	543,337	153,685	697,022	658,949	38,073
Excess/(Deficiency) of Revenues Over/(Under) Expenditures & Other Financing Sources/(Uses)	\$ -	\$ -	\$ -	\$ -	\$ -

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NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PART II

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**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR FISCAL YEAR ENDED JUNE 30, 2018**

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

	GENERAL FUND	SPECIAL REVENUE FUND
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue"		
From the Budgetary Comparison Schedule (C-Series)	\$ 23,987,803	\$ 658,949
Difference - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Federal Share	-	(6,050)
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	857,987	-
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	(872,271)	-
	\$ 23,973,519	\$ 652,899
Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds. (B-2)		
Uses/outflows of resources:		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 24,637,024	\$ 658,949
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.		
General Supplies	-	(6,050)
	\$ 24,637,024	\$ 652,899
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)		

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REQUIRED SUPPLEMENTARY INFORMATION - PART III

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L. Schedules Related to Accounting and Reporting for Pensions (GASB 68)

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TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)
LAST TEN FISCAL YEARS*

	2017	2016	2015	2014	2013
School District's proportion of the net pension liability	0.03215%	0.03279%	0.03109%	0.02077%	0.02461%
School District's proportionate share of the net pension liability	\$ 7,483,443	\$ 9,710,535	\$ 6,978,283	\$ 5,668,178	\$ 5,138,182
District's covered-employee payroll	\$ 2,159,086	\$ 2,157,151	\$ 2,206,556	\$ 2,098,354	N/A
School District's proportionate share of the net pension liability as a percentage of its covered payroll	346.60%	450.16%	316.25%	270.12%	N/A
Plan fiduciary net position as a percentage of the total pension liability	48.10%	40.14%	47.93%	52.08%	48.72%

*The amounts presented for each fiscal year were determined as of the previous fiscal year end (the measurement date).

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)
LAST TEN FISCAL YEARS**

	2017	2016	2015	2014	2013
District's Contractually required contribution	\$ 297,813	\$ 291,274	\$ 267,260	\$ 171,238	185,461
District's Contributions in relation to the contractually required contribution	(297,813)	(291,274)	(267,260)	(171,238)	(185,461)
District's Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 2,159,086	\$ 2,157,151	\$ 2,206,556	\$ 2,098,354	N/A
District's Contributions as a percentage of covered-employee payroll	13.79%	13.50%	12.11%	8.16%	N/A

**This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS' PENSION AND ANNUITY FUND (TPAF)
LAST TEN FISCAL YEARS*

	2017	2016	2015	2014	2013
School District's proportion of the net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%
School District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the School District	54,527,584	63,568,539	50,477,691	40,074,176	38,000,591
	<u>\$ 54,527,584</u>	<u>\$ 63,568,539</u>	<u>\$ 50,477,691</u>	<u>\$ 40,074,176</u>	<u>\$ 38,000,591</u>
District's covered-employee payroll	\$ 8,519,493	\$ 7,995,099	\$ 8,257,771	\$ 8,025,064	\$ 13,833,389
School District's proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	48.10%	40.14%	47.93%	52.08%	48.72%

*The amounts presented for each fiscal year were determined as of the previous fiscal year end (the measurement date).

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS
TEACHERS' PENSION AND ANNUITY FUND (TPAF)
LAST TEN FISCAL YEARS**

This schedule is not applicable. There is a special funding situation where the State of New Jersey pays 100% of the required contributions associated with the School District.

M. Schedules Related to Accounting and Reporting for Other Post-Employment Benefits (GASB 75)

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**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
SCHEDULE OF CHANGE IN THE NET OPEB LIABILITY AND RELATED RATIOS
STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES PLAN (OPEB)
LAST FISCAL YEAR***

	2018
Total OPEB Liability Associated with the District	
Service Cost	\$ 2,373,828
Interest Cost	1,939,584
Changes of Assumptions	(8,016,188)
Contributions: Member	52,274
Gross Benefit Payments	(1,419,618)
Net Change in Total OPEB Liability Associated with the District	(5,070,120)
Total OPEB Liability Associated with the District (Beginning)	66,360,608
Total OPEB Liability Associated with the District (Ending)	\$ 61,290,488
District's Covered Employee Payroll	\$ 10,678,579
Net OPEB Liability Associated with the District as a Percentage of Payroll	573.96%

Note - The amounts presented for each fiscal year were determined as of the previous fiscal year end (the measurement date).

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complied, governments should present information for those years for which information is available.

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PART III
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Teachers Pension and Annuity Fund (TPAF)

Changes in Benefit Terms - None.

Changes in Assumptions - The discount rate changed from 3.22% as of June 30, 2016, to 4.25% as of June 30, 2017.

Public Employees' Retirement System (PERS)

Changes in Benefit Terms - None.

Changes in Assumptions - The discount rate changed from 3.98% as of June 30, 2016, to 5.00% as of June 30, 2017.

State Health Benefit Local Education Retired Employees Plan (OPEB)

Changes in Benefit Terms - None.

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

OTHER SUPPLEMENTARY INFORMATION

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D. School Based Budget Schedules

Not Applicable

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E. Special Revenue Fund

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

	TITLE I PART A	TITLE II - PART A TEACHER & PRINCIPAL TRAINING & RECRUITING	TITLE III	I.D.E.A. PART B BASIC REGULAR PROGRAM	I.D.E.A. PART B PRESCHOOL PROGRAM	OTHER LOCAL PROGRAMS	TOTAL
Revenues:							
Federal Sources	\$ 231,999	\$ 43,191	\$ 3,266	\$ 355,943	\$ 21,090	\$ -	\$ 655,489
Local Sources	-	-	-	-	-	3,460	3,460
Total Revenues	\$ 231,999	\$ 43,191	\$ 3,266	\$ 355,943	\$ 21,090	\$ 3,460	\$ 658,949
Expenditures:							
Instruction:							
Salaries of Teachers	\$ 187,828	\$ 16,191	\$ 3,090	\$ -	\$ -	\$ -	\$ 207,109
Other Purchased Services	-	-	-	355,943	21,090	-	377,033
General Supplies	13,049	-	176	-	-	-	13,225
Total Instruction	200,877	16,191	3,266	355,943	21,090	-	597,367
Support Services:							
Employee Benefits	29,294	-	-	-	-	-	29,294
Purchased Professional Services	-	27,000	-	-	-	-	27,000
Other Purchased Services	1,828	-	-	-	-	-	1,828
Supplies & Materials	-	-	-	-	-	3,460	3,460
Total Support Services	31,122	27,000	-	-	-	3,460	61,582
Total Expenditures	\$ 231,999	\$ 43,191	\$ 3,266	\$ 355,943	\$ 21,090	\$ 3,460	\$ 658,949

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F. Capital Projects Fund

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**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
SUMMARY SCHEDULE OF PROJECT EXPENDITURES
FOR FISCAL YEAR ENDED JUNE 30, 2018**

PROJECT TITLE	ORIGINAL DATE	APPROPRIATIONS	EXPENDITURES			UNEXPENDED BALANCE JUNE 30, 2018
			PRIOR YEAR	CURRENT YEAR	TRANSFER TO DEBT SERVICE	
Replacement of Roof and Various Upgrades to the Heating, Ventilation and AC System at Mary F. Janvier Elementary School	2013	\$ 2,332,440	\$ 1,969,417	\$ -	\$ 191,360	\$ 171,663
Replacement of Roof and Various Upgrades to the Heating, Ventilation and AC System at Main Road Elementary School	2013	2,328,703	1,668,341	-	-	660,362
Roof and HVAC Replacement at Caroline L. Reutter Elementary School	2013	2,160,720	1,929,529	-	-	231,191
Renovations to Main Road School, Caroline Reutter School and Janvier School	2018	1,594,318	-	264,033	-	1,330,285
Total		\$ 8,416,181	\$ 5,567,287	\$ 264,033	\$ 191,360	\$ 2,393,501
				Unearned SDA Aid		\$ (113,155)
				Restricted Balance		\$ 2,280,346

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE-BUDGETARY BASIS
YEAR ENDED JUNE 30, 2018**

Revenues and Other Financing Sources:	
Transfer from Capital Reserve	\$ 1,505,430
Miscellaneous	88,888
	<hr/>
Total Revenues	\$ 1,594,318
	<hr/>
Expenditures & Other Financing Uses:	
Other Financing Sources/(Uses):	
Architectural/Engineering Services	\$ 139,998
Other Professional and Technical Services	66,327
Construction Services	57,708
Transfer to Debt Service	191,360
	<hr/>
Total Expenditures & Other Financing Sources/(Uses)	455,393
	<hr/>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	1,138,925
Fund Balance - Beginning	1,141,421
	<hr/>
Fund Balance - Ending	\$ 2,280,346
	<hr/> <hr/>

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, PROJECT BALANCE AND
PROJECT STATUS - BUDGETARY BASIS
RENOVATIONS TO MARY F. JANVIER AND MAIN ROAD SCHOOLS
YEAR ENDED JUNE 30, 2018**

	PRIOR PERIODS	CURRENT YEAR	TOTALS	REVISED AUTHORIZED COST
Revenues & Other Financing Sources:				
Transfer from Capital Reserve	\$ 2,328,703	\$ -	\$ 2,328,703	\$ 2,328,703
Transfer from General Fund	440	-	440	440
Bond Proceeds & Transfers	2,332,000	-	2,332,000	2,332,000
Total Revenues	4,661,143	-	4,661,143	4,661,143
Expenditures & Other Financing Uses:				
Professional Services	419,016	-	419,016	454,950
Construction Services	3,217,700	-	3,217,700	4,130,475
Other Objects	1,042	-	1,042	75,718
Transfer to Debt Service	-	191,360	191,360	-
Total Expenditures	3,637,758	191,360	3,829,118	4,661,143
Excess/(Deficiency) of Revenues Over/ (Under) Expenditures	\$ 1,023,385	\$ (191,360)	\$ 832,025	\$ -

ADDITIONAL PROJECT INFORMATION

Project Numbers	4150-040-05-0ACQ
Grant Date	N/A
Original Authorized Cost	\$4,660,704
Additional Authorized Cost	-
Revised Authorized Cost	4,660,704
Percentage Increase Over Original Authorized Cost	N/A
Percentage Completion	100.00%
Original Target Completion Date	N/A
Revised Target Completion Date	9/6/2014

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, PROJECT BALANCE AND
PROJECT STATUS - BUDGETARY BASIS
ROOF AND HVAC REPAIR AT CAROLINE L. REUTER ELEMENTARY SCHOOL
YEAR ENDED JUNE 30, 2018

	PRIOR PERIODS	CURRENT YEAR	TOTALS	REVISED AUTHORIZED COST
Revenues & Other Financing Sources:				
Transfer from Capital Reserve	\$ 1,136,930	\$ -	\$ 1,136,930	\$ 1,136,930
State Sources - SDA Grant	1,023,790	-	1,023,790	1,023,790
Total Revenues	2,160,720	-	2,160,720	2,160,720
Expenditures & Other Financing Uses:				
Architectural/Engineering Services	144,048	-	144,048	144,048
Other Professional and Technical Services	38,000	-	38,000	38,000
Construction Services	1,747,481	-	1,747,481	1,978,672
Other Objects	-	-	-	-
Total Expenditures	1,929,529	-	1,929,529	2,160,720
Excess/(Deficiency) of Revenues Over/ (Under) Expenditures	\$ 231,191	\$ -	\$ 231,191	\$ -

ADDITIONAL PROJECT INFORMATION

DOE Project Number	1590-070-13-1001
SDA Project Number	1590-070-13-GIPC
Grant #	G5-5138
Grant Date	N/A
Original Authorized Cost	\$ 2,160,720
Additional Authorized Cost	
Revised Authorized Cost	\$ 2,160,720
Percentage Decrease Over Original Authorized Cost	N/A
Percentage Complete	100%
Original Target Completion Date	N/A
Revised Target Completion Date	9/6/2014

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, PROJECT BALANCE AND
PROJECT STATUS - BUDGETARY BASIS
RENOVATIONS TO MAIN ROAD SCHOOL, CAROLINE REUTTER SCHOOL AND JANIVER SCHOOL
YEAR ENDED JUNE 30, 2018**

	PRIOR PERIODS	CURRENT YEAR	TOTALS	REVISED AUTHORIZED COST
Revenues & Other Financing Sources:				
Transfer from Capital Reserve	\$ -	\$ 1,505,430	\$ 1,505,430	\$ 1,505,430
Miscellaneous	-	88,888	88,888	88,888
Total Revenues	-	1,594,318	1,594,318	1,594,318
Expenditures & Other Financing Uses:				
Architectural/Engineering Services	-	139,998	139,998	139,998
Other Professional and Technical Services	-	66,327	66,327	66,327
Construction Services	-	57,708	57,708	1,387,993
Total Expenditures	-	264,033	264,033	1,594,318
Excess/(Deficiency) of Revenues Over/ (Under) Expenditures	\$ -	\$ 1,330,285	\$ 1,330,285	\$ -

ADDITIONAL PROJECT INFORMATION

DOE Project Number	N/A
SDA Project Number	N/A
Grant #	N/A
Grant Date	N/A
Original Authorized Cost	\$ 1,594,318
Additional Authorized Cost	
Revised Authorized Cost	\$ 1,594,318
Percentage Decrease Over Original Authorized Cost	
Percentage Complete	16.56%
Original Target Completion Date	6/30/19
Revised Target Completion Date	

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G. Proprietary Funds

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Enterprise Funds

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Internal Service Fund

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H. Fiduciary Fund

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**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018**

ASSETS	UNEMPLOYMENT COMPENSATION TRUST	PAYROLL FUND	AGENCY STUDENT ACTIVITIES	TOTAL
Cash & Cash Equivalents	\$ 345,134	\$ 5,524	\$ 13,947	\$ 364,605
Total Assets	<u>345,134</u>	<u>5,524</u>	<u>13,947</u>	<u>364,605</u>
LIABILITIES				
Payroll Deductions & Withholdings Due to Student Groups Accounts Payable	-	5,524	-	5,524
	-	-	13,947	13,947
	349	-	-	349
Total Liabilities	<u>349</u>	<u>5,524</u>	<u>13,947</u>	<u>19,820</u>
NET POSITION				
Held in Trust for Unemployment Claims & Other Purposes	<u>344,785</u>	-	-	<u>344,785</u>
Total Net Position	<u>\$ 344,785</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 344,785</u>

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
JUNE 30, 2018**

ADDITIONS:	UNEMPLOYMENT COMPENSATION TRUST	TOTAL
Contributions:		
Plan Member	\$ 23,051	\$ 23,051
	<hr/>	<hr/>
Total Contributions	23,051	23,051
	<hr/>	<hr/>
Investment Earnings:		
Interest	1,650	1,650
	<hr/>	<hr/>
Total Additions	24,701	24,701
	<hr/>	<hr/>
 DEDUCTIONS:		
Unemployment Claims	7,870	7,870
	<hr/>	<hr/>
Total Deductions	7,870	7,870
	<hr/>	<hr/>
Change in Net Position	16,831	16,831
Net Position - Beginning	327,954	327,954
	<hr/>	<hr/>
Net Position - End	\$ 344,785	\$ 344,785
	<hr/> <hr/>	<hr/> <hr/>

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
FIDUCIARY FUNDS
SCHEDULE OF STUDENT ACTIVITY RECEIPTS AND DISBURSEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2018**

ASSETS	BALANCE JULY 1, 2017	CASH RECEIPTS	CASH DISBURSEMENTS	BALANCE JUNE 30, 2018
Student Activity General	\$ 14,930	\$ 13,234	\$ 17,229	\$ 10,935
Main Road Fundraising	2,372	-	-	2,372
Caroline L. Reutter Fundraising	640	-	-	640
Total Assets	\$ 17,942	\$ 13,234	\$ 17,229	\$ 13,947

**SCHEDULE OF CHANGES IN PAYROLL AGENCY ASSETS & LIABILITIES
FOR FISCAL YEAR ENDED JUNE 30, 2018**

ASSETS	BALANCE JULY 1, 2017	ADDITIONS	DELETIONS	BALANCE JUNE 30, 2018
Cash & Cash Equivalents	\$ 210,580	\$ 11,821,213	\$ 12,026,269	\$ 5,524
Total Assets	\$ 210,580	\$ 11,821,213	\$ 12,026,269	\$ 5,524
LIABILITIES				
Net Payroll	\$ -	\$ 7,110,489	\$ 7,110,489	\$ -
Payroll Deductions & Withholdin	106,977	4,687,674	4,789,127	5,524
Interfund Payable - General	95,314	-	95,314	-
Interfund Payable - Unemployment	8,289	23,050	31,339	-
Total Liabilities	\$ 210,580	\$ 11,821,213	\$ 12,026,269	\$ 5,524

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I. Long-Term Debt

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**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS
JUNE 30, 2018**

ISSUE	DATE OF ISSUE	AMOUNT OF ISSUE	ANNUAL MATURITY DATE	INTEREST RATE	BALANCE JUNE 30, 2016	ISSUED	RETIRED	BALANCE JUNE 30, 2017
Renovations to Mary F. Janvier and Main Road Schools	06/30/2013	\$ 2,332,000	June 15, 2019	2.000%	\$ 1,807,000	\$ -	\$ 140,000	\$ 1,667,000
			2020	3.000%				
			2021	3.000%				
			2022	3.000%				
			2023	3.000%				
			2024	3.000%				
			2025	3.000%				
			2026	3.000%				
			2027	3.000%				
			2028	3.000%				
Total					\$ 1,807,000	\$ -	\$ 140,000	\$ 1,667,000

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
JUNE 30, 2018

SERIES	DATE OF LEASE	TERM OF LEASE	AMOUNT OF ORIGINAL LEASE	PRINCIPAL INTEREST	INTEREST RATE PAYABLE	AMOUNT OUTSTANDING JUNE 30, 2017	ISSUED CURRENT YEAR	RETIRED CURRENT YEAR	AMOUNT OUTSTANDING JUNE 30, 2017
Dell Computer Equipment			151,449		1.400%	\$ 50,443	\$ -	\$ 50,443	\$ -
School Buses and Truck	1/6/2017	38 months	228,000	9,732	2.588%	169,452	-	55,047	114,405
Dell Computer Equipment			35,985	2,922	8.120%	23,016	-	11,047	11,969
Dell Computer Equipment			124,584	6,902	5.540%	80,755	-	39,269	41,486
Dell Computer Equipment			146,884	13,954	9.500%	114,716	-	26,713	88,003
Dell Computer Equipment			40,050	3,077	7.683%	29,268	-	9,268	20,000
Dell Computer Equipment	9/1/2017	50 months	47,119	3,581	7.600%	-	47,119	12,675	34,444
Dell Computer Equipment	9/1/2017	50 months	39,690	3,790	9.549%	-	39,690	8,696	30,994
Dell Computer Equipment	9/1/2017	26 months	91,920	5,202	5.659%	-	91,920	32,374	59,546
Total									
						\$ 467,650	\$ 178,729	\$ 245,532	\$ 400,847

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

	JUNE 30, 2018				POSITIVE/ NEGATIVE FINAL TO ACTUAL
	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	
Revenues:					
Local Sources:					
Transfer from Other Funds	\$ 191,360	\$ -	\$ 191,360	\$ 191,360	\$ -
Total Revenues	191,360	-	191,360	191,360	-
Expenditures:					
Regular Debt Service:					
Interest	51,360	-	51,360	51,360	-
Principal	140,000	-	140,000	140,000	-
Total Expenditures	191,360	-	191,360	191,360	-
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	-	-	-	-	-
Fund Balance, July 1	-	-	-	-	-
Fund Balance, June 30	\$ -	\$ -	\$ -	\$ -	\$ -

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STATISTICAL SECTION (Unaudited)

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
FISCAL YEAR ENDING JUNE 30,										
Governmental Activities:										
Net Investment in,										
Capital Assets	\$ 11,577,620	\$ 12,019,368	\$ 11,049,427	\$ 11,284,912	\$ 9,241,130	\$ 7,139,137	\$ 8,338,463	\$ 8,339,304	\$ 8,209,175	\$ 8,202,074
Restricted	5,249,395	5,012,982	5,568,195	4,132,549	4,857,287	5,317,080	3,355,614	2,458,214	1,889,262	1,314,003
Unrestricted	(7,262,246)	(7,139,012)	(5,786,361)	(5,685,803)	(833,358)	(54,578)	(260,941)	(273,744)	(273,744)	(52,367)
Total Governmental Activities	\$ 9,564,769	\$ 9,893,338	\$ 10,831,261	\$ 9,731,658	\$ 13,265,059	\$ 12,401,640	\$ 11,433,136	\$ 10,523,774	\$ 9,824,693	\$ 9,463,710
Business-Type Activities:										
Net Investment in,										
Capital Assets	\$ 61,060	\$ 72,209	\$ 74,341	\$ 76,473	\$ 78,604	\$ 87,202	\$ 67,703	\$ 70,670	\$ 73,063	\$ 82,012
Restricted			\$ 47,765							
Unrestricted	42,897	46,860	20,539	59,081	46,686	47,055	67,636	71,162	45,597	(14,568)
Total Business-Type Activities	\$ 103,957	\$ 119,069	\$ 142,645	\$ 135,554	\$ 125,290	\$ 134,257	\$ 135,338	\$ 141,832	\$ 118,660	\$ 67,443
District-Wide:										
Net Investment in,										
Capital Assets	\$ 11,638,680	\$ 12,091,577	\$ 11,123,768	\$ 11,361,384	\$ 9,319,735	\$ 7,226,339	\$ 8,406,166	\$ 8,409,974	\$ 8,282,238	\$ 8,284,085
Restricted	5,249,395	5,012,982	5,615,960	4,132,549	4,857,287	5,317,080	3,355,614	2,458,214	1,889,262	1,314,003
Unrestricted	(7,219,349)	(7,092,152)	(5,765,822)	(5,626,721)	(786,672)	(7,523)	(193,305)	(202,582)	(228,147)	(66,935)
Total District Net Position	\$ 9,668,726	\$ 10,012,407	\$ 10,973,906	\$ 9,867,212	\$ 13,390,349	\$ 12,535,897	\$ 11,568,475	\$ 10,665,606	\$ 9,943,353	\$ 9,531,153

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
CHANGES IN NET POSITION - (ACCURAL BASIS OF ACCOUNTING)
LAST TEN FISCAL YEARS**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
FISCAL YEAR ENDING JUNE 30.										
Expenses:										
Governmental Activities										
Institution:										
Regular	\$ 5,127,719	\$ 6,175,631	\$ 5,912,651	\$ 5,770,417	\$ 5,810,317	\$ 5,647,723	\$ 5,520,612	\$ 5,529,636	\$ 6,053,072	\$ 5,612,092
Special Education	2,457,575	1,802,721	1,749,563	1,689,218	1,693,166	1,689,804	1,608,406	1,526,677	1,356,433	1,400,598
Other Instruction	711,574	556,828	551,683	530,690	478,559	499,561	483,330	409,140	429,424	429,715
Support Services:										
Tuition	472,191	818,315	799,558	857,860	738,090	614,211	308,267	348,051	287,955	304,790
Student & Instruction Related Services	1,660,088	2,130,337	2,050,685	1,865,384	1,792,082	1,770,495	1,476,636	1,274,938	1,671,052	1,575,466
Health Services	254,064									
Educational Media Services/School Library	112,699									
School Administrative Services	534,324	458,297	467,257	553,920	545,270	570,958	555,178	529,933	584,052	524,192
General Administrative	661,700	456,145	419,760	400,201	432,225	471,368	493,397	425,713	496,004	388,690
Central Services & Information Technology	383,550	421,982	405,476	414,070	418,788	408,326	381,775	379,906	360,700	361,076
Administrative Information Technology	110,700									
Plant Operations & Maintenance	2,006,657	2,527,001	1,859,222	1,773,798	1,757,088	1,807,721	1,627,003	1,580,662	1,742,311	1,594,076
Pupil Transportation	1,982,516	1,881,306	1,597,964	1,866,533	1,571,798	1,505,658	1,577,967	1,432,385	1,309,046	1,190,351
Employee Benefits	12,562,475	11,373,075	8,951,485	7,774,883	5,378,858	5,374,070	4,750,608	4,346,158	4,063,645	3,951,697
On Behalf TPAF Pension and Social Security Contributions	-	-	-	-	-	-	-	-	-	-
Special Schools	-	-	-	-	-	-	-	-	-	-
Adjustment to Capital Assets	-	-	-	-	-	-	-	-	-	-
Debt Issue Costs	58,883	62,438	532,233	528,060	69,899	10,753	16,666	26,593	3,565	32,900
Interest on Long-Term Debt	-	-	-	-	-	-	-	-	-	-
Capital Outlay	589,348	513,610			343,671	345,219	393,750	549,675	525,349	536,425
Unallocated Depreciation & Amortization	-	-	-	-	-	-	-	-	-	-
Amortization of Debt Issuance Costs	-	-	-	-	-	-	-	-	-	-
Reduction of Capital Leases	-	-	-	-	-	-	-	-	-	-
Unallocated Compensated Absences	-	-	-	-	-	-	-	-	-	-
Total Governmental Activities Expenses	\$29,686,063	29,177,686	25,297,537	24,025,034	21,029,811	20,757,921	19,197,160	18,363,032	18,909,017	17,905,633
Business-Type Activities:										
Food Service	618,895	672,644	646,136	612,326	624,263	628,716	609,962	585,957	559,819	544,856
Total Business-Type Activities Expense	618,895	672,644	646,136	612,326	624,263	628,716	609,962	585,957	559,819	544,856
Total District Expenses	\$ 30,304,958	\$ 29,850,330	\$ 25,943,673	\$ 24,637,360	\$ 21,654,074	\$ 21,386,637	\$ 19,807,122	\$ 18,948,989	\$ 19,468,836	\$ 18,450,489

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
CHANGES IN NET POSITION - (ACCRUAL BASIS OF ACCOUNTING)
LAST TEN FISCAL YEARS**

	FISCAL YEAR ENDING JUNE 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Program Revenues:										
Governmental Activities:										
Charges for Services & Operating Grants										
Operating Grants & Contributions		2,086,169	2,085,058	1,962,703	2,192,873	2,331,520	2,099,489	1,869,637	1,818,892	1,635,851
Instruction (Special Education)	\$ 597,367									
On Behalf TPAF Pension and Social Security Contributions	-									
Student & Instruction & Related Services	55,532									
Total Governmental Activities Program Revenues	8,475,572	2,086,169	2,085,058	1,962,703	2,192,873	2,331,520	2,099,489	1,869,637	1,818,892	1,635,851
Business-Type Activities:										
Charges for Services:										
Food Service	254,464	259,647	259,013	255,049	272,089	301,985	323,401	342,208	322,492	352,438
Operating Grants & Contributions	349,319	389,422	394,214	367,541	343,207	323,649	280,068	266,920	238,657	207,382
Total Business Type Activities Program Revenues	603,783	649,069	653,227	622,590	615,296	627,634	603,469	609,128	561,149	559,820
Total District Program Revenues	\$ 9,079,355	\$ 2,735,238	\$ 2,738,285	\$ 2,585,293	\$ 2,808,169	\$ 2,959,154	\$ 2,702,958	\$ 2,478,765	\$ 2,380,041	\$ 2,195,671
Net/(Expense)/Revenue:										
Governmental Activities	\$ (21,210,491)	\$ (27,091,517)	\$ (23,212,479)	\$ (22,062,331)	\$ (18,836,938)	\$ (18,426,401)	\$ (17,097,671)	\$ (16,493,395)	\$ (17,090,125)	\$ (16,269,782)
Business-Type Activities	(15,112)	(23,575)	7,091	10,264	(8,967)	(1,082)	(6,493)	23,171	1,330	14,964
Total District-Wide Net Expense	\$ (21,225,603)	\$ (27,115,092)	\$ (23,205,388)	\$ (22,052,067)	\$ (18,845,905)	\$ (18,427,483)	\$ (17,104,164)	\$ (16,470,224)	\$ (17,088,795)	\$ (16,254,818)

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
CHANGES IN NET POSITION - (ACCRUAL BASIS OF ACCOUNTING)
LAST TEN FISCAL YEARS**

	FISCAL YEAR ENDING JUNE 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Revenues & Other Changes in Net Position:										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	\$ 10,774,405	\$ 10,558,143	\$ 10,315,788	\$ 9,810,740	\$ 9,514,704	\$ 9,070,950	\$ 8,485,429	\$ 8,487,994	\$ 8,069,128	\$ 7,827,916
Taxes Levied for Debt Service	-	189,060	186,339	172,729	205,790	204,880	200,049	202,024	198,611	200,005
Unrestricted Grants & Contributions	9,000,574	13,719,661	12,031,057	11,907,689	8,796,742	8,586,155	8,595,288	8,202,894	8,924,023	8,362,366
Restricted Grants & Contributions	-	-	-	-	-	-	-	-	-	-
Tuition Received	1,368,146	1,499,028	1,551,931	1,339,719	987,682	1,147,796	255,880	227,302	112,617	167,749
Transportation Fees	-	77,858	124,791	109,817	169,210	262,828	165,207	189,075	145,079	87,926
Investment Earnings	45	27,832	27,157	20,235	26,715	23,950	20,501	17,558	16,773	24,993
Miscellaneous Income	66,737	82,011	75,021	103,612	16,898	110,478	60,855	64,844	42,681	40,432
Transfer to Charter School	-	-	-	-	(13,206)	(12,133)	(16,895)	(8,376)	(7,917)	(7,751)
Compensated Absences	-	-	-	-	-	-	-	-	-	-
Other	(34,709)	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	(49,886)	-
Total Governmental Activities	<u>\$ 21,175,198</u>	<u>\$ 26,153,593</u>	<u>\$ 24,312,084</u>	<u>\$ 23,464,541</u>	<u>\$ 19,704,535</u>	<u>\$ 19,394,904</u>	<u>\$ 17,766,314</u>	<u>\$ 17,383,315</u>	<u>\$ 17,451,109</u>	<u>\$ 16,718,621</u>
Total District-Wide	<u>\$ 21,175,198</u>	<u>\$ 26,153,593</u>	<u>\$ 24,312,084</u>	<u>\$ 23,464,541</u>	<u>\$ 19,704,535</u>	<u>\$ 19,394,904</u>	<u>\$ 17,766,314</u>	<u>\$ 17,383,315</u>	<u>\$ 17,500,995</u>	<u>\$ 16,718,621</u>
Change in Net Position:										
Governmental Activities	\$ (35,293)	\$ (937,924)	\$ 1,099,605	\$ 1,402,210	\$ 867,597	\$ 968,503	\$ 668,643	\$ 889,920	\$ 360,984	\$ 448,839
Business-Type Activities	(15,112)	(23,575)	7,091	10,264	(8,967)	(1,082)	(6,493)	23,171	51,216	14,964
Total District	<u>\$ (50,405)</u>	<u>\$ (961,499)</u>	<u>\$ 1,106,696</u>	<u>\$ 1,412,474</u>	<u>\$ 858,630</u>	<u>\$ 967,421</u>	<u>\$ 662,150</u>	<u>\$ 913,091</u>	<u>\$ 412,200</u>	<u>\$ 463,803</u>

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
FUND BALANCES AND GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)**

	FISCAL YEAR ENDING JUNE 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Fund:										
Restricted:										
Capital Reserve	1,286,501	2,379,851	2,847,261	1,730,000	1,699,169	\$ 2,500,760	\$ 3,691,304	\$ 2,908,362	\$ 2,274,993	\$ 1,858,854
Maintenance Reserve	617,800	1,078,306	1,078,306	1,078,306	1,438,293					
Excess Surplus	1,064,948	163,403	251,207	87,804						
Emergency Reserve		250,000	250,000							
Committed to Year-End Encumbrances	22,521	70,141	223,250	94,697	527,777					
Assigned to Subsequent Year's Expenditures	23,619	26,509	31,150		62,878					
Unrestricted	(330,549)	(362,376)	(338,696)	(400,326)	7,147,656	(358,367)	(443,398)	(278,931)	(514,516)	(387,867)
Total General Fund	\$ 2,684,640	\$ 3,605,835	\$ 4,342,478	\$ 2,590,481	\$ 10,875,773	\$ 2,142,393	\$ 3,247,906	\$ 2,629,432	\$ 1,760,477	\$ 1,470,987
All Other Governmental Funds:										
Restricted	\$ 2,280,346									
Unrestricted, Reported in:										
Capital Projects Fund	-	1,141,421	1,141,421	1,141,421	1,104,292	3,331,276				
Debt Service Fund	-			321	(16,209)		1	0	0	1
Total All Other Governmental Funds	\$ 2,280,346	\$ 1,141,421	\$ 1,141,421	\$ 1,141,742	\$ 1,088,083	\$ 3,331,277	\$ 1	\$ 0	\$ 0	\$ 1

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues:										
Taxes Local	\$ 10,774,405	\$ 10,747,203	\$ 10,502,127	\$ 9,983,469	\$ 9,720,494	\$ 9,275,830	\$ 8,685,478	\$ 8,690,018	\$ 8,267,739	\$ 8,027,921
Tuition Charges	1,368,146	1,499,028	1,551,931	1,339,719	987,682	1,147,796	255,880	227,302	112,617	167,749
Rent	124,077							600		4,700
Transportation	45	27,832	27,157	20,235	26,715	23,950	20,501	17,558	16,773	24,993
Interest Earnings	200,350	159,869	199,812	213,429	186,108	373,307	226,062	253,919	180,665	123,658
Miscellaneous	11,578,617	11,207,038	10,910,139	11,461,483	10,224,780	10,170,267	9,574,460	9,319,114	8,660,874	9,439,702
State Sources	669,666	732,165	770,837	684,318	764,835	747,407	1,120,318	753,418	2,070,581	554,008
Federal Sources										
Total Revenue	24,715,306	24,373,135	23,962,002	23,702,653	21,910,614	21,738,557	19,882,698	19,261,329	19,309,850	18,342,730
Expenditures:										
Instruction:										
Regular Instruction	5,279,673	5,966,732	5,804,959	5,768,815	5,807,375	5,654,424	5,533,589	5,624,876	6,067,323	5,625,865
Special Education Instruction	2,457,575	1,792,945	1,739,787	1,680,694	1,688,027	1,688,482	1,608,406	1,526,677	1,356,433	1,400,598
Other Instruction	711,574	556,828	551,683	530,690	478,559	499,561	483,330	409,140	429,424	429,715
Undistributed:										
Tuition	472,191	818,315	799,558	857,860	738,090	614,211	308,267	348,051	287,955	304,790
Health Services	254,064									
Student & Instr. Related Services	1,651,738	2,122,230	2,042,578	1,857,277	1,783,975	1,763,739	1,476,636	1,274,938	1,671,052	1,575,466
Educational Media Services	112,699									
Instructional Staff Training	50,861									
General Administration	602,618	455,525	419,140	399,581	431,605	470,748	492,777	425,713	496,004	388,690
School Administration	472,876	457,615	466,575	553,237	544,948	570,757	554,977	529,933	584,052	545,469
Central Administration	383,550	421,982	405,476	414,070	418,789	408,326	381,775	379,906	360,700	260,996

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

Expenditures (continued):	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Administration Information Technology	110,700									
Allowable Maintenance for School Facilities	1,979,544	2,445,927	1,778,149	1,694,564	1,698,386	1,761,754	1,592,721	1,580,662	1,742,311	1,606,404
Operation & Maintenance of Plant Services	1,856,479	1,808,948	1,525,606	1,794,577	1,482,797	1,374,215	1,440,365	1,432,385	1,294,046	1,190,351
Student Transportation										100,080
Business & Other Supp. Services	4,460,760	6,704,269	6,198,146	5,946,425	5,346,390	5,321,655	4,795,152	4,288,108	4,126,445	3,951,580
Unallocated Benefits										
On Behalf TPAF Pension and Social Security Contributions	2,594,810	1,538,855	292,010	2,553,416	2,493,163	1,499,909	379,284	361,585	348,199	229,907
Capital Outlay	589,174									
Special Schools										
Debt Service Expenditures:										
Principal	140,000	135,000	130,000	130,000	130,000	197,000	185,000	180,000	170,000	165,000
Interest	59,000	54,060	56,660	59,260	58,939	7,880	15,049	22,024	28,611	35,005
Total Expenditures	24,239,886	25,279,231	22,210,326	24,240,465	23,101,043	21,832,660	19,247,329	18,383,998	18,962,556	17,809,917
Excess (Deficiency) of Revenues Over/(Under) Expenditures	475,420	(906,095)	1,751,676	(537,812)	(1,190,430)	(94,104)	635,370	877,331	347,293	532,814
Other Financing Sources/(Uses):										
Sale of Bonds	-	169,452				2,332,000				
Capital Leases (Non-Budgeted)	-									
Cancellation of Prior Year AP	(257,690)				(13,206)	(12,133)	(16,895)	(8,376)	(7,917)	(7,751)
Transfers Out	(1,696,790)									
Transfers In	1,696,790								(49,886)	
Total Other Financing Sources/(Uses)	(257,690)	169,452	-	-	(13,206)	2,319,867	(16,895)	(8,376)	(57,803)	(7,751)
Net Change in Fund Balances	\$217,730	(\$736,643)	\$1,751,676	(\$537,812)	(\$1,203,636)	\$2,225,763	\$618,475	\$868,955	\$289,490	\$525,063
Debt Service as a Percentage of Noncapital Expenditures	0.84%	0.80%	0.90%	0.90%	0.90%	1.00%	1.10%	1.10%	1.10%	1.10%

Source: District Records

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

FISCAL YEAR	ENDING JUNE 30,	INTEREST ON INVESTMENTS	TUITION REVENUE	RENTALS	TRANSP. FEES	MEDICARE SEMI & EPSDT	REFUND OF PRIOR YEAR EXPENDITURE	INSURANCE DIVIDENDS/ADJUSTMENT	MISCELLANEOUS	TOTAL
2018	\$ 29,303	\$1,368,146	\$ -	\$124,077	\$ -	\$ 34,170	\$ 20,252	\$ 24,277	\$ 1,600,225	
2017	27,832	1,499,028	-	77,858	-	-	-	82,011	1,686,729	
2016	27,157	1,551,931	-	124,791	47,213	-	-	75,021	1,826,113	
2015	20,235	1,339,719	-	109,817	10,525	-	-	103,612	1,583,908	
2014	26,715	987,682	3,876	169,210	10,105	11,200	4,512	1,185	1,214,485	
2013	23,950	1,189,811	3,876	262,828	21,020	11,988	29,147	2,432	1,545,052	
2012	20,501	260,016	743	165,207	19,692	36,629	16,905	243	519,936	
2011	17,558	227,302	-	189,075	8,134	4,279	-	18,396	464,744	
2010	16,773	112,617	600	145,079	-	11,933	15,516	8,137	310,655	
2009	24,993	167,749	4,700	87,926	-	-	-	35,732	321,100	

Source: District records

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY,
LAST TEN FISCAL YEARS**

FISCAL YEAR ENDED JUNE 30,	VACANT LAND	RESIDENTIAL	FARM REG.	QFARM	COMMERCIAL	INDUSTRIAL	APARTMENT	TOTAL ASSESSED VALUE	PUBLIC UTILITIES	NET VALUATION TAXABLE	TOTAL DIRECT SCHOOL TAX RATE	ESTIMATED ACTUAL (COUNTY EQUALIZED) VALUE
2018	32,122,000	1,047,529,000	49,158,100	6,166,900	92,504,200		2,127,000.00	1,229,607,200	2,145,537	1,231,752,737	1.896	1,304,220,449
2017	33,979,400	1,047,692,500	48,604,500	6,071,800	95,784,400		2,127,000	1,234,259,600	2,819,379	1,237,078,979	1.849	1,301,138,098
2016	34,255,500	1,045,898,900	48,197,300	5,995,600	93,081,000		2,127,000	1,229,555,300	2,907,975	1,232,463,275	1.834	1,296,691,472
2015	34,235,200	1,043,381,600	49,129,500	6,105,900	93,789,600		3,103,600	1,229,745,400	2,956,780	1,232,702,180	1.771	1,272,532,446
2014	36,089,600	1,041,281,400	47,646,600	6,035,100	96,487,300		3,605,700	1,231,145,700	3,008,212	1,234,153,912	1.706	1,274,031,085
2013	37,838,500	1,042,344,800	48,887,100	5,843,700	103,327,000		4,149,800	1,242,390,900	3,746,835	1,246,137,735	1.632	1,314,214,021
2012	23,785,000	676,688,100	33,177,400	5,877,300	62,760,500		1,969,800	804,258,100	2,447,866	806,705,966	2.391	1,383,180,084
2011	23,414,600	676,493,100	32,851,900	5,907,600	62,685,000		1,969,800	803,322,000	2,405,012	805,727,012	0.000	1,460,207,338
2010	24,021,100	681,600,400	31,797,900	5,883,200	60,877,100		1,969,800	806,149,500	2,749,739	808,899,239	0.000	1,499,113,437
2009	24,893,100	674,513,800	33,593,800	5,128,100	61,432,900		1,969,800	801,531,500	2,676,260	804,207,760	2.160	1,543,539,661

b. Tax rates are per \$100

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(Rate per \$100 of Assessed Value)**

FISCAL YEAR ENDED JUNE 30,	SCHOOL DISTRICT DIRECT RATE				OVERLAPPING RATES				TOTAL DIRECT AND OVERLAPPING TAX RATE
	BASIC RATE	GENERAL OBLIGATION DEBT SERVICES	TOTAL DIRECT SCHOOL TAX RATE	SOUTHERN GLOUC. CO. REGIONAL SCHOOL DISTRICT	FRANKLIN TOWNSHIP	GLOUCESTER COUNTY	FRANKLIN TOWNSHIP OPEN SPACE		
2018	0.876	0.015	0.891	1.005	0.661	0.722	0.010	3.289	
2017	0.855	0.015	0.870	0.979	0.661	0.706	0.010	3.226	
2016	0.848	0.015	0.863	0.971	0.661	0.706	0.010	3.211	
2015	0.817	0.014	0.831	0.940	0.612	0.688	0.010	3.081	
2014	0.782	0.017	0.799	0.907	0.611	0.635	0.010	2.962	
2013	0.746	0.017	0.763	0.869	0.607	0.638	0.010	2.887	
2012	1.088	0.026	1.114	1.277	0.893	0.944	0.010	4.238	
2011	1.057	0.025	1.082	1.256	0.903	0.980	0.009	4.230	
2010	1.023	0.025	1.048	1.210	0.859	1.018	0.010	4.145	
2009	0.989	0.025	1.014	1.146	0.811	1.054	0.009	4.034	

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
PRINCIPAL PROPERTY TAX PAYERS,
CURRENT YEAR AND NINE YEARS AGO**

TAXPAYER	2018		2009	
	TAXABLE ASSESSED VALUE	% OF TOTAL DISTRICT NET ASSESSED VALUATION	TAXABLE ASSESSED VALUE	% OF TOTAL DISTRICT NET ASSESSED VALUATION
RT Enterprises, LLC	\$ 6,740,800	0.55%	\$ 3,654,100	0.45%
R Leo & Son, LLC	3,586,300	0.29%	2,277,700	0.28%
State of NJ, Dep C/O White Oak CC			1,195,900	0.15%
Verizon New Jersey	2,145,537	0.17%		
Wawa Inc.	2,770,800	0.22%	1,498,800	0.19%
Amazing Grace Community Church	2,500,000	0.20%		
PDM, LLC: CVS			1,086,500	0.14%
New Greenways	2,158,300	0.18%		
Graiff Brothers Properties	2,068,400	0.17%		
Rosemar Properties, V, LLC	1,800,000	0.15%		
US Bank NA Trustee	1,718,300	0.14%		
AJ Seerat LLC	1,550,000	0.13%		
Visconti Borthers Properties, LLC			1,696,600	0.21%
Sharon Reed Community Dev. Corp			1,423,700	0.18%
Blackwood Town Industries, Inc.			1,143,300	0.14%
Taxpayer #1			1,130,400	0.14%
Piersol Homes @ Florawood Estates			1,061,200	0.13%
Total	\$ 27,038,437	2.20%	\$ 16,168,200	2.01%

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

YEAR ENDED DECEMBER 31	TAXES LEVIED FOR THE FISCAL YEAR	COLLECTED WITH THE FISCAL YEAR		COLLECTIONS IN SUBSEQUENT YEAR
		AMOUNT	PERCENT OF LEVY	
2018	\$10,774,405	10,774,405	100.00%	-
2017	10,558,143	10,558,143	100.00%	-
2016	10,502,127	10,502,127	100.00%	-
2015	9,983,469	9,983,469	100.00%	-
2014	9,720,494	9,720,494	100.00%	-
2013	9,275,830	9,275,830	100.00%	-
2012	8,685,478	8,685,478	100.00%	-
2011	8,690,018	8,690,018	100.00%	-
2010	8,267,739	8,267,739	100.00%	-
2009	8,027,921	8,027,921	100.00%	-

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

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

FISCAL YEAR ENDED JUNE 20,	GOVERNMENTAL ACTIVITIES				BUSINESS- TYPE ACTIVITIES	TOTAL DISTRICT	PERCENTAGE OF PERSONAL INCOME
	GENERAL OBLIGATION BONDS	CERTIFICATES OF PARTICIPATION	CAPITAL LEASES	BOND ANTICIPATION NOTES (BANs)	CAPITAL LEASES		
2018	\$ 1,667,000	N/A	N/A	N/A	N/A	1,667,000	N/A
2017	1,807,000					1,807,000	0.22%
2016	1,942,000					1,942,000	0.25%
2015	2,072,000					2,072,000	0.26%
2014	2,202,000					2,202,000	0.28%
2013	2,332,000					2,332,000	0.31%
2012	197,000	15,796				212,796	0.03%
2011	382,000	31,061				413,061	0.06%
2010	562,000	136,980				698,980	0.10%
2009	732,000	190,431				922,431	0.14%

Note: Details regarding the district's outstanding debt can be found in the notes to the financial statements

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

FISCAL YEAR ENDED JUNE 30,	GENERAL BONDED DEBT OUTSTANDING		NET GENERAL BONDED DEBT OUTSTANDING	PERCENTAGE OF ACTUAL TAXABLE VALUE OF PROPERTY	PER CAPITA
	GENERAL OBLIGATION BONDS	DEDUCTIONS			
2018	\$1,667,000		1,667,000	N/A	N/A
2017	1,807,000		1,807,000	0.14%	110
2016	1,942,000		1,942,000	0.15%	117
2015	2,072,000		2,072,000	0.16%	124
2014	2,072,000		2,072,000	0.16%	124
2013	2,332,000		2,332,000	0.17%	140
2012	2,332,000		2,332,000	0.15%	132
2011	197,000		197,000	0.01%	11
2010	732,000		732,000	0.05%	42
2009	897,000		897,000	0.06%	52

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2018**

GOVERNMENTAL UNIT	DEBT OUTSTANDING	ESTIMATED PERCENTAGE APPLICABLE	OVERLAPPING DEBT
Debt Repaid With Property Taxes:			
Franklin Township	\$8,165,000	100.00%	\$8,165,000
Other Debt			
Gloucester County General Obligation Debt	225,453,500	5.01%	11,295,220
Delsea Regional School District	9,706,000	78.05%	<u>7,575,533</u>
Total Direct & Overlapping Debt			<u><u>\$27,035,753</u></u>

Sources: Franklin Township Finance Officer and Gloucester County Finance Office

Debt outstanding data provided by each governmental unit.

NOTE - Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District.

This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the above Townships. This process recognizes that, when considering the District's ability to issue and repay Long-Term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping payment.

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

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Debt Limit	\$45,355,048	\$32,309,015	\$2,195,224	\$2,344,421	\$3,061,801	\$4,539,826	\$6,014,663	\$7,060,981	\$6,984,642	\$5,406,160
Total Net Debt Applicable to Limit	1,667,000	1,807,000	1,942,000	2,072,000	2,202,000	2,332,000	197,000	382,000	562,000	732,000
Legal Debt Margin	\$43,688,048	\$30,502,015	\$30,253,224	\$30,272,421	\$30,859,801	\$32,207,826	\$35,817,663	\$36,678,981	\$36,422,642	\$34,674,160
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	3.68%	5.59%	6.03%	6.41%	6.66%	6.75%	0.55%	1.03%	1.52%	2.07%

Legal Debt Margin Calculation for Fiscal Year 2018

	Equalized Valuation Basis
	Total
Average Equalized Valuation of Taxable Property	1,301,138,098
Debt Limit (3.5 % of Average Equalization Value)	1,296,178,895
Net Bonded School Debt	1,290,258,525
Legal Debt Margin	\$3,887,575,518
	\$1,295,858,506
	\$45,355,048
	1,667,000
	\$43,688,048

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

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

YEAR	POPULATION (a)	PERSONAL INCOME	PER CAPITA PERSONAL INCOME (c)	UNEMPLOYMENT RATE (d)
2018	N/A	N/A	N/A	N/A
2017	16,496	821,168,569	49780	5.6%
2016	16,568	792,249,439	49287	6.7%
2015	16,669	784,593,661	48799	8.0%
2014	16,671	776,918,613	46603	9.4%
2013	16,676	750,603,436	45011	11.3%
2012	16,724	742,411,808	44392	12.5%
2011	16,781	725,526,535	43235	12.5%
2010	16,825	698,439,400	41512	11.7%
2009	17,368	711,931,688	40991	6.4%

Source:

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

^b Personal income

^c Per Capita

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

* 2010 Census

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

EMPLOYER	2018		PERCENTAGE OF TOTAL EMPLOYMENT
	EMPLOYEES	RANK (OPTIONAL)	
Inspira Health	1,825	1	
Kennedy Hospital	1,675	2	
Rowan University	1,483	3	
Missa Bay, LLC	950	4	
U.S. Food Services	725	5	
Exxon Mobile Research & Development	540	6	
LaBrea Bakery	525	7	
Delaware Valley Wholesale Florist	500	8	
Drugstore.com	450	9	
Heritage Dairy Stores	450	10	
	9,123		
	9,123		

EMPLOYER	2009		PERCENTAGE OF TOTAL EMPLOYMENT
	EMPLOYEES	RANK (OPTIONAL)	
Inspira Health	1,860	1	
County of Gloucester	1,600	2	
Washington Township School District	1,594	3	
Rowan University	1,300	4	
Kennedy Hospital	1,200	5	
DirectGroup	850	6	
U.S. FoodService	800	7	
Monroe Township School District	775	8	
Missa Bay, LLC	750	9	
US Postal Service	700	10	
	11,429		
	11,429		

Source: Information provided by the Gloucester County Office of Economic Development and Employer Directly.

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

Function/Program	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Instruction:										
Regular	79.0	105.0	100.0	74.0	74.0	74.0	75.0	73.0	73.0	73.0
Special Education	56.0	28.0	29.0	50.0	49.0	49.0	45.0	39.0	36.0	36.0
Other Instruction								2.0	7.0	7.0
Support Services:										
Student & Instruction Related Services	28.0	35.4	24.0	26.0	24.0	24.0	16.0	21.0	20.0	20.0
General Administration	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	5.0	5.0
School Administration	7.0	9.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Central Services	5.0	5.0	4.0	4.0	5.0	5.0	4.0	4.0	4.0	4.0
Plants Operations & Maintenance	21.0	25.0	19.0	23.0	23.0	21.0	18.0	17.0	21.0	21.0
Pupil Transportation	33.0	36.4	34.0	36.0	33.0	35.0	38.0	41.0	30.0	30.0
Total	232.0	246.8	221.0	224.0	219.0	219.0	207.0	208.0	204.0	204.0

Source: District Personnel Records

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS**

FISCAL YEAR	ENROLLMENT	OPERATING EXPENDITURES (a)	COST PER PUPIL	PERCENTAGE CHANGE	PUPIL/TEACHER RATIO		AVERAGE DAILY ENROLLMENT (ADE) (c)	AVERAGE DAILY ATTENDANCE (ADA) (c)	% CHANGE IN AVERAGE DAILY ENROLLMENT	STUDENT ATTENDANCE PERCENTAGE
					STAFF	RATIO				
2018	1,402	\$ 22,798,813	16,262	-1.29%	135	10.4	1,405.7	1,336.1	-0.89%	95.05%
2017	1,431	23,551,316	16,458	7.50%	133	11	1,447.4	1,375.7	2.08%	95.05%
2016	1,426	21,731,656	15,240	4.00%	129	11	1,418.3	1,353.4	-1.52%	95.42%
2015	1,404	21,497,789	15,312	7.30%	124	11	1,399.2	1,330.8	1.03%	95.11%
2014	1,393	20,418,941	14,658	2.70%	123	11	1,384.9	1,319.9	-1.51%	95.31%
2013	1,410	20,127,872	14,275	5.60%	123	12	1,406.1	1,337.7	1.29%	95.14%
2012	1,381	18,667,995	13,518	8.50%	120	12	1,388.2	1,323.8	-2.53%	95.36%
2011	1,431	17,820,389	12,453	-4.20%	104	14	1,424.2	1,355.7	0.15%	95.19%
2010	1,416	18,415,746	13,005	8.70%	116	12	1,422.1	1,353.6	-1.86%	95.18%
2009	1,452	17,380,004	11,970	1.20%	116	13	1,449.1	1,381.7	-2.12%	95.35%

Sources: District records

Note: Enrollment based on annual October district count.

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

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

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

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS**

DISTRICT BUILDINGS	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Elementary										
Caroline L. Reutter (1952):										
Square Feet	56,905	56,905	56,905	56,905	56,905	56,905	56,905	56,905	56,905	56,905
Capacity (Students)	481	481	481	481	481	481	481	428	428	428
Enrollment	415	361	361	361	373	437	481	466	390	385
Main Road (1968):										
Square Feet	59,400	59,400	59,400	59,400	59,400	59,400	59,400	59,400	59,400	59,400
Capacity (Students)	516	516	516	516	516	516	516	516	516	516
Enrollment	418	426	426	426	445	392	365	402	486	477
Mary F. Janvier (1989):										
Square Feet	66,500	66,500	66,500	66,500	66,500	66,500	66,500	66,500	66,500	66,500
Capacity (Students)	784	784	784	784	784	784	784	784	784	784
Enrollment	569	617	617	617	575	581	535	528	506	541
Lake School (1938):										
Square Feet	5,710	5,710	5,710	5,710	5,710	5,710	5,710	5,710	5,710	5,710
Capacity (Students)	54	54	54	54	54	54	54	54	54	54
Enrollment								35	43	49
Administration Building:										
Square Feet	7,911	7,911	7,911	7,911	7,911	7,911	7,911	7,911	7,911	7,911
Transportation/Maintenance Building:										
Square Feet	7,133	7,133	7,133	7,133	7,133	7,133	7,133	7,133	7,133	7,133
Storage/Grounds Building:										
Square Feet	2,885	2,885	2,885	2,885	2,885	2,885	2,885	2,885	2,885	2,885

Number of Schools at June 30, 2018:

Elementary =

Middle School =

Other = 0

Source: District Facilities Office

Note: Year of original construction is shown in parentheses. Increases in square footage and capacity are the result of and additions. Enrollment is based on the annual October district count.

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
 SCHEDULE OF REQUIRED MAINTENANCE
 LAST TEN FISCAL YEARS

UNDISTRIBUTED EXPENDITURES - REQUIRED
 MAINTENANCE FOR SCHOOL FACILITIES

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	TOTAL
GROSS SQUARE FOOTAGE											
* FOOTAGE											
Caroline L. Reutter School	56,905	\$ 53,532.00	\$ 72,057.64	\$ 46,735.91	\$ 81,708.06	\$130,411.65	\$ 89,859.49	\$ 82,608.08	\$ 94,532.54	\$ 48,468.04	\$ 848,446.81
Miam Road School	59,400	137,323.00	99,705.65	61,479.76	77,375.61	163,701.07	65,209.43	72,625.32	45,292.66	48,415.45	926,173.79
Mary F. Janvier School	66,500	173,578.26	156,632.00	88,089.32	98,012.40	109,062.42	155,949.72	79,326.16	67,489.55	81,426.56	1,148,036.52
Lake School	5,710	14,904.24	20,409.00	22,444.35	17,542.42	22,784.40	28,152.20	44,043.04	41,044.67	20,266.31	248,852.61
Total School Facilities	492,061.74	367,896.00	282,296.96	223,770.49	314,815.78	425,959.54	339,170.84	278,602.60	248,359.42	198,576.36	3,171,509.73
Other Facilities	46,798.26	699,420.00	95,579.11	63,646.40	62,173.64	107,176.06	84,237.06	67,220.27	67,211.44	79,079.10	2,323,062.92
Grand Totale	\$538,860.00	\$ 1,067,316.00	\$ 377,876.07	\$ 287,416.89	\$ 376,989.42	\$ 533,135.60	\$ 423,407.90	\$ 345,822.87	\$ 315,570.86	\$ 277,655.46	\$ 5,494,572.65

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

Source: District records

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2018**

	COVERAGE	DEDUCTIBLE
School Package Policy - Utica National Insurance Group		
Property - Blanket Building & Contents	\$82,320,761	1,000
Commercial General Liability		
General Aggregate Limit	3,000,000	None
Products Completed Operations, Aggregate Limit	3,000,000	None
Personal & Advertising Injury	1,000,000	None
Fire Damage Limit Any One Fire	1,000,000	None
Medical Expense - any One Person	10,000	None
Commercial Automobile Liability		
Bodily Injury & Property Damage	1,000,000	1,000
Inland Marine		
Business Computers	935,419	250
Head of the Class Uni-Flex	100,000	500
Valuable Papers & Records	100,000	100
Signs	30,000	250
Musical Instruments & Related	500,000	250
Miscellaneous School Equipment	500,000	250
Educators Legal Liability	1,000,000	7,500
Umbrella		
General Liability	10,000,000	10,000
Cybersurance-Privacy and Security Breach Coverage	250,000	5,000
Excess Liability Policy - Fireman's Fund Indemnity Corp.	50,000,000	None
Workmens' Compensation - Educational Risk Insurance Consortium South		
Bodily Injury - By Accident	2,000,000	None
Bodily Injury - By Disease	2,000,000	None
Student Accident - The Berkley LH&A Insurance Program Trust	Various	
Public Employees' Faithful Performance Bonds -		
Selective Insurance Company of America		
Employee Bond - Esther R. Pennell, Business		
Administrator/Board Secretary	265,000	None

Source: District Records.

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SINGLE AUDIT SECTION

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EXHIBIT K-1

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Township of Franklin School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Township of Franklin School District's basic financial statements, and have issued our report thereon dated February 21, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully Submitted,

HOLMAN FRENIA ALLISON, P.C.

Michael Holt
Certified Public Accountant
Public School Accountant, No. 1148

Medford, New Jersey
February 21, 2019

EXHIBIT K-2

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND NEW
JERSEY OMB CIRCULAR 15-08**

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

Report on Compliance for Each Major Federal and State Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal and State Program

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

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal 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 and New Jersey OMB's Circular 15-08. Accordingly, this report is not suitable for any other purpose.

Respectfully Submitted,

HOLMAN FRENIA ALLISON, P.C.

Michael Holt
Certified Public Accountant
Public School Accountant, No. 1148

Medford, New Jersey
February 21, 2019

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

FEDERAL CFDA NUMBER	FEDERAL AWARD IDENTIFICATION NUMBER	PASS THROUGH ENTITY IDENTIFYING NUMBER	PROGRAM OR AWARD AMOUNT	GRANT PERIOD	BALANCE JUNE 30, 2017	CASH RECEIVED	BUDGETARY EXPENDITURES	PASSED THROUGH TO SUBRECIPIENTS	ADJUSTMENTS	(ACCOUNTS RECEIVABLE)	BALANCE, JUNE 30, 2018 DUE TO GRANTOR	UNEARNED REVENUE
10.553	171NJ304N1099	100-010-3350-028	113,610	7/1/16-6/30/17	(7,207)	7,207	-	-	-	-	-	-
10.553	181NJ304N1099	100-010-3350-028	99,291	7/1/17-6/30/18	(7,207)	92,501	(99,291)	-	-	(6,790)	-	-
10.556	171NJ304N1099	Unavailable	705	7/1/16-6/30/17	(42)	99,708	(99,291)	-	-	(6,790)	-	-
10.556	181NJ304N1099	Unavailable	515	7/1/17-6/30/18	(42)	486	(515)	-	-	(29)	-	-
10.555	171NJ304N1099	100-010-3350-026	218,605	7/1/16-6/30/17	(11,622)	11,622	-	-	-	-	-	-
10.555	181NJ304N1099	100-010-3350-026	194,254	7/1/17-6/30/18	-	182,492	(194,254)	-	-	(11,762)	-	-
10.555	181NJ304N1099	100-010-3350-026	6,561	7/1/17-6/30/18	-	6,160	(6,561)	-	-	(401)	-	-
10.555	171NJ304N1099	Unavailable	35,495	7/1/16-6/30/17	12,309	-	-	-	-	(12,309)	-	-
10.555	181NJ304N1099	Unavailable	45,393	7/1/17-6/30/18	687	245,667	(243,766)	-	-	(12,163)	-	14,751
					(6,562)	345,903	(343,572)	-	-	(18,982)	-	14,751
					(6,562)	345,903	(343,572)	-	-	(18,982)	-	14,751

Total Child Nutrition Cluster

Total Enterprise Fund

U.S. DEPARTMENT OF AGRICULTURE PASSED-THROUGH
STATE DEPARTMENT OF EDUCATION:

93.778	1705NJ5MAP	100-054-7540-211	20,227	7/1/17-6/30/18	-	20,227	(20,227)	-	-	-	-	-
					-	20,227	(20,227)	-	-	-	-	-
84.010	S010A160030	100-034-5064-194	306,957	7/1/16-6/30/17	(90,665)	90,665	-	-	-	-	-	-
84.010	S010A140030	100-034-5064-194	236,359	7/1/14-6/30/15	437	-	-	-	-	-	-	437
84.010	S010A170030	100-034-5064-194	244,492	7/1/17-6/30/18	-	-	(231,999)	-	-	(231,999)	-	-
					(90,228)	90,665	(231,999)	-	-	(231,999)	-	437
84.367	S367A140029	100-034-5063-290	89,455	7/1/13-6/30/14	2,384	-	-	-	-	-	-	2,384
84.367	S367A150029	100-034-5063-290	89,455	7/1/14-6/30/15	135	-	-	-	-	-	-	135
84.367	S367A160029	100-034-5063-290	43,719	7/1/16-6/30/17	(10,718)	10,718	-	-	-	-	-	-
84.367	S367A180029	100-034-5063-290	43,657	7/1/17-6/30/18	-	1,258	(43,191)	-	-	(41,933)	-	-
					(8,199)	11,976	(43,191)	-	-	(41,933)	-	2,519
84.365A	S365A170030	Unavailable	1,752	7/1/17-6/30/18	-	1,514	(3,266)	-	-	(1,752)	-	-
					-	1,514	(3,266)	-	-	(1,752)	-	-
84.027	H027A160100	100-034-5065-016	371,219	7/1/16-6/30/17	(80,968)	80,968	-	-	-	-	-	-
84.027	H027A150100	100-034-5065-016	355,943	7/1/17-6/30/18	-	-	(355,943)	-	-	(355,943)	-	-
					(80,968)	80,968	(355,943)	-	-	(355,943)	-	-
84.173	V048A160030	100-034-5062-084	21,090	7/1/17-6/30/18	-	-	(21,090)	-	-	(21,090)	-	-
					-	-	(21,090)	-	-	(21,090)	-	-
					(80,968)	80,968	(377,033)	-	-	(377,033)	-	-
					(179,395)	185,123	(655,489)	-	-	(652,717)	-	2,956
					(185,957)	551,253	(1,019,288)	-	-	(671,699)	-	17,707

Total Special Education Cluster

Total Special Revenue Fund

Total Federal Financial Assistance

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
SCHEDULE OF STATE FINANCIAL ASSISTANCE
FOR FISCAL YEAR ENDED JUNE 30, 2018

STATE GRANTOR/ PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	AWARD AMOUNT	GRANT PERIOD	BALANCE JUNE 30, 2017	CASH RECEIVED	BUDGETARY EXPENDITURES	PASSED THROUGH TO SUBRECIPIENTS	REPAYMENT OF PRIOR YEARS' BALANCES	BALANCE, JUNE 30, 2018		MEMO	
									ACCOUNTS RECEIVABLE	DUE TO GRANTOR	BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPENDITURES
State Department of Education:												
General Fund:												
State Aid Public:												
Equalization Aid	495-034-5120-078	\$7,523,525	7/1/17-6/30/18	-	\$7,523,525	(\$7,523,525)	-	-	-	-	-	\$ 7,523,525
Special Education Categorical Aid	495-034-5120-089	737,647	7/1/17-6/30/18	-	737,647	(737,647)	-	-	-	-	-	737,647
Security Aid	495-034-5120-084	177,000	7/1/17-6/30/18	-	177,000	(177,000)	-	-	-	-	-	177,000
Per Pupil Growth Aid	495-034-5120-097	12,550	7/1/17-6/30/18	-	12,550	(12,550)	-	-	-	-	-	12,550
PARCC Readiness Aid	495-034-5120-098	12,550	7/1/17-6/30/18	-	12,550	(12,550)	-	-	-	-	-	12,550
Professional Learning Community Aid	495-034-5120-101	12,970	7/1/17-6/30/18	-	12,970	(12,970)	-	-	-	-	-	12,970
Total State Aid Public				-	8,476,242	(8,476,242)	-	-	-	-	-	8,476,242
Transportation Aid	495-034-5120-014	398,979	7/1/17-6/30/18	-	398,979	(398,979)	-	-	-	-	-	398,979
Additional Nonpublic Transportation Aid	495-034-5120-014	17,226	7/1/16-6/30/17	(17,226)	17,226	-	-	-	-	-	-	-
Additional Nonpublic Transportation Aid	495-034-5120-014	7,250	7/1/17-6/30/18	-	-	(7,250)	-	-	-	(7,250)	-	7,250
Extraordinary Aid	495-034-5120-044	123,275	7/1/16-6/30/17	(123,275)	123,275	-	-	-	-	-	-	-
Extraordinary Aid	495-034-5120-044	93,628	7/1/17-6/30/18	-	-	(93,628)	-	-	-	(93,628)	-	93,628
Lead Testing for Schools Aid	495-034-5120-104	1,392	7/1/17-6/30/18	-	1,392	(1,392)	-	-	-	-	-	1,392
Reimbursed TPAF Social Security	495-034-5094-003	610,471	7/1/16-6/30/17	(30,435)	30,435	-	-	-	-	-	-	-
Reimbursed TPAF Social Security	495-034-5094-003	601,897	7/1/17-6/30/18	-	572,207	(601,897)	-	-	-	(29,690)	-	601,897
Homeless Tuition	495-034-5120-005	20,600	7/1/17-6/30/18	-	-	(20,600)	-	-	-	(20,600)	-	20,600
Noncash Assistance:												
TPAF - Post Retirement Medical	495-034-5094-001	781,107	7/1/17-6/30/18	-	781,107	(781,107)	-	-	-	-	-	781,107
TPAF - Pension Contributions	495-034-5094-002	1,209,372	7/1/17-6/30/18	-	1,209,372	(1,209,372)	-	-	-	-	-	1,209,372
TPAF - Long-Term Disability Insurance	495-034-5094-004	2,434	7/1/17-6/30/18	-	2,434	(2,434)	-	-	-	-	-	2,434
Total General Fund Assistance				(170,936)	11,612,669	(11,592,901)	-	-	-	(151,168)	-	11,592,901
State Department of Agriculture:												
Enterprise Fund:												
National School Lunch Program	100-010-3360-067	5,747	7/1/17-6/30/18	-	5,396	(5,747)	-	-	-	(351)	-	5,747
National School Lunch Program	100-010-3360-067	5,656	7/1/16-6/30/17	(303)	303	-	-	-	-	-	-	-
Total Enterprise Fund Assistance				(303)	5,699	(5,747)	-	-	-	(351)	-	5,747
Grand Total State Financial Assistance				(\$ 171,239)	\$ 11,618,368	(\$ 11,598,648)	\$ -	\$ -	\$ -	(\$ 151,519)	\$ -	11,598,648
State Financial Assistance Programs Not Subject to Calculation for Major Program Determination:												
TPAF - Post Retirement Medical (Noncash Assistance)		781,107	7/1/17-6/30/18			781,107						
TPAF - Pension Contributions (Noncash Assistance)		1,209,372	7/1/17-6/30/18			1,209,372						
TPAF - Long-Term Disability Insurance (Noncash Assistance)		2,434	7/1/17-6/30/18			2,434						
Total State Financial Assistance subject to Major Program Determination						(\$ 9,605,735)						

The accompanying Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance are an integral part of this schedule.

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

Note 1. Basis of Presentation

The accompanying schedules of expenditures of federal awards and state financial assistance present the activity of all federal awards and state financial assistance programs of the Township of Franklin School District. The School District is defined in Note 1 of the basic financial statements. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

Note 2. Summary of Significant Accounting Policies

The accompanying schedules of expenditures of federal awards and state financial assistance are presented using the budgetary basis of accounting with the following exception: programs recorded in the enterprise fund are presented using the accrual basis of accounting and programs recorded in the capital projects fund are presented using the modified accrual basis of accounting. These bases of accounting are described in Note 1 to the School District's basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The School District did not elect the 10-percent de minimis indirect cost rate as discussed in 2 CFR 200.414.

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the School District for the year ended June 30, 2018. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2018.

Note 3. Relationship to Basic Financial Statements

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

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

Note 3. Relationship to Basic Financial Statements (continued)

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the one or more deferred June state aid payments in the current budget year, which is mandated pursuant to *N.J.S.A. 18A:22-44.2*. For GAAP purposes payments are not recognized until the subsequent budget year due to the state deferral and recording of the one or more June state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the one or more state aid June payments in the current budget year, consistent with *N.J.S.A. 18A:22-4.2*.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$14,284) for the general fund and (\$6,050) for the special revenue fund. See Exhibit C-3 Note A of the basic financial statements, 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 expenditures reported in the School District's basic financial statements on a GAAP basis are presented as follows:

<u>Fund</u>	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 20,227	\$ 11,578,617	\$ 11,598,844
Special Revenue Fund	649,439	-	649,439
Food Service Fund	343,572	5,747	349,319
	<hr/>	<hr/>	<hr/>
Total Awards & Financial Assistance	<u>\$ 1,013,238</u>	<u>\$ 11,584,364</u>	<u>\$ 12,597,602</u>

Note 4. Relationship to Federal and State Financial Reports

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

Note 5. Federal and State Loans Outstanding

The Township of Franklin School District had no loan balances outstanding at June 30, 2018.

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

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

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

2) Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

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

2) Significant deficiency(ies) identified? yes X none reported

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

Any audit findings disclosed that are required to be reported
in accordance with 2 CFR 200 section .516(a) of Uniform Guidance? yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>FAIN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027</u>	<u>H027A170100</u>	<u>Special Education Cluster:</u>
<u>84.173</u>	<u>V048A170030</u>	<u>I.D.E.A. Part B, Regular</u>
<u> </u>	<u> </u>	<u>I.D.E.A. Preschool</u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>

Dollar threshold used to determine Type A programs \$750,000.00

Auditee qualified as low-risk auditee? X yes no

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

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

State Financial Assistance

Dollar threshold used to determine Type A programs \$750,000.00

Auditee qualified as low-risk auditee? X yes no

Internal control over major programs:

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

2) Significant deficiency(ies) identified? yes X no

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

Any audit findings disclosed that are required to be reported
in accordance with New Jersey OMB's Circular 15-08? yes X no

Identification of major programs:

State Grant/Project Number(s)

Name of State Program

<u>State Grant/Project Number(s)</u>	<u>Name of State Program</u>
<u>495-034-5120-078</u>	<u>State Aid - Public:</u>
<u>495-034-5120-084</u>	<u>Equalization Aid</u>
<u>495-034-5120-089</u>	<u>Categorical Security Aid</u>
<u>495-034-5120-097</u>	<u>Categorical Special Education Aid</u>
<u>495-034-5120-098</u>	<u>Per Pupil Growth Aid</u>
<u>495-034-5120-098</u>	<u>PARCC Readiness Aid</u>
<u>495-034-5120-101</u>	<u>Professional Learning Community Aid</u>

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Section II – Financial Statement Findings

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

None.

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Section III – Federal Awards & State Financial Assistance Findings & Questioned Costs

This section identifies the significant deficiencies, material weaknesses and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey OMB's Circular 15-08.

FEDERAL AWARDS

None.

STATE FINANCIAL ASSISTANCE

None.

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

This section identifies the status of prior year findings related to the financial statements, federal awards and state financial assistance that are required to be reported in accordance with *Government Auditing Standards*, Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and New Jersey OMB's Circular 15-08.

Financial Statement Findings

No Prior Year Findings.

Federal Awards

No Prior Year Findings.

State Financial Assistance

No Prior Year Findings.