

FRANKLIN TOWNSHIP SCHOOL DISTRICT

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

JUNE 30, 2018

**Responsibility of the Management of
Franklin Township School District
Hunterdon County, New Jersey**



**FRANKLIN TOWNSHIP SCHOOL DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2018

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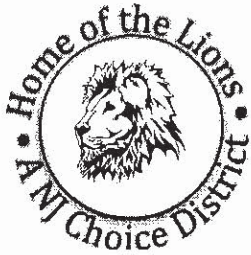
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Franklin Township Board of Education

226 Quakertown Rd, P.O. Box 368, Quakertown, NJ 08868
(908) 735-7929 Fax (908) 735-0368

Broadus Davis, Ed.D.
Acting Superintendent

Sophia Van Ess
Vice Principal/S.E. Supervisor

Patricia Martucci, RSBA
Business Administrator

February 4, 2019

Honorable President and
Members of the Board of Education
Franklin Township School District
Hunterdon County
Quakertown, NJ 08868

Dear Board Members:

State law requires that school districts publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited by a firm of licensed certified public accountants in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Pursuant to that requirement, we hereby issue the comprehensive annual financial report (CAFR) of the Franklin Township School District for the fiscal year ended June 30, 2018.

Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the District. To the best of our knowledge and belief the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the district. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of management's discussion and analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in connection with it. The District's MD&A can be found immediately following the report of the independent auditors.

The comprehensive annual financial report is presented in four sections:

- ◆ **The Introduction Section:** Introduces the reader to the report and includes this transmittal letter, a list of principal officials, the district's organizational charts, certificate of excellence in financial reporting, and a map of the district.
- ◆ **The Financial Section:** Consists of the independent auditor's report, management's discussion and analysis, the basic financial statements, and combining and individual fund statements and schedules.

- ◆ **The Statistical Section:** Contains selected financial and demographic information, generally presented on a multi-year basis.
- ◆ **The Single Audit:** Includes the auditor's report on the internal control structure, compliance with applicable laws and regulations and findings and recommendations.

The District is required to undergo an annual single audit in conformity with the provisions of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Treasury OMB Circular Letter 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments." Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations are included in the single audit section of this report.

REPORTING ENTITY AND ITS SERVICES

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

The District provides a full range of educational services appropriate to grade levels preschool through grade 8. These include regular programs as well as programs for students with special educational needs. The District completed the 2017-18 fiscal year with an enrollment of 298 students. The following details the changes in the average daily student enrollment of the District over the last ten years.

<u>Fiscal Year</u>	<u>Average Daily Enrollment</u>	
	<u>Student Enrollment</u>	<u>Percent Change</u>
2008-2009	343	1.15%
2009-2010	341	0.58%
2010-2011	309	9.39%
2011-2012	303	1.94%
2012-2013	294	2.97%
2013-2014	295	0.03%
2014-2015	297	0.67%
2015-2016	269	-9.43%
2016-2017	284	5.60%
2017-2018	285	0.30%

ECONOMIC CONDITION AND OUTLOOK

Franklin Township has a solid reputation and vision for farmland preservation. The Township vision for farmland preservation includes securing the agricultural land base, bolstering the industry of agriculture, and preventing sprawl to maintain the small town, rural lifestyle that characterizes an agricultural community. Of the Township's 14,831 acres of total land mass, 8,294 acres, or 56% is devoted to agricultural use and assessed under farmland assessment. The Township ranks sixth in the total number of acres of land devoted to active agriculture among the

26 municipalities in Hunterdon County. Over the past decades, approximately 2,314 acres of farmland in Franklin are subject to permanent farmland preservation deed restriction. Franklin has established Open Space and Farmland Preservation components in its Master Plan. As per the September 2012 Comprehensive Farmland Preservation Plan, Franklin Township has identified and prioritized 19 farms/farmland tracts that currently meet the criteria for farmland preservation. The goal of the Township is to preserve approximately 200 acres a year of the targeted acreage over a ten-year period. The Township allows for a minimum of three acres, five acres, or seven acre lots according to the current zoning requirements. The Franklin Township Planning Board and Land Use Boards are currently holding public meetings to update their Master Plan. Franklin Township currently has one shopping Plaza that includes a Walmart, Shop-Rite, Cracker Barrel Restaurant/Old Country Store, Hampton Inn, and several other retail and food establishments.

MAJOR INITIATIVES

During the 2017-2018 school year, the District achieved the following major goals:

1. In the District's approved 5-year curriculum review cycle, the Math and 21st Century Life/Careers Curriculum was updated to align with NJ Exemplary Program Standards as promulgated by the NJ Department of Education.
2. In the District's approved 5-year curriculum review cycle, the Science (K-5), English Language Arts, and World Language Curriculum update and revision began and will continue in the 2018-19 school year to align with the NJ Exemplary Program Standards as promulgated by the NJ Department of Education.
3. The District instituted several Student Leadership programs, that include:
 - a. Student Ambassadors
 - b. Superintendent's Student Advisory Council
 - c. School Board Student Delegate
 - d. Peer Mediation and Conflict Resolution
4. Superintendent's Leadership Advisory Council was formed.
5. The District began the development of a 5-Year Strategic Plan.
6. The District provided important information and held assemblies/meetings with students and parents on Drugs/Alcohol and Harassment, Intimidation and Bullying (HIB).
7. As part of the District's Technology Plan:
 - a. Kindergarten through 4th grade students will continue to use iPads;
 - b. 5th grade students will be included in the 1:1 device initiative and be issued Chromebooks; and
 - c. 6th through 8th grade students will continue to systematically incorporate the use of their 1:1 Chromebooks across all areas of instruction.

INTERNAL ACCOUNTING CONTROLS

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

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

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

BUDGETARY CONTROLS

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

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

ACCOUNTING SYSTEM AND REPORTS

The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds and account groups. These funds and account groups are explained in Notes to the Financial Statements.

FINANCIAL INFORMATION AT FISCAL YEAR-END

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet responsibility for sound financial management.

DEBT ADMINISTRATION

As a result of the successful passage of the bond referendum in December 2004, and a Bond Refunding in 2013, the District has \$3,910,000 of bonds outstanding. The final payment has a due date of February 15, 2025.

CASH MANAGEMENT

The investment policy of the District is guided in large part by state statute as detailed in Notes to the Financial Statements, Note 3. The District has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in

New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

RISK MANAGEMENT

The Board carries various forms of insurance, including but not limited to general liability, hazard and theft insurance on property and contents, workers compensation and fidelity bonds. The District has joined with other qualified New Jersey Districts to form the School Alliance Insurance Fund. This joint insurance fund has saved the District an annual premium and provides more control through the involvement in management of the fund.

INDEPENDENT AUDIT

State statutes require an annual audit by independent Certified Public Accountants or Registered Municipal Accountants. BKC, CPAs, PC audited the District's financial statements for fiscal year 2018. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2018 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the District's financial statements for the fiscal year ended June 30, 2018 are fairly represented in conformity with GAAP. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and New Jersey OMB Circular Letter 15-08.

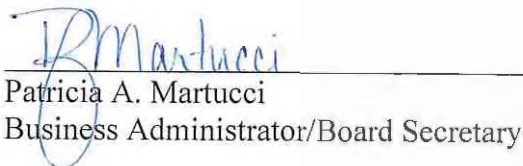
ACKNOWLEDGMENTS

We would like to express our appreciation to the members of the Franklin Township School Board for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation.

Respectfully submitted,

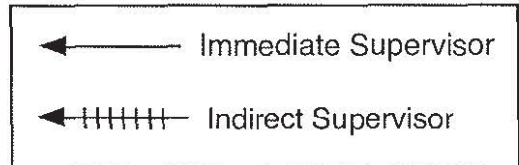
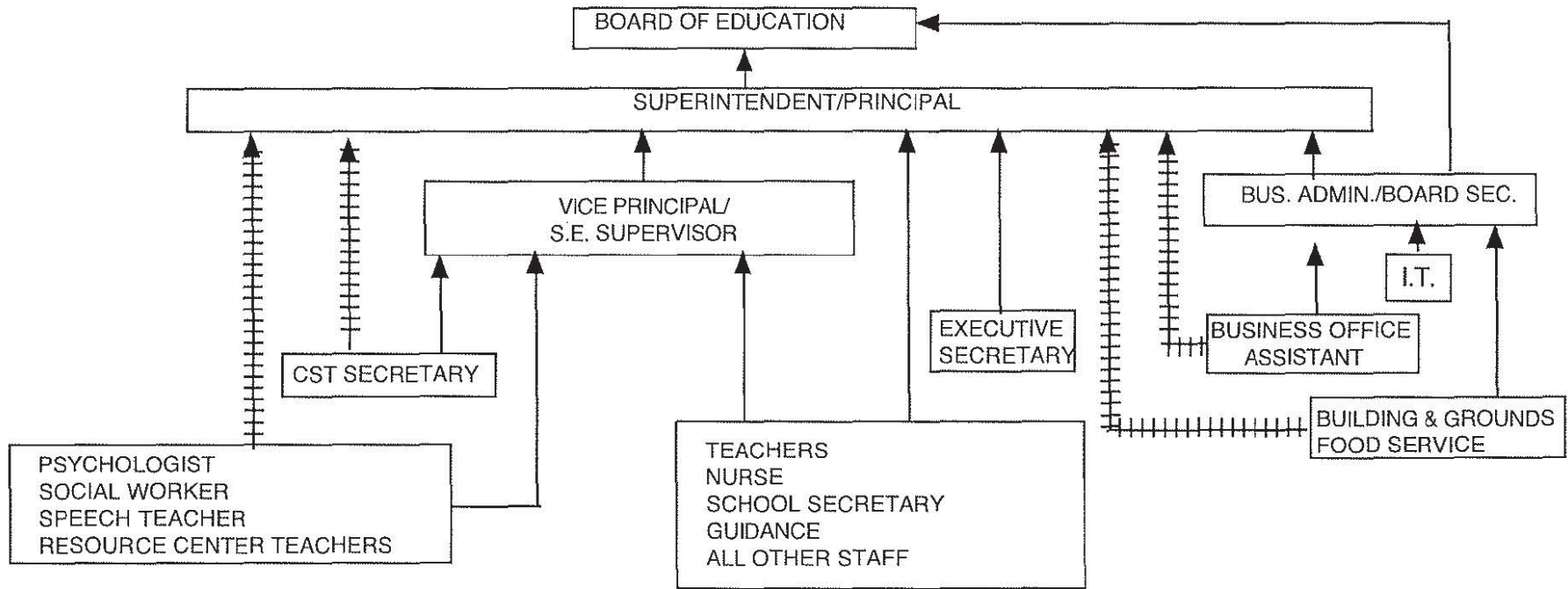


Dr. Broadus W. Davis
Acting Superintendent



Patricia A. Martucci
Business Administrator/Board Secretary

Franklin Township School Organizational Personnel Chart



FRANKLIN TOWNSHIP SCHOOL DISTRICT
Quakertown, New Jersey
Roster of Officials
June 30, 2018

Members of the Board of Education	Title	Term Expires
George Burdick	President	2020
Allison Luciano	Vice-President	2019
Cyrus Cama		2018
Erin Iomasini		2018
Frank Yasunas		2019
Karen Sutton		2020
James Witkowski		2020

Other Officials

Dr. Broadus Davis	Acting Superintendent
Patricia Martucci	Board Secretary/School Business Administrator
Raymond Krov	Treasurer

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Quakertown, New Jersey
Consultants & Advisors
June 30, 2018

AUDIT FIRM

BKC, CPAs, PC
114 Broad Street
Flemington, NJ 08822

ATTORNEY

Isabel Machado
Machado Law Group
1 Cleveland Place
Springfield, NJ 07081

OFFICIAL DEPOSITORY

Investors Bank
Flemington, NJ 08822



Certified Public Accountants, PC
www.bkc-cpa.com

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Franklin Township School District (the District) in the County of Hunterdon, as of and for the year ended June 30, 2018, and the related Notes to the Financial Statements, which collectively comprise the District's Basic Financial Statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Franklin Township School District, 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.

Change in Accounting Principle

As discussed in Note 7 to the financial statements, in 2018 the District adopted new accounting guidance, *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 Schedules, Schedules Related to Accounting and Reporting for Pensions, and Schedules Related to Accounting and Reporting for Other Postemployment Employee Benefits 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 an opinion on the financial statements that collectively comprise the District's Basic Financial Statements. The introduction section, combining and individual fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards and Schedule of Expenditures of State Financial Assistance required

by New Jersey OMB's Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid are also not a required part of the basic financial statements. The combining and individual non-major fund financial statements, Schedule of Expenditures of Federal Awards, and Schedule of Expenditures of State Financial Assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 4, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

BKC, CPAs, PC

BKC, CPAs, PC

MU

Michael Holk, CPA, PSA

February 4, 2019
Flemington, New Jersey

REQUIRED SUPPLEMENTARY INFORMATION - PART I

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
QUAKERTOWN, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED**

The discussion and analysis of the Franklin Township School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the transmittal letter, the basic financial statements and notes to enhance their understanding of the District's financial performance.

The Management's Discussion and Analysis (MD&A) is a new element of Required Supplementary Information specified in Governmental Accounting Standards Board's (GASB) Statement No. 34 - Basic Financial Statements and Management's Discussion and Analysis of comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for 2018 are as follows:

- In total, net position increased \$955,466 which is a 13.97% increase from fiscal year 2017.
- General revenue accounted for \$9,186,482 in revenue or 96.70% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$313,635 or 3.30% of the total revenue of \$9,500,117.
- The School District had \$8,544,651 in expenses; only \$313,635 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primary tax levy) of \$9,186,482 were adequate to provide for these programs.
- Among governmental funds, the General Fund had \$6,925,541 in revenues and \$6,348,706 in expenditures. After factoring in other financing uses, the General Fund's balance increased by \$546,835 from fiscal year 2017.

Using This Comprehensive Annual Financial Report (CAFR)

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

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

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
QUAKERTOWN, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED**

Reporting the District as a Whole

Statement of Net Position and The Statement of Activities

While this document contains the various funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2018?" The Statement of Net Position and the Statement of Activities answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Position and the Statement of Activities, the School District reports governmental activities where most of the School District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

The School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future years. These funds measure and report the operating results by measuring cash on hand and other assets that can be easily converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
QUAKERTOWN, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED**

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

The School District as a Whole

The Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position on June 30, 2018 compared to June 30, 2017.

**Table 1
Net Position**

	06/30/2018	06/30/2017	Variance	
			Dollars	Percent
ASSETS				
Current & Other Assets	\$ 1,777,074	\$ 1,311,471	\$ 465,603	35.50%
Capital Assets	11,265,328	11,587,587	(322,259)	-2.78%
Total Assets	<u>13,042,402</u>	<u>12,899,058</u>	<u>143,344</u>	<u>1.11%</u>
Deferred Outflow of Resources	<u>567,056</u>	<u>749,913</u>	<u>(182,857)</u>	<u>-24.38%</u>
LIABILITIES				
Long Term Liabilities	5,014,614	5,974,655	(960,041)	-16.07%
Other Liabilities	<u>97,702</u>	<u>192,122</u>	<u>(94,420)</u>	<u>-49.15%</u>
Total Liabilities	<u>5,112,316</u>	<u>6,166,777</u>	<u>(1,054,461)</u>	<u>-17.10%</u>
Deferred Inflow of Resources	<u>700,601</u>	<u>641,119</u>	<u>59,482</u>	<u>9.28%</u>
NET POSITION				
Net Investment in Capital Assets	7,355,328	7,168,875	186,453	2.60%
Restricted	1,052,110	574,340	477,770	83.19%
Unrestricted	<u>(610,897)</u>	<u>(902,140)</u>	<u>291,243</u>	<u>-32.28%</u>
Total Net Position	<u>\$ 7,796,541</u>	<u>\$ 6,841,075</u>	<u>\$ 955,466</u>	<u>13.97%</u>

* = Undefined

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

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
QUAKERTOWN, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED**

Table 2 shows the changes in net position for the fiscal year ended June 30, 2018 compared to June 30, 2017.

**Table 2
Changes in Net Position**

	06/30/2018	06/30/2017	Variance	
			Dollars	Percent
Revenues				
Program Revenues				
Charges for Services	\$ 133,499	\$ 115,489	\$ 18,010	15.59%
Operating Grants and Contributions	180,136	160,882	19,254	11.97%
General Revenues				
Property Taxes	6,194,282	6,074,680	119,602	1.97%
Grants and Entitlements	2,941,300	2,502,994	438,306	17.51%
Other	50,900	48,147	2,753	5.72%
Total Revenues	<u>9,500,117</u>	<u>8,902,192</u>	<u>597,925</u>	<u>6.72%</u>
Expenses				
Instruction				
Regular	4,464,813	4,153,428	311,385	7.50%
Special	437,254	935,940	(498,686)	-53.28%
Other	241,219	46,678	194,541	416.77%
Support Services				
Tuition	323,119	210,704	112,415	53.35%
Student & Instructional Related Services	1,123,937	995,930	128,007	12.85%
General & Business Administration	661,909	712,448	(50,539)	-7.09%
School Administration	86,456	138,232	(51,776)	-37.46%
Maintenance	628,220	663,211	(34,991)	-5.28%
Transportation	310,738	458,737	(147,999)	-32.26%
Food Service	73,548	71,754	1,794	2.50%
Preschool Program	15,750	61,000	(45,250)	-74.18%
Interest on Long Term Debt	177,688	192,159	(14,471)	-7.53%
Total Expenses	<u>8,544,651</u>	<u>8,640,221</u>	<u>(95,570)</u>	<u>-1.11%</u>
Increase (Decrease) in Net Position	<u>\$ 955,466</u>	<u>\$ 261,971</u>	<u>\$ 693,495</u>	<u>264.72%</u>

Governmental Activities

Property taxes made up 65.20% of operating revenues for governmental activities for the Franklin Township School District for the fiscal year 2018.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
QUAKERTOWN, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED**

Instruction comprises 60.19% of the District's expenses. Support services expenses make up 39.81% of the District's expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3 provides a summary of the School District's costs of governmental services on June 30, 2018 compared to June 30, 2017.

**Table 3
Cost of Governmental Services**

	Total Cost of Services		Net Cost of Services	
	06/30/2018	06/30/2017	06/30/2018	06/30/2017
Instruction	\$ 5,143,286	\$5,136,046	\$ 5,104,740	\$5,080,966
Support Services				
Tuition	323,119	210,704	257,033	148,673
Student & instruction related services	1,123,937	995,930	1,062,816	954,568
General & Business Administration	661,909	712,448	630,509	698,698
School Administration	86,456	138,232	86,456	138,232
Plant Operations & Maintenance	628,220	663,211	624,975	659,411
Pupil Transportation	310,738	458,737	310,738	458,737
Food Services	73,548	71,754	1,905	7,699
Preschool Program	15,750	61,000	(25,844)	24,707
Interest on Long-Term Debt	177,688	192,159	177,688	192,159
	<u>\$ 8,544,651</u>	<u>\$8,640,221</u>	<u>\$ 8,231,016</u>	<u>\$8,363,850</u>

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

Students and instruction related services include the activities involved with assisting staff with the content and process of teaching to students.

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

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

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

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
QUAKERTOWN, NEW JERSEY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED**

General Fund Budgeting Highlights

At the Franklin Township School District, budgets are prepared in December/January with State revenue information being received in February/March and a public vote, if necessary, on the tax levy question in November. The budget year begins in July and runs through June 30. Changes occur over that 18-month period, unanticipated shifts in enrollment, staffing needs, students requiring out-of-district services, weather requiring more or less funding for heating, unexpected repairs to facilities, and mandated programs are often added after a budget is adopted.

The District builds a budget to meet the needs of its students based on the information and projections that are available at the time.

During the course of the 2018 fiscal year, the District amended its general fund budget by transferring funds as needed to prevent over-expenditures in specific line item accounts. The most significant need for changes was custodial services and care and upkeep of grounds.

Capital Assets

At the end of the fiscal year 2018, the School District had \$11,265,328 invested in land, buildings, furniture and equipment and construction in progress. Table 4 provides a summary of School District’s capital assets net of depreciation for June 30, 2018 compared to June 30, 2017.

**Table 4
Capital Assets at Year End (Net of Depreciation)**

	06/30/2018	06/30/2017	Variance	
			Dollars	Percent
Land	\$ 285,100	\$ 285,100	\$ -	
Land Improvements	107,125	115,894	(8,769)	-7.57%
Buildings & Improvements	10,707,733	11,020,456	(312,723)	-2.84%
Machinery & Equipment	143,472	137,982	5,490	3.98%
Vehicles	21,898	28,155	(6,257)	-22.22%
	<u>\$ 11,265,328</u>	<u>\$ 11,587,587</u>	<u>\$ (322,259)</u>	<u>-2.78%</u>

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
QUAKERTOWN, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED**

Long Term Liabilities

As of June 30, 2018, the District had \$5,014,614 of long-term liabilities. Table 5 shows June 30, 2018 balances compared to June 30, 2017.

**Table 5
Outstanding Debt at Year End**

	06/30/2018	06/30/2017	Variance	
			Dollars	Percent
2013 Refunding Bond Issue	\$ 3,910,000	\$ 4,400,000	\$ (490,000)	-11.14%
Bond Premium	281,388	318,906	(37,518)	-11.76%
Capital Leases	-	76,142	(76,142)	-100.00%
Compensated Absences	40,338	59,445	(19,107)	-32.14%
PERS Net Pension Liability	782,888	1,120,162	(337,274)	-30.11%
	<u>\$ 5,014,614</u>	<u>\$ 5,974,655</u>	<u>\$ (960,041)</u>	-16.07%

For the Future

The Franklin Township School District is in sound financial condition. Continued emphasis will be placed upon efficient and effective management of resources by leveraging indirect and direct savings towards student programs and initiatives. Future plans include the following:

- Purchase science lab furniture.
- Purchase computer lab furniture and new Apple computers.
- Upgrade multi-function printers and copiers.
- Upgrade phone system from POTS.
- Replace out of date smartboard technology with new Aquos Boards.

For the future we will retain a focus on improving performance on the state assessment by encouraging all students to participate, and by insuring that each student has the keyboarding skills necessary for success through direct instructing in the use of their technology. In addition, we are discussing the importance of doing one's personal best and eliminating the prevalent practice of clicking through digital test questions without answering.

Contacting the School District's Financial Management

The financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional information, contact Patricia Martucci, Business Administrator/Board Secretary at Franklin Township School District, 226 Quakertown Rd., P.O. Box 368, Quakertown, N.J. 08868 or email at pmartucci@ftschool.org.

DISTRICT-WIDE FINANCIAL STATEMENTS

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Statement of Net Position
June 30, 2018

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash & cash equivalents	\$ 514,191	\$ 33,698	\$ 547,889
Receivables, net	172,079	1,690	173,769
Inventory	-	3,306	3,306
Restricted assets			
Capital reserve account - cash	644,303	-	644,303
Maintenance reserve account - cash	407,807	-	407,807
Capital assets, net			
Land	285,100	-	285,100
Other capital assets, net of depreciation	10,968,826	11,402	10,980,228
Total assets	<u>12,992,306</u>	<u>50,096</u>	<u>13,042,402</u>
Deferred outflows of resources			
Deferred amount on pension activity	336,335	-	336,335
Deferred amount on refunding bond issue	230,721	-	230,721
Total deferred outflows of resources	<u>567,056</u>	<u>-</u>	<u>567,056</u>
Liabilities			
Accounts payable	35,492	-	35,492
Payables to other governments	6,192	-	6,192
Accrued interest	52,800	-	52,800
Unearned revenue	6	3,212	3,218
Long-term liabilities			
Due within one year	542,518	-	542,518
Due beyond one year	4,472,096	-	4,472,096
Total liabilities	<u>5,109,104</u>	<u>3,212</u>	<u>5,112,316</u>
Deferred inflows of resources			
Deferred amount on pension liability	700,601	-	700,601
Net position			
Net investment in capital assets	7,343,926	11,402	7,355,328
Restricted for			
Capital reserve	644,303	-	644,303
Maintenance reserve	407,807	-	407,807
Unrestricted	(646,379)	35,482	(610,897)
Total net position	<u>\$ 7,749,657</u>	<u>\$ 46,884</u>	<u>\$ 7,796,541</u>

See accompanying notes to financial statements.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2018

Functions/Programs	Direct Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue & Changes in Net Position		
			Charges for Services	Operating Grants & Contribution	Capital Grants & Contribution	Governmental Activities	Business-Type Activities	Total
Governmental activities								
Instruction								
Regular	\$ 2,461,391	\$ 2,003,422	\$ -	\$ 38,546	\$ -	\$ (4,426,267)	\$ -	\$ (4,426,267)
Special education	223,801	213,453	-	-	-	(437,254)	-	(437,254)
Other special instruction	91,691	102,181	-	-	-	(193,872)	-	(193,872)
Other instruction	43,529	3,818	-	-	-	(47,347)	-	(47,347)
Support services								
Tuition	323,119	-	-	66,086	-	(257,033)	-	(257,033)
Students & instruction related services	857,311	266,626	-	61,121	-	(1,062,816)	-	(1,062,816)
General & business administration services	499,525	162,384	31,400	-	-	(630,509)	-	(630,509)
School administration services	91,367	(4,911)	-	-	-	(86,456)	-	(86,456)
Plant operations & maintenance	623,757	4,463	3,245	-	-	(624,975)	-	(624,975)
Pupil transportation	304,378	6,360	-	-	-	(310,738)	-	(310,738)
Interest on long-term debt	177,688	-	-	-	-	(177,688)	-	(177,688)
Total governmental activities	<u>5,697,557</u>	<u>2,757,796</u>	<u>34,645</u>	<u>165,753</u>	<u>-</u>	<u>(8,254,955)</u>	<u>-</u>	<u>(8,254,955)</u>
Business-type activities								
Food service	73,548	-	57,260	14,383	-	-	(1,905)	(1,905)
Preschool program	15,750	-	41,594	-	-	-	25,844	25,844
Total business-type activities	<u>89,298</u>	<u>-</u>	<u>98,854</u>	<u>14,383</u>	<u>-</u>	<u>-</u>	<u>23,939</u>	<u>23,939</u>
Total primary government	<u>\$ 5,786,855</u>	<u>\$ 2,757,796</u>	<u>\$ 133,499</u>	<u>\$ 180,136</u>	<u>\$ -</u>	<u>(8,254,955)</u>	<u>23,939</u>	<u>(8,231,016)</u>
			General revenues, special items & transfers					
						5,548,782	-	5,548,782
						645,500	-	645,500
						2,941,300	-	2,941,300
						14,936	58	14,994
						35,696	210	35,906
						20,000	(20,000)	-
						<u>9,206,214</u>	<u>(19,732)</u>	<u>9,186,482</u>
						951,259	4,207	955,466
						6,798,398	42,677	6,841,075
						<u>\$ 7,749,657</u>	<u>\$ 46,884</u>	<u>\$ 7,796,541</u>

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Governmental Funds
Balance Sheet
June 30, 2018

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
Assets					
Cash & cash equivalents	\$ 501,005	\$ 13,186	\$ -	\$ -	\$ 514,191
Due from other funds	25,494	-	-	-	25,494
Tax levy receivable	-	-	-	10,059	10,059
Receivables from other governments					
State	152,253	-	-	-	152,253
Federal	-	3,190	-	-	3,190
Other accounts receivable	385	6,192	-	-	6,577
Restricted cash & cash equivalents	1,052,110	-	-	-	1,052,110
Total assets	\$ 1,731,247	\$ 22,568	\$ -	\$ 10,059	\$ 1,763,874
Liabilities and fund balances					
Liabilities					
Due to other funds	\$ -	\$ 15,435	\$ -	\$ 10,059	\$ 25,494
Accounts payable	34,557	935	-	-	35,492
Payables to governments					
State	-	6,192	-	-	6,192
Unearned revenue	-	6	-	-	6
Total liabilities	34,557	22,568	-	10,059	67,184

See accompanying notes to financial statements.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Governmental Funds
Balance Sheet (continued)
June 30, 2018

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
Liabilities and fund balances (cont'd)					
Fund balances					
Restricted fund balance					
Excess surplus - designated for subsequent year's expenditures	\$ 65,049	\$ -	\$ -	\$ -	\$ 65,049
Excess surplus - current year	4,101	-	-	-	4,101
Capital reserve	644,303	-	-	-	644,303
Maintenance reserve	407,807	-	-	-	407,807
Committed fund balance					
Encumbrances	234,210	-	-	-	234,210
Unassigned fund balance	341,220	-	-	-	341,220
Total fund balances	1,696,690	-	-	-	1,696,690
 Total liabilities and fund balances	\$ 1,731,247	\$ 22,568	\$ -	\$ 10,059	

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

Capital assets used in government activities are not financial resources and therefore are not reported in the funds. The cost of the assets are \$15,898,408 and the accumulated depreciation is \$4,644,482.	11,253,926
Deferred outflows and inflows of resources are applicable to future periods and, therefore, are not reported in the funds.	(133,545)
Long-term liabilities, including bonds payable and compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(5,014,614)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(52,800)
Total net position of governmental activities	\$ 7,749,657

See accompanying notes to financial statements.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2018

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Revenues					
Local sources					
Local tax levy	\$ 5,548,782	\$ -	\$ -	\$ 645,500	\$ 6,194,282
Rents and royalties	3,245	-	-	-	3,245
Interest on investments	14,936	-	-	-	14,936
Miscellaneous	67,096	-	-	-	67,096
Total local sources	5,634,059	-	-	645,500	6,279,559
State sources	1,291,482	33,940	-	-	1,325,422
Federal sources	-	131,813	-	-	131,813
Total revenues	6,925,541	165,753	-	645,500	7,736,794
Expenditures					
Current					
Instructional					
Regular instruction	2,473,470	38,546	-	-	2,512,016
Special education instruction	223,801	-	-	-	223,801
Other special instruction	91,691	-	-	-	91,691
Other instruction	43,529	-	-	-	43,529
Support service & undistributed costs					
Tuition	257,033	66,086	-	-	323,119
Student & instruction related services	796,190	61,121	-	-	857,311
General & business administrative services	499,525	-	-	-	499,525
School administrative services	91,367	-	-	-	91,367
Plant operations & maintenance	623,757	-	-	-	623,757
Pupil transportation	329,895	-	-	-	329,895
Unallocated benefits	814,037	-	-	-	814,037

See accompanying notes to financial statements.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances (continued)
For the Fiscal Year Ended June 30, 2018

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Expenditures (cont'd)					
Capital outlay	\$ 68,275	\$ -	\$ -	\$ -	\$ 68,275
Debt service					
Principal	-	-	-	490,000	490,000
Interest & other charges	36,136	-	-	155,500	191,636
Total expenditures	<u>6,348,706</u>	<u>165,753</u>	<u>-</u>	<u>645,500</u>	<u>7,159,959</u>
Excess (deficiency) of revenues over (under) expenditures	<u>576,835</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>576,835</u>
Other financing sources (uses)					
Transfers in	20,000	-	-	-	20,000
Transfers out	(50,000)	-	-	-	(50,000)
Total other financing sources (uses)	<u>(30,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,000)</u>
Net change in fund balance	546,835	-	-	-	546,835
Fund balances, July 1	<u>1,149,855</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,149,855</u>
Fund balances, June 30	<u><u>\$ 1,696,690</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,696,690</u></u>

See accompanying notes to financial statements.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds
For the Fiscal Year Ended June 30, 2018

Total net changes in fund balances - governmental fund (from B-2) \$ 546,835

Amounts reported for governmental activities in the Statement of Activities (A-2) are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expenses. This is the amount by which depreciation exceeds capital the period:

Capital outlays	\$ 68,275	
Depreciation expense	<u>(388,748)</u>	(320,473)

Repayment of debt principal and capital leases are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position & are not reported in the Statement of Activities:

Debt principal payments	490,000	
Capital lease principal payments	<u>76,142</u>	566,142

Governmental funds report the effect of bond issue premiums when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:

Amortization of bond premium		37,518
------------------------------	--	--------

Governmental funds report district pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

125,698

In the Statement of Activities, interest on the deferred outflow from a refunding issue is amortized to interest expense over the remaining life of the old or new debt, whichever is shorter.

(30,763)

See accompanying notes to financial statements.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds (continued)
For the Fiscal Year Ended June 30, 2018

In the Statement of Activities, interest on long-term debt is accrued regardless of when due. In the governmental funds, interest is reported when due. The accrued interest is a reconciling item. \$ 7,195

In the Statement of Activities, compensated absences & early retirement benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation; when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation. 19,107

Change in net position of governmental activities \$ 951,259

See accompanying notes to financial statements.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Proprietary Funds
Combining Statement of Net Position
June 30, 2018

	Food Service Fund	Preschool Program	Total
Assets			
Current assets			
Cash & cash equivalents	\$ 3,234	\$ 30,464	\$ 33,698
Receivables from other governments			
State	33	-	33
Federal	544	-	544
Other accounts receivable	-	1,113	1,113
Inventory	3,306	-	3,306
Total current assets	<u>7,117</u>	<u>31,577</u>	<u>38,694</u>
Noncurrent assets			
Capital assets	29,502	-	29,502
Less: accumulated depreciation	18,100	-	18,100
Total noncurrent assets	<u>11,402</u>	<u>-</u>	<u>11,402</u>
Total assets	<u>18,519</u>	<u>31,577</u>	<u>50,096</u>
Liabilities			
Current liabilities			
Unearned revenues - commodities	1,656	-	1,656
Unearned revenues - prepaid sales	1,556	-	1,556
Total liabilities	<u>3,212</u>	<u>-</u>	<u>3,212</u>
Net position			
Net investment in capital assets	11,402	-	11,402
Unrestricted	3,905	31,577	35,482
Total net position	<u>\$ 15,307</u>	<u>\$ 31,577</u>	<u>\$ 46,884</u>

See accompanying notes to financial statements.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Proprietary Funds
Combining Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2018

	Food Service Fund	Preschool Program	Total
Operating revenues			
Charges for services			
Daily sales - reimbursable programs	\$ 35,481	\$ -	\$ 35,481
Daily sales - non-reimbursable programs	21,779	-	21,779
Fees for services	-	41,594	41,594
Total operating revenues	<u>57,260</u>	<u>41,594</u>	<u>98,854</u>
Operating expenses			
Cost of sales - reimbursable programs	19,067	-	19,067
Cost of sales - non-reimbursable programs	6,704	-	6,704
Commodity food costs	4,921	-	4,921
Salaries	19,544	15,750	35,294
Support services - employee benefits	2,807	-	2,807
Purchased professional/technical services	2,004	-	2,004
Purchased property services	5,987	-	5,987
Other purchased services			
Insurance	2,188	-	2,188
Management fee	7,199	-	7,199
Supplies and materials (not included in cost of sales)	404	-	404
Depreciation	1,786	-	1,786
Miscellaneous	937	-	937
Total operating expenses	<u>73,548</u>	<u>15,750</u>	<u>89,298</u>
Operating income (loss)	<u>(16,288)</u>	<u>25,844</u>	<u>9,556</u>
Non-operating revenues (expenses)			
State sources			
State school lunch program	627	-	627
Federal sources			
National school lunch program			
Cash assistance	8,835	-	8,835
Non cash assistance (commodities)	4,921	-	4,921
Interest earned on investments	58	-	58
Miscellaneous	210	-	210
Total non-operating revenues (expenses)	<u>14,651</u>	<u>-</u>	<u>14,651</u>
Other financing sources (uses)			
Operating transfer out	-	(20,000)	(20,000)
Change in net position	(1,637)	5,844	4,207
Net position, beginning	<u>16,944</u>	<u>25,733</u>	<u>42,677</u>
Net position, ending	<u>\$ 15,307</u>	<u>\$ 31,577</u>	<u>\$ 46,884</u>

See accompanying notes to financial statements.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Proprietary Funds
Combining Statement of Cash Flows
For the Fiscal Year Ended June 30, 2018

	Food Service Fund	Preschool Program	Total
Cash flows from operating activities			
Receipts from customers (net)	\$ 56,954	\$ 40,749	\$ 97,703
Payments to Food Service Management Company	(62,825)	-	(62,825)
Payments to vendors and employees (net)	(6,060)	(15,750)	(21,810)
Net cash provided by (used for) operating activities	<u>(11,931)</u>	<u>24,999</u>	<u>13,068</u>
Cash flows from non-capital financing activities			
State sources	625	-	625
Federal sources	8,739	-	8,739
Miscellaneous	210	-	210
Operating transfer in (out)	-	(20,000)	(20,000)
Net cash provided by (used for) non-capital financing activities	<u>9,574</u>	<u>(20,000)</u>	<u>(10,426)</u>
Cash flows from investing activities			
Interest earned on investments	58	-	58
Net increase (decrease) in cash and cash equivalents	(2,299)	4,999	2,700
Cash and cash equivalents, beginning	5,533	25,465	30,998
Cash and cash equivalents, ending	<u>\$ 3,234</u>	<u>\$ 30,464</u>	<u>\$ 33,698</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities			
Operating income (loss)	\$ (16,288)	\$ 25,844	\$ 9,556
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities			
Depreciation	1,786	-	1,786
Federal food donation program	4,921	-	4,921
(Increase) decrease in accounts receivable	-	(845)	(845)
Increase (decrease) in accounts payable	(2,743)	-	(2,743)
(Increase) decrease in inventory	28	-	28
Increase (decrease) in unearned revenue	365	-	365
Net cash provided by (used for) operating activities	<u>\$ (11,931)</u>	<u>\$ 24,999</u>	<u>\$ 13,068</u>

See accompanying notes to financial statements.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Fiduciary Funds
Statement of Net Position
June 30, 2018

	Unemployment Compensation Fund	Student Activity Agency Fund	Payroll Agency Fund
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash & cash equivalents	\$ 105,325	\$ 21,563	\$ 90,430
Total assets	<u>\$ 105,325</u>	<u>\$ 21,563</u>	<u>\$ 90,430</u>
Liabilities			
Due to student groups	\$ -	\$ 21,563	\$ -
Accounts payable	6,875	-	-
Payroll deductions & withholdings	-	-	90,430
Total liabilities	<u>6,875</u>	<u>\$ 21,563</u>	<u>\$ 90,430</u>
Net position			
Held in trust for unemployment claims & other purposes	<u>\$ 98,450</u>		

See accompanying notes to financial statements.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Fiduciary Funds
Statement of Changes in Net Position
For the Fiscal Year Ended June 30, 2018

	<u>Unemployment Compensation Fund</u>
Additions	
Employee contributions	\$ 5,219
Board contributions	50,000
Investment earnings - interest	559
Total additions	<u>55,778</u>
Deductions	
Unemployment claims	<u>28,066</u>
Change in net position	27,712
Net position, beginning of the year	<u>70,738</u>
Net position, end of the year	<u><u>\$ 98,450</u></u>

See accompanying notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies

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

The basic financial statements include:

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

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

A. Reporting entity

The District is a Type II District located in the County of Hunterdon, State of New Jersey. As a Type II District, the School District functions independently through a Board of Education. The Board is comprised of nine members elected to three-year-terms. The purpose of the District is to educate students in Grades K-8. The District had an approximate enrollment at June 30, 2018 of 298 students.

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

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

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

B. Government-wide and fund financial statements

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

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

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

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

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

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

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

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

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

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

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

Additionally, the District reports the following fund types:

Proprietary fund types

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

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

The District's enterprise fund is comprised of the food service fund and preschool program.

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

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

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

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

Fiduciary Fund Types

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

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

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

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

D. Budgets/budgetary control

Annual appropriated budgets are prepared in the Spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the County office and, if necessary, are voted upon at the annual school election in November. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line-item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum Chart of Accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments must be approved by School Board Resolution. Budget amendments during the year ended June 30, 2018 were insignificant.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

D. Budgets/budgetary control (continued)

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

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

E. Encumbrances

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

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

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

F. Tuition receivable

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

G. Tuition payable

Tuition charges for the fiscal years 2017-2018 and 2016-2017 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

H. Short-term interfund receivable and payables

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

I. Inventories and prepaid items

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. The commodities inventory value at balance sheet date is reported as unearned revenue as title does not pass to the School District until the commodities are used. Prepaid items in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2018.

J. Capital assets

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

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

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

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

K. Compensated absences

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

K. Compensated absences (continued)

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

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

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

L. Unearned revenue

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

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

M. Long-term obligations

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

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

N. Net position

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

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

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

O. Fund balances - governmental funds

In the fund financial statements, governmental funds report the following classifications of fund balance:

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

O. Fund balances - governmental funds (continued)

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

P. Use of 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 assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates.

Q. Allocation of indirect expenses

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

R. Deferred outflows/inflows of resources

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 2 - Tax assessments and property taxes

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

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

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

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

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

Note 3 - Deposits and cash equivalents and investments

Cash and cash equivalents include petty cash, change funds, and cash in banks. As of June 30, 2018, the District had no investments.

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

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

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

N.J.S.A. 17:9-41 e.t. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include savings and loan institutions, banks (both state and national banks) and saving banks the deposits of which are federally insured.

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

As of June 30, 2018, the District's bank balances were exposed to custodial credit risk as follows:

Insured by the FDIC	\$	250,000
Insured by GUDPA		1,671,626
Total bank balances	\$	<u>1,921,626</u>

Deposits at June 30, 2018 appear in the financial statements as summarized below:

Cash		\$	<u>1,817,317</u>
	<u>Ref.</u>		
Unrestricted cash			
Governmental funds, Balance Sheet	B-1	\$	514,191
Enterprise funds, Statement of Net Position	B-4		33,698
Fiduciary funds, Statement of Net Position	B-7		217,318
Restricted cash			
Governmental funds, Balance Sheet	B-1		1,052,110
Total cash		\$	<u>1,817,317</u>

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 4 - Capital assets

Capital asset activity for the fiscal year ended June 30, 2018 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 285,100	\$ -	\$ -	\$ 285,100
Total	<u>285,100</u>	<u>-</u>	<u>-</u>	<u>285,100</u>
Capital assets, being depreciated				
Land improvements	241,049	-	-	241,049
Building & improvements	14,695,183	45,737	-	14,740,920
Furniture & equipment	558,747	22,538	-	581,285
Vehicles	50,054	-	-	50,054
Total	<u>15,545,033</u>	<u>68,275</u>	<u>-</u>	<u>15,613,308</u>
Accumulated depreciation				
Land improvements	125,155	8,769	-	133,924
Building & improvements	3,674,727	358,460	-	4,033,187
Furniture & equipment	433,953	15,262	-	449,215
Vehicles	21,899	6,257	-	28,156
Total	<u>4,255,734</u>	<u>388,748</u>	<u>-</u>	<u>4,644,482</u>
Total capital assets, being depreciated, net	<u>11,289,299</u>	<u>(320,473)</u>	<u>-</u>	<u>10,968,826</u>
Governmental activities capital assets, net	<u>\$ 11,574,399</u>	<u>\$ (320,473)</u>	<u>\$ -</u>	<u>\$ 11,253,926</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business type activities				
Furniture & equipment	\$ 29,502	\$ -	\$ -	\$ 29,502
Less: accumulated depreciation	<u>16,314</u>	<u>1,786</u>	<u>-</u>	<u>18,100</u>
Business type activities capital assets, net	<u>\$ 13,188</u>	<u>\$ 1,786</u>	<u>\$ -</u>	<u>\$ 11,402</u>

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 4 - Capital assets (continued)

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

Instruction		
Regular	\$	220,305
Special education		19,627
Other special instruction		8,041
Other instruction		3,818
Support services		
Student & instruction		75,186
General & business administration		43,809
School administration		8,013
Plant maintenance		3,692
Transportation		6,257
Total depreciation expense, governmental activities	\$	388,748

Note 5 - Long-term debt

Long-term liability activity for the year ended June 30, 2018 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation					
bonds payable	\$ 4,400,000	\$ -	\$ 490,000	\$ 3,910,000	\$ 505,000
Bond premium	318,906	-	37,518	281,388	37,518
Capital leases					
payable	76,142	-	76,142	-	-
Compensated					
absences payable	59,445	-	19,107	40,338	-
PERS net pension					
liability	1,120,162	-	337,274	782,888	-
Total governmental					
activities long-term					
liabilities	\$ 5,974,655	\$ -	\$ 960,041	\$ 5,014,614	\$ 542,518

Payments on the general obligation bonds are made in the debt service fund from property taxes and state aid. The other long-term debts are paid in the current expenditures budget of the District's general fund.

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2018, including interest payments are listed as follows:

Year Ended June 30,	Principal	Interest	Total
2019	\$ 505,000	\$ 140,800	\$ 645,800
2020	520,000	125,650	645,650
2021	535,000	110,050	645,050
2022	555,000	94,000	649,000
2023 - 2025	1,795,000	145,440	1,940,440
Total	\$ 3,910,000	\$ 615,940	\$ 4,525,940

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 5 - Long-term debt (continued)

General Obligation Bonds - General obligation school building bonds payable at June 30, 2018, with their outstanding balances are comprised of the following individual issues:

\$5,380,000 - 2013 general obligation school building bonds, interest at 2.00% to 4.00% due in annual installments beginning Feb 15, 2015 through Feb 15, 2025.

\$ 3,910,000

The general obligation bonded debt of the District is limited by state law to 3% of the average equalized assessed values of the total taxable property in the District for the past three years. The legal debt limit at June 30, 2018 is \$16,750,287. General obligation debt at June 30, 2018 is \$3,910,000, resulting in a legal debt margin of \$12,840,287.

Note 6 - Pension plans

Description of systems

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

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.

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)

A. Public employees' retirement systems (PERS)

Plan description

The following represents the membership tiers for PERS:

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

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

Allocation methodology and reconciliation to financial statements

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

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the Schedule of Employer Allocations are applied to amounts presented in the Schedules of Pension Amounts by Employer. The allocation percentages for each group as of June 30, 2017 are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal year ended June 30, 2017.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)

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

Allocation methodology and reconciliation to financial statements (continued)

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented in the Division's Schedule of Employer Allocations and applied to amounts presented in the Schedule of Pension Amounts by Employer are based on the ratio of the contributions as an individual employer to total contributions to the PERS during the State fiscal year ended June 30, 2017. Employer allocation percentages have been rounded for presentation purposes, therefore amounts presented in the Schedule of Pension Amounts by Employer may result in immaterial differences.

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A 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, PL 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The Actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15-years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

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

Collective net pension liability and actuarial information

Components of net pension liability

The components of the District's allocable share of the net pension liability for PERS as of June 30, 2017:

	2017
Total pension liability	\$ 1,508,453
Plan fiduciary net position	725,565
Net pension liability	\$ 782,888

Plan fiduciary net position as a percentage of the total pension liability 48.10%

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:

Inflation rate	2.25%
Salary increases (based on age)	
Through 2026	1.65% - 4.15%
Thereafter	2.65% - 5.15%
Investment rate of return	7.00%

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

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

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

Long-term expected rate of return

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

<u>Asset Class</u>	<u>Target Allocations</u>	<u>Long-Term Expected Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

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

Discount rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017, based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the rate in the most recent State 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 plans 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.

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

The following presents the collective net pension liability of the District as of June 30, 2017, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

<u>District's Proportionate Share of the Net Pension Liability</u>	<u>2017</u>
At current discount rate (5.00%)	\$ 782,888
At a 1% lower rate (4.00%)	971,225
At a 1% higher rate (6.00%)	625,979

Collective deferred outflows of resources and deferred inflows of resources

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 18,434	\$ -
Changes of assumptions	157,725	157,147
Net difference between projected and actual earnings on pension plan investments	5,331	-
Changes in proportion and differences between District contributions and proportionate share of contributions	123,689	543,454
District contributions subsequent to the measurement date	31,156	-
Total	\$ 336,335	\$ 700,601

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

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

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

The amount reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date (i.e., for the school year ended June 30, 2018, the plan measurement date is June 30, 2017) of \$31,156 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

The following presents a summary of changes in the collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the year ended June 30, 2017:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Deferred outflows of resources				
Differences between expected and actual experience	\$ 18,524	\$ 5,716	\$ 5,806	\$ 18,434
Changes of Assumptions	206,332	-	48,607	157,725
Differences between projected and actual investment earnings on pension plan investments	37,981	(33,556)	(906)	5,331
Deferred Inflows of Resources				
Changes of Assumptions	-	(192,224)	(35,077)	(157,147)
Net of deferred outflows	<u>\$ 262,837</u>	<u>\$ (220,064)</u>	<u>\$ 18,430</u>	<u>\$ 24,343</u>

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

Year Ended June 30,

2018	\$ 18,430
2019	27,811
2020	16,852
2021	(22,413)
2022	(16,337)
Total	<u>\$ 24,343</u>

Pension expense

For the year ended June 30, 2018, the District recognized net pension expense of (\$94,174), which represents the District's proportionate share of allocable plan pension expense of \$56,468, less the net amortization of deferred amounts from changes in proportion of \$153,086, and plus other adjustments to the net pension liability of \$2,444. The components of allocable pension expense, which exclude amounts attributable to employer paid member contributions and pension expense related to specific liabilities of individual employers, for the District for the year ended June 30, 2017 are as follows:

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

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

Pension expense (continued)

Service cost	\$	36,515
Interest on total pension liability		66,263
Member contributions		(17,370)
Administrative expense		455
Expected investment return net of investment expense		(47,311)
Pension expense related to specific liabilities of individual employers		(514)
Recognition of deferred inflows/outflows of resources		
Amortization of assumption changes or inputs		13,530
Amortization of expected versus actual experience		5,806
Amortization of projected versus actual investment earnings on pension plan investments		(906)
Pension expense	\$	56,468

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

Plan description

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

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

The following represents the membership tiers for TPAF:

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

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

Plan description (continued)

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

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For the State fiscal year 2017, the State's pension contribution was less than the actuarial determined amount.

Special funding situation

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers. However, the Notes to the Financial Statements of the local participating employers must disclose the portion of the non-employer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer. During the State fiscal year ended June 30, 2017, the State of New Jersey contributed \$258,096 to the TPAF for normal pension benefits on behalf of the District.

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)
B. Teacher's pension and annuity fund (TPAF) (continued)
Special funding situation (continued)

For purposes of reporting required by GASB Statement No. 68, Accounting and Financial Reporting for Pensions, the District's proportionate share of allocable net pension liability, employer pension expense and related revenue, non-employer contributions and their allocable proportionate percentage for fiscal year ended June 30, 2017 is as follows:

	2017
State's proportionate share of net pension liability	\$ 15,497,015
District's proportionate share of net pension liability	
Employer pension expense and related revenue	1,073,555
Non-employer contribution	258,096
Allocable proportionate percentage	.0229845535%

The components of the contractually required contribution, which exclude amounts related to specific liabilities of individual employers, for the District for the year ended June 30, 2017 are as follows:

Service cost	\$ 693,594
Interest on total pension liability	756,869
Member contributions	(181,097)
Administrative expense	2,731
Expected investment return net of investment expense	(368,004)
Pension expense related to specific liabilities of individual employers	(82)
Recognition of deferred inflows/outflows of resources	
Amortization of assumption changes or inputs	165,763
Amortization of expected versus actual experience	12,213
Amortization of projected versus actual investment earnings on pension plan investments	(8,432)
Pension expense	\$ 1,073,555

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

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

Collective net pension liability and actuarial information

Components of net pension liability

As detailed earlier, the District was not required to report a liability for its proportionate share of net pension expense for TPAF due to a special funding situation. The State's proportionate share of the net pension liability for TPAF as of June 30, 2017 is as follows:

	2017
Total pension liability	\$ 20,777,059
Plan fiduciary net position	5,280,044
Net pension liability	\$ 15,497,015

Plan fiduciary net position as a percentage of the total pension liability	25.41%
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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 (based on age)	
2012 - 2021	Varies based on experience
Thereafter	Varies based on experience
Investment rate of return	7.00%

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

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

Long-term expected rate of return

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

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

<u>Asset Class</u>	<u>Target Allocations</u>	<u>Long-Term Expected Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

Discount rate

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

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

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

The following presents the collective net pension liability of the District as of June 30, 2017, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

<u>District’s Proportionate Share of the Net Pension Liability</u>	<u>2017</u>
At current discount rate (4.25%)	\$ 15,497,015
At a 1% lower rate (3.25%)	18,410,940
At a 1% higher rate (5.25%)	13,096,511

C. Defined contribution retirement program

The Defined Contribution Retirement Program (DCRP) was established under the provisions Ch. 92, PL 2007 and expanded under the provisions of Ch. 89, PL 2008 and Ch. 1, PL 2010 to provide eligible members with a tax sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Employees eligible to enroll in the program include the following: First, employees enrolled in the Public Employees Retirement System (PERS) or Teachers Pension and Annuity Fund (TPAF) on or after July 1, 2007 who earn salary in excess of maximum compensation limits. Also, employees otherwise eligible to enroll in the TPAF and PERS who do not earn the minimum salary (\$8,300 in 2018) but who earn salary of at least \$5,000 annually are eligible to participate. The Program Administrator, Prudential Financial, makes information regarding the program available on its New Jersey Defined Contribution Program Web Site: www.prudential.com/njdcrp.

Contribution rates for DCRP provide for employee contributions of 5.50% of annual contractual compensation as defined. The District’s net contribution to the DCRP for fiscal year ending 2018 was \$1,393.

D. Other pension plan information

During the year ended June 30, 2017, the State of New Jersey contributed \$248,353 to the TPAF for post-retirement medical benefits, \$9,110 for non-contributory insurance premiums, \$539 for long-term disability insurance, and \$375,410 for normal costs and accrued liability costs on behalf of the Board. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$165,458 during the year ended June 30, 2018 for the employer's share of Social Security contributions for TPAF members calculated on their base salaries. These amounts have been included in the financial statements and the combining and individual fund and account group statements and schedules as revenues and expenditures in accordance with GASB 68.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 7 - Post-retirement benefits

Chapter 384 of PL 1987 and Chapter 6 of PL 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25-years of credited service or on a disability retirement. Chapter 103 of PL 2007 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2017, there were 112,966 statewide retirees eligible for post-retirement medical benefits, and the State contributed \$1.39 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62 of PL 1994. Funding of post-retirement medical premiums are on a pay-as-you-go basis.

The State is also responsible for the cost attributable to Chapter 126 of PL 1992, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a School District or County College with 25-years of service. In fiscal year 2017, the State paid \$238.9 million toward Chapter 126 of PL 1992 benefits for 20,913 eligible retired members.

GASB Statement 75 requires certain disclosures relating to governmental entities obligations for other post-employment benefits (OPEB), which are post-employment benefits other than pensions. The District's only material OPEB obligation is for healthcare provided to eligible retirees through the NJ State Health Benefits Program.

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

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 7 - Post-retirement benefits (continued)

Funding Policy - Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis. Information regarding the State's annual contributions, annual OPEB cost and net OPEB obligations is available through the State as noted in the previous paragraph.

Total OPEB liability - Under a special funding situation, the State, a non-employer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. Accordingly, the District did not recognize any portion of the collective net OPEB liability on the Statement of Net Position. Therefore, the following OPEB liability note information is reported at the State's level and is not accrued by the District.

Total OPEB liability

For purposes of reporting required GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the District's proportionate share of allocable OPEB liability and employer OPEB expense and related revenue as of June 30, 2017 is as follows:

	2017
State's proportionate share of the OPEB liability	\$ 53,639,841,858
District's proportionate share of the State's OPEB liability	11,232,661
Employer pension expense and related revenue	576,263
Allocable proportionate percentage	.020940891%

Changes in the total OPEB liability

	Total OPEB Liability
Total OPEB liability at June 30, 2016	\$ 12,060,645
Service cost	371,328
Interest cost	350,765
Change of benefit terms	-
Differences between expected and actual experiences	-
Changes of assumptions	(1,299,485)
Member contributions	9,580
Gross benefit payments	(260,172)
Total OPEB liability at June 30, 2017	\$ 11,232,661

There were no changes of the benefit terms from June 30, 2016 to June 30, 2017.

Changes of assumptions and other inputs reflect a change in the discount rate from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 7 - Post-retirement benefits (continued)

Total OPEB liability (continued)

The total non-employer 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 non-employer 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	PERS
	(based on years of service)	(based on age)
Salary increases		
Through 2026	1.55% - 4.55%	2.15% - 4.15%
Thereafter	2.00% - 5.45%	3.15% - 5.15%

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.

Health care trend assumptions

For pre-Medicare Preferred Provider Organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long-term trend rate after nine years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5%. For Health Maintenance Organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long-term 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 was 3.58%. 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.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 7 - Post-retirement benefits (continued)

Sensitivity of the total OPEB liability to changes in the discount rates

The following presents the total non-employer OPEB liability as of June 30, 2017, using the District's allocable proportionate percentage, calculated using the discount rate as disclosed above as well as what the total non-employer OPEB liability would be if it was calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

<u>Total OPEB Liability (school retirees)</u>	2017
At current discount rate (3.58%)	\$ 11,232,661
At a 1% lower rate (2.58%)	13,333,979
At a 1% higher rate (4.58%)	9,565,876

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the total non-employer OPEB liability, as well as what the total non-employer OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

<u>Total OPEB Liability (school retirees)</u>	2017
Healthcare cost trend rate	\$ 11,232,661
At a 1% lower rate (1% decrease)	9,237,778
At a 1% higher rate (1% increase)	13,881,842

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

For the year ended June 30, 2017, the District recognized OPEB expense of \$576,263 determined by the State as the total OPEB liability for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASBS No. 75 and in which there is a special funding situation.

In accordance with GASBS No. 75, the District's proportionate share of school retirees OPEB is zero, there is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources.

Note 8 - Deferred compensation

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 8 - Deferred compensation (continued)
 Siracusa Benefits
 Variable Annuity Life Insurance Co.
 Lincoln Investment Planning

Note 9 - Interfund receivable and payables
 As of June 30, 2018, the general fund has an interfund receivable for \$15,435 due from the special revenue fund and \$10,059 due from the debt service fund for balances not yet transferred as of year-end.

Note 10 - Inventory
 Inventory in the food service fund as of June 30, 2018 consisted of the following:

Food	\$	2,543
Supplies		763
Total	\$	3,306

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

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

Note 12 - Risk management
 The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 12 - Risk management (continued)

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

Fiscal Year	Board Contrib.	Interest Earnings	Employee Contrib.	Amount Reimbursed	Ending Balance
2017 - 2018	\$ 50,000	\$ 559	\$ 5,219	\$ 28,066	\$ 98,450
2016 - 2017	25,000	187	5,030	2,442	70,738
2015 - 2016	-	135	4,859	697	42,963

Note 13 - Legal reserve accounts

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

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

Districts are allowed as per N.J.S.A. 18A:7F-41(a) & 41(b) to deposit to the legal reserves by Board resolution during the month of June for any unanticipated revenue and/or unexpended line-item appropriation amounts. Pursuant to this State statute, the District deposited \$327,850 to their capital reserve account and \$147,150 to their maintenance reserve account by Board resolution in June 2018 as summarized in the following schedule. The following schedule is a summarization of the legal reserve accounts for the current year:

Reserve Type	Beginning Balance	District Contrib.	Interest Earnings	Return Unused Withdrawal	Withdrawal	Ending Balance
Capital	\$ 313,683	\$ 327,850	\$ 2,770	-	-	\$ 644,303
Maintenance	260,657	147,150	-	-	-	407,807
Total	\$ 574,340	\$ 475,000	\$ 2,770	-	-	\$ 1,052,110

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 14 - Fund balances

As described in Note 1 (N), fund balance may be restricted, committed or assigned. An analysis of the general fund balance on June 30, 2018 is as follows:

	2018
Restricted	
Excess surplus - Designated for subsequent year's expenditures. Amount appropriated in the succeeding year's budget to reduce tax requirements.	\$ 65,049
Excess surplus - Represents amount in excess of allowable percentage of expenditures. In accordance with State statute, the excess surplus is designated for utilization in succeeding year's budgets.	4,101
Capital reserve account - Represents funds restricted to capital projects in the Districts long range facilities plan.	644,303
Maintenance reserve account - Represents funds accumulated for the required maintenance of a facility in accordance with the EFCFA (N.J.S.A.18A:76-9).	407,807
Committed	
Year-end encumbrance - Represents fund balance committed for purchase orders that have been issued but goods or services were not received as of June 30.	234,210
Unassigned	
Undesignated - Represents fund balance which has not been restricted or designated.	369,753
Total fund balance - budgetary basis (Exhibit C-1)	\$ 1,725,223
Last state aid payments not recognized on GAAP basis	(28,533)
Total fund balance - GAAP basis (B-1)	\$ 1,696,690

Note 15 - Calculation of excess surplus

In accordance with N.J.S.A. 18A:7F-7, as amended by PL 2004, Ch. 73 (S1701), the designation for Reserved Fund Balance - Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey School Districts are required to reserve general fund balance at the fiscal year end of June 30, if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2018 is \$4,101.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 16 - Operating lease

At June 30, 2018, the District had operating lease agreements in effect for copy machines. The present value of the future minimum rental payments under the operating lease agreements are as follows:

2019	\$	11,747
2020		11,747
2021		11,747
2022		11,747
Total	\$	46,988

Note 17 - Recent accounting pronouncements not yet effective

The following is of recent accounting pronouncements which are not yet effective as of the date of this report.

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87 “Leases”. This statement, which is effective for reporting periods beginning after June 15, 2019, is not expected to have a material impact on the District’s financial reporting.

Note 18 - Deficit balance in unrestricted net position

The District is reporting a deficit balance in unrestricted net position for governmental activities as of June 30, 2018 of \$(646,379) on Schedule A-1 “Statement of Net Position”. The deficit balance is not a negative reflection on the District’s financial condition, but is the result of reporting required by GASB Statement No. 68 Accounting and Financial Reporting for Pensions which allocates the proportionate share of the State’s net pension liability for PERS to each contributing entity throughout the State.

Note 19 - Subsequent events

The District has evaluated subsequent events through February 4, 2019, which is the date the financial statements were available to be issued and no additional items were noted for disclosure.

During the year ended June 30, 2019, the District entered into a \$1,200,000 capital lease financing contract with TD Equipment Finance, Inc. for capital projects involving APR/theater water infiltration repairs, a roof replacement, security updates, masonry repairs and improvements. The financing is due in five annual installments of \$262,306, including interest at 3.175%, beginning August 15, 2019 through August 15, 2023.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

FRANKLIN TOWNSHIP SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES					
Local sources					
Local tax levy	\$ 5,548,782	\$ -	\$ 5,548,782	\$ 5,548,782	\$ -
Tuition from summer school	7,500	-	7,500	-	(7,500)
Rents and royalties	1,000	-	1,000	3,245	2,245
Unrestricted miscellaneous revenues	70,242	-	70,242	79,262	9,020
Interest earned on maintenance reserve	525	-	525	-	(525)
Interest earned on capital reserve funds	540	-	540	2,770	2,230
Total	5,628,589	-	5,628,589	5,634,059	5,470
State sources					
School choice aid	90,286	-	90,286	90,286	-
Categorical transportation aid	32,888	-	32,888	32,888	-
Extraordinary aid	30,000	-	30,000	149,643	119,643
Categorical special education aid	184,932	-	184,932	191,952	7,020
Categorical security aid	16,949	-	16,949	16,949	-
PARCC readiness aid	2,690	-	2,690	2,690	-
Per pupil growth aid	2,690	-	2,690	2,690	-
Professional learning community aid	2,970	-	2,970	2,970	-
Lead testing for drinking water	-	-	-	636	636
Other state aid	2,500	-	2,500	2,610	110
TPAF pension (on-behalf)	-	-	-	384,520	384,520
TPAF social security (reimbursed)	-	-	-	165,458	165,458
TPAF post retirement benefits	-	-	-	248,353	248,353
TPAF long-term disability insurance	-	-	-	539	539
Total	365,905	-	365,905	1,292,184	926,279
Total revenues	\$ 5,994,494	\$ -	\$ 5,994,494	\$ 6,926,243	\$ 931,749
EXPENDITURES					
Current					
Instruction - regular program					
Salaries of teachers					
Preschool	\$ 1,000	\$ -	\$ 1,000	\$ 1,000	\$ -
Kindergarten	183,887	12,888	196,775	196,775	-
Grades 1-5	983,848	34,969	1,018,817	1,018,817	-
Grades 6-8	657,218	(42,981)	614,237	595,134	19,103
Home instruction					
Salaries of teacher	1,020	1,000	2,020	1,977	43
Purchased professional - educational services	-	1,800	1,800	1,800	-
Regular programs - undistributed instruction					
Other salaries for instruction	3,825	125	3,950	3,950	-
Purchased professional - educational services	126,500	(16,115)	110,385	59,523	50,862
Purchased technical services	39,500	(6,476)	33,024	31,503	1,521
Other purchased services	59,000	(18,476)	40,524	32,484	8,040
General supplies	150,486	(1,883)	148,603	72,747	75,856
Textbooks	19,100	(14,905)	4,195	4,195	-
Other objects	10,000	-	10,000	5,233	4,767
Total	2,235,384	(50,054)	2,185,330	2,025,138	160,192

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Special education					
Multiple disabilities					
Salaries of teachers	\$ 60,850	\$ -	\$ 60,850	\$ 57,793	\$ 3,057
General supplies	-	2,500	2,500	1,917	583
Total	<u>60,850</u>	<u>2,500</u>	<u>63,350</u>	<u>59,710</u>	<u>3,640</u>
Resource room/resource center					
Salaries of teachers	125,925	-	125,925	111,990	13,935
General supplies	5,000	-	5,000	4,623	377
Total	<u>130,925</u>	<u>-</u>	<u>130,925</u>	<u>116,613</u>	<u>14,312</u>
Preschool disabilities - full-time					
Salaries of teachers	50,000	-	50,000	44,209	5,791
Purchased professional - educational services	48,500	(41,752)	6,748	3,146	3,602
General supplies	500	-	500	123	377
Total	<u>99,000</u>	<u>(41,752)</u>	<u>57,248</u>	<u>47,478</u>	<u>9,770</u>
Total special education	<u>290,775</u>	<u>(39,252)</u>	<u>251,523</u>	<u>223,801</u>	<u>27,722</u>
Basic skills/remedial					
Salaries of teachers	90,120	1,431	91,551	91,551	-
General supplies	750	-	750	140	610
Total	<u>90,870</u>	<u>1,431</u>	<u>92,301</u>	<u>91,691</u>	<u>610</u>
School-sponsored co/extra curricular activities - instruction					
Salaries	11,300	-	11,300	9,966	1,334
Total	<u>11,300</u>	<u>-</u>	<u>11,300</u>	<u>9,966</u>	<u>1,334</u>
School-sponsored athletics - instruction					
Salaries	15,000	-	15,000	11,039	3,961
Purchased services	10,000	-	10,000	9,481	519
Supplies and materials	10,000	-	10,000	4,117	5,883
Total	<u>35,000</u>	<u>-</u>	<u>35,000</u>	<u>24,637</u>	<u>10,363</u>
Instructional alternative ed program - instruction					
Salaries of teachers	20,000	(11,074)	8,926	8,926	-
General supplies	2,500	(2,500)	-	-	-
Total	<u>22,500</u>	<u>(13,574)</u>	<u>8,926</u>	<u>8,926</u>	<u>-</u>
Total instruction regular	<u>\$ 2,685,829</u>	<u>\$ (101,449)</u>	<u>\$ 2,584,380</u>	<u>\$ 2,384,159</u>	<u>\$ 200,221</u>
Undistributed expenditures					
Undistributed expenditures - instruction					
Tuition to other LEAs within the state - special	\$ 252,500	\$ (3,850)	\$ 248,650	\$ 232,757	\$ 15,893
Tuition to priv. school for the disabled w/i state	-	24,276	24,276	24,276	-
Total	<u>252,500</u>	<u>20,426</u>	<u>272,926</u>	<u>257,033</u>	<u>15,893</u>

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Undistributed expenditures - attendance & social work					
Salaries	\$ 26,652	\$ 1,261	\$ 27,913	\$ 27,913	\$ -
Total	26,652	1,261	27,913	27,913	-
Undistributed expenditures - health services					
Salaries	64,750	400	65,150	59,755	5,395
Unused vacation payment to terminated/retired staff	5,500	-	5,500	-	5,500
Purchased professional and technical services	2,100	-	2,100	1,856	244
Supplies and materials	3,000	(349)	2,651	1,594	1,057
Other objects	250	(51)	199	199	-
Total	75,600	-	75,600	63,404	12,196
Undistributed expenditures - speech, ot, pt & related services					
Purchased professional - educational services	152,500	(65,000)	87,500	57,776	29,724
Supplies and materials	500	-	500	-	500
Total	153,000	(65,000)	88,000	57,776	30,224
Undistributed expend - other supp. service stds. - extra service					
Salaries	-	25,900	25,900	23,562	2,338
Purchased professional - educational services	47,200	65,000	112,200	66,199	46,001
Total	47,200	90,900	138,100	89,761	48,339
Undistributed expenditures - guidance					
Salaries of other professional staff	76,400	(16,875)	59,525	52,787	6,738
Supplies and materials	1,500	-	1,500	600	900
Total	77,900	(16,875)	61,025	53,387	7,638
Undistributed expenditures - child study teams					
Salaries of other professional staff	76,500	(59,625)	16,875	16,875	-
Salaries of secretarial and clerical assistants	40,800	(1,400)	39,400	39,080	320
Purchased professional - educational services	82,876	118,928	201,804	190,190	11,614
Miscellaneous purchased service	2,500	(2,065)	435	435	-
Supplies and materials	4,500	(2,037)	2,463	2,446	17
Total	207,176	53,801	260,977	249,026	11,951
Undistributed expenditures - improvement of inst. service					
Salaries of supervisor of instruction	2,500	-	2,500	1,400	1,100
Salaries of other professional staff	85,960	1,251	87,211	87,211	-
Supplies and materials	2,000	(1,105)	895	895	-
Total	90,460	146	90,606	89,506	1,100
Undistributed expenditures - edu. media service/sch. library					
Salaries	12,318	2,759	15,077	15,077	-
Salaries of technology coordinators	55,386	25	55,411	55,411	-
Purchased professional and technical services	4,500	(2,784)	1,716	1,460	256
Supplies and materials	3,000	-	3,000	2,885	115
Total	75,204	-	75,204	74,833	371

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Undistributed expenditures - instructional staff training services					
Other purchased services	\$ 2,000	\$ -	\$ 2,000	\$ 374	\$ 1,626
Total	2,000	-	2,000	374	1,626
Undistributed expend. - support service - general admin.					
Salaries	177,945	3,878	181,823	181,823	-
Legal services	15,000	11,882	26,882	26,882	-
Audit fees	17,500	-	17,500	17,500	-
Architectural/engineering services	-	14,800	14,800	10,215	4,585
Other purchased professional services	1,450	1,339	2,789	2,429	360
Communications/telephone	10,000	1,200	11,200	10,854	346
BOE other purchased services	1,000	(1,000)	-	-	-
Misc purch services	7,500	8,975	16,475	7,720	8,755
General supplies	3,500	-	3,500	3,500	-
BOE in-house training/meeting supplies	500	(460)	40	40	-
Miscellaneous expenditures	5,000	(397)	4,603	4,603	-
BOE membership dues and fees	4,000	-	4,000	3,846	154
Total	243,395	40,217	283,612	269,412	14,200
Undistributed expend. - support service - school admin.					
Salaries of principals/assistant principals	51,499	-	51,499	51,490	9
Salaries of secretarial and clerical assistants	27,851	1	27,852	27,852	-
Supplies and materials	500	-	500	500	-
Other objects	250	-	250	-	250
Total	80,100	1	80,101	79,842	259
Undistributed expenditures - central services					
Salaries	152,470	748	153,218	153,218	-
Purchased professional services	15,000	127	15,127	15,127	-
Miscellaneous purchased services	500	-	500	500	-
Supplies and materials	3,250	(237)	3,013	1,668	1,345
Other objects	2,650	110	2,760	2,728	32
Total	173,870	748	174,618	173,241	1,377
Undistributed expend. - required maint. for school facilities					
Salaries	-	2,939	2,939	2,939	-
Cleaning, repair, and maintenance services	195,916	38,858	234,774	199,969	34,805
Lead testing in water	7,500	(7,000)	500	500	-
General supplies	12,000	(9,026)	2,974	2,974	-
Total	215,416	25,771	241,187	206,382	34,805

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Undistributed expenditures - custodial services					
Salaries	\$ 6,000	\$ 30,079	\$ 36,079	\$ 36,079	\$ -
Salaries of non-instructional aides	12,318	(12,318)	-	-	-
Purchased professional and technical services	-	10,549	10,549	9,759	790
Cleaning, repair, and maintenance service	215,150	(16,515)	198,635	134,648	63,987
Insurance	66,700	(15,660)	51,040	51,040	-
General supplies	8,900	(2,305)	6,595	6,449	146
Energy (natural gas)	500	(133)	367	367	-
Energy (electricity)	100,000	(12,644)	87,356	82,456	4,900
Energy (oil)	50,000	11,457	61,457	61,457	-
Total	<u>459,568</u>	<u>(7,490)</u>	<u>452,078</u>	<u>382,255</u>	<u>69,823</u>
Undistributed expenditures - care and upkeep of grounds					
Cleaning, repair, and maintenance service	23,350	9,256	32,606	32,606	-
Total	<u>23,350</u>	<u>9,256</u>	<u>32,606</u>	<u>32,606</u>	<u>-</u>
Undistributed expenditures - security					
Purchased professional and technical services	850	(586)	264	264	-
General supplies	250	-	250	250	-
Total	<u>1,100</u>	<u>(586)</u>	<u>514</u>	<u>514</u>	<u>-</u>
Undistributed expenditures - student transportation service					
Salaries of non-instructional aides	-	387	387	387	-
Salaries for pupil trans (between home & school) - sp ed	20,000	(1,540)	18,460	18,288	172
Management fee - esc & ctsa trans. program	2,500	-	2,500	2,500	-
Cleaning, repair, & maint. services	3,500	(2,485)	1,015	1,015	-
Lease purchase payments - school buses	25,000	-	25,000	25,000	-
Contract serv-aid in lieu pymts - non-public schools	15,000	(2,021)	12,979	12,479	500
Contract serv-aid in lieu pymts - choice school students	-	6,000	6,000	4,500	1,500
Contract serv (oth. than between home & school) - vend	7,500	714	8,214	7,998	216
Contract serv (between home & school) - joint agreements	209,500	(16,499)	193,001	193,001	-
Contract service (reg. students) - escs & ctsas	10,000	(5,577)	4,423	4,423	-
Contract service (spl. ed. students) - escs & ctsas	65,175	(8,956)	56,219	56,219	-
Transportation supplies	5,000	(915)	4,085	4,085	-
Total	<u>363,175</u>	<u>(30,892)</u>	<u>332,283</u>	<u>329,895</u>	<u>2,388</u>
Allocated benefits - employee benefits					
Regular programs - instruction					
Social security contributions	3,000	21,921	24,921	24,921	-
Other retirement contributions - PERS	11,500	(1,500)	10,000	10,000	-
Workmen's compensation	22,314	(3,814)	18,500	18,500	-
Health benefits	439,470	(58,691)	380,779	377,649	3,130
Tuition reimbursement	10,000	-	10,000	6,937	3,063
Other employee benefits	15,500	(9,500)	6,000	6,000	-
Unused sick payment to terminated/retired staff	4,500	4,325	8,825	4,325	4,500
Total	<u>506,284</u>	<u>(47,259)</u>	<u>459,025</u>	<u>448,332</u>	<u>10,693</u>

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Special programs - instruction					
Health benefits	\$ 53,575	\$ (20,300)	\$ 33,275	\$ -	\$ 33,275
Total	53,575	(20,300)	33,275	-	33,275
Other instructional programs - instruction					
Social security contributions	9,350	(9,350)	-	-	-
Total	9,350	(9,350)	-	-	-
Attendance and social work services					
Social security contributions	2,100	-	2,100	2,100	-
Other retirement contributions - PERS	5,000	-	5,000	5,000	-
Workmen's compensation	750	-	750	750	-
Health benefits	11,250	(1,261)	9,989	-	9,989
Other employee benefits	100	-	100	100	-
Total	19,200	(1,261)	17,939	7,950	9,989
Health services					
Social security contributions	250	-	250	250	-
Workmen's compensation	750	-	750	750	-
Health benefits	28,425	-	28,425	-	28,425
Other employee benefits	100	-	100	100	-
Total	29,525	-	29,525	1,100	28,425
Other supp services- students - extraordinary					
Health benefits	-	9,000	9,000	8,020	980
Total	-	9,000	9,000	8,020	980
Other supp services - guidance					
Workmen's compensation	600	-	600	600	-
Health benefits	25,925	-	25,925	4,640	21,285
Other employee benefits	100	-	100	100	-
Total	26,625	-	26,625	5,340	21,285
Other supp services - child study teams					
Social security contributions	3,500	-	3,500	3,500	-
Other retirement contributions - PERS	6,000	-	6,000	6,000	-
Workmen's compensation	1,500	-	1,500	1,500	-
Health benefits	37,070	(37,070)	-	-	-
Other employee benefits	600	-	600	600	-
Total	48,670	(37,070)	11,600	11,600	-
Improvement of instruction services					
Social security contributions	250	-	250	250	-
Workmen's compensation	1,000	-	1,000	1,000	-
Health benefits	15,750	-	15,750	15,750	-
Other employee benefits	500	-	500	500	-
Total	17,500	-	17,500	17,500	-

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Educational media services - sch. library					
Social security contributions	\$ 5,500	\$ -	\$ 5,500	\$ 5,500	\$ -
Other retirement contributions - PERS	7,500	-	7,500	7,500	-
Health benefits	25,400	-	25,400	25,400	-
Other employee benefits	300	-	300	300	-
Total	<u>38,700</u>	<u>-</u>	<u>38,700</u>	<u>38,700</u>	<u>-</u>
Support services - general administration					
Social security contributions	5,500	-	5,500	5,500	-
Other retirement contributions - PERS	4,000	(2,784)	1,216	1,216	-
Workmen's compensation	510	(10)	500	500	-
Health benefits	33,555	5,875	39,430	16,775	22,655
Other employee benefits	1,000	(600)	400	400	-
Total	<u>44,565</u>	<u>2,481</u>	<u>47,046</u>	<u>24,391</u>	<u>22,655</u>
Support services - school administration					
Social security contributions	2,000	-	2,000	2,000	-
Other retirement contributions - PERS	2,000	-	2,000	2,000	-
Workmen's compensation	85	565	650	650	-
Health benefits	6,750	-	6,750	6,750	-
Other employee benefits	125	-	125	125	-
Total	<u>10,960</u>	<u>565</u>	<u>11,525</u>	<u>11,525</u>	<u>-</u>
Support services - central services					
Social security contributions	4,200	-	4,200	4,200	-
Other retirement contributions - PERS	2,000	(748)	1,252	1,000	252
Workmen's compensation	450	1,050	1,500	1,500	-
Health benefits	32,055	-	32,055	25,055	7,000
Other employee benefits	850	-	850	726	124
Total	<u>39,555</u>	<u>302</u>	<u>39,857</u>	<u>32,481</u>	<u>7,376</u>
Custodial services					
Social security contributions	1,500	-	1,500	1,500	-
Other retirement contributions - PERS	500	-	500	500	-
Total	<u>2,000</u>	<u>-</u>	<u>2,000</u>	<u>2,000</u>	<u>-</u>
Student transportation services					
Social security contributions	2,000	(2,000)	-	-	-
Other retirement contributions - regular	1,500	(1,500)	-	-	-
Total	<u>3,500</u>	<u>(3,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total allocated benefits - employees	<u>\$ 850,009</u>	<u>\$ (106,392)</u>	<u>\$ 743,617</u>	<u>\$ 608,939</u>	<u>\$ 134,678</u>
Unallocated benefits - employee benefits					
Social security contributions	\$ -	\$ 10,914	\$ 10,914	\$ 10,914	\$ -
Other retirement contributions - regular	-	1,883	1,883	1,883	-
Other employee benefits	-	2,804	2,804	2,370	434
Total	<u>-</u>	<u>15,601</u>	<u>15,601</u>	<u>15,167</u>	<u>434</u>

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
On-behalf TPAF pension contribution	\$ -	\$ -	\$ -	\$ 384,520	\$ (384,520)
On-behalf TPAF post retirement medical benefits	-	-	-	248,353	(248,353)
On-behalf TPAF long-term disability insurance	-	-	-	539	(539)
Reimbursed TPAF social security contribution	-	-	-	165,458	(165,458)
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>798,870</u>	<u>(798,870)</u>
Total undistributed expenditures	<u>\$ 3,417,675</u>	<u>\$ 30,893</u>	<u>\$ 3,448,568</u>	<u>\$ 3,860,136</u>	<u>\$ (411,568)</u>
Total current	<u>\$ 6,103,504</u>	<u>\$ (70,556)</u>	<u>\$ 6,032,948</u>	<u>\$ 6,244,295</u>	<u>\$ (211,347)</u>
Capital outlay					
Equipment					
Grades 1-5	\$ 15,000	\$ 6,000	\$ 21,000	\$ 8,050	\$ 12,950
Undistributed					
Undistributed expenditures - instruction	8,351	6,137	14,488	14,488	-
Undistributed expenditures - care and upkeep of grounds	14,949	2,730	17,679	14,949	2,730
Undistributed expenditures - security	-	2,330	2,330	2,330	-
Total equipment	<u>38,300</u>	<u>17,197</u>	<u>55,497</u>	<u>39,817</u>	<u>15,680</u>
Facilities acquisition and construction service					
Other purchased professional and technology services	-	3,900	3,900	-	3,900
Construction services	100,000	-	100,000	28,458	71,542
Assessment for debt service on SDA funding	36,136	-	36,136	36,136	-
Total facilities acquisition and construction service	<u>136,136</u>	<u>3,900</u>	<u>140,036</u>	<u>64,594</u>	<u>75,442</u>
Total capital outlay	<u>\$ 174,436</u>	<u>\$ 21,097</u>	<u>\$ 195,533</u>	<u>\$ 104,411</u>	<u>\$ 91,122</u>
Total expenditures	<u>\$ 6,277,940</u>	<u>\$ (49,459)</u>	<u>\$ 6,228,481</u>	<u>\$ 6,348,706</u>	<u>\$ (120,225)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (283,446)</u>	<u>\$ 49,459</u>	<u>\$ (233,987)</u>	<u>\$ 577,537</u>	<u>\$ 811,524</u>
Other financing sources (uses)					
Operating transfer in					
Transfers from other funds	20,000	-	20,000	20,000	-
Operating transfer out					
Transfer to fiduciary fund - board contribution	-	(50,000)	(50,000)	(50,000)	-
Total other financing sources (uses)	<u>20,000</u>	<u>(50,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>
Excess (deficiency) of revenues & other financing sources over (under) expenditures & other financing uses	(263,446)	(541)	(263,987)	547,537	811,524
Fund balances, July 1	1,177,686	-	1,177,686	1,177,686	-
Fund balances, June 30	<u>\$ 914,240</u>	<u>\$ (541)</u>	<u>\$ 913,699</u>	<u>\$ 1,725,223</u>	<u>\$ 811,524</u>

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Recapitulation of excess (deficiency) of revenues over (under) expenditures					
Adjustment for prior year encumbrances	\$ (99,877)	\$ -	\$ (99,877)	\$ (99,877)	\$ -
Increase in capital reserve	-	327,850	327,850	327,850	-
Interest deposit to capital reserve	540	-	540	2,770	2,230
Withdrawal from capital reserve	(100,000)	100,000	-	-	-
Increase in maintenance reserve	-	147,150	147,150	147,150	-
Interest earned on maintenance reserve	525	-	525	-	(525)
Budgeted fund balance	(64,634)	(575,541)	(640,175)	169,644	809,819
Total	<u>\$ (263,446)</u>	<u>\$ (541)</u>	<u>\$ (263,987)</u>	<u>\$ 547,537</u>	<u>\$ 811,524</u>
Recapitulation of fund balance					
Restricted fund balance					
Excess surplus - designated for subsequent year's expenditures				\$ 65,049	
Excess surplus - current year				4,101	
Capital reserve				644,303	
Maintenance reserve				407,807	
Committed fund balance					
Year-end encumbrances				234,210	
Unassigned fund balance				<u>369,753</u>	
Fund balance per budgetary basis				1,725,223	
Reconciliation to governmental statements (GAAP)					
Last state aid payments not recognized on GAAP basis				<u>(28,533)</u>	
Fund balance per governmental funds (GAAP)				<u>\$ 1,696,690</u>	

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Special Revenue Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
State sources	\$ 40,775	\$ -	\$ 40,775	\$ 33,940	\$ (6,835)
Federal sources	<u>30,071</u>	<u>112,739</u>	<u>142,810</u>	<u>131,813</u>	<u>(10,997)</u>
Total revenues	<u>\$ 70,846</u>	<u>\$ 112,739</u>	<u>\$ 183,585</u>	<u>\$ 165,753</u>	<u>\$ (17,832)</u>
Expenditures					
Instruction					
Tuition	\$ -	\$ 66,086	\$ 66,086	\$ 66,086	\$ -
General supplies	40,451	-	40,451	34,228	6,223
Textbooks	<u>4,930</u>	<u>-</u>	<u>4,930</u>	<u>4,318</u>	<u>612</u>
Total	<u>45,381</u>	<u>66,086</u>	<u>111,467</u>	<u>104,632</u>	<u>6,835</u>
Support services					
Purchased professional & technical services	<u>25,465</u>	<u>46,653</u>	<u>72,118</u>	<u>61,121</u>	<u>10,997</u>
Total	<u>25,465</u>	<u>46,653</u>	<u>72,118</u>	<u>61,121</u>	<u>10,997</u>
Total expenditures	<u>\$ 70,846</u>	<u>\$ 112,739</u>	<u>\$ 183,585</u>	<u>\$ 165,753</u>	<u>\$ 17,832</u>

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to Required Supplementary Information
Budget-to-GAAP Reconciliation

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

<u>Sources/Inflows of Resources</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	\$ 6,926,243	\$ 165,753
Differences - Budget to GAAP		
The last state aid payment is recognized as revenue for budgetary purposes, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expenses (GASB 33):		
State aid receivable prior year	27,831	-
State aid receivable current year	<u>(28,533)</u>	<u>-</u>
Total revenues (GAAP basis)	<u>\$ 6,925,541</u>	<u>\$ 165,753</u>
 <u>Uses/Outflows of Resources</u>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	<u>\$ 6,378,706</u>	<u>\$ 165,753</u>
Total expenditures (GAAP basis)	<u>\$ 6,378,706</u>	<u>\$ 165,753</u>

See independent auditors' report.

REQUIRED SUPPLEMENTARY INFORMATION - PART III

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

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net pension liability (asset) - percentage	N/A	0.0033631508%	0.0037821410%	0.0028656611%	0.0079867967%	0.0078899285%	N/A	N/A	N/A	N/A
District's proportion of the net pension liability (asset) - value	N/A	\$ 782,888	\$ 1,120,162	\$ 643,283	\$ 1,495,347	\$ 1,507,922	N/A	N/A	N/A	N/A
District's covered employee payroll	\$ 313,395	269,526	245,198	256,430	239,690	549,155	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	N/A	290.47%	456.84%	250.86%	623.87%	274.59%	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	48.10%	40.14%	47.93%	52.08%	48.72%	N/A	N/A	N/A	N/A

N/A - Not Available

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Schedule of District's Contributions - Public Employees Retirement System
Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contributor	\$ 31,156	\$ 33,600	\$ 24,637	\$ 65,845	\$ 59,449	\$ 58,511	\$ 55,025	\$ 18,497	\$ 18,957	\$ 16,371
Contributions in relation to the contractually required contributor	(31,156)	(33,600)	(24,637)	(65,845)	(59,449)	(58,511)	(55,025)	(18,497)	(18,957)	(16,371)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 313,395	\$ 269,526	\$ 245,198	\$ 256,430	\$ 239,690	\$ 549,155	\$ 553,475	\$ 495,256	\$ 465,361	\$ 500,574
Contributions as a percentage of covered employee payroll	9.94%	12.47%	10.05%	25.68%	24.80%	10.65%	9.94%	3.73%	4.07%	3.27%

See independent auditors' report.

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net pension liability (asset) - percentage	N/A	N/A	0.00%	0.00%	0.00%	0.00%	N/A	N/A	N/A	N/A
District's proportion of the net pension liability (asset) - value	N/A	\$ -	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	N/A
State's proportionate share of the net pension liability (asset) associated with the District	\$ -	15,497,015	17,984,152	12,689,567	10,200,574	11,273,116	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ 15,497,015	\$ 17,984,152	\$ 12,689,567	\$ 10,200,574	\$ 11,273,116	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ -	\$ 2,506,048	\$ 2,447,015	\$ 2,286,558	\$ 2,267,805	\$ 2,024,616	\$ -	\$ -	\$ -	\$ -
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	N/A	0.00%	0.00%	0.00%	0.00%	0.00%	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	25.41%	22.33%	28.71%	33.64%	33.76%	N/A	N/A	N/A	N/A

N/A - Not Available

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Schedule of District's Contributions - Teacher's Pension and Annuity Fund
Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contributor	\$ 384,520	\$ 258,531	\$ 183,036	\$ 108,544	\$ 80,740	\$ 144,128	\$ 87,092	\$ 7,477	\$ 8,278	\$ 8,848
Contributions in relation to the contractually required contributor	(384,520)	(258,531)	(183,036)	(108,544)	(80,740)	(144,128)	(87,092)	(7,477)	(8,278)	(8,848)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 2,270,414	\$ 2,506,048	\$ 2,447,015	\$ 2,286,558	\$ 2,267,805	\$ 2,024,616	\$ 1,912,015	\$ 2,224,022	\$ 2,596,927	\$ 2,351,616
Contributions as a percentage of covered employee payroll	16.94%	10.32%	7.48%	4.75%	3.56%	7.12%	4.55%	0.34%	0.32%	0.38%

See independent auditors' report.

**SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR
OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS (GASB 75) (UNAUDITED)**

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Other
Postemployment Employee Benefits Liability
Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportionate share of the other post employment employee benefits liability (asset) - percentage	N/A	0.00%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the other post employment employee benefits liability (asset) - value	N/A	\$ -	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
State's proportionate share of the other post employment employee benefits liability (asset) associated with the District	N/A	11,232,661	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	\$ -	\$ 11,232,661	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	N/A	\$ 2,775,574	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	N/A	0.00%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	0.00%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

N/A - Not Available

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Required Supplementary Information - Part III
(Unaudited)
June 30, 2018

- Note 1 - Special funding situation - TPAF and other post-retirement benefits
The participating employer allocations included in the supplemental Schedule of Employer Special Funding Allocations and the supplemental Schedule of Special Funding Amounts by Employer for each local employer are provided as each local employer is required to record in their financial statements, as an expense and corresponding revenue, their proportionate share of the pension expense and other post-retirement benefits (OPEB) expense allocated to the State of New Jersey (the State) under the special-funding situation and include their proportionate share of the net pension liability and OPEB liability in their respective notes to their financial statements. For this purpose, the proportionate share was developed based on actual contributions made to the Teachers' Pension and Annuity Fund and for OPEB allocated to employers based upon covered payroll and adjusted by expected State Early Retirement Incentive contributions for the respective fiscal year.
- Note 2 - Changes in assumptions - TPAF
The discount rate increased from 3.22% in State fiscal year 2016 to 4.25% in State fiscal year 2017. The inflation rate was 2.50% for State fiscal years 2016 and 2.25% in State fiscal year 2017.
- Note 3 - Changes in assumptions - PERS
The discount rate increased from 3.98% in State fiscal year 2016 to 5.00% in State fiscal year 2017. The inflation rate decreased from 3.08% for State fiscal year 2016 to 2.25% for State fiscal year 2017.
- Note 4 - Changes in assumptions - other post-retirement employee benefits
The other post-retirement employee benefits discount rate increased from 2.85% in State fiscal year 2016 to 3.58% in State fiscal year 2017. The inflation rate was not available for State fiscal year 2016 and for State fiscal year 2017 was 2.50%.
- Note 5 - Changes in healthcare trend assumptions - other post-retirement employee benefits
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.
- Note 6 - Changes in benefit term assumptions - other post-retirement employee benefits
There were no changes of the benefit terms from June 30, 2016 to June 30, 2017.

SPECIAL REVENUE FUND

DETAIL STATEMENTS

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Special Revenue Fund
Combining Schedule of Program Revenues And Expenditures
Budgetary Basis
For the Fiscal Year Ended June 30, 2018

	ESSA Title IA	ESSA Title IIA	IDEA Basic	IDEA Preschool	REAP	Non-public Grants	Total
Revenues							
State sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,940	\$ 33,940
Federal sources	2,751	12,809	81,763	4,419	30,071	-	131,813
Total revenues	\$ 2,751	\$ 12,809	\$ 81,763	\$ 4,419	\$ 30,071	\$ 33,940	\$ 165,753
Expenditures							
Instruction							
Tuition	\$ -	\$ -	\$ 66,086	\$ -	\$ -	\$ -	\$ 66,086
General supplies	-	-	-	-	30,071	4,157	34,228
Textbooks	-	-	-	-	-	4,318	4,318
Total	-	-	66,086	-	30,071	8,475	104,632
Support services							
Purchased professional & technical services	2,751	12,809	15,677	4,419	-	25,465	61,121
Total	2,751	12,809	15,677	4,419	-	25,465	61,121
Total expenditures	\$ 2,751	\$ 12,809	\$ 81,763	\$ 4,419	\$ 30,071	\$ 33,940	\$ 165,753

See independent auditors' report.

CAPITAL PROJECTS FUND

DETAIL STATEMENTS

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

(NOT APPLICABLE TO THIS REPORT)

PROPRIETARY FUND

DETAIL STATEMENTS

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Enterprise Fund
Combining Statement of Net Position
For the Fiscal Year Ended June 30, 2018

	Food Service Fund	Preschool Program	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 3,234	\$ 30,464	\$ 33,698
Receivables from other governments			
State	33	-	33
Federal	544	-	544
Other accounts receivable	-	1,113	1,113
Inventory	3,306	-	3,306
Total current assets	7,117	31,577	38,694
Noncurrent assets			
Capital assets	29,502	-	29,502
Less: accumulated depreciation	18,100	-	18,100
Total noncurrent assets	11,402	-	11,402
Total assets	18,519	31,577	50,096
Liabilities			
Current liabilities			
Unearned revenues - commodities	1,656	-	1,656
Unearned revenues - prepaid sales	1,556	-	1,556
Total liabilities	3,212	-	3,212
Net position			
Net investment in capital assets	11,402	-	11,402
Unrestricted	3,905	31,577	35,482
Total net position	\$ 15,307	\$ 31,577	\$ 46,884

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Enterprise Fund
Combining Statement of Revenues, Expenses, and
Changes in Net Position
For the Fiscal Year Ended June 30, 2018

	Food Service Fund	Preschool Program	Total
Operating revenues			
Charges for services			
Daily sales - reimbursable programs	\$ 35,481	\$ -	\$ 35,481
Daily sales - non-reimbursable programs	21,779	-	21,779
Fees for services	-	41,594	41,594
Total operating revenues	<u>57,260</u>	<u>41,594</u>	<u>98,854</u>
Operating expenses			
Cost of sales - reimbursable programs	19,067	-	19,067
Cost of sales - non-reimbursable programs	6,704	-	6,704
Commodity food costs	4,921	-	4,921
Salaries	19,544	15,750	35,294
Support services - employee benefits	2,807	-	2,807
Purchased professional/technical services	2,004	-	2,004
Purchased property services	5,987	-	5,987
Other purchased services			
Insurance	2,188	-	2,188
Management fee	7,199	-	7,199
Supplies and materials	404	-	404
Depreciation	1,786	-	1,786
Miscellaneous expenditures	937	-	937
Total operating expenses	<u>73,548</u>	<u>15,750</u>	<u>89,298</u>
Operating income (loss)	<u>(16,288)</u>	<u>25,844</u>	<u>9,556</u>
Non-operating revenues (expenses)			
State sources			
State school lunch program	627	-	627
Federal sources			
National school lunch program			
Cash assistance	8,835	-	8,835
Non-cash assistance (commodities)	4,921	-	4,921
Interest earned on investments	58	-	58
Miscellaneous	210	-	210
Total non-operating revenues (expenses)	<u>14,651</u>	<u>-</u>	<u>14,651</u>
Other financing sources (uses)			
Operating transfer out	-	(20,000)	(20,000)
Change in net position	(1,637)	5,844	4,207
Net position, beginning	<u>16,944</u>	<u>25,733</u>	<u>42,677</u>
Net position, ending	<u>\$ 15,307</u>	<u>\$ 31,577</u>	<u>\$ 46,884</u>

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Enterprise Fund
Combining Statement of Cash Flows
For the Fiscal Year Ended June 30, 2018

	Food Service Fund	Preschool Program	Total
Cash flows from operating activities			
Receipts from customers (net)	\$ 56,954	\$ 40,749	\$ 97,703
Payments to Food Service Management Company	(62,825)	-	(62,825)
Payments to vendors and employees (net)	(6,060)	(15,750)	(21,810)
Net cash provided by (used for) operating activities	<u>(11,931)</u>	<u>24,999</u>	<u>13,068</u>
Cash flows from non-capital financing activities			
State sources	625	-	625
Federal sources	8,739	-	8,739
Miscellaneous	210	-	210
Operating transfer in (out)	-	(20,000)	(20,000)
Net cash provided by (used for) non-capital financing activities	<u>9,574</u>	<u>(20,000)</u>	<u>9,574</u>
Cash flows from investing activities			
Interest on investments	58	-	58
Net increase (decrease) in cash and cash equivalents	(2,299)	4,999	2,700
Cash and cash equivalents, July 1	<u>5,533</u>	<u>25,465</u>	<u>30,998</u>
Cash and cash equivalents, June 30	<u>\$ 3,234</u>	<u>\$ 30,464</u>	<u>\$ 33,698</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities			
Operating income (loss)	\$ (16,288)	\$ 25,844	\$ 9,556
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities			
Depreciation	1,786	-	1,786
Federal food donation program	4,921	-	4,921
(Increase) decrease in accounts receivable	-	(845)	(845)
Increase (decrease) in accounts payable	(2,743)	-	(2,743)
(Increase) decrease in inventory	28	-	28
Increase (decrease) in unearned revenue	365	-	365
Net cash provided by (used for) operating activities	<u>\$ (11,931)</u>	<u>\$ 24,999</u>	<u>\$ 13,068</u>

See independent auditors' report.

FIDUCIARY FUNDS

DETAIL STATEMENTS

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Fiduciary Funds
Combining Statement of Net Position
June 30, 2018

	Unemployment Compensation Fund	Student Activity Agency Fund	Payroll Agency Fund	Total
Assets				
Cash and cash equivalents	\$ 105,325	\$ 21,563	\$ 90,430	\$ 217,318
Total assets	<u>\$ 105,325</u>	<u>\$ 21,563</u>	<u>\$ 90,430</u>	<u>\$ 217,318</u>
Liabilities				
Due to students groups	\$ -	\$ 21,563	\$ -	\$ 21,563
Accounts payable	6,875	-	-	6,875
Payroll deductions & withholdings	-	-	90,430	90,430
Total liabilities	<u>6,875</u>	<u>21,563</u>	<u>90,430</u>	<u>118,868</u>
Net position				
Held in trust for unemployment claims & other purposes	<u>\$ 98,450</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,450</u>

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Fiduciary Fund
Unemployment Compensation Fund
Statement of Changes in Net Position
For the Fiscal Year Ended June 30, 2018

Additions	
Employee contributions	\$ 5,219
Board contribution	50,000
Investment earnings - interest	<u>559</u>
Total additions	<u>55,778</u>
 Deductions	
Unemployment claims	<u>28,066</u>
 Change in net position	 27,712
 Net position - beginning of the year	 <u>70,738</u>
 Net position - end of the year	 <u><u>\$ 98,450</u></u>

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Student Activity Agency Fund
Schedule of Receipts & Disbursements
For the Fiscal Year Ended June 30, 2018

	Balance 07/01/17	Additions	Deletions	Balance 06/30/18
Assets				
Cash & cash equivalents	\$ 20,613	\$ 27,011	\$ 26,061	\$ 21,563
Total assets	<u>\$ 20,613</u>	<u>\$ 27,011</u>	<u>\$ 26,061</u>	<u>\$ 21,563</u>
Liabilities				
Due to student groups	\$ 20,613	\$ 27,011	\$ 26,061	\$ 21,563
Total liabilities	<u>\$ 20,613</u>	<u>\$ 27,011</u>	<u>\$ 26,061</u>	<u>\$ 21,563</u>

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FRANKLIN TOWNSHIP SCHOOL DISTRICT
Payroll Agency Fund
Schedule of Receipts & Disbursements
For the Fiscal Year Ended June 30, 2018

	Balance 07/01/17	Additions	Deletions	Balance 06/30/18
Assets				
Cash & cash equivalents	\$ 77,550	\$ 3,369,223	\$ 3,356,343	\$ 90,430
Total assets	<u>\$ 77,550</u>	<u>\$ 3,369,223</u>	<u>\$ 3,356,343</u>	<u>\$ 90,430</u>
Liabilities				
Due to other funds	\$ -	\$ 6,048	\$ 6,048	\$ -
Summer pay	77,476	90,873	77,919	90,430
Payroll deductions & withholdings	74	1,362,241	1,362,315	-
Net payroll	-	1,910,061	1,910,061	-
Total liabilities	<u>\$ 77,550</u>	<u>\$ 3,369,223</u>	<u>\$ 3,356,343</u>	<u>\$ 90,430</u>

See independent auditors' report.

LONG-TERM DEBT SCHEDULES

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Long-Term Debt
Schedule of Serial Bonds
For the Fiscal Year Ended June 30, 2018

Issue	Date of Issue	Amount of Issue	Annual Maturities		Interest Rate	Balance 07/01/17	Issued	Retired	Balance 06/30/18
			Date	Amount					
2012 Refunding issue of 2005 series	03/17/13	\$ 5,380,000	02/15/2019	\$ 505,000	3.00%	\$4,400,000	\$ -	\$ 490,000	\$ 3,910,000
			02/15/2020	520,000	3.00%	-	-	-	-
			02/15/2021	535,000	3.00%	-	-	-	-
			02/15/2022	555,000	4.00%	-	-	-	-
			02/15/2023	575,000	4.00%	-	-	-	-
			02/15/2024	600,000	4.00%	-	-	-	-
			02/15/2025	620,000	4.00%	-	-	-	-
					<u>\$4,400,000</u>	<u>\$ -</u>	<u>\$ 490,000</u>	<u>\$ 3,910,000</u>	

See independent auditor's report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Long-Term Debt
Schedule of Obligations Under Capital Leases
For the Fiscal Year Ended June 30, 2018

Description	Interest Rate	Amount of Original Issue	Balance 07/01/17	Issued	Retired	Balance 06/30/18
Acquisition of a bus, textbooks and a playground equipment system	2.87%	\$ 123,493	\$ 25,517	\$ -	\$ 25,517	\$ -
Acquisition of iPad airs	2.53%	148,060	<u>50,625</u>	<u>-</u>	<u>50,625</u>	<u>-</u>
			<u>\$ 76,142</u>	<u>\$ -</u>	<u>\$ 76,142</u>	<u>\$ -</u>

See independent auditor's report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Debt Service Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Local sources					
Local tax levy	\$ 645,500	\$ -	\$ 645,500	\$ 645,500	\$ -
Total revenues	<u>645,500</u>	<u>-</u>	<u>645,500</u>	<u>645,500</u>	<u>-</u>
Expenditures					
Regular debt service					
Redemption of principal	490,000	-	490,000	490,000	-
Interest on bonds	155,500	-	155,500	155,500	-
Total expenditures	<u>645,500</u>	<u>-</u>	<u>645,500</u>	<u>645,500</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	-
Fund balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.

STATISTICAL SECTION

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Statistical Section J Series

Contents	Page
FINANCIAL TRENDS	
These schedules contain trend information to help the reader understand how the District's financial performance and well being have changed over time.	J-1 to J-5
REVENUE CAPACITY	
These schedules contain trend information to help the reader assess the District's most significant local revenue sources, the property tax.	J-6 to J-9
DEBT CAPACITY	
These schedules contain trend information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	J-10 to J-13
DEMOGRAPHIC AND ECONOMIC INFORMATION	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial	J-14 to J-15
OPERATING INFORMATION	
These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	J-16 to J-20
Sources: Unless otherwise noted, the information in these schedules are derived from the Comprehensive Annual Financial Reports (CAFR) for the relevant year.	

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

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Government activities										
Net investment in capital assets	\$ (4,767,606)	\$ (2,461,671)	\$ 5,214,736	\$ 6,342,655	\$ 6,561,217	\$ 6,667,919	\$ 6,709,605	\$ 6,963,838	\$ 7,155,687	\$ 7,343,926
Restricted	7,638,616	5,611,333	219,945	216,808	105,550	161,623	254,246	414,577	574,340	1,052,110
Unrestricted	417,806	84,905	212,350	364,836	242,654	(1,334,360)	(959,799)	(874,319)	(931,629)	(646,379)
Total governmental activities	<u>\$ 3,288,816</u>	<u>\$ 3,234,567</u>	<u>\$ 5,647,031</u>	<u>\$ 6,924,299</u>	<u>\$ 6,909,421</u>	<u>\$ 5,495,182</u>	<u>\$ 6,004,052</u>	<u>\$ 6,504,096</u>	<u>\$ 6,798,398</u>	<u>\$ 7,749,657</u>
Business-type activities										
Net investment in capital assets	\$ 8,145	\$ 6,933	\$ 5,721	\$ 4,687	\$ 10,541	\$ 9,407	\$ 8,273	\$ 7,139	\$ 13,188	\$ 11,402
Unrestricted	25,379	26,620	30,599	47,786	43,579	70,836	80,880	67,869	29,489	35,482
Total business-type activities	<u>\$ 33,524</u>	<u>\$ 33,553</u>	<u>\$ 36,320</u>	<u>\$ 52,473</u>	<u>\$ 54,120</u>	<u>\$ 80,243</u>	<u>\$ 89,153</u>	<u>\$ 75,008</u>	<u>\$ 42,677</u>	<u>\$ 46,884</u>
District-wide										
Net investment in capital assets	\$ (4,759,461)	\$ (2,454,738)	\$ 5,220,457	\$ 6,347,342	\$ 6,571,758	\$ 6,677,326	\$ 6,717,878	\$ 6,970,977	\$ 7,168,875	\$ 7,355,328
Restricted	7,638,616	5,611,333	219,945	216,808	105,550	161,623	254,246	414,577	574,340	1,052,110
Unrestricted	443,185	111,525	242,949	412,622	286,233	(1,263,524)	(878,919)	(806,450)	(902,140)	(610,897)
Total district-wide	<u>\$ 3,322,340</u>	<u>\$ 3,268,120</u>	<u>\$ 5,683,351</u>	<u>\$ 6,976,772</u>	<u>\$ 6,963,541</u>	<u>\$ 5,575,425</u>	<u>\$ 6,093,205</u>	<u>\$ 6,579,104</u>	<u>\$ 6,841,075</u>	<u>\$ 7,796,541</u>

See independent auditors' report.

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

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities										
Instruction										
Regular	\$ 2,487,718	\$ 2,658,911	\$ 2,090,352	\$ 2,218,651	\$ 2,849,071	\$ 2,861,410	\$ 3,089,186	\$ 3,989,038	\$ 4,153,428	\$ 4,464,813
Special education	849,882	741,575	870,187	824,142	842,105	881,283	898,844	657,463	837,329	437,254
Other special education	125,247	128,879	73,642	70,895	76,299	61,467	75,775	123,932	98,611	193,872
Other instruction	32,507	25,710	-	-	2,487	12,874	25,385	37,681	46,678	47,347
Support services										
Tuition	358,864	409,983	299,914	277,380	306,290	326,465	297,520	331,905	210,704	323,119
Student & instruction related services	614,849	717,299	668,054	622,515	685,155	717,766	757,493	798,516	995,930	1,123,937
General & business administrative services	546,587	564,166	506,821	513,941	643,084	595,459	627,610	643,343	712,448	661,909
School administration	111,183	42,560	95,215	76,015	76,598	82,020	109,434	91,214	138,232	86,456
Plant operations & maintenance	540,287	510,327	458,022	547,556	570,862	474,002	472,717	478,728	663,211	628,220
Pupil transportation	431,765	440,502	347,574	370,143	312,120	312,307	300,046	110,350	458,737	310,738
Interest on long-term debt	309,055	298,761	288,743	273,307	248,144	275,787	225,236	248,948	192,159	177,688
Total governmental activities expenses	<u>6,407,944</u>	<u>6,538,673</u>	<u>5,698,524</u>	<u>5,794,545</u>	<u>6,612,215</u>	<u>6,600,840</u>	<u>6,879,246</u>	<u>7,511,118</u>	<u>8,507,467</u>	<u>8,455,353</u>
Business-type activities										
Food services	69,684	76,340	55,693	95,733	67,922	66,830	62,861	67,225	71,754	73,548
Pre K & K wrap program	-	-	12,121	16,013	21,941	20,275	48,709	65,014	61,000	15,750
Total business-type activities	<u>69,684</u>	<u>76,340</u>	<u>67,814</u>	<u>111,746</u>	<u>89,863</u>	<u>87,105</u>	<u>111,570</u>	<u>132,239</u>	<u>132,754</u>	<u>89,298</u>
Total district expenses	<u>\$ 6,477,628</u>	<u>\$ 6,615,013</u>	<u>\$ 5,766,338</u>	<u>\$ 5,906,291</u>	<u>\$ 6,702,078</u>	<u>\$ 6,687,945</u>	<u>\$ 6,990,816</u>	<u>\$ 7,643,357</u>	<u>\$ 8,640,221</u>	<u>\$ 8,544,651</u>

See independent auditors' report.

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

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Program revenues										
Governmental activities										
Charges for services										
Instruction	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,147	\$ 11,511	\$ 16,672	\$ 11,314	\$ -
General & business administration services	-	-	-	-	-	-	-	-	13,750	31,400
Plant operations & maintenance	-	-	-	-	-	7,702	250	472	3,800	3,245
Pupil transportation	-	-	-	-	-	195	-	-	-	-
Operating grants & contributions	196,826	234,497	86,341	198,325	156,464	147,083	142,654	126,913	147,159	165,753
Total governmental activities program revenues	<u>196,826</u>	<u>234,497</u>	<u>86,341</u>	<u>198,325</u>	<u>156,464</u>	<u>156,127</u>	<u>154,415</u>	<u>144,057</u>	<u>176,023</u>	<u>200,398</u>
Business-type activities										
Charges for services										
Food service	67,745	63,730	42,869	63,578	56,307	54,649	49,919	55,939	50,332	57,260
Pre K & K wrap program	-	-	17,945	46,481	22,465	43,975	56,813	46,834	36,293	41,594
Operating grants & contributions	9,986	12,639	9,767	18,278	12,709	14,581	13,714	15,260	13,723	14,383
Total business - type activities program revenues	<u>77,731</u>	<u>76,369</u>	<u>70,581</u>	<u>128,337</u>	<u>91,481</u>	<u>113,205</u>	<u>120,446</u>	<u>118,033</u>	<u>100,348</u>	<u>113,237</u>
Total district - program revenues	<u>\$ 274,557</u>	<u>\$ 310,866</u>	<u>\$ 156,922</u>	<u>\$ 326,662</u>	<u>\$ 247,945</u>	<u>\$ 269,332</u>	<u>\$ 274,861</u>	<u>\$ 262,090</u>	<u>\$ 276,371</u>	<u>\$ 313,635</u>
Net (expense) revenues										
Governmental activities	\$ (6,211,118)	\$ (6,304,176)	\$ (5,612,183)	\$ (5,596,220)	\$ (6,455,751)	\$ (6,444,713)	\$ (6,724,831)	\$ (7,367,061)	\$ (8,331,444)	\$ (8,254,955)
Business-type activities	8,047	29	2,767	16,591	1,618	26,100	8,876	(14,206)	(32,406)	23,939
Total district-wide net expenses	<u>\$ (6,203,071)</u>	<u>\$ (6,304,147)</u>	<u>\$ (5,609,416)</u>	<u>\$ (5,579,629)</u>	<u>\$ (6,454,133)</u>	<u>\$ (6,418,613)</u>	<u>\$ (6,715,955)</u>	<u>\$ (7,381,267)</u>	<u>\$ (8,363,850)</u>	<u>\$ (8,231,016)</u>

See independent auditors' report.

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

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General revenues & other changes in net position										
Governmental activities										
Property taxes levied for general purposes, net	\$ 4,934,245	\$ 4,934,245	\$ 4,807,114	\$ 4,903,256	\$ 5,027,551	\$ 5,128,102	\$ 5,230,664	\$ 5,335,277	\$ 5,439,982	\$ 5,548,782
Taxes levied for debt service	186,466	529,929	657,060	658,185	658,747	640,774	639,875	643,550	634,698	645,500
Unrestricted grants & contributions	719,247	733,353	568,415	714,120	753,265	737,015	1,349,588	1,805,503	2,502,994	2,941,300
State capital grant not restricted	-	-	1,985,254	553,049	-	-	-	-	-	-
Tuition income	-	-	-	6,073	-	-	-	-	-	-
Investment earnings	117,180	23,957	3,337	8,743	5,416	4,607	4,886	5,317	6,651	14,936
Miscellaneous income	13,934	28,443	3,467	26,423	5,666	64,755	8,688	77,458	41,424	35,696
Special item-insurance claim proceeds for storm damage	-	-	-	-	18,228	-	-	-	-	-
Operating transfer	-	-	-	3,639	(28,000)	(96,306)	-	-	-	20,000
Prior year adjustment	-	-	-	-	-	-	-	-	(3)	-
Total governmental activities	5,971,072	6,249,927	8,024,647	6,873,488	6,440,873	6,478,947	7,233,701	7,867,105	8,625,746	9,206,214
Business-type activities										
Investment earnings	19	-	-	144	29	23	34	61	75	58
Miscellaneous income	-	-	-	3,057	-	-	-	-	-	210
Operating transfer	-	-	-	(3,639)	-	-	-	-	-	(20,000)
Total business-type activities	19	-	-	(438)	29	23	34	61	75	(19,732)
Total district-wide	\$ 5,971,091	\$ 6,249,927	\$ 8,024,647	\$ 6,873,050	\$ 6,440,902	\$ 6,478,970	\$ 7,233,735	\$ 7,867,166	\$ 8,625,821	\$ 9,186,482
Change in net position										
Governmental activities	\$ (240,046)	\$ (54,249)	\$ 2,412,464	\$ 1,277,268	\$ (14,878)	\$ 34,234	\$ 508,870	\$ 500,044	\$ 294,302	\$ 951,259
Business-type activities	8,066	29	2,767	16,153	1,647	26,123	8,910	(14,145)	(32,331)	4,207
Total district	\$ (231,980)	\$ (54,220)	\$ 2,415,231	\$ 1,293,421	\$ (13,231)	\$ 60,357	\$ 517,780	\$ 485,899	\$ 261,971	\$ 955,466

See independent auditors' report.

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

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General fund										
Restricted	\$ 124,960	\$ 1	\$ 1	\$ 272,168	\$ 221,570	\$ 223,702	\$ 289,261	\$ 500,143	\$ 704,023	\$ 1,121,260
Committed	28,320	39,587	8,547	71,504	145,081	106,423	329,387	393,057	99,877	234,210
Assigned	138,667	146,659	-	56,147	728	-	7,417	-	-	-
Unassigned	113,858	(9,571)	337,762	332,415	299,663	235,073	235,310	294,474	345,955	341,220
Total general fund	<u>\$ 405,805</u>	<u>\$ 176,676</u>	<u>\$ 346,310</u>	<u>\$ 732,234</u>	<u>\$ 667,042</u>	<u>\$ 565,198</u>	<u>\$ 861,375</u>	<u>\$ 1,187,674</u>	<u>\$ 1,149,855</u>	<u>\$ 1,696,690</u>
All other governmental funds										
Restricted, reported in										
Capital projects fund	\$ 7,638,614	\$ 5,611,332	\$ 216,612	\$ 3,475	\$ -	\$ 3	\$ 6	\$ -	\$ -	\$ -
Assigned, reported in										
Capital projects fund	147,249	47,028	3,332	950	866	-	-	-	-	-
Debt service fund	-	-	-	3,332	3,332	10,052	10,052	10,058	-	-
Total all other governmental funds	<u>\$ 7,785,863</u>	<u>\$ 5,658,360</u>	<u>\$ 219,944</u>	<u>\$ 7,757</u>	<u>\$ 4,198</u>	<u>\$ 10,055</u>	<u>\$ 10,058</u>	<u>\$ 10,058</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.

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

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Tax levy	\$ 5,120,711	\$ 5,464,174	\$ 5,464,174	\$ 5,561,441	\$ 5,686,298	\$ 5,768,876	\$ 5,870,539	\$ 5,978,827	\$ 6,074,680	\$ 6,194,282
Tuition charges	-	-	-	6,073	-	-	11,511	16,672	11,314	-
Rents and royalties	-	-	-	-	-	-	-	-	3,800	3,245
Interest earnings	117,180	23,957	3,337	8,743	5,416	4,607	4,886	5,317	6,651	14,936
Miscellaneous	14,852	28,992	3,511	26,468	5,724	27,963	8,938	40,412	55,540	67,096
State sources	763,595	763,959	2,582,609	1,271,308	768,898	764,613	830,410	1,048,292	1,179,856	1,325,422
Federal sources	151,560	203,342	57,357	194,141	140,773	118,759	112,945	109,312	118,672	131,813
Total revenues	6,167,898	6,484,424	8,110,988	7,068,174	6,607,109	6,684,818	6,839,229	7,198,832	7,450,513	7,736,794
Expenditures										
Instruction										
Regular instruction	1,818,037	2,004,162	1,529,447	1,508,190	1,785,923	2,019,154	1,900,067	2,471,583	2,159,749	2,025,138
Special education instruction	588,051	456,114	557,104	585,297	579,101	654,723	549,939	448,868	507,122	223,801
Other special instruction	86,438	90,257	46,409	46,643	46,930	49,567	49,313	79,251	90,570	91,691
Other instruction	24,865	25,203	-	-	2,250	10,504	23,360	31,878	42,872	43,529
Support services										
Tuition	322,232	367,956	265,820	189,108	241,337	242,446	222,436	255,220	148,673	257,033
Student & istr. related services	397,629	484,640	497,188	430,488	468,239	511,373	483,340	503,288	592,148	705,980
General administration	329,970	303,698	244,670	267,257	279,314	262,144	245,585	263,879	286,011	269,412
School administration services	83,210	23,080	55,574	61,567	56,675	56,249	68,111	64,257	71,273	79,842
Central services	140,987	141,035	136,457	117,415	220,052	155,364	158,052	167,526	170,175	173,241
Admin information technology	17,125	7,103	6,967	-	-	-	-	-	-	-
Plant operations & maintenance	538,862	508,902	456,597	546,029	567,218	463,225	469,402	479,944	660,124	621,757
Pupil transportation	431,765	440,502	347,574	370,143	312,120	308,916	293,789	135,893	479,708	329,895
Employee benefits	681,059	703,065	775,132	695,983	723,532	726,017	740,667	664,802	661,874	624,106
On-behalf TPAF pension & social security contribution	357,805	368,631	334,228	420,217	454,245	390,098	444,433	586,349	654,951	798,870
Capital outlay				35,165	333,053	130,887	52,430	61,256	120,089	68,275
Capital projects	295,315	2,027,282	7,379,974	766,186	3,672	-	-	-	-	-
Special revenue funds	196,826	234,497	86,341	198,325	156,464	147,083	142,654	126,913	147,159	165,753
Debt service										
Principal	250,000	355,000	370,000	385,000	400,000	450,000	440,000	460,000	475,000	490,000
Interest & other charges	308,679	299,929	290,288	275,063	282,183	230,242	236,011	219,686	205,886	191,636
Total expenditures	6,868,855	8,841,056	13,379,770	6,898,076	6,912,308	6,807,992	6,519,589	7,020,593	7,473,384	7,159,959

See independent auditors' report.

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

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Excess (deficiency) of revenues over (under) expenditures	\$ (700,957)	\$ (2,356,632)	\$ (5,268,782)	\$ 170,098	\$ (305,199)	\$ (123,174)	\$ 319,640	\$ 178,239	\$ (22,871)	\$ 576,835
Other financing sources (uses)										
Capital leases (non-budgeted)	-	-	-	-	167,400	123,493	-	148,060	-	-
Proceeds from bond issue	-	-	-	-	5,380,000	-	-	-	-	-
Payment to refunding bond escrow	-	-	-	-	(5,788,917)	-	-	-	-	-
Premium on bond issue	-	-	-	-	487,737	-	-	-	-	-
Special item-insurance claim proceeds for storm damage	-	-	-	-	18,228	-	-	-	-	-
Transfers in (out)	-	-	-	3,639	(28,000)	(96,306)	(23,460)	-	(25,006)	(30,000)
Total other financing sources (uses)	-	-	-	3,639	236,448	27,187	(23,460)	148,060	(25,006)	(30,000)
Net change in fund balances	<u>\$ (700,957)</u>	<u>\$ (2,356,632)</u>	<u>\$ (5,268,782)</u>	<u>\$ 173,737</u>	<u>\$ (68,751)</u>	<u>\$ (95,987)</u>	<u>\$ 296,180</u>	<u>\$ 326,299</u>	<u>\$ (47,877)</u>	<u>\$ 546,835</u>
Debt service as a percentage of non-capital expenditures	9.29%	10.63%	12.37%	12.14%	11.58%	11.34%	11.67%	10.82%	10.20%	10.63%

Source: District Records

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

See independent auditors' report.

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

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Interest income	\$ 1,479	\$ 338	\$ 5	\$ 7,793	\$ 5,416	\$ 4,604	\$ 4,883	\$ 5,317	\$ 6,651	\$ 14,936
Tuition	-	-	-	6,073	-	-	11,511	16,672	11,314	-
Building use fees/land rent	800	-	1,200	800	-	-	250	472	3,800	3,245
Benefit reimbursements	-	11,589	-	-	-	-	-	-	-	-
Prior year refunds	264	1,981	1,160	878	-	-	-	9,007	20,389	557
Photo commissions	1,402	643	-	-	-	-	-	-	-	-
Student fees - pay to play	-	-	-	-	-	-	-	-	-	11,500
Outstanding checks voided	-	12,583	-	-	-	-	-	-	400	20
Book fines	175	-	180	18	-	-	-	-	106	4
Accounts payable canceled	3,597	-	-	530	5,313	-	4,210	-	-	2,695
Donations	192	-	900	300	-	-	-	-	-	-
Miscellaneous other	3,015	487	13	19	353	18,051	-	-	9,472	16,296
Miscellaneous refunds	-	-	-	160	-	-	-	-	-	-
Copy fees	90	-	14	8	-	-	-	-	-	-
Property damage recovery	4,399	-	-	-	-	-	-	-	-	-
Sale of scrap metal	-	-	-	321	-	-	-	-	-	-
Fund 20 adjustment	-	-	-	23,389	-	-	-	-	-	-
Return of Excess funds	-	-	-	-	-	-	2,635	-	8,068	74
Sale of assets	-	-	-	-	-	-	1,843	30,933	578	-
Shared services	-	-	-	-	-	-	-	-	13,750	31,400
E-rate	-	-	-	-	-	-	-	-	1,997	2,996
Chromebook repairs	-	-	-	-	-	-	-	-	414	1,554
Annual totals	\$ 15,413	\$ 27,621	\$ 3,472	\$ 40,289	\$ 11,082	\$ 22,655	\$ 25,332	\$ 62,401	\$ 76,939	\$ 85,277

Source: District Records

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Vacant land	\$ 5,601,000	\$ 6,663,200	\$ 5,265,200	\$ 5,138,600	\$ 4,176,400	\$ 3,902,400	\$ 3,667,800	\$ 3,383,900	\$ 2,752,600	\$ 2,684,100
Residential	379,994,200	393,200,000	389,984,000	383,115,900	383,146,300	385,013,700	386,011,200	387,268,600	386,549,700	385,884,700
Farm regular	122,033,500	111,936,100	113,262,700	105,795,900	107,188,300	104,069,500	104,457,900	105,564,300	108,880,800	108,837,900
Q farm	4,256,600	3,983,138	4,106,718	4,108,204	4,096,225	4,400,974	4,134,477	4,139,397	4,111,735	4,556,876
Commercial	38,588,100	38,203,700	38,189,100	38,119,400	37,179,300	37,219,300	36,719,300	36,411,900	36,421,500	36,367,400
Industrial	2,308,800	2,308,800	2,340,800	2,328,900	2,328,900	2,328,900	2,328,900	2,328,900	2,028,900	2,028,900
Apartment	1,086,500	1,086,500	1,086,500	1,000,800	1,000,800	1,029,000	1,037,400	1,037,400	1,037,400	1,037,400
Total assessed value	553,868,700	557,381,438	554,235,018	539,607,704	539,116,225	537,963,774	538,356,977	540,134,397	541,782,635	541,397,276
Public utilities (a)	2,142,266	2,359,287	2,488,136	2,520,284	2,523,005	1,403,600	1,403,600	1,403,600	1,403,600	1,403,600
Net valuation taxable	\$ 556,010,966	\$ 559,740,725	\$ 556,723,154	\$ 542,127,988	\$ 541,639,230	\$ 539,367,374	\$ 539,760,577	\$ 541,537,997	\$ 543,186,235	\$ 542,800,876
Estimated actual county equalized value	\$ 608,066,057	\$ 604,342,764	\$ 579,859,550	\$ 578,269,854	\$ 555,641,393	\$ 579,840,222	\$ 553,451,361	\$ 555,651,547	\$ 552,917,585	\$ 573,906,615
Percentage of net valuation to estimated actual equalized value	91.44%	92.62%	96.01%	93.75%	97.48%	93.02%	97.53%	97.46%	98.24%	94.58%
Total direct school tax rate (b)	\$ 0.93	\$ 0.98	\$ 0.98	\$ 1.04	\$ 1.04	\$ 1.08	\$ 1.10	\$ 1.11	\$ 1.17	\$ 1.15

Source: Municipal Tax Assessor

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

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

See independent auditors' report.

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

Assessment Year	School District Direct Rate			Regional School Rate	Overlapping Rates			Total Direct & Overlapping Tax Rate
	Basic Rate (a)	General Obligation Debt Service (b)	(From J-6) Total Direct School Tax Rate		Municipality	County	Fire District	
	2009	\$ 0.890	\$ 0.040		\$ 0.930	\$ 0.590	\$ 0.310	
2010	0.870	0.110	0.980	0.570	0.310	0.370	0.050	2.280
2011	0.860	0.120	0.980	0.600	0.310	0.360	0.050	2.300
2012	0.920	0.120	1.040	0.640	0.310	0.380	0.050	2.420
2013	0.940	0.100	1.040	0.630	0.310	0.380	0.060	2.420
2014	0.960	0.120	1.080	0.670	0.320	0.400	0.060	2.530
2015	0.970	0.130	1.100	0.610	0.330	0.380	0.060	2.480
2016	0.994	0.116	1.110	0.597	0.335	0.381	0.062	2.485
2017	1.050	0.122	1.172	0.602	0.344	0.378	0.063	2.559
2018	1.033	0.120	1.153	0.643	0.352	0.398	0.063	2.609

Sources: Municipal Tax Collector

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

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

See independent auditors' report.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
Principal Property Taxpayers,
Current Year and Nine Years Ago**

	2018			2009		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
	National Project Resources LP	\$ 20,000,000	1	3.68%	\$ 20,000,000	1
IHM Clinton LLC	6,500,000	2	1.20%	-		0.00%
AT&T Communications	2,631,200	3	0.48%	3,125,000	3	0.56%
Individual Property Owner	2,361,200	4	0.44%	2,558,100	4	0.46%
Individual Property Owner	1,854,800	5	0.48%	1,960,227	5	0.35%
Individual Property Owner	1,845,500	6	0.44%	1,945,127	6	0.35%
Individual Property Owner	1,630,600	7	0.34%	1,786,086	7	0.32%
Individual Property Owner	1,364,300	8	0.34%	1,773,300	8	0.32%
Individual Property Owner	1,358,500	9	0.30%	1,729,134	9	0.31%
Individual Property Owner	1,289,300	10	0.24%	1,416,335	10	0.25%
Franklin Hotel Associates	-		0.00%	7,000,000	2	1.26%
	<u>\$ 40,835,400</u>		<u>7.94%</u>	<u>\$ 43,293,309</u>		<u>7.79%</u>

Source: Municipal Tax Assessor

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Property Tax Levies and Collections
Last Ten Years

Year Ended June 30,	Taxes Levied for the Year	Collected within the Year of the Levy (a)	
		Amount	Percentage of Levy
2009	\$ 5,120,711	\$ 5,120,711	100.00%
2010	5,464,174	5,464,174	100.00%
2011	5,464,174	5,464,174	100.00%
2012	5,561,441	5,561,441	100.00%
2013	5,686,298	5,686,298	100.00%
2014	5,768,876	5,768,876	100.00%
2015	5,870,539	5,870,539	100.00%
2016	5,978,827	5,978,827	100.00%
2017	6,074,680	6,074,680	100.00%
2018	6,194,282	6,194,282	100.00%

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

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

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Governmental Activities			Business-Type Activities		Total District	% of Personal Income (a)	Per Capita (a)
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases			
2009	\$ 7,744,000	\$ -	\$ -	\$ -	\$ -	\$ 7,744,000	3.45%	\$ 2,475
2010	7,389,000	-	-	-	-	7,389,000	3.19%	2,278
2011	7,019,000	-	-	-	-	7,019,000	3.09%	2,200
2012	6,634,000	-	-	-	-	6,634,000	2.78%	2,025
2013	6,225,000	-	110,837	-	-	6,335,837	2.57%	1,946
2014	5,775,000	-	153,724	-	-	5,928,724	2.42%	1,824
2015	5,335,000	-	74,424	-	-	5,409,424	2.14%	1,677
2016	4,875,000	-	150,319	-	-	5,025,319	1.93%	1,554
2017	4,400,000	-	76,143	-	-	4,476,143	1.69%	1,386
2018	3,910,000	-	-	-	-	3,910,000	N/A	1,210

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

- (a) See Exhibit J-14 for personal income and population data.
These ratios are calculated using personal income and population for the prior calendar year.

See independent auditors' report.

FRANKLIN TOWNSHIP 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	% of Actual Taxable Value of Property (a)	Per Capita (b)
	General Obligation Bonds	Deductions			
2009	\$ 7,744,000	\$ -	\$ 7,744,000	1.39%	\$ 2,276
2010	7,389,000	-	7,389,000	1.32%	2,316
2011	7,019,000	-	7,019,000	1.26%	2,143
2012	6,634,000	-	6,634,000	1.22%	2,038
2013	6,225,000	-	6,225,000	1.15%	1,915
2014	5,775,000	-	5,775,000	1.07%	1,791
2015	5,335,000	-	5,335,000	0.99%	1,650
2016	4,875,000	-	4,875,000	0.90%	1,510
2017	4,400,000	-	4,400,000	0.81%	1,361
2018	3,910,000	-	3,910,000	0.72%	1,210

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

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

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Direct and Overlapping Governmental Activities Debt
As of December 31, 2017

Governmental Unit	<u>Debt Outstanding</u>	<u>Estimated % Applicable (a)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Municipality	\$ 363,503	100.00%	\$ 363,503
Regional High School	9,743,000	6.83%	665,527
County general obligation debt	85,249,037	2.62%	<u>2,234,542</u>
Subtotal, overlapping debt			3,263,571
School District direct debt			<u>4,400,000</u>
Total direct and overlapping debt			<u><u>\$ 7,663,571</u></u>

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

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

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

See independent auditors' report.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
Legal Debt Margin Information
Last Ten Fiscal Years**

Legal Debt Margin Calculation for Fiscal Year 2018

	<u>Equalized Valuation Basis</u>	
	2017	\$ 572,830,022
	2016	549,811,072
	2015	552,387,623
		<u>\$1,675,028,717</u>
Average equalized valuation of taxable property		<u>\$ 558,342,906</u>
Debt limit (3.0% of average equalization value)	(a)	\$ 16,750,287
Total net debt applicable to limit		<u>3,910,000</u>
Legal debt margin		<u>\$ 12,840,287</u>

	<u>Fiscal Year</u>				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Debt limit	\$ 17,243,116	\$ 16,847,721	\$ 16,836,026	\$ 16,538,433	\$ 16,750,287
Total net debt applicable	<u>5,775,000</u>	<u>5,335,000</u>	<u>4,875,000</u>	<u>4,400,000</u>	<u>3,910,000</u>
Legal debt margin	<u>\$ 11,468,116</u>	<u>\$ 11,512,721</u>	<u>\$ 11,961,026</u>	<u>\$ 12,138,433</u>	<u>\$ 12,840,287</u>
Total net debt applicable to the limit as a percentage of debt limit	33.49%	31.67%	28.96%	26.60%	23.34%

	<u>Fiscal Year</u>				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Debt limit	\$ 19,301,004	\$ 18,999,516	\$ 18,146,421	\$ 17,697,304	\$ 17,252,866
Total net debt applicable	<u>10,282,415</u>	<u>9,927,415</u>	<u>7,572,162</u>	<u>6,761,747</u>	<u>6,225,000</u>
Legal debt margin	<u>\$ 9,018,589</u>	<u>\$ 9,072,101</u>	<u>\$ 10,574,259</u>	<u>\$ 10,935,557</u>	<u>\$ 11,027,866</u>
Total net debt applicable to the limit as a percentage of debt limit	53.27%	52.25%	41.73%	38.21%	36.08%

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

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

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Population (a)	Personal Income (b)	Per Capita Personal Income (c)	Unemployment Rate (d)
2009	3,243	\$ 231,965,304	\$ 71,528	6.3%
2010	3,190	227,290,690	71,251	6.6%
2011	3,276	238,535,388	72,813	6.5%
2012	3,255	246,240,750	75,650	6.7%
2013	3,251	245,073,384	75,384	6.7%
2014	3,225	252,520,725	78,301	5.2%
2015	3,233	260,660,625	80,625	3.3%
2016	3,229	265,129,961	82,109	3.0%
2017	3,232	N/A	N/A	2.9%
2018	N/A	N/A	N/A	N/A

Sources:

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

See independent auditors' report.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
Principal Employers
Current Year and Nine Years Ago**

2018

Employer	Employees	Rank	Percentage of Total Municipal Employment
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INFORMATION IS NOT AVAILABLE FOR THIS SCHOOL DISTRICT

2009

Employer	Employees	Rank	Percentage of Total Municipal Employment
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INFORMATION IS NOT AVAILABLE FOR THIS SCHOOL DISTRICT

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Full Time Equivalent District Employees by Function/Program
Last Ten Fiscal Years

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Instruction										
Regular	21.1	21.1	19.6	19.2	20.8	22.4	25.0	26.0	24.0	24.0
Special education	6.2	6.2	5.6	6.8	5.6	5.6	3.0	3.0	3.0	4.5
Other special education	12.0	10.0	7.8	8.5	11.7	-	-	1.4	2.0	1.0
Other instruction - aides	-	-	-	-	3.0	1.5	1.1	-	-	1.0
Support services										
Student and instruction related services	8.7	8.7	7.1	3.4	3.4	3.0	3.0	2.0	2.0	2.5
General administration	2.0	2.0	1.9	1.7	2.0	2.0	2.0	2.0	2.0	2.0
School administration services	1.7	1.7	0.7	1.0	1.0	1.0	1.0	1.0	1.0	2.0
Central services	2.0	2.0	2.0	1.0	1.1	1.1	1.1	2.0	2.0	2.0
Other support services	-	-	-	-	2.0	2.0	2.0	4.0	4.0	2.5
Food service	-	-	-	-	0.3	-	-	-	-	-
Child care	-	-	-	0.5	0.5	0.5	0.5	-	-	-
Total	<u>53.7</u>	<u>51.7</u>	<u>44.7</u>	<u>42.1</u>	<u>51.4</u>	<u>39.1</u>	<u>38.7</u>	<u>41.4</u>	<u>40.0</u>	<u>41.5</u>

Source: District Personnel Records

See independent auditors' report.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
Operating Statistics
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures (a)</u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff (b)</u>	<u>Teacher Ratio</u>	<u>Average Daily Enrollment (ADE) (c)</u>	<u>Average Daily Attendance (ADA) (c)</u>	<u>% Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2009	343	\$ 6,014,861	\$ 17,536	4.00%	39.0	1:08.80	343.0	329.1	-1.12%	95.95%
2010	341	6,158,845	18,061	2.99%	41.0	1:10.80	340.7	326.7	-0.67%	95.89%
2011	309	5,339,508	17,280	-4.33%	27.0	1:11.44	304.2	291.0	-10.71%	95.66%
2012	305	5,436,662	17,825	3.15%	27.5	1:11.09	296.9	286.1	-2.40%	96.36%
2013	293	5,893,400	20,114	12.84%	26.4	1:11.09	283.8	272.7	-4.41%	96.09%
2014	295	5,996,863	20,328	1.07%	28.0	1:10.54	294.9	284.0	3.91%	96.30%
2015	306	5,791,148	18,925	-6.90%	28.6	1:10.70	294.7	284.2	-0.07%	96.44%
2016	296	6,279,651	23,344	23.35%	26.0	1:10.35	292.7	281.9	-0.68%	96.32%
2017	296	6,672,409	22,542	-3.44%	27.0	1:10.96	283.9	273.4	-3.01%	96.30%
2018	298	6,410,048	21,510	-4.58%	28.5	1:10.46	284.8	274.3	0.30%	96.31%

Source: District Records

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

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
School Building Information
Last Ten Fiscal Years

District Building	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Elementary (1925)										
Square feet	52,142	52,142	52,142	71,296	71,296	71,296	71,296	71,296	71,296	71,296
Capacity (students)	346.0	346.0	346.0	446.0	448.0	448.0	448.0	448.0	448.0	448.0
Enrollment	343.0	341.0	309.0	305.0	293.0	295.0	306.0	294.0	285.0	282.0

Number of schools at June 30, 2018

 Elementary 1

Source: District Facilities Office

N/A = Not Available

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

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Schedule of Required Maintenance Expenditures by School Facility
Last Ten Fiscal Years

Undistributed expenditures - Required maintenance for school facilities

<u>Fiscal Year Ended</u>	<u>Amount</u>	<u>Total</u>
2009	\$ 90,647	\$ 90,647
2010	62,758	62,758
2011	38,025	38,025
2012	68,662	68,662
2013	53,294	53,294
2014	89,143	89,143
2015	88,228	88,228
2016	63,276	63,276
2017	209,497	209,497
2018	206,382	206,382
	<hr/>	<hr/>
Total school facilities	<u>\$ 969,912</u>	<u>\$ 969,912</u>

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

Source: District Records

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Insurance Schedule
June 30, 2018
(Unaudited)

	<u>Coverage</u>	<u>Deductible</u>
School Commercial Package Policy - School Alliance Insurance Fund		
Property - Building Blanket and Contents (Fund Limit)	\$ 500,000,000	\$ 2,500
General and Auto Liability Coverage	5,000,000	1,000
Workers Compensation		
Policy Limit	5,000,000	-
Blanket Dishonesty Bond		
Per Loss	500,000	1,000
School Board Legal Liability		
Per Occurrence	5,000,000	5,000
Public Employees' Faithful Performance - Selective Insurance		
Treasurer of School Monies	175,000	-
School Board Secretary	200,000	-

Source: District Records

See independent auditors' report.

SINGLE AUDIT SECTION



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

Honorable President and
Members of the Board of Education
Franklin Township School District
County of Hunterdon, 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, and the aggregate remaining fund information of the Franklin Township School District, County of Hunterdon, the State of New Jersey, (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 4, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



BKC, CPAs, PC



Michael Holk, CPA, PSA

February 4, 2019
Flemington, New Jersey



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

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

Report on Compliance for Each Major State Program

We have audited the Franklin Township School District's, (the District), compliance with the types of compliance requirements described in the New Jersey OMB Circular 15-08 *State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the District's major state programs for the year ended June 30, 2018. The District's major 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 state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey; and New Jersey OMB Circular 15-08. Those standards, and the OMB Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

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

Report on Internal Control Over Compliance

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



BKC, CPAs, PC



Michael Holk, CPA, PSA

February 4, 2019
Flemington, New Jersey

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards - Schedule A
For the Fiscal Year Ended June 30, 2018

Grantor/Program Title	Federal CFDA Number	FAIN Number	Project Number	Program or Award Amount	Grant Period		Balance 06/30/17	Carryover Amount	Cash Received	Budgetary Expenditure	Adjustment/	Balance June 30, 2018		
					From	To					Repayment of Prior Year Balance	Accounts Receivable	Deferred Revenue	Due to Grantor
U.S. Department of Education passed through State Department of Education														
Special revenue fund														
Title I A	84.010A	S010S160030	ESSA-1600-18	\$ 8,384	07/01/17	06/30/18	\$ -	\$ -	\$ 2,751	\$ 2,751	\$ -	\$ -	\$ -	\$ -
Title II A	84.367A	S367A160029	ESSA-1600-18	17,251	07/01/17	06/30/18	-	-	12,809	12,809	-	-	-	-
Title II A	84.367A	S367A150029	NCLB-1600-16	11,044	07/01/15	06/30/16	1,281	-	-	-	1,281	-	-	-
Rural education achievement program	84.358A	S358B160030	S358A-170135	30,071	07/01/17	09/30/17	-	-	30,071	30,071	-	-	-	-
IDEA basic	84.027	H027A160100	IDEA-1600-18	82,679	07/01/17	06/30/18	-	-	78,573	81,763	-	(3,190)	-	-
IDEA basic carry over	84.027	H027A160100	IDEA-1600-17	82,912	07/01/16	06/30/17	6,800	-	2,950	-	9,750	-	-	-
IDEA basic carry over	84.027	H027A150100	IDEA-1600-16	83,523	07/01/15	06/30/16	7,052	-	-	-	7,052	-	-	-
IDEA preschool	84.173	H173S160114	IDEA-1600-18	4,425	07/01/17	06/30/18	-	-	4,425	4,419	-	-	6	-
IDEA preschool	84.173	H173S160114	IDEA-1600-17	4,444	07/01/17	06/30/18	1,192	-	-	-	1,192	-	-	-
Total special revenue fund							<u>16,325</u>	<u>-</u>	<u>131,579</u>	<u>131,813</u>	<u>19,275</u>	<u>(3,190)</u>	<u>6</u>	<u>-</u>
U.S. Department of Agriculture passed through State Department of Agriculture														
Enterprise fund														
Child nutrition center														
National school lunch program non-cash assistance (commodities)	10.555	18NJ304N1099	N/A	5,336	10/01/17	09/30/18	-	-	5,336	3,680	-	-	1,656	-
National school lunch program non-cash assistance (commodities)	10.555	17NJ304N1099	N/A	4,222	10/01/16	09/30/17	1,241	-	-	1,241	-	-	-	-
National school lunch program cash assistance	10.555	18NJ304N1099	N/A	8,835	10/01/17	09/30/18	-	-	8,291	8,835	-	(544)	-	-
National school lunch program cash assistance	10.555	17NJ304N1099	N/A	6,859	10/01/16	09/30/17	(448)	-	448	-	-	-	-	-
Total enterprise fund							<u>793</u>	<u>-</u>	<u>14,075</u>	<u>13,756</u>	<u>-</u>	<u>(544)</u>	<u>1,656</u>	<u>-</u>
Total federal financial assistance							<u>\$ 17,118</u>	<u>\$ -</u>	<u>\$ 145,654</u>	<u>\$ 145,569</u>	<u>\$ 19,275</u>	<u>\$ (3,734)</u>	<u>\$ 1,662</u>	<u>\$ -</u>

See independent auditors' report

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Schedule of Expenditures of State Financial Assistance - Schedule B
For the Fiscal Year Ended June 30, 2018

Grantor/Program Title	Project Number	Program or Award Amount	Grant Period From	Grant Period To	Balance June 30, 2017		Cash Received	Budgetary Expenditure	Adjustment	Repayment of Balances	Balance June 30, 2018			Memo	
					Deferred Rev. (Accts. Rec)	Due to Grantor					Accounts Receivable	Deferred Revenue	Due to Grantor	Budgetary Receivable	Cumulative Expenditure
State Department of Education															
General fund															
Special education categorical aid	18-495-034-5120-089	\$ 191,952	07/01/17	06/30/18	\$ -	\$ -	\$ 175,863	\$ 191,952	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,089	\$ 191,952
School choice aid	18-495-034-5120-068	90,286	07/01/17	06/30/18	-	-	82,719	90,286	-	-	-	-	-	7,567	90,286
Security aid	18-495-034-5120-084	16,949	07/01/17	06/30/18	-	-	15,528	16,949	-	-	-	-	-	1,421	16,949
Transportation aid	18-495-034-5120-014	32,888	07/01/17	06/30/18	-	-	30,131	32,888	-	-	-	-	-	2,757	32,888
PARCC readiness aid	18-495-034-5120-098	2,690	07/01/17	06/30/18	-	-	2,465	2,690	-	-	-	-	-	225	2,690
Per pupil growth aid	18-495-034-5120-097	2,690	07/01/17	06/30/18	-	-	2,465	2,690	-	-	-	-	-	225	2,690
Professional learning community aid	18-495-034-5120-101	2,970	07/01/17	06/30/18	-	-	2,721	2,970	-	-	-	-	-	249	2,970
Extraordinary aid	17-495-034-5120-044	161,562	07/01/16	06/30/17	(161,562)	-	161,562	-	-	-	-	-	-	-	161,562
Extraordinary aid	18-495-034-5120-044	149,643	07/01/17	06/30/18	-	-	-	149,643	-	-	(149,643)	-	-	-	149,643
Non-public transportation aid	17-495-034-5120-014	2,224	07/01/16	06/30/17	(2,224)	-	2,224	-	-	-	-	-	-	-	2,224
Non-public transportation aid	18-495-034-5120-014	2,610	07/01/17	06/30/18	-	-	-	2,610	-	-	(2,610)	-	-	-	2,610
Lead testing for schools aid	18-495-034-5120-014	636	07/01/17	06/30/18	-	-	636	636	-	-	-	-	-	-	636
On behalf TPAF pension contribution - post retirement medical	18-495-034-5094-001	248,353	07/01/17	06/30/18	-	-	248,353	248,353	-	-	-	-	-	-	248,353
On behalf TPAF pension contribution - non-contributory insurance	18-495-034-5094-004	9,110	07/01/17	06/30/18	-	-	9,110	9,110	-	-	-	-	-	-	9,110
On behalf TPAF pension contribution - teachers' pension & annuity fund	18-495-034-5094-002	375,410	07/01/17	06/30/18	-	-	375,410	375,410	-	-	-	-	-	-	375,410
On behalf TPAF pension contribution - long-term disability insurance	18-495-034-5094-004	539	07/01/17	06/30/18	-	-	539	539	-	-	-	-	-	-	539
Reimbursed TPAF social security contribution	18-495-034-5094-003	165,458	07/01/17	06/30/18	-	-	165,458	165,458	-	-	-	-	-	-	165,458
Reimbursed TPAF social security contribution	17-495-034-5094-003	185,367	07/01/16	06/30/17	(9,041)	-	9,041	-	-	-	-	-	-	-	185,367
Total general fund					(172,827)	-	1,284,225	1,292,184	-	-	(152,253)	-	-	28,533	1,641,337
Special revenue fund															
Nonpublic technology initiative aid	18-100-034-5120-373	3,330	07/01/17	06/30/18	-	-	3,330	3,299	-	31	-	-	-	-	3,299
Nonpublic technology initiative aid	17-100-034-5120-373	2,158	07/01/16	06/30/17	-	22	-	-	-	22	-	-	-	-	2,136
Nonpublic textbook aid	18-100-034-5120-064	4,930	07/01/17	06/30/18	-	-	4,930	4,318	-	612	-	-	-	-	4,318
Nonpublic textbook aid	17-100-034-5120-064	4,784	07/01/16	06/30/17	-	254	-	-	-	254	-	-	-	-	4,530
Nonpublic nursing services	18-100-034-5120-070	9,118	07/01/17	06/30/18	-	-	9,118	9,118	-	-	-	-	-	-	-
Nonpublic security aid	18-100-034-5120-509	7,050	07/01/17	06/30/18	-	-	7,050	858	-	-	-	-	6,192	-	858
Nonpublic security aid	17-100-034-5120-509	4,150	07/01/15	06/30/16	-	1,839	-	-	-	1,839	-	-	-	-	2,311
Compensatory education	18-100-034-5120-067	7,175	07/01/17	06/30/18	-	-	7,175	7,175	-	-	-	-	-	-	-
Non-public handicapped aid															
Examination and classification	18-100-034-5120-066	8,368	07/01/17	06/30/18	-	-	8,368	8,368	-	-	-	-	-	-	8,368
Examination and classification	17-100-034-5120-066	6,844	07/01/16	06/30/17	-	2,343	-	-	-	2,343	-	-	-	-	4,501
Supplemental instruction	17-100-034-5120-066	785	07/01/16	06/30/17	-	785	-	-	-	785	-	-	-	-	-
Corrective speech	18-100-034-5120-066	804	07/01/17	06/30/18	-	-	804	804	-	-	-	-	-	-	804
Corrective speech	17-100-034-5120-066	3,534	07/01/16	06/30/17	-	1,767	-	-	-	1,767	-	-	-	-	1,767
Total special revenue fund					-	7,010	40,775	33,940	-	7,653	-	-	6,192	-	32,892

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Schedule of Expenditures of State Financial Assistance - Schedule B (continued)
For the Fiscal Year Ended June 30, 2018

Grantor/Program Title	Project Number	Program or Award Amount	Grant Period From	Grant Period To	Balance June 30, 2017		Cash Received	Budgetary Expenditure	Adjustment	Repayment of Prior Year Balances	Balance June 30, 2018			Memo		
					Deferred Rev. (Accts. Rec)	Due to Grantor					Accounts Receivable	Deferred Revenue	Due to Grantor	Budgetary Receivable	Cumulative Expenditure	
State Department of Agriculture																
Enterprise fund																
State school lunch program	17-100-010-3350-023	459	07/01/16	06/30/17	\$ (31)	\$ -	\$ 31	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 459
State school lunch program	18-100-010-3350-023	627	07/01/17	06/30/18	-	-	594	627	-	-	(33)	-	-	-	-	627
Total enterprise fund					(31)	-	625	627	-	-	(33)	-	-	-	-	1,086
Total state financial assistance					\$ (172,858)	\$ 7,010	\$ 1,325,625	1,326,751	\$ -	\$ 7,653	\$ (152,286)	\$ -	\$ 6,192	\$ 28,533	\$ 1,675,315	
Less: On behalf TPAF pension system contributions								(633,412)								
Total for State financial assistance - major program determination								\$ 693,339								

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2018

Note 1 - General

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 Franklin Township School District. The District is defined in Note 1 (A) to the District's basic financial statements. All federal awards and state financial assistance 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 - Basis of accounting

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance are presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Notes 1 (C) and 1 (D) to the District's basic financial statements.

Note 3 - Relationship of financial statements

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the 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 budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$702 for the general fund and \$0 for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2018

Note 3 - Relationship of financial statements (continued)

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General fund	\$ -	\$ 1,291,482	\$ 1,291,482
Special revenue fund	131,813	33,940	165,753
Food service fund	13,756	627	14,383
Total awards and financial assistance	<u>\$ 145,569</u>	<u>\$ 1,326,049</u>	<u>\$ 1,471,618</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 - Other

Revenues and expenditures reported under the USDA Commodities Program represent current year distributions, respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the District for the year ended June 30, 2018. TPAF Social Security Contribution represents the amount reimbursed by the state for the employer's share of Social Security Contributions for TPAF members for the year ended June 30, 2018.

Note 6 - Adjustments on the Schedule of Expenditures of Federal Awards

On Schedule A, the following adjustments represent a canceled deferred revenue as a result of a correction to a prior year client reporting error of expenditures: IDEA Basic for the fiscal year 2015 of \$7,052, NCLB Title IIA for the fiscal year 2016 of \$1,281, IDEA Basic for the fiscal year 2017 of \$9,750, and IDEA Preschool for the fiscal year 2017 of \$1,192.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
Schedule of Findings and Questioned Costs - Section I
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. Were material weakness(es) identified? Yes No

2. Were significant deficiencies identified? Yes No

Noncompliance material to basic financial statements noted?

Yes No

Federal Awards

Not Applicable

Internal Control Over Major Programs:

1. Were material weakness(es) identified? Yes No

2. Were significant deficiencies identified? Yes None reported

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

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

Yes No

Identification of Major Programs:

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

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

Did the auditee qualify as a low-risk auditee?

Yes No

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
Schedule of Findings and Questioned Costs - Section I
For the Fiscal Year Ended June 30, 2018**

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

State Awards

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

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

Internal Control Over Major Programs:

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

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

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

Identification of Major Programs:

<u>State Grant/Project Numbers</u>	<u>Name of State Program</u>
<i>18-495-034-5120-089</i>	<i>State Aid Public Cluster:</i>
<i>18-495-034-5120-084</i>	<i>Special Education Categorical Aid</i>
<i>18-495-034-5120-068</i>	<i>Security Aid</i>
<i>18-495-034-5120-097</i>	<i>School Choice Aid</i>
<i>18-495-034-5120-098</i>	<i>Per Pupil Growth Aid</i>
<i>18-495-034-5120-101</i>	<i>PARCC Readiness Aid</i>
	<i>Professional Learning Community Aid</i>

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Schedule of Findings and Questioned Costs - Sections II and III
For the Fiscal Year Ended June 30, 2018

Section II - Financial Statement Findings

There were no findings or questioned costs for the year ended June 30, 2018.

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

There were no findings or questioned costs for the year ended June 30, 2018.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
Summary Schedule of Prior-year Audit Findings
and Questioned Costs as Prepared by Management
For the Fiscal Year Ended June 30, 2018**

Status of Prior Year Findings

Corrective action was taken on all prior year findings.