

**FRANKLIN TOWNSHIP  
SCHOOL DISTRICT**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**JUNE 30, 2018**

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



**FRANKLIN TOWNSHIP  
SCHOOL DISTRICT**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended June 30, 2018**

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February 4, 2019

Honorable President and Members of the Board of Education  
Franklin Township School District  
52 Asbury Broadway Road,  
Washington, New Jersey 07882

Dear Board Members:

The comprehensive annual financial report of the Franklin Township School District (the District) for the fiscal year ended June 30, 2018 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the 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.

The comprehensive annual financial report is presented in four sections: Introduction, Financial, Statistical and Single Audit. The Introduction Section includes this transmittal letter, the District's organizational chart and a list of principal officials. The Financial Section includes the general-purpose financial statements and schedules, as well as the auditors' report thereon. The Statistical Section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and New Jersey OMB's Circular 15-08, "Single Audit Policy for recipients of Federal Grants, State Grants, and State Aid". Information related to this single audit, including the auditors' reports 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.

**1. REPORTING ENTITY AND ITS SERVICES:** Franklin Township School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (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 constitutes the District's reporting entity.

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*Matthew Eagleburger, Chief School Administrator - Tim Duryea, School Business Administrator*

52 Asbury Broadway Road; Washington, NJ 07882 - 908-689-2958 -

The District provides a full range of educational services appropriate to grade levels Pre-K through 6 as well as special education. The district completed the 2017/2018 fiscal year with an enrollment of 212 students, which is a 2.00% decrease from the previous year's enrollment. The following details the changes in the student enrollment of the District over the last ten years.

Average Daily Enrollment		
Fiscal Year	Student Enrollment	Percent Change
2008/2009	340.8	-2.10%
2009/2010	318.0	-9.80%
2010/2011	294.3	-7.50%
2011/2012	287.2	-2.40%
2012/2013	271.3	-5.50%
2013/2014	250.9	-7.50%
2014/2015	233.1	-7.10%
2015/2016	227.8	-2.30%
2016/2017	220.4	-3.27 %
2017/2018	216.0	-2.00%

**2. ECONOMIC CONDITION AND OUTLOOK:** The District has experienced steady decline in enrollment. This decline is a result of many factors, including but not limited to: 1) poor real estate market, resulting in the retention of homes for a longer period of time and students aging-out of the elementary school, 2) ongoing expansion of open-space acquisitions, resulting in less property available for development, 3) development restrictions placed on the district through the Highlands Act and 4) five-acre zoning requirements, resulting in greater costs for new construction, compared to less restrictive requirements. With the steady decline in home values and sustained low mortgage rates, however, we are starting to see movement in the real estate market that should have a positive impact on enrollment. The school district recently completed a demographic study which projects that, over the next five years, we should see a small increase in enrollment. We have seen a slowing in the rate of enrollment decline over the last three years. The combined loss of over those three years was 17 students. The previous three years averaged an 18-student decline per year. The District has benefited financially from the decline in enrollment, as staffing needs have declined with the decline in enrollment. Even with the small upturn in enrollment, we do not see a need for an increase in staffing in the foreseeable future.

Unfortunately, as a result of recent school funding legislation, the district will be losing approximately \$500,000 in State Aid, over the next seven years, as a result of the decline in enrollment and the elimination of the hold-harmless provision of said legislation. Obviously, should we see a substantial change in enrollment, we would see less of a reduction in aid. In response to the financial challenge that this poses, the district has already developed a seven-year action plan that will set a course for us to minimize the impact of this reduction in aid to our tax payers, while still maintaining the educational programs that our parents recognize are an important part of the experience that their children have at the Franklin Township School.

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*Matthew Eagleburger, Chief School Administrator - Tim Duryea, School Business Administrator*

52 Asbury Broadway Road; Washington, NJ 07882 - 908-689-2958 -

**3. MAJOR INITIATIVES:** Heightened efforts to improve upon our building security has been a major initiative over the last year. In response to a new State mandate, the district has appointed and provided training for a School Safety Specialist. In addition, the district has taken numerous steps to refine its security procedures and has addressed a number of facility items to provide a building perimeter that is less susceptible to an intruder breach. The district has constant interaction with law enforcement and relies heavily upon them to assist us in the evaluation of our security environment.

On the academic side of our operations, the district has invested time and funds to address the State's STEAM initiatives. During the 2017-2018 school year, classroom teachers were training in best practices in STEAM instruction, via a 5-part after-school professional development experience. In addition, the district received input from the consultants that provided the professional development series on how to design a dedicated STEAM classroom that would be appropriate for elementary school children. The classroom will premiere in September 2018, when students return to school from the summer break.

**4. INTERNAL ACCOUNT 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 is 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 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 to those programs. This internal control structure is also subject to periodic evaluation by the District Management.

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

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

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

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*Matthew Eagleburger, Chief School Administrator - Tim Duryea, School Business Administrator*

52 Asbury Broadway Road; Washington, NJ 07882 - 908-689-2958 -



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

**7. FINANCIAL INFORMATION AT FISCAL YEAR-END:** As demonstrated by the various statements and schedules included in the financial section of this report, the District continues meeting its responsibilities for sound financial management.

**8. DEBT ADMINISTRATION:** At June 30, 2018, the District's outstanding debt issue was \$555,000 issued in February 2010 for the refunding of the 2001 bond issue.

**9. CASH MANAGEMENT:** The investment policy of the District is guided in large part by state statute as detailed in the Notes to the Financial Statements. The District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under 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.

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

**11. OTHER INFORMATION:**

**Independent Audit** - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The Board's audit committee selected the accounting firm of BKC CPAs, PC. In addition to meeting the requirements set forth in statute, the audit was also designed to meet the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Treasury OMB Circular Letter 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments. The auditors' report on the general-purpose financial statements and schedules is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

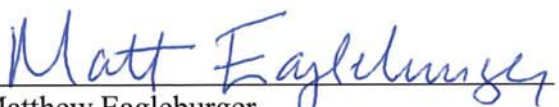
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*Matthew Eagleburger, Chief School Administrator - Tim Duryea, School Business Administrator*

52 Asbury Broadway Road; Washington, NJ 07882 - 908-689-2958 -

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

Respectfully Submitted,

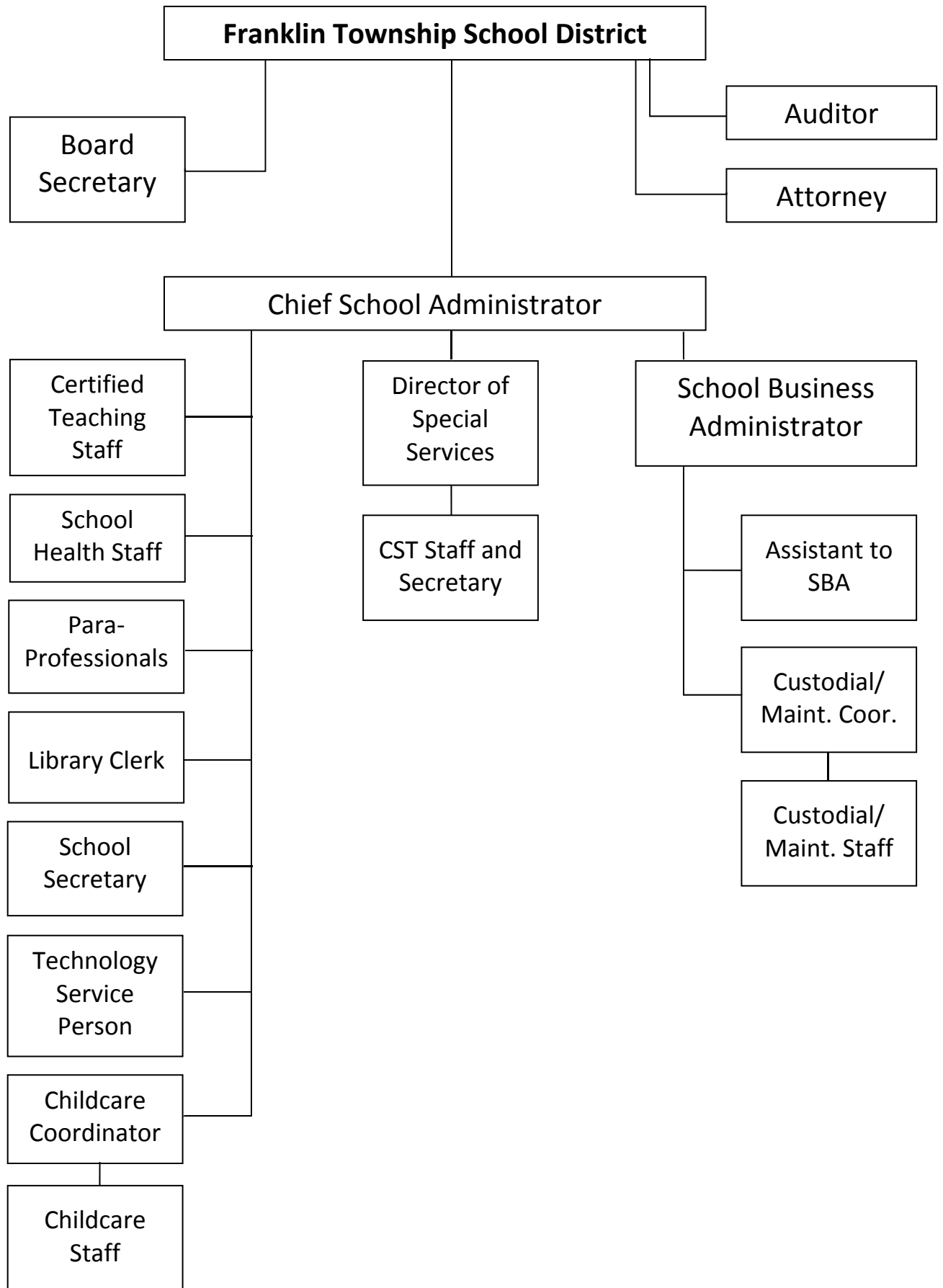
  
Matthew Eagleburger  
Chief School Administrator

  
Tim Duryea  
School Business Administrator/Board Secretary

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*Matthew Eagleburger, Chief School Administrator - Tim Duryea, School Business Administrator*

52 Asbury Broadway Road; Washington, NJ 07882 - 908-689-2958 -



**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Washington, NJ**

**Roster of Officials**  
**June 30, 2018**

<u>Members of the Board of Education</u>	<u>Title</u>	<u>Term Expires</u>
Jean Hansen	President	2020
Rudy DiGilio	Vice-President	2018
Pamela Fitzsimmons		2018
Charles Roberto		2018
Elizabeth Ames		2019
Patrick Gardner		2019
Kevin Klus		2019
Mark Blaszk		2020
Renee Hart		2020

**Other Officials**

---

Matthew Eagleburger	Superintendent/ Chief School Administrator
Timothy Duryea	School Business Administrator / Board Secretary
Nathanya Simon / Scarinci Hollenbeck Attorneys at Law	Solicitor

**FRANKLIN TOWNSHIP SCHOOL DISTRICT  
Washington, NJ**

**Consultants and Advisors  
June 30, 2018**

**AUDIT FIRM**

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

**ATTORNEY**

Nathanya Simon / Scarinci Hollenbeck Attorneys at Law  
1100 Valley Brook Avenue, PO Box 790  
Lyndhurst, NJ 07071

**OFFICIAL DEPOSITORY**

Investors Bank  
101 JFK Parkway  
Short Hills, NJ 07078



Certified Public Accountants, PC  
[www.bkc-cpa.com](http://www.bkc-cpa.com)

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## Independent Auditors' Report

Honorable President and  
Members of the Board of Education  
Franklin Township School District  
County of Warren, 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 Warren, 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, long-term debt schedules and statistical section, are presented for

purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards and Schedule of Expenditures of State Financial Assistance required by New Jersey OMB's Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid are also not a required part of the basic financial statements.

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

In our opinion, the combining and individual 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.

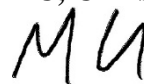
The introduction and statistical sections have not been subject to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

#### 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**



Michael A. Holk, CPA, PSA

February 4, 2019  
Flemington, New Jersey



**REQUIRED SUPPLEMENTARY INFORMATION - PART I**

**FRANKLIN TOWNSHIP SCHOOL DISTRICT  
FRANKLIN TOWNSHIP**

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

The discussion and analysis of 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 notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for 2018 are as follows:

- In total, net position increased \$28,877 which represents a 1.12 percent increase from 2017.
- General revenues accounted for \$7,206,425 revenue or 95.99 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$300,891 or 4.01 percent to total revenues of \$7,507,316.
- Total assets of governmental activities decreased by \$59,402 as cash and cash equivalents increased by \$136,421, receivables and other assets decreased by \$71,901 and capital assets decreased by \$123,922.
- The School District had \$7,478,439 in expenses; only \$300,891 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$7,206,425 were adequate to provide for these programs.
- Among major funds, the general fund had \$5,359,513 in revenues and \$5,251,239 in expenditures. The general fund's balance increased \$108,274 over 2017.

**Using this Comprehensive Annual Financial Report (CAFR)**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand 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.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT  
FRANKLIN TOWNSHIP**

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

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

**Reporting the School District as a Whole**

**Statement of Net Position and the Statement of Activities**

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2018?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector 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 position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. No 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. Governmental activities are the activities where most of the School District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT  
FRANKLIN TOWNSHIP**

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

**Reporting the School District's Most Significant Funds**

**Fund Financial Statements**

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund, special revenue fund, capital projects fund and debt service fund.

**Governmental Funds**

The School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. These funds 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 provided. 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**

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

**FRANKLIN TOWNSHIP SCHOOL DISTRICT  
FRANKLIN TOWNSHIP**

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

Table 1 provides a summary of the School District's net position for June 30, 2018 compared to June 30, 2017.

**Table 1  
Net Position**

	6/30/2018	6/30/2017	Variance	
			Dollars	Percent
<b>ASSETS</b>				
Current & Other Assets	\$ 1,686,539	\$ 1,642,415	\$ 44,124	2.69%
Capital Assets	3,413,939	3,538,322	(124,383)	-3.52%
Total Assets	<u>5,100,478</u>	<u>5,180,737</u>	<u>(80,259)</u>	-1.55%
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Amount of Pension Liability	<u>833,464</u>	<u>967,171</u>	<u>(133,707)</u>	-13.82%
<b>LIABILITIES</b>				
Long Term Liabilities	2,821,574	3,427,213	(605,639)	-17.67%
Other Liabilities	<u>43,539</u>	<u>81,514</u>	<u>(37,975)</u>	-46.59%
Total Liabilities	<u>2,865,113</u>	<u>3,508,727</u>	<u>(643,614)</u>	-18.34%
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Amount of Pension Liability	<u>452,230</u>	<u>51,459</u>	<u>400,771</u>	778.82%
<b>NET POSITION</b>				
Invested in Capital Assets, Net of Related Debt	2,858,939	2,798,322	60,617	2.17%
Restricted	768,999	681,726	87,273	12.80%
Unrestricted	<u>(1,011,339)</u>	<u>(892,326)</u>	<u>(119,013)</u>	13.34%
Total Net Position	<u>\$ 2,616,599</u>	<u>\$ 2,587,722</u>	<u>\$ 28,877</u>	1.12%

Total assets decreased \$80,259. Cash and cash equivalents increased by \$114,635, receivables and other assets decreased by \$70,511 and capital assets decreased by \$124,383. Unrestricted net position of the School District decreased by \$119,013. These are the part of net position that can be used to finance day to day activities without constraints established by grants or legal requirements.

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 the Public Employees Retirement System (PERS) to each contributing entity throughout the State.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT  
FRANKLIN TOWNSHIP**

**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**

	6/30/2018	6/30/2017	Variance	
			Dollars	Percent
<b>REVENUES</b>				
Program Revenues				
Charges for Services	\$ 155,551	\$ 157,278	\$ (1,727)	-1.10%
Operating Grants & Contributions	145,340	150,017	(4,677)	-3.12%
General Revenues				
Property Taxes	3,911,025	3,962,470	(51,445)	-1.30%
Unrestricted Grants	3,268,558	2,698,144	570,414	21.14%
Other	26,842	12,036	14,806	123.01%
Total Revenues	<u>7,507,316</u>	<u>6,979,945</u>	<u>527,371</u>	7.56%
<b>PROGRAM EXPENSES</b>				
Instruction				
Regular	3,045,040	2,756,167	288,873	10.48%
Special	764,202	1,109,729	(345,527)	-31.14%
Other	580,644	76,538	504,106	658.63%
Support Services				
Student & Instructional Staff	1,430,723	1,498,040	(67,317)	-4.49%
General & Business Administration	587,818	580,208	7,610	1.31%
School Administration	119,441	121,416	(1,975)	-1.63%
Plant Operations & Maintenance	604,143	586,131	18,012	3.07%
Transportation	186,728	149,506	37,222	24.90%
Food Service	71,860	76,184	(4,324)	-5.68%
Child Care Service	53,646	60,109	(6,463)	-10.75%
Interest on Long Term Debt	34,194	47,587	(13,393)	-28.14%
Total Expenses	<u>7,478,439</u>	<u>7,061,615</u>	<u>416,824</u>	5.90%
Change in Net Position	<u>\$ 28,877</u>	<u>\$ (81,670)</u>	<u>\$ (50,794)</u>	-63.75%

**Governmental Activities**

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. Property taxes made up 52.10 percent of revenues for district-wide activities for the Franklin Township School District for fiscal year 2018.

Instruction comprises 58.70 percent of district expenses. Support services expenses make up 41.30 percent of the expenses.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT  
FRANKLIN TOWNSHIP**

**Management's Discussion and Analysis  
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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 for the fiscal year ended June 30, 2018 compared to June 30, 2017. That is, it identifies the cost of these services supported by tax revenue and unrestricted State Entitlements.

**Table 3  
Cost of Governmental Services**

	Total Cost of Services		Net Cost of Services	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017
Instruction	\$ 4,389,886	\$ 3,942,434	\$ 4,309,960	\$ 3,890,020
Support Services				
Student & Instructional Staff	1,430,723	1,498,040	1,338,310	1,383,933
General & Business Administration	587,818	580,208	587,818	580,208
School Administration	119,441	121,416	119,441	121,416
Plant Operations & Maintenance	604,143	586,131	588,620	571,204
Pupil Transportation	186,728	149,506	186,728	149,506
Food Service	71,860	76,184	4,731	5,857
Child Care Service	53,646	60,109	7,746	4,589
Interest on Long-Term Debt	34,194	47,587	34,194	47,587
	<u>\$ 7,478,439</u>	<u>\$ 7,061,615</u>	<u>\$ 7,177,548</u>	<u>\$ 6,754,320</u>

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

Student 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.

Plant operation and maintenance activities involve keeping the school grounds, buildings and equipment in a safe and 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.

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

**FRANKLIN TOWNSHIP SCHOOL DISTRICT  
FRANKLIN TOWNSHIP**

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

The dependence upon tax revenues and aid is apparent. For all activities local tax revenue support is 52.10 percent. The community, as a whole, is the primary support or funding source for the Franklin Township School District.

**The School District's Funds**

Information about the School District's major funds starts in the section entitled Fund Financial Statements. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$5,680,720 and expenditures of \$5,593,421. The net positive change in fund balance for the year was most significant in the general fund, reflecting an increase of \$108,274.

**General Fund Budgeting Highlights**

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

During the course of the fiscal 2018 year, the School District amended its general fund budget as needed. The School District uses program-based budgeting. The budgeting systems are designed to tightly control total program budgets but provide the flexibility for program management.

For the general fund, budget basis revenue and other financing sources were \$4,694,441, \$145,770 over original budgeted estimates of \$4,548,671. This difference was due primarily to additional extraordinary aid.

The general fund revenues and other financing sources of the School District exceeded expenditures by \$108,274, the financial position of the School District is strong.



**FRANKLIN TOWNSHIP SCHOOL DISTRICT  
FRANKLIN TOWNSHIP**

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

**Capital Assets**

At the end of the fiscal year 2018, the School District had \$3,413,939 invested in land, building, furniture and equipment. Table 4 shows June 30, 2018 balances compared to June 30, 2017.

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

	6/30/2018	6/30/2017	Variance	
			Dollars	Percent
Land	\$ 180,000	\$ 180,000	\$ -	0.00%
Land Improvements	39,069	42,200	(3,131)	-7.42%
Buildings & Improvements	3,171,425	3,282,019	(110,594)	-3.37%
Machinery & Equipment	23,445	34,103	(10,658)	-31.25%
	<u>\$ 3,413,939</u>	<u>\$ 3,538,322</u>	<u>\$ (124,383)</u>	<u>-3.52%</u>

Overall capital assets decreased \$124,383 from June 30, 2017 to June 30, 2018.

**Debt Administration**

At June 30, 2018, the School District had \$2,821,574 in long-term liabilities. Table 5 shows June 30, 2018 balances compared to June 30, 2017.

**Table 5  
Long-Term Liabilities at Year End**

	6/30/2018	6/30/2017	Variance	
			Dollars	Percent
2010 Refunding Bond Issue	\$ 555,000	\$ 740,000	\$ (185,000)	-25.00%
Unamortized Bond Premium	35,761	44,702	(8,941)	-20.00%
Compensated Absences Liability	159,688	158,719	969	0.61%
PERS Net Pension Liability	2,071,125	2,483,792	(412,667)	-16.61%
	<u>\$ 2,821,574</u>	<u>\$ 3,427,213</u>	<u>\$ (605,639)</u>	<u>-17.67%</u>

**FRANKLIN TOWNSHIP SCHOOL DISTRICT  
FRANKLIN TOWNSHIP**

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

**For the Future**

At the present time, the Franklin Township School District is in a very good financial condition. The district designs its financial planning by reviewing broad budget projections for a five-year span. When budgeting factors are more constant, this is an easier process. The uncertainty of how State school aid will be apportioned, in the future, as well as the uncertainty of what contributions schools will be called upon to make towards staff pension programs, makes this an increasingly difficult process.

Franklin Township is primarily a residential, farming community, with very few industrial ratables. With that said, the majority of the property tax burden falls directly upon our residents. In addition, because Franklin Township's ratables are so high, compared with the number of students that attend our schools, we receive far less State aid than many of the surrounding districts. It is because of these factors that we are called upon to constantly scrutinize the efficiencies of our operation.

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

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information, kindly contact Tim Duryea, School Business Administrator/Board Secretary at Franklin Township Board of Education, 52 Asbury Broadway Road, Washington, NJ 07882 or email at [tduryea@franklinschool.org](mailto:tduryea@franklinschool.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
<b>Assets</b>			
Cash & cash equivalents	\$ 712,381	\$ 19,852	\$ 732,233
Due from other funds	3,569	-	3,569
Receivables, net	166,259	12,526	178,785
Inventory	-	2,953	2,953
<b>Restricted assets</b>			
Capital reserve - cash	475,687	-	475,687
Maintenance reserve - cash	293,312	-	293,312
<b>Capital assets, net</b>			
Land	180,000	-	180,000
Other capital assets, net of depreciation	3,232,856	1,083	3,233,939
Total assets	<u>5,064,064</u>	<u>36,414</u>	<u>5,100,478</u>
<b>Deferred outflows of resources</b>			
Deferred amount on pension activity	<u>833,464</u>	<u>-</u>	<u>833,464</u>
<b>Liabilities</b>			
Accounts payable	24,550	2,102	26,652
Due to other funds	-	3,569	3,569
Accrued interest	10,406	-	10,406
Unearned revenue	500	2,412	2,912
<b>Long-term liabilities</b>			
Due within one year	193,941	-	193,941
Due beyond one year	2,627,633	-	2,627,633
Total liabilities	<u>2,857,030</u>	<u>8,083</u>	<u>2,865,113</u>
<b>Deferred inflows of resources</b>			
Deferred amount on pension liability	<u>452,230</u>	<u>-</u>	<u>452,230</u>
<b>Net position</b>			
Net investment in capital assets	2,857,856	1,083	2,858,939
<b>Restricted for</b>			
Capital reserve	475,687	-	475,687
Maintenance reserve	293,312	-	293,312
Unrestricted	<u>(1,038,587)</u>	<u>27,248</u>	<u>(1,011,339)</u>
<b>Total net position</b>	<u>\$ 2,588,268</u>	<u>\$ 28,331</u>	<u>\$ 2,616,599</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	\$ 1,451,185	\$ 1,593,855	\$ 33,467	\$ 27,769	\$ -	\$ (2,983,804)	\$ -	\$ (2,983,804)
Special education	366,474	397,728	18,690	-	-	(745,512)	-	(745,512)
Other special education	167,391	241,855	-	-	-	(409,246)	-	(409,246)
Other instruction	46,647	124,751	-	-	-	(171,398)	-	(171,398)
Support services								
Students & instruction related services	761,284	669,439	-	92,413	-	(1,338,310)	-	(1,338,310)
General & business administration services	313,233	274,585	-	-	-	(587,818)	-	(587,818)
School administration services	54,415	65,026	-	-	-	(119,441)	-	(119,441)
Plant operations & maintenance	344,530	259,613	15,523	-	-	(588,620)	-	(588,620)
Pupil transportation	166,132	20,596	-	-	-	(186,728)	-	(186,728)
Interest on long-term debt	34,194	-	-	-	-	(34,194)	-	(34,194)
Total governmental activities	<u>3,705,485</u>	<u>3,647,448</u>	<u>67,680</u>	<u>120,182</u>	<u>-</u>	<u>(7,165,071)</u>	<u>-</u>	<u>(7,165,071)</u>
Business-type activities								
Food service	71,860	-	41,971	25,158	-	-	(4,731)	(4,731)
Child care program	53,646	-	45,900	-	-	-	(7,746)	(7,746)
Total business-type activities	<u>125,506</u>	<u>-</u>	<u>87,871</u>	<u>25,158</u>	<u>-</u>	<u>-</u>	<u>(12,477)</u>	<u>(12,477)</u>
Total primary government	<u>\$ 3,830,991</u>	<u>\$ 3,647,448</u>	<u>\$ 155,551</u>	<u>\$ 145,340</u>	<u>\$ -</u>	<u>(7,165,071)</u>	<u>(12,477)</u>	<u>(7,177,548)</u>
General revenues, special items & transfers								
Property taxes levied for general purposes						3,710,000	-	3,710,000
Property taxes levied for debt service						201,025	-	201,025
Federal & state aid not restricted						3,268,558	-	3,268,558
Investment earnings						16,670	223	16,893
Miscellaneous income						9,908	41	9,949
Total general revenues, special items & transfers						<u>7,206,161</u>	<u>264</u>	<u>7,206,425</u>
Change in net position						41,090	(12,213)	28,877
Net position - beginning						2,547,178	40,544	2,587,722
Net position - ending						<u>\$ 2,588,268</u>	<u>\$ 28,331</u>	<u>\$ 2,616,599</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
<b>Assets</b>					
Cash & cash equivalents	\$ 712,381	\$ -	\$ -	\$ -	\$ 712,381
Due from other funds	8,652	-	-	-	8,652
Receivables from other governments					
Local	18,690	-	-	-	18,690
State	138,468	3,347	-	-	141,815
Federal	-	2,236	-	-	2,236
Other accounts receivable	3,518	-	-	-	3,518
Restricted cash & cash equivalents	768,999	-	-	-	768,999
<b>Total assets</b>	<b>\$ 1,650,708</b>	<b>\$ 5,583</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,656,291</b>
<b>Liabilities and fund balances</b>					
<b>Liabilities</b>					
Due to other funds	\$ -	\$ 5,083	\$ -	\$ -	\$ 5,083
Accounts payable	24,550	-	-	-	24,550
Unearned revenue	-	500	-	-	500
<b>Total liabilities</b>	<b>24,550</b>	<b>5,583</b>	<b>-</b>	<b>-</b>	<b>30,133</b>

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					
Fund balances					
Restricted fund balance					
Excess surplus - designated for subsequent year's expenditures	\$ 250,406	\$ -	\$ -	\$ -	\$ 250,406
Excess surplus - current year	152,334	-	-	-	152,334
Capital reserve	475,687	-	-	-	475,687
Maintenance reserve	293,312	-	-	-	293,312
Committed fund balance					
Encumbrances	86,538	-	-	-	86,538
Assigned fund balance					
Designated for subsequent year's expenditures	85,621	-	-	-	85,621
Unassigned fund balance	282,260	-	-	-	282,260
Total fund balances	1,626,158	-	-	-	1,626,158
 Total liabilities and fund balances	\$ 1,650,708	\$ 5,583	\$ -	\$ -	

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

Capital assets used in government activities are not financial resources and therefore are not reported in the funds. The cost of the assets are \$5,897,928 and the accumulated depreciation is \$2,485,072.	3,412,856
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	381,234
Long-term liabilities, including bonds payable and compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(2,821,574)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(10,406)
Total net position of governmental activities	\$ 2,588,268

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
<b>Revenues</b>					
<b>Local sources</b>					
Local tax levy	\$ 3,710,000	\$ -	\$ -	\$ 201,025	\$ 3,911,025
Tuition charges					
Individuals	33,467	-	-	-	33,467
Other sources	18,690	-	-	-	18,690
Interest on investments	16,670	-	-	-	16,670
Rents and royalties	15,523	-	-	-	15,523
Miscellaneous	9,908	1,350	-	-	11,258
	<u>3,804,258</u>	<u>1,350</u>	<u>-</u>	<u>201,025</u>	<u>4,006,633</u>
State sources	1,555,255	-	-	-	1,555,255
Federal sources	-	118,832	-	-	118,832
Total revenues	<u>5,359,513</u>	<u>120,182</u>	<u>-</u>	<u>201,025</u>	<u>5,680,720</u>
<b>Expenditures</b>					
<b>Current</b>					
<b>Instructional</b>					
Regular instruction	1,423,416	27,769	-	-	1,451,185
Special education instruction	366,474	-	-	-	366,474
Other special instruction	167,391	-	-	-	167,391
Other instruction	46,647	-	-	-	46,647
<b>Support service &amp; undistributed costs</b>					
Student & instruction related services	668,871	92,413	-	-	761,284
General & business administrative services	313,233	-	-	-	313,233
School administrative services	54,415	-	-	-	54,415
Plant operations & maintenance	344,530	-	-	-	344,530
Pupil transportation	166,132	-	-	-	166,132
Unallocated benefits	1,687,443	-	-	-	1,687,443

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)					
Debt service					
Principal	\$ -	\$ -	\$ -	\$ 185,000	\$ 185,000
Interest & other charges	12,687	-	-	37,000	49,687
Total expenditures	<u>5,251,239</u>	<u>120,182</u>	<u>-</u>	<u>222,000</u>	<u>5,593,421</u>
Excess (deficit) of revenues over (under) expenditures	<u>108,274</u>	<u>-</u>	<u>-</u>	<u>(20,975)</u>	<u>87,299</u>
Other financing sources (uses)					
Transfers in	-	-	-	20,975	20,975
Transfers out	-	-	(20,975)	-	(20,975)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(20,975)</u>	<u>20,975</u>	<u>-</u>
Net change in fund balance	108,274	-	(20,975)	-	87,299
Fund balances, July 1	<u>1,517,884</u>	<u>-</u>	<u>20,975</u>	<u>-</u>	<u>1,538,859</u>
Fund balances, June 30	<u><u>\$ 1,626,158</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,626,158</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 to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2018**

Total net changes in fund balances - governmental fund (from B-2) \$ 87,299

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 outlays in the period:

Depreciation expense (123,922)

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 and are not reported in the Statement of Activities:

Debt principal payments 185,000

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

Amortization of bond premium 8,941

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. (121,811)

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. 6,552

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 to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2018**

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

\$ (969)

Change in net position of governmental activities

\$ 41,090

See accompanying notes to financial statements.

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

	Food Service Fund	Child Care Program	Total
<b>Assets</b>			
Current assets			
Cash & cash equivalents	\$ 10,949	\$ 8,903	\$ 19,852
Accounts receivable	-	8,956	8,956
Receivables from other governments			
State	139	-	139
Federal	3,431	-	3,431
Inventory	2,953	-	2,953
Total current assets	<u>17,472</u>	<u>17,859</u>	<u>35,331</u>
Noncurrent assets			
Capital assets	30,019	-	30,019
Less: accumulated depreciation	28,936	-	28,936
Total noncurrent assets	<u>1,083</u>	<u>-</u>	<u>1,083</u>
Total assets	<u>18,555</u>	<u>17,859</u>	<u>36,414</u>
<b>Liabilities</b>			
Current liabilities			
Unearned revenues - commodities	1,041	-	1,041
Unearned revenues - prepaid sales	1,371	-	1,371
Interfund payable	3,569	-	3,569
Accounts payable	2,102	-	2,102
Total liabilities	<u>8,083</u>	<u>-</u>	<u>8,083</u>
<b>Net position</b>			
Net investment in capital assets	1,083	-	1,083
Unrestricted	9,389	17,859	27,248
Total net position	<u>\$ 10,472</u>	<u>\$ 17,859</u>	<u>\$ 28,331</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	Child Care Program	Total
Operating revenues			
Charges for services			
Daily sales - reimbursable programs	\$ 28,429	\$ -	\$ 28,429
Daily sales - non-reimbursable programs	13,542	-	13,542
Fees for services	-	45,900	45,900
Total operating revenues	<u>41,971</u>	<u>45,900</u>	<u>87,871</u>
Operating expenses			
Cost of sales - reimbursable programs	21,817	-	21,817
Cost of sales - reimbursable programs	4,598	-	4,598
Commodity food costs	6,823	-	6,823
Salaries	20,253	48,229	68,482
Support services - employee benefits	2,899	3,995	6,894
Purchased professional/technical services	2,231	-	2,231
Purchased property services	1,053	-	1,053
Other purchased services			
Insurance	2,190	-	2,190
Management fee	6,330	-	6,330
Office expenses	-	463	463
Supplies and materials	2,636	676	3,312
Depreciation	461	-	461
Miscellaneous expenditures	569	283	852
Total operating expenses	<u>71,860</u>	<u>53,646</u>	<u>125,506</u>
Operating income (loss)	<u>(29,889)</u>	<u>(7,746)</u>	<u>(37,635)</u>
Non-operating revenues (expenses)			
State sources			
State school lunch program	731	-	731
Federal sources			
National school lunch program			
Cash assistance	17,604	-	17,604
Non cash assistance (commodities)	6,823	-	6,823
Other sources	41	-	41
Interest earned on investments	123	100	223
Total non-operating revenues (expenses)	<u>25,322</u>	<u>100</u>	<u>25,422</u>
Change in net position	(4,567)	(7,646)	(12,213)
Net position, beginning	<u>15,039</u>	<u>25,505</u>	<u>40,544</u>
Net position, ending	<u>\$ 10,472</u>	<u>\$ 17,859</u>	<u>\$ 28,331</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	Child Care Program	Total
Cash flows from operating activities			
Receipts from customers (net)	\$ 42,372	\$ 44,666	\$ 87,038
Payments to Food Service Management Co.	(69,734)	-	(69,734)
Payments to vendors (net)	(4,041)	(53,646)	(57,687)
Net cash provided by (used for) operating activities	<u>(31,403)</u>	<u>(8,980)</u>	<u>(40,383)</u>
Cash flows from non-capital financing activities			
State sources	720	-	720
Federal sources	17,661	-	17,661
Miscellaneous	41	-	41
Net interfund transactions	(47)	-	(47)
Net cash provided by (used for) noncapital financing activities	<u>18,375</u>	<u>-</u>	<u>18,375</u>
Cash flows from investing activities			
Interest on investments	123	100	223
Net increase (decrease) in cash and cash equivalents	(12,905)	(8,880)	(21,785)
Cash and cash equivalents, beginning	<u>23,854</u>	<u>17,783</u>	<u>41,637</u>
Cash and cash equivalents, ending	<u>\$ 10,949</u>	<u>\$ 8,903</u>	<u>\$ 19,852</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities			
Operating income (loss)	\$ (29,889)	\$ (7,746)	\$ (37,635)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities			
Depreciation	461	-	461
Federal food donation program	6,823	-	6,823
(Increase) decrease in accounts receivable	-	(1,234)	(1,234)
Increase (decrease) in accounts payable	(8,943)	-	(8,943)
(Increase) decrease in inventory	(201)	-	(201)
Increase (decrease) in unearned revenue	346	-	346
Net cash provided by (used for) operating activities	<u>\$ (31,403)</u>	<u>\$ (8,980)</u>	<u>\$ (40,383)</u>

See accompanying notes to financial statements.

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

	<u>Student Activity Agency Fund</u>	<u>Payroll Agency Fund</u>
<b>Assets</b>		
Cash & cash equivalents	\$ 3,926	\$ 37,070
Total assets	<u>\$ 3,926</u>	<u>\$ 37,070</u>
<b>Liabilities</b>		
Due to student groups	\$ 3,926	\$ -
FSA Section 125 Plan	-	5,285
Payroll deductions & withholdings	-	30,877
Net payroll	-	908
Total liabilities	<u>\$ 3,926</u>	<u>\$ 37,070</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 Warren, 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-6. The District had an approximate enrollment at June 30, 2018 of 212 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 childcare 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* - The trust and agency funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature and do not involve measurement of results of operations. The following is a description of the trust and agency funds of the District.

*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.

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.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

D. Budgets/budgetary control (continued)

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

**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	1,542,231
Total bank balances	<u>\$ 1,792,231</u>

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

Cash		<u>\$ 1,542,228</u>
	<u>Ref.</u>	
Unrestricted cash		
Governmental funds, Balance Sheet	B-1	\$ 712,381
Enterprise funds, Statement of Net Position	B-4	19,852
Fiduciary funds, Statement of Net Position	B-7	40,996
Restricted cash		
Governmental funds, Balance Sheet	B-1	768,999
Total cash		<u>\$ 1,542,228</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:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 180,000	\$ -	\$ -	\$ 180,000
Total	<u>180,000</u>	<u>-</u>	<u>-</u>	<u>180,000</u>
Capital assets, being depreciated				
Land improvements	112,428	-	-	112,428
Building & improvements	5,390,837	-	-	5,390,837
Furniture & equipment	<u>284,949</u>	<u>-</u>	<u>70,286</u>	<u>214,663</u>
Total	<u>5,788,214</u>	<u>-</u>	<u>70,286</u>	<u>5,717,928</u>
Accumulated depreciation				
Land improvements	70,228	3,131	-	73,359
Building & improvements	2,108,818	110,594	-	2,219,412
Furniture & equipment	<u>252,390</u>	<u>10,197</u>	<u>70,286</u>	<u>192,301</u>
Total	<u>2,431,436</u>	<u>123,922</u>	<u>70,286</u>	<u>2,485,072</u>
Total capital assets, being depreciated, net	<u>3,356,778</u>	<u>(123,922)</u>	<u>-</u>	<u>3,232,856</u>
Governmental activities capital assets, net	<u>\$ 3,536,778</u>	<u>\$ (123,922)</u>	<u>\$ -</u>	<u>\$ 3,412,856</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business type activities				
Furniture & equipment	\$ 30,019	\$ -	\$ -	\$ 30,019
Less: accumulated depreciation	<u>28,475</u>	<u>461</u>	<u>-</u>	<u>28,936</u>
Business type activities capital assets, net	<u>\$ 1,544</u>	<u>\$ (461)</u>	<u>\$ -</u>	<u>\$ 1,083</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				\$	55,902
Special education					14,117
Other special instruction					6,448
Other instruction					1,796
Support services					
Student & instruction					29,325
General & business administration					12,066
School administration					2,096
Plant maintenance					2,172
Total depreciation expense, governmental activities				\$	123,922

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	\$ 740,000	\$ -	\$ 185,000	\$ 555,000	\$ 185,000
Unamortized bond premium	44,702	-	8,941	35,761	8,941
Compensated absences payable	158,719	969	-	159,688	-
PERS net pension liability	2,483,792	-	412,667	2,071,125	-
Total governmental activities long-term liabilities	\$ 3,427,213	\$ 969	\$ 606,608	\$ 2,821,574	\$ 193,941

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	\$ 185,000	\$ 27,750	\$ 212,750
2020	185,000	18,500	203,500
2021	185,000	9,250	194,250
Total	\$ 555,000	\$ 55,500	\$ 610,500

**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:

\$2,045,000 - 2010 general obligation school building bonds, interest at 2.00% to 5.00% due in annual installments beginning February 15, 2011 through February 15, 2021. \$ 555,000

The general obligation bonded debt of the District is limited by state law to 2.5% 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 \$9,956,660. General obligation debt at June 30, 2018 is \$555,000, resulting in a legal debt margin of \$9,401,660.

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.

A. Public employees' retirement systems (PERS)

Plan description

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

Plan description (continued)

A. Public employees' retirement systems (PERS)

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 1<sup>st</sup> 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	\$ 3,990,602
Plan fiduciary net position	1,919,477
Net pension liability	\$ 2,071,125

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, applied to all periods in the measurement:

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).

**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 (continued)

Components of net pension liability (continued)

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

Long-term expected rate of return

In accordance with State statute, the long-term expected rate of return on 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>	2017
At current discount rate (5.00%)	\$ 2,071,125
At a 1% lower rate (4.00%)	2,569,371
At a 1% higher rate (6.00%)	1,656,024

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	\$ 48,768	\$ -
Changes of assumptions	417,260	415,730
Net difference between projected and actual earnings on pension plan investments	14,103	-
Changes in proportion and differences between District contributions and proportionate share of contributions	270,910	36,500
District contributions subsequent to the measurement date	82,423	-
Total	\$ 833,464	\$ 452,230

**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 \$82,423 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	\$ 49,005	\$ 15,124	\$ 15,361	\$ 48,768
Changes of Assumptions	545,851	-	128,591	417,260
Differences between projected and actual investment earnings on pension plan investments	100,479	(88,773)	(2,397)	14,103
Deferred Inflows of Resources				
Changes of Assumptions	-	(508,527)	(92,797)	(415,730)
Net of deferred outflows	<u>\$ 695,335</u>	<u>\$ (582,176)</u>	<u>\$ 48,758</u>	<u>\$ 64,401</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	\$ 48,756
2019	73,574
2020	44,582
2021	(59,295)
2022	(43,216)
Total	<u>\$ 64,401</u>

Pension expense

For the year ended June 30, 2018, the District recognized net pension expense of \$204,887, which represents the District's proportionate share of allocable plan pension expense of \$149,387, plus the net amortization of deferred amounts from changes in proportion of \$63,420, and less other adjustments to the net pension liability of \$7,920. 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	\$	96,601
Interest on total pension liability		175,299
Member contributions		(45,952)
Administrative expense		1,202
Expected investment return net of investment expense		(125,162)
Pension expense related to specific liabilities of individual employers		(1,359)
Recognition of deferred inflows/outflows of resources		
Amortization of assumption changes or inputs		35,793
Amortization of expected versus actual experience		15,361
Amortization of projected versus actual investment earnings on pension plan investments		(2,396)
Pension expense	\$	149,387

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](http://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 \$215,336 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 1<sup>st</sup> 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)

Components of net pension liability

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	\$ 12,929,548
District's proportionate share of net pension liability	-
Employer pension expense and related revenue	895,694
Non-employer contribution	215,336
 Allocable proportionate percentage	 .0191765891%

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	\$ 578,684
Interest on total pension liability	631,474
Member contributions	(151,094)
Administrative expense	2,278
Expected investment return net of investment expense	(307,035)
Pension expense related to specific liabilities of individual employers	(68)
Recognition of deferred inflows/outflows of resources	
Amortization of assumption changes or inputs	138,300
Amortization of expected versus actual experience	10,190
Amortization of projected versus actual investment earnings on pension plan investments	(7,035)
Pension expense	\$ 895,694

**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

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	\$ 17,334,821
Plan fiduciary net position	4,405,273
Net pension liability	\$ 12,929,548

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, 2016 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)

Asset Class	Target Allocations	Long-Term Expected Rate of Return
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%)	\$ 12,929,548
At a 1% lower rate (3.25%)	15,360,708
At a 1% higher rate (5.25%)	10,926,747

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/njdcprp](http://www.prudential.com/njdcprp).

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 ended 2018 was \$536.

D. Other pension plan information

During the year ended June 30, 2018, the State of New Jersey contributed \$198,675 to the TPAF for post-retirement medical benefits, \$7,288 for non-contributory insurance premiums, \$477 for long-term disability insurance, and \$300,317 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 \$158,315 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 No. 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](http://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 Post-employment 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	13,625,025
Employer pension expense and related revenue	817,609
Allocable proportionate percentage	.025400942%

Changes in the total OPEB liability

	Total OPEB Liability
Total OPEB liability at June 30, 2016	\$ 14,715,319
Service cost	576,980
Interest cost	431,529
Change of benefit terms	-
Differences between expected and actual experiences	-
Changes of assumptions	(1,794,840)
Member contributions	11,621
Gross benefit payments	(315,584)
Total OPEB liability at June 30, 2017	\$ 13,625,025

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%)	\$ 13,625,025
At a 1% lower rate (2.58%)	16,173,888
At a 1% higher rate (4.58%)	11,603,243

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	\$ 13,625,025
At a 1% lower rate (1% decrease)	11,205,266
At a 1% higher rate (1% increase)	16,838,437

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 \$817,609 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)  
 Equitable Insurance Co.  
 Prudential Insurance Co.  
 Phoenix Home Life Mutual Insurance Co.

Note 9 - Interfund receivable and payables  
 The composition of interfund balances as of June 30, 2018 is as follows:

	Receivable	Payable
General fund	\$ 8,652	\$ -
Special revenue fund	-	5,083
Food service fund	-	3,569
	\$ 8,652	\$ 8,652

The balance due from the food service fund to the general fund of \$3,569 represents an advance in anticipation of lunch reimbursement. The special revenue fund had an interfund payable for \$5,083 due to the general fund for a loan as a result of cash flow issues relating to the delayed receipt of grant revenues.

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

Food	\$ 2,350
Supplies	603
Total	\$ 2,953

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.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 12 - Risk management

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

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

*New Jersey Unemployment Compensation Insurance* - The District has elected to fund its NJ Unemployment Compensation Insurance under the Contributory Method. Under this plan, the District is required to remit the entire employee deduction of unemployment compensation to the state. Any claims for unemployment are paid for by the State from those funds.

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 the State statute the District deposited \$105,000 to their capital 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	\$ 367,439	\$ 105,000	\$ 3,248	\$ -	\$ -	\$ 475,687
Maintenance	293,312	-	-	-	-	293,312
Total	<u>\$ 660,751</u>	<u>\$ 105,000</u>	<u>\$ 3,248</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 768,999</u>

**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
<b>Restricted</b>	
Excess surplus - Designated for subsequent year's expenditures. Amount appropriated in the succeeding year's budget to reduce tax requirements.	\$ 250,406
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.	152,334
Capital reserve account - Represents funds restricted to capital projects in the Districts long range facilities plan.	475,687
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).	293,312
<b>Committed</b>	
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.	86,538
<b>Assigned</b>	
Designated surplus - Designated for Subsequent Year's expenditures - Represents amount appropriated in the succeeding year's budget to reduce tax requirements.	85,621
<b>Unassigned</b>	
Undesignated - Represents fund balance which has not been restricted or designated.	356,028
Total fund balance - budgetary basis (Exhibit C-1)	1,699,926
Last state aid payments not recognized on GAAP basis	(73,768)
Total fund balance - GAAP basis (Exhibit B-1)	\$ 1,626,158

Note 15 - Calculation of excess surplus

In accordance with N.J.S.A. 18A:7F-7, as amended by PL 2004, Ch. 73 (\$1701), 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 \$152,334.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

- Note 16 - 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 17 - 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 (\$1,038,587) 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 18 - 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.

**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
<b>REVENUES</b>					
Local sources					
Local tax levy	\$ 3,710,000	\$ -	\$ 3,710,000	\$ 3,710,000	\$ -
Tuition from individuals	40,000	-	40,000	33,467	(6,533)
Tuition from other LEAs within the state	-	-	-	18,690	18,690
Rents and royalties	-	-	-	15,523	15,523
Unrestricted miscellaneous revenues	15,000	-	15,000	23,330	8,330
Interest earned on maintenance reserve	400	-	400	-	(400)
Interest earned on capital reserve funds	500	-	500	3,248	2,748
<b>Total</b>	<b>3,765,900</b>	<b>-</b>	<b>3,765,900</b>	<b>3,804,258</b>	<b>38,358</b>
State sources					
Categorical transportation aid	19,335	-	19,335	19,335	-
Extraordinary aid	32,440	-	32,440	136,188	103,748
Categorical special education aid	147,307	-	147,307	147,307	-
Equalization aid	557,245	-	557,245	557,245	-
Categorical security aid	4,013	-	4,013	4,013	-
Adjustment aid	16,011	-	16,011	16,011	-
PARCC readiness aid	2,190	-	2,190	2,190	-
Per pupil growth aid	2,190	-	2,190	2,190	-
Professional learning community aid	2,040	-	2,040	2,040	-
Lead testing for drinking water	-	-	-	1,384	1,384
Other state aid	-	-	-	2,280	2,280
TPAF pension (on-behalf)	-	-	-	307,605	307,605
TPAF social security (reimbursed)	-	-	-	158,315	158,315
TPAF post retirement benefits	-	-	-	198,675	198,675
TPAF long-term disability insurance	-	-	-	477	477
<b>Total</b>	<b>782,771</b>	<b>-</b>	<b>782,771</b>	<b>1,555,255</b>	<b>772,484</b>
<b>Total revenues</b>	<b>\$ 4,548,671</b>	<b>\$ -</b>	<b>\$ 4,548,671</b>	<b>\$ 5,359,513</b>	<b>\$ 810,842</b>
<b>EXPENDITURES</b>					
Current					
Instruction - regular program					
Salaries of teachers					
Preschool	\$ 85,425	\$ -	\$ 85,425	\$ 84,374	\$ 1,051
Kindergarten	151,275	-	151,275	149,960	1,315
Grades 1-5	910,849	(30,725)	880,124	870,694	9,430
Grades 6-8	199,700	(15,750)	183,950	176,804	7,146
Regular programs - undistributed instruction					
Other purchased services	22,000	(7,200)	14,800	14,776	24
General supplies	70,846	26,000	96,846	71,038	25,808
Textbooks	65,448	(5,000)	60,448	55,056	5,392
Other objects	2,000	(1,200)	800	714	86
<b>Total</b>	<b>1,507,543</b>	<b>(33,875)</b>	<b>1,473,668</b>	<b>1,423,416</b>	<b>50,252</b>
Special education					
Multiple disabilities					
Salaries of teachers	114,600	-	114,600	104,400	10,200
General supplies	3,228	-	3,228	1,528	1,700
<b>Total</b>	<b>117,828</b>	<b>-</b>	<b>117,828</b>	<b>105,928</b>	<b>11,900</b>

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)					
Resource room/resource center					
Salaries of teachers	\$ 149,450	\$ -	\$ 149,450	\$ 145,283	\$ 4,167
Other salaries for instruction	137,600	(28,000)	109,600	106,385	3,215
General supplies	3,925	-	3,925	2,178	1,747
Total	<u>290,975</u>	<u>(28,000)</u>	<u>262,975</u>	<u>253,846</u>	<u>9,129</u>
Home instruction					
Salaries of teachers	600	6,425	7,025	6,700	325
Total	<u>600</u>	<u>6,425</u>	<u>7,025</u>	<u>6,700</u>	<u>325</u>
Total special education	<u>409,403</u>	<u>(21,575)</u>	<u>387,828</u>	<u>366,474</u>	<u>21,354</u>
Basic skills/remedial					
Salaries of teachers	114,502	51,500	166,002	165,986	16
General supplies	1,947	(500)	1,447	1,405	42
Total	<u>116,449</u>	<u>51,000</u>	<u>167,449</u>	<u>167,391</u>	<u>58</u>
School-sponsored co/extra curricular activities - instruction					
Salaries	15,000	1,650	16,650	16,275	375
Supplies and materials	1,500	-	1,500	1,238	262
Total	<u>16,500</u>	<u>1,650</u>	<u>18,150</u>	<u>17,513</u>	<u>637</u>
Summer school - instruction					
Salaries of teachers	15,665	(335)	15,330	15,270	60
Other salaries of instruction	12,390	-	12,390	12,131	259
Purchased professional & technical services	-	1,735	1,735	1,733	2
General supplies	200	-	200	-	200
Total	<u>28,255</u>	<u>1,400</u>	<u>29,655</u>	<u>29,134</u>	<u>521</u>
Total instruction regular	<u>\$ 2,078,150</u>	<u>\$ (1,400)</u>	<u>\$ 2,076,750</u>	<u>\$ 2,003,928</u>	<u>\$ 72,822</u>
Undistributed expenditures					
Undistributed expenditures - instruction					
Tuition to other LEAs within the state - special	\$ 3,500	\$ -	\$ 3,500	\$ -	\$ 3,500
Tuition to priv. school for the disabled w/i state	30,000	-	30,000	-	30,000
Total	<u>33,500</u>	<u>-</u>	<u>33,500</u>	<u>-</u>	<u>33,500</u>
Undistributed expenditures - health services					
Salaries	68,750	800	69,550	69,462	88
Purchased professional and technical services	1,600	-	1,600	652	948
Supplies and materials	3,175	(800)	2,375	993	1,382
Total	<u>73,525</u>	<u>-</u>	<u>73,525</u>	<u>71,107</u>	<u>2,418</u>
Undistributed expenditures - speech, ot, pt & related services					
Salaries	72,240	-	72,240	71,700	540
Purchased professional - educational services	129,800	-	129,800	102,383	27,417
Supplies and materials	1,690	-	1,690	1,572	118
Total	<u>203,730</u>	<u>-</u>	<u>203,730</u>	<u>175,655</u>	<u>28,075</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 expend - other supp. service stds. - extra service					
Salaries	\$ 89,725	\$ -	\$ 89,725	\$ 86,973	\$ 2,752
Total	89,725	-	89,725	86,973	2,752
Undistributed expenditures - guidance					
Purchased professional - educational services	1,700	-	1,700	1,400	300
Total	1,700	-	1,700	1,400	300
Undistributed expenditures - child study teams					
Salaries of other professional staff	191,125	950	192,075	192,041	34
Salaries of secretarial and clerical assistants	38,500	(2,800)	35,700	22,858	12,842
Purchased professional - educational services	1,500	850	2,350	2,296	54
Other purchased services	1,000	1,000	2,000	1,121	879
Supplies and materials	2,700	-	2,700	1,994	706
Other objects	2,800	-	2,800	1,568	1,232
Total	237,625	-	237,625	221,878	15,747
Undistributed expenditures - improvement of inst. service					
Other purchased services	20,429	1,550	21,979	21,847	132
Total	20,429	1,550	21,979	21,847	132
Undistributed expenditures - edu. media service/sch. library					
Salaries	62,700	(29,205)	33,495	33,482	13
Purchased professional and technical services	24,600	27,330	51,930	51,925	5
Other purchased services	300	(300)	-	-	-
Supplies and materials	500	1,550	2,050	1,778	272
Other objects	-	525	525	488	37
Total	88,100	(100)	88,000	87,673	327
Undistributed expenditures - instructional staff training services					
Other purchased services	1,531	(50)	1,481	635	846
Supplies and materials	2,000	-	2,000	-	2,000
Other objects	13,000	-	13,000	1,703	11,297
Total	16,531	(50)	16,481	2,338	14,143
Undistributed expend. - support service - general admin.					
Salaries	128,100	4,325	132,425	132,403	22
Legal services	8,000	-	8,000	6,631	1,369
Audit fees	15,200	-	15,200	15,000	200
Architectural/engineering services	3,000	(300)	2,700	-	2,700
Communications/telephone	4,100	-	4,100	3,587	513
BOE other purchased services	6,300	(4,325)	1,975	256	1,719
Misc purch services	5,659	-	5,659	3,828	1,831
General supplies	2,050	610	2,660	2,385	275
Miscellaneous expenditures	12,750	(310)	12,440	9,552	2,888
BOE membership dues and fees	3,500	-	3,500	3,246	254
Total	188,659	-	188,659	176,888	11,771

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 expend. - support service - school admin.					
Salaries of secretarial and clerical assistants	\$ 39,075	\$ -	\$ 39,075	\$ 39,064	\$ 11
Supplies and materials	1,273	-	1,273	611	662
Total	<u>40,348</u>	<u>-</u>	<u>40,348</u>	<u>39,675</u>	<u>673</u>
Undistributed expenditures - central services					
Salaries	134,275	(450)	133,825	133,778	47
Miscellaneous purchased services	592	-	592	23	569
Supplies and materials	600	550	1,150	1,081	69
Other objects	2,183	(100)	2,083	1,463	620
Total	<u>137,650</u>	<u>-</u>	<u>137,650</u>	<u>136,345</u>	<u>1,305</u>
Undistributed expenditures - admin. info. technology					
Purchased professional services	7,000	-	7,000	6,810	190
Purchased technical services	8,100	-	8,100	7,930	170
Total	<u>15,100</u>	<u>-</u>	<u>15,100</u>	<u>14,740</u>	<u>360</u>
Undistributed expend. - required maint. for school facilities					
Salaries	65,600	2,400	68,000	68,000	-
Cleaning, repair, and maintenance services	27,350	(300)	27,050	22,679	4,371
Total	<u>92,950</u>	<u>2,100</u>	<u>95,050</u>	<u>90,679</u>	<u>4,371</u>
Undistributed expenditures - custodial services					
Salaries	102,050	(5,400)	96,650	96,481	169
Purchased professional and technical services	1,800	(1,525)	275	-	275
Cleaning, repair, and maintenance service	4,515	-	4,515	4,253	262
Insurance	36,000	(4,100)	31,900	31,862	38
Miscellaneous purchased services	6,150	700	6,850	6,577	273
General supplies	28,765	14,500	43,265	36,285	6,980
Energy (natural gas)	25,000	-	25,000	24,206	794
Energy (electricity)	55,000	(10,000)	45,000	44,896	104
Other objects	1,775	300	2,075	1,103	972
Total	<u>261,055</u>	<u>(5,525)</u>	<u>255,530</u>	<u>245,663</u>	<u>9,867</u>
Undistributed expenditures - care and upkeep of grounds					
Cleaning, repair, and maintenance service	1,000	9,000	10,000	1,285	8,715
General supplies	2,000	900	2,900	2,878	22
Total	<u>3,000</u>	<u>9,900</u>	<u>12,900</u>	<u>4,163</u>	<u>8,737</u>
Undistributed expenditures - security					
Purchased professional and technical services	-	1,570	1,570	1,570	-
Cleaning, repair, and maintenance service	1,000	19,300	20,300	281	20,019
General supplies	600	1,655	2,255	2,174	81
Total	<u>1,600</u>	<u>22,525</u>	<u>24,125</u>	<u>4,025</u>	<u>20,100</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 - student transportation service					
Salaries of non-instructional aides	\$ 10,000	\$ (3,200)	\$ 6,800	\$ 5,508	\$ 1,292
Contract serv-aid in lieu pymts-choice school students	4,000	(1,500)	2,500	884	1,616
Contract serv (between home & school) - vendors	90,000	3,200	93,200	93,131	69
Contract serv (between home & school) - joint agreements	17,000	(2,100)	14,900	11,907	2,993
Contract serv (spl. ed. students) - escs & ctsas	56,000	(700)	55,300	49,426	5,874
Other objects	1,000	4,300	5,300	5,276	24
Total	<u>178,000</u>	<u>-</u>	<u>178,000</u>	<u>166,132</u>	<u>11,868</u>
Unallocated benefits - employee benefits					
Social security contributions	61,500	-	61,500	55,285	6,215
Other retirement contributions - PERS	77,500	6,167	83,667	83,667	-
Other retirement contributions - regular	-	550	550	536	14
Unemployment compensation	12,500	-	12,500	12,216	284
Workmen's compensation	29,200	-	29,200	28,849	351
Health benefits	813,000	(35,717)	777,283	726,823	50,460
Tuition reimbursement	30,000	-	30,000	26,059	3,941
Other employee benefits	132,000	-	132,000	88,936	43,064
Total	<u>1,155,700</u>	<u>(29,000)</u>	<u>1,126,700</u>	<u>1,022,371</u>	<u>104,329</u>
On-behalf TPAF pension contribution	-	-	-	307,605	(307,605)
On-behalf TPAF post retirement medical benefits	-	-	-	198,675	(198,675)
On-behalf TPAF long-term disability insurance	-	-	-	477	(477)
Reimbursed TPAF social security contribution	-	-	-	158,315	(158,315)
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>665,072</u>	<u>(665,072)</u>
Total undistributed expenditures	<u>\$ 2,838,927</u>	<u>\$ 1,400</u>	<u>\$ 2,840,327</u>	<u>\$ 3,234,624</u>	<u>\$ (394,297)</u>
Total current	<u>\$ 4,917,077</u>	<u>\$ -</u>	<u>\$ 4,917,077</u>	<u>\$ 5,238,552</u>	<u>\$ (321,475)</u>
Capital outlay					
Facilities acquisition and construction service					
Assessment for debt service on SDA funding	\$ 12,687	\$ -	\$ 12,687	\$ 12,687	\$ -
Total facilities acquisition and construction service	<u>12,687</u>	<u>-</u>	<u>12,687</u>	<u>12,687</u>	<u>-</u>
Total capital outlay	<u>\$ 12,687</u>	<u>\$ -</u>	<u>\$ 12,687</u>	<u>\$ 12,687</u>	<u>\$ -</u>
Total expenditures	<u>\$ 4,929,764</u>	<u>\$ -</u>	<u>\$ 4,929,764</u>	<u>\$ 5,251,239</u>	<u>\$ (321,475)</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (381,093)	\$ -	\$ (381,093)	\$ 108,274	\$ 489,367
Fund balances, July 1	<u>1,591,652</u>	<u>-</u>	<u>1,591,652</u>	<u>1,591,652</u>	<u>-</u>
Fund balances, June 30	<u>\$ 1,210,559</u>	<u>\$ -</u>	<u>\$ 1,210,559</u>	<u>\$ 1,699,926</u>	<u>\$ 489,367</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
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Recapitulation of excess (deficiency) of revenues over (under) expenditures					
Adjustment for prior year encumbrances	\$ (45,966)	\$ -	\$ (45,966)	\$ (45,966)	\$ -
Increase in capital reserve	-	105,000	105,000	105,000	-
Interest deposit to capital reserve	500	-	500	3,248	2,748
Interest earned on maintenance reserve	400	-	400	-	(400)
Budgeted fund balance	(336,027)	(105,000)	(441,027)	45,992	487,019
Total	<u>\$ (381,093)</u>	<u>\$ -</u>	<u>\$ (381,093)</u>	<u>\$ 108,274</u>	<u>\$ 489,367</u>
Recapitulation of fund balance					
Restricted fund balance					
Excess surplus - designated for subsequent year's expenditures				\$ 250,406	
Excess surplus - current year				152,334	
Capital reserve				475,687	
Maintenance reserve				293,312	
Committed fund balance					
Year-end encumbrances				86,538	
Assigned fund balance					
Designated for subsequent year's expenditures				85,621	
Unassigned fund balance				<u>356,028</u>	
Fund balance per budgetary basis				1,699,926	
Reconciliation to governmental statements (GAAP)					
Last state aid payments not recognized on GAAP basis				<u>(73,768)</u>	
Fund balance per governmental funds (GAAP)				<u>\$ 1,626,158</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					
Federal sources	\$ 128,361	\$ 916	\$ 129,277	\$ 119,748	\$ (9,529)
Local sources	1,665	-	1,665	1,350	(315)
Total revenues	<u>\$ 130,026</u>	<u>\$ 916</u>	<u>\$ 130,942</u>	<u>\$ 121,098</u>	<u>\$ (9,844)</u>
Expenditures					
Instruction					
Salaries	\$ 18,810	\$ -	\$ 18,810	\$ 18,610	\$ 200
Other purchased services	2,250	-	2,250	2,250	-
General supplies	14,161	916	15,077	5,450	9,627
Other objects	2,375	-	2,375	2,375	-
Total	<u>37,596</u>	<u>916</u>	<u>38,512</u>	<u>28,685</u>	<u>9,827</u>
Support services					
Salaries	25,953	-	25,953	25,953	-
Employee benefits	3,426	-	3,426	3,409	17
Purchased professional & technical services	55,716	-	55,716	55,716	-
Other purchased services	7,335	-	7,335	7,335	-
Total	<u>92,430</u>	<u>-</u>	<u>92,430</u>	<u>92,413</u>	<u>17</u>
Total expenditures	<u>\$ 130,026</u>	<u>\$ 916</u>	<u>\$ 130,942</u>	<u>\$ 121,098</u>	<u>\$ 9,844</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	\$ 5,359,513	\$ 121,098
Difference - Budget to GAAP		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures and the related revenue is recognized:		
Outstanding encumbrances-current year	-	(916)
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	73,768	-
State aid receivable current year	(73,768)	-
Total revenues (GAAP Basis)	<u>\$ 5,359,513</u>	<u>\$ 120,182</u>
<u>Uses/Outflows of Resources</u>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 5,251,239	\$ 121,098
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes:		
Outstanding encumbrances-current year	-	(916)
Total expenditures (GAAP Basis)	<u>\$ 5,251,239</u>	<u>\$ 120,182</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 Pension 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	0.0064546026%	0.0083863347%	0.0076036503%	0.0067273132%	0.0072313838%	N/A	N/A	N/A	N/A
District's proportion of the net pension liability (asset) - value	N/A	\$ 1,502,528	\$ 2,483,792	\$ 1,706,867	\$ 1,259,537	\$ 1,382,061	N/A	N/A	N/A	N/A
District's covered employee payroll	\$ 474,362	551,911	564,298	505,671	485,918	488,534	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	272.24%	440.16%	337.54%	259.21%	282.90%	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 contribution	\$ 59,795	\$ 74,503	\$ 65,371	\$ 55,459	\$ 54,487	\$ 55,064	\$ 56,040	\$ 53,361	\$ 47,008	\$ 40,294
Contributions in relation to the contractually required contribution	(59,795)	(74,503)	(65,371)	(55,459)	(54,487)	(55,064)	(56,040)	(53,361)	(47,008)	(40,294)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 474,362	\$ 551,911	\$ 564,298	\$ 505,671	\$ 485,918	\$ 488,534	\$ 471,394	\$ 480,265	\$ 504,177	\$ 500,196
Contributions as a percentage of covered employee payroll	12.61%	13.50%	11.58%	10.97%	11.21%	11.27%	11.89%	11.11%	9.32%	8.06%

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	0.00%	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	N/A
State's proportionate share of the net pension liability (asset) associated with the District	\$ -	\$ 12,929,548	16,650,004	13,824,384	11,491,609	10,215,301	N/A	N/A	N/A	N/A
<b>Total</b>	<b>\$ -</b>	<b>\$ 12,929,548</b>	<b>\$ 16,650,004</b>	<b>\$ 13,824,384</b>	<b>\$ 11,491,609</b>	<b>\$ 10,215,301</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
District's covered employee payroll	\$ -	\$ 2,150,850	\$ 2,081,248	\$ 1,971,474	\$ 2,026,913	\$ 2,125,012	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	N/A	0.00%	0.00%	0.00%	0.00%	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 contribution	\$ 307,605	\$ 215,699	\$ 169,458	\$ 118,251	\$ 90,958	\$ 130,604	\$ 72,123	\$ 6,828	\$ 7,411	\$ 6,492
Contributions in relation to the contractually required contribution	(307,605)	(215,699)	(169,458)	(118,251)	(90,958)	(130,604)	(72,123)	(6,828)	(7,411)	(6,492)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 2,138,041	\$ 2,150,850	\$ 2,081,248	\$ 1,971,474	\$ 2,026,913	\$ 2,125,012	\$ 2,025,405	\$ 1,947,740	\$ 2,260,240	\$ 2,181,652
Contributions as a percentage of covered employee payroll	14.39%	10.03%	8.14%	6.00%	4.49%	6.15%	3.56%	0.35%	0.33%	0.30%

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 proportion of the net pension 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 proportion of the net pension 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	13,625,025	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Total</b>	<b>\$ -</b>	<b>\$ 13,625,025</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
District's covered employee payroll	N/A	\$ 2,702,761	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 Revenues and Expenditures - Budgetary Basis**  
**For the Fiscal Year Ended June 30, 2018**

	Small, Rural School Achievement	ESSA Title IA	ESSA Title IV	IDEA Basic	IDEA Preschool	Local Grants	Total
<b>Revenues</b>							
Federal sources	\$ 26,594	\$ 27,938	\$ 10,000	\$ 53,146	\$ 2,070	\$ -	\$ 119,748
Local sources	-	-	-	-	-	1,350	1,350
<b>Total revenues</b>	<b>\$ 26,594</b>	<b>\$ 27,938</b>	<b>\$ 10,000</b>	<b>\$ 53,146</b>	<b>\$ 2,070</b>	<b>\$ 1,350</b>	<b>\$ 121,098</b>
<b>Expenditures</b>							
<b>Instruction</b>							
Salaries	\$ 13,810	\$ -	\$ 4,800	\$ -	\$ -	\$ -	\$ 18,610
Other purchased services	2,250	-	-	-	-	-	2,250
General supplies	2,103	-	3,347	-	-	-	5,450
Other objects	2,375	-	-	-	-	-	2,375
<b>Total</b>	<b>20,538</b>	<b>-</b>	<b>8,147</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28,685</b>
<b>Support services</b>							
Salaries	-	25,953	-	-	-	-	25,953
Employee benefits	1,056	1,985	368	-	-	-	3,409
Purchased professional and technical services	5,000	-	-	48,646	2,070	-	55,716
Other purchased services	-	-	1,485	4,500	-	1,350	7,335
<b>Total</b>	<b>6,056</b>	<b>27,938</b>	<b>1,853</b>	<b>53,146</b>	<b>2,070</b>	<b>1,350</b>	<b>92,413</b>
<b>Total expenditures</b>	<b>\$ 26,594</b>	<b>\$ 27,938</b>	<b>\$ 10,000</b>	<b>\$ 53,146</b>	<b>\$ 2,070</b>	<b>\$ 1,350</b>	<b>\$ 121,098</b>

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.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Capital Projects Fund**  
**Summary Schedule of Project Expenditures**  
**For the Fiscal Year Ended June 30, 2018**

Description	Approval Date	Revised Budgetary Appropriations	Expenditures to Date		Unexpended Appropriations 06/30/18
			Prior Years	Current Year	
Boiler and window replacement	09/13/10	\$ 625,980	\$ 605,005	\$ 20,975	\$ -
		<u>\$ 625,980</u>	<u>\$ 605,005</u>	<u>\$ 20,975</u>	<u>\$ -</u>

See independent auditors' report.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Capital Projects Fund**  
**Summary Schedule of Revenues, Expenditures,**  
**and Changes in Fund Balance - Budgetary Basis**  
**For the Fiscal Year Ended June 30, 2018**

Revenues and other financing sources	\$	-
Expenditures and other financing uses		
Transfer to other funds		20,975
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses		(20,975)
Net position - beginning		20,975
Net position - ending	\$	-

See independent auditors' report.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT**  
**Capital Projects Fund**  
**Schedule of Project Revenues, Expenditures, Project Balance and Project Status**  
**Budgetary Basis**  
**Roof Replacement Project**  
**For the Fiscal Year Ended June 30, 2018**

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and other financing sources				
Local sources				
Operating transfer - capital reserve	\$ 247,993	\$ -	\$ 247,993	\$ 247,993
Operating transfer - capital outlay	143,987	-	143,987	143,987
State source				
School development authority grant	234,000	-	234,000	234,000
Total revenues	<u>625,980</u>	<u>-</u>	<u>625,980</u>	<u>625,980</u>
Expenditures and other financing uses				
Purchased professional services	55,181	-	55,181	55,181
Construction services	529,218	-	529,218	529,218
Other objects	606	-	606	606
Transfer to other funds	20,000	20,975	40,975	40,975
Total expenditures	<u>605,005</u>	<u>20,975</u>	<u>625,980</u>	<u>625,980</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 20,975</u>	<u>\$ (20,975)</u>	<u>\$ -</u>	<u>\$ -</u>

**Additional Project Information**

Project number	1620-050-10-1001
Grant date	9/13/2010
Bond authorization date	N/A
Bonds authorized	N/A
Bonds issued	N/A
Original authorized cost	\$ 653,300
Additional authorized cost	\$ (27,320)
Revised authorized cost	\$ 625,980
Percentage completion	100.00%

See independent auditors' report.

## **PROPRIETARY FUNDS**

### **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	Child Care Program	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 10,949	\$ 8,903	\$ 19,852
Accounts receivable	-	8,956	8,956
Receivables from other governments			
State	139	-	139
Federal	3,431	-	3,431
Inventory	2,953	-	2,953
Total current assets	17,472	17,859	35,331
Noncurrent assets			
Capital assets	30,019	-	30,019
Less: accumulated depreciation	28,936	-	28,936
Total noncurrent assets	1,083	-	1,083
Total assets	18,555	17,859	36,414
Liabilities			
Current liabilities			
Unearned revenues - commodities	1,041	-	1,041
Unearned revenues - prepaid sales	1,371	-	1,371
Interfund payable	3,569	-	3,569
Accounts payable	2,102	-	2,102
Total liabilities	8,083	-	8,083
Net position			
Net investment in capital assets	1,083	-	1,083
Unrestricted	9,389	17,859	27,248
Total net position	\$ 10,472	\$ 17,859	\$ 28,331

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	Child Care Program	Total
Operating revenues			
Charges for services			
Daily sales - reimbursable programs	\$ 28,429	\$ -	\$ 28,429
Daily sales - non-reimbursable programs	13,542	-	13,542
Fees for services	-	45,900	45,900
Total operating revenues	<u>41,971</u>	<u>45,900</u>	<u>87,871</u>
Operating expenses			
Cost of sales - reimbursable programs	21,817	-	21,817
Cost of sales - non-reimbursable programs	4,598	-	4,598
Commodity food costs	6,823	-	6,823
Salaries	20,253	48,229	68,482
Support services - employee benefits	2,899	3,995	6,894
Purchased professional/technical services	2,231	-	2,231
Purchased property services	1,053	-	1,053
Other purchased services			
Insurance	2,190	-	2,190
Management fee	6,330	-	6,330
Office expenses	-	463	463
Supplies and materials	2,636	676	3,312
Depreciation	461	-	461
Miscellaneous expenditures	569	283	852
Total operating expenses	<u>71,860</u>	<u>53,646</u>	<u>125,506</u>
Operating income (loss)	<u>(29,889)</u>	<u>(7,746)</u>	<u>(37,635)</u>
Non-operating revenues (expenses)			
State sources			
State school lunch program	731	-	731
Federal sources			
National school lunch program			
Cash assistance	17,604	-	17,604
Non-cash assistance (commodities)	6,823	-	6,823
Miscellaneous	41	-	41
Interest earned on investments	123	100	223
Total non-operating revenues (expenses)	<u>25,322</u>	<u>100</u>	<u>25,422</u>
Change in net position	(4,567)	(7,646)	(12,213)
Net position, beginning	<u>15,039</u>	<u>25,505</u>	<u>40,544</u>
Net position, ending	<u>\$ 10,472</u>	<u>\$ 17,859</u>	<u>\$ 28,331</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	Child Care Program	Total
Cash flows from operating activities			
Receipts from customers (net)	\$ 42,372	\$ 44,666	\$ 87,038
Payments to Food Service Management Co.	(69,734)	-	(69,734)
Payments to vendors (net)	(4,041)	(53,646)	(57,687)
Net cash provided by (used for) operating activities	<u>(31,403)</u>	<u>(8,980)</u>	<u>(40,383)</u>
Cash flows from non-capital financing activities			
State sources	720	-	720
Federal sources	17,661	-	17,661
Miscellaneous	41	-	41
Net interfund transactions	(47)	-	(47)
Net cash provided by (used for) non-capital financing activities	<u>18,375</u>	<u>-</u>	<u>18,375</u>
Cash flows from investing activities			
Interest on investments	123	100	223
Net increase (decrease) in cash and cash equivalents	(12,905)	(8,880)	(21,785)
Cash and cash equivalents, beginning	23,854	17,783	41,637
Cash and cash equivalents, ending	<u>\$ 10,949</u>	<u>\$ 8,903</u>	<u>\$ 19,852</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities			
Operating income (loss)	\$ (29,889)	\$ (7,746)	\$ (37,635)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities			
Depreciation	461	-	461
Federal food donation program	6,823	-	6,823
(Increase) decrease in accounts receivable	-	(1,234)	(1,234)
Increase (decrease) in accounts payable	(8,943)	-	(8,943)
(Increase) decrease in inventory	(201)	-	(201)
Increase (decrease) in unearned revenue	346	-	346
Net cash provided by (used for) operating activities	<u>\$ (31,403)</u>	<u>\$ (8,980)</u>	<u>\$ (40,383)</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**

	Student Activity Agency Fund	Payroll Agency Fund	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 3,926	\$ 37,070	\$ 40,996
<b>Total assets</b>	<b>\$ 3,926</b>	<b>\$ 37,070</b>	<b>\$ 40,996</b>
<b>Liabilities</b>			
Due to student groups	\$ 3,926	\$ -	\$ 3,926
FSA Section 125 Plan	-	5,285	5,285
Payroll deductions and withholdings	-	30,877	30,877
Net payroll	-	908	908
<b>Total liabilities</b>	<b>\$ 3,926</b>	<b>\$ 37,070</b>	<b>\$ 40,996</b>

See independent auditors' report.

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

	Balance 07/01/17	Additions	Deletions	Balance 06/30/18
<b>Assets</b>				
Cash and cash equivalents	\$ 4,812	\$ 12,923	\$ 13,809	\$ 3,926
<b>Total assets</b>	<b>\$ 4,812</b>	<b>\$ 12,923</b>	<b>\$ 13,809</b>	<b>\$ 3,926</b>
<b>Liabilities</b>				
Due to student groups	\$ 4,812	\$ 12,923	\$ 13,809	\$ 3,926
<b>Total liabilities</b>	<b>\$ 4,812</b>	<b>\$ 12,923</b>	<b>\$ 13,809</b>	<b>\$ 3,926</b>

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

	Balance 07/01/17	Additions	Deletions	Balance 06/30/18
<b>Assets</b>				
Cash and cash equivalents	\$ 180,977	\$ 3,554,657	\$ 3,698,564	\$ 37,070
Due from other funds	7,342	1,640	8,982	-
<b>Total assets</b>	<b>\$ 188,319</b>	<b>\$ 3,556,297</b>	<b>\$ 3,707,546</b>	<b>\$ 37,070</b>
<b>Liabilities</b>				
Due to other funds	\$ 5,350	\$ 96	\$ 5,446	\$ -
Summer pay	148,786	108	148,894	-
FSA Section 125 Plan	8,412	12,499	15,626	5,285
Payroll deductions and withholdings	25,113	1,409,495	1,403,731	30,877
Net payroll	658	2,134,099	2,133,849	908
<b>Total liabilities</b>	<b>\$ 188,319</b>	<b>\$ 3,556,297</b>	<b>\$ 3,707,546</b>	<b>\$ 37,070</b>

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					
Refunding school bonds of 2010	02/15/10	\$ 2,045,000	02/15/19	\$ 185,000	5.00%	\$ 740,000	\$ -	\$ 185,000	\$ 555,000
			02/15/20	185,000	5.00%	-	-	-	-
			02/15/21	185,000	5.00%	-	-	-	-
						<u>\$ 740,000</u>	<u>\$ -</u>	<u>\$ 185,000</u>	<u>\$ 555,000</u>

See independent auditors' 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	\$ 201,025	\$ -	\$ 201,025	\$ 201,025	\$ -
Total revenues	<u>201,025</u>	<u>-</u>	<u>201,025</u>	<u>201,025</u>	<u>-</u>
Expenditures					
Regular debt service					
Redemption of principal	185,000	-	185,000	185,000	-
Interest	37,000	-	37,000	37,000	-
Total expenditures	<u>222,000</u>	<u>-</u>	<u>222,000</u>	<u>222,000</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(20,975)	-	(20,975)	(20,975)	-
Other financing sources (uses)					
Transfer in	<u>20,975</u>	<u>-</u>	<u>20,975</u>	<u>20,975</u>	<u>-</u>
Net change in fund balance	-	-	-	-	-
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 (WARREN COUNTY)**  
**Statistical Section J Series**

<u>CONTENTS</u>	<u>PAGE</u>
<b>FINANCIAL TRENDS</b>	
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
<b>REVENUE CAPACITY</b>	
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
<b>DEBT CAPACITY</b>	
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
<b>DEMOGRAPHIC AND ECONOMIC INFORMATION</b>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	J-14 to J-15
<b>OPERATING INFORMATION</b>	
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	\$ 1,518,088	\$ 1,545,240	\$ 1,999,232	\$ 2,436,701	\$ 2,532,279	\$ 2,625,277	\$ 2,736,966	\$ 2,742,021	\$ 2,796,778	\$ 2,857,856
Restricted	251,551	301,661	675,438	470,166	591,655	565,175	659,060	700,218	681,726	768,999
Unrestricted	110,718	349,158	330,829	157,214	262,364	(988,453)	(845,665)	(823,624)	(931,326)	(1,038,587)
Total governmental activities	<u>\$ 1,880,357</u>	<u>\$ 2,196,059</u>	<u>\$ 3,005,499</u>	<u>\$ 3,064,081</u>	<u>\$ 3,386,298</u>	<u>\$ 2,201,999</u>	<u>\$ 2,550,361</u>	<u>\$ 2,618,615</u>	<u>\$ 2,547,178</u>	<u>\$ 2,588,268</u>
Business-type activities										
Net investment in capital assets	\$ 1,721	\$ 1,530	\$ 4,313	\$ 3,852	\$ 3,390	\$ 2,929	\$ 2,467	\$ 2,006	\$ 1,544	\$ 1,083
Unrestricted	16,759	25,414	18,243	13,801	28,850	46,333	36,893	48,771	39,000	27,248
Total business-type activities	<u>\$ 18,480</u>	<u>\$ 26,944</u>	<u>\$ 22,556</u>	<u>\$ 17,653</u>	<u>\$ 32,240</u>	<u>\$ 49,262</u>	<u>\$ 39,360</u>	<u>\$ 50,777</u>	<u>\$ 40,544</u>	<u>\$ 28,331</u>
District-wide										
Net investment in capital assets	\$ 1,519,809	\$ 1,546,770	\$ 2,003,545	\$ 2,440,553	\$ 2,535,669	\$ 2,628,206	\$ 2,739,433	\$ 2,744,027	\$ 2,798,322	\$ 2,858,939
Restricted	251,551	301,661	675,438	470,166	591,655	565,175	659,060	700,218	681,726	768,999
Unrestricted	127,477	374,572	349,072	171,015	291,214	(942,120)	(808,772)	(774,853)	(892,326)	(1,011,339)
Total district-wide	<u>\$ 1,898,837</u>	<u>\$ 2,223,003</u>	<u>\$ 3,028,055</u>	<u>\$ 3,081,734</u>	<u>\$ 3,418,538</u>	<u>\$ 2,251,261</u>	<u>\$ 2,589,721</u>	<u>\$ 2,669,392</u>	<u>\$ 2,587,722</u>	<u>\$ 2,616,599</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	\$ 2,427,118	\$ 2,219,596	\$ 2,135,097	\$ 2,266,263	\$ 2,262,741	\$ 2,065,010	\$ 2,605,769	\$ 2,427,501	\$ 2,756,167	\$ 3,045,040
Special education	321,046	503,788	642,525	947,596	810,341	935,748	846,207	1,028,105	1,109,729	764,202
Other special education	259,921	291,124	242,379	363,681	358,037	389,897	215,352	113,058	156,186	409,246
Other instruction	8,843	13,219	31,695	17,715	23,605	37,360	45,694	55,192	76,538	171,398
Support services										
Tuition	122,852	128,310	83,885	35,000	64,161	70,914	5,143	-	-	-
Student & instruction related services	674,266	665,251	650,921	932,188	993,358	920,384	1,102,115	1,386,865	1,498,040	1,430,723
General & business administrative services	447,549	517,578	447,691	485,603	313,913	444,585	473,232	503,664	580,208	587,818
School administration	47,067	49,669	69,281	52,423	134,180	53,923	53,663	112,354	121,416	119,441
Plant operations & maintenance	415,028	468,117	383,317	436,339	412,952	463,619	397,781	559,508	586,131	604,143
Pupil transportation	277,866	285,642	170,156	143,278	161,812	393,661	164,847	182,827	149,506	186,728
Special schools	14,281	17,061	-	-	-	-	-	-	-	-
Transfer to charter schools	-	-	8,483	-	-	2,686	-	-	-	-
Interest on long-term debt	108,141	79,236	76,733	69,696	75,850	70,191	56,099	50,635	47,587	34,194
Total governmental activities expenses	<u>5,123,978</u>	<u>5,238,591</u>	<u>4,942,163</u>	<u>5,386,101</u>	<u>5,252,913</u>	<u>5,458,081</u>	<u>5,750,550</u>	<u>6,306,651</u>	<u>6,925,322</u>	<u>7,352,933</u>
Business-type activities										
Food services	91,343	91,675	89,517	78,761	76,368	75,410	75,464	76,638	76,184	71,860
Child care	88,799	83,277	65,004	30,347	36,371	34,508	55,316	49,013	60,109	53,646
Total business-type activities	<u>180,142</u>	<u>174,952</u>	<u>154,521</u>	<u>109,108</u>	<u>112,739</u>	<u>109,918</u>	<u>130,780</u>	<u>125,651</u>	<u>136,293</u>	<u>125,506</u>
Total district expenses	<u>\$ 5,304,120</u>	<u>\$ 5,413,543</u>	<u>\$ 5,096,684</u>	<u>\$ 5,495,209</u>	<u>\$ 5,365,652</u>	<u>\$ 5,567,999</u>	<u>\$ 5,881,330</u>	<u>\$ 6,432,302</u>	<u>\$ 7,061,615</u>	<u>\$ 7,478,439</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	\$ 123,529	\$ 100,230	\$ 100,933	\$ 73,052	\$ 73,419	\$ 251,461	\$ 62,993	\$ 57,900	\$ 56,565	\$ 67,680
Capital grants & contributions	-	-	-	-	-	(27,320)	-	-	-	-
Operating grants & contributions	135,132	158,022	166,884	71,083	117,978	105,907	108,337	112,253	124,883	120,182
Total governmental activities program revenues	<u>258,661</u>	<u>258,252</u>	<u>267,817</u>	<u>144,135</u>	<u>191,397</u>	<u>330,048</u>	<u>171,330</u>	<u>170,153</u>	<u>181,448</u>	<u>187,862</u>
Business-type activities										
Charges for services										
Food service	69,869	71,210	61,379	59,984	58,732	50,206	49,439	53,474	45,193	41,971
Child care	100,432	86,138	59,164	24,799	44,277	53,682	45,648	57,240	55,520	45,900
Operating grants & contributions	23,672	26,569	29,522	19,263	24,240	22,835	25,664	25,061	25,134	25,158
Total business - type activities program revenues	<u>193,973</u>	<u>183,917</u>	<u>150,065</u>	<u>104,046</u>	<u>127,249</u>	<u>126,723</u>	<u>120,751</u>	<u>135,775</u>	<u>125,847</u>	<u>113,029</u>
Total district-program revenues	<u>\$ 452,634</u>	<u>\$ 442,169</u>	<u>\$ 417,882</u>	<u>\$ 248,181</u>	<u>\$ 318,646</u>	<u>\$ 456,771</u>	<u>\$ 292,081</u>	<u>\$ 305,928</u>	<u>\$ 307,295</u>	<u>\$ 300,891</u>
Net (expense) revenues										
Governmental activities	\$ (4,865,317)	\$ (4,980,339)	\$ (4,674,346)	\$ (5,241,966)	\$ (5,061,516)	\$ (5,128,033)	\$ (5,579,220)	\$ (6,136,498)	\$ (6,743,874)	\$ (7,165,071)
Business - type activities	13,831	8,965	(4,456)	(5,062)	14,510	16,805	(10,029)	10,124	(10,446)	(12,477)
Total district-wide net expenses	<u>\$ (4,851,486)</u>	<u>\$ (4,971,374)</u>	<u>\$ (4,678,802)</u>	<u>\$ (5,247,028)</u>	<u>\$ (5,047,006)</u>	<u>\$ (5,111,228)</u>	<u>\$ (5,589,249)</u>	<u>\$ (6,126,374)</u>	<u>\$ (6,754,320)</u>	<u>\$ (7,177,548)</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	\$ 3,705,084	\$ 3,721,912	\$ 3,762,850	\$ 3,806,507	\$ 3,778,870	\$ 3,747,500	\$ 3,718,722	\$ 3,710,747	\$ 3,754,457	\$ 3,710,000
Taxes levied for debt service	250,504	254,204	257,454	231,657	248,163	249,463	244,238	239,213	208,013	201,025
Unrestricted grants & contributions	1,230,621	1,339,432	1,197,408	1,249,222	1,342,103	1,256,484	1,948,839	2,243,633	2,698,144	3,268,558
Capital grant - unallocated	-	-	261,320	-	-	-	-	-	-	-
Investment earnings	2,455	3,056	2,682	9,013	3,746	4,869	6,034	6,339	7,522	16,670
Miscellaneous income	209	447	2,072	4,149	2,558	12,992	9,749	4,820	4,301	9,908
Special item - payment to refunding bond agent	-	(23,010)	-	-	-	-	-	-	-	-
Special item - insurance claim proceeds for storm damage	-	-	-	-	8,293	-	-	-	-	-
Total governmental activities	<u>5,188,873</u>	<u>5,296,041</u>	<u>5,483,786</u>	<u>5,300,548</u>	<u>5,383,733</u>	<u>5,271,308</u>	<u>5,927,582</u>	<u>6,204,752</u>	<u>6,672,437</u>	<u>7,206,161</u>
Business-type activities										
Investment earnings	188	111	68	159	77	95	127	111	145	223
Miscellaneous income	-	-	-	-	-	122	-	1,182	68	41
Prior year refunds	-	(612)	-	-	-	-	-	-	-	-
Total business-type activities	<u>188</u>	<u>(501)</u>	<u>68</u>	<u>159</u>	<u>77</u>	<u>217</u>	<u>127</u>	<u>1,293</u>	<u>213</u>	<u>264</u>
Total district-wide	<u>\$ 5,189,061</u>	<u>\$ 5,295,540</u>	<u>\$ 5,483,854</u>	<u>\$ 5,300,707</u>	<u>\$ 5,383,810</u>	<u>\$ 5,271,525</u>	<u>\$ 5,927,709</u>	<u>\$ 6,206,045</u>	<u>\$ 6,672,650</u>	<u>\$ 7,206,425</u>
Change in net position										
Governmental activities	\$ 323,556	\$ 315,702	\$ 809,440	\$ 58,582	\$ 322,217	\$ 143,275	\$ 348,362	\$ 68,254	\$ (71,437)	\$ 41,090
Business-type activities	14,019	8,464	(4,388)	(4,903)	14,587	17,022	(9,902)	11,417	(10,233)	(12,213)
Total district	<u>\$ 337,575</u>	<u>\$ 324,166</u>	<u>\$ 805,052</u>	<u>\$ 53,679</u>	<u>\$ 336,804</u>	<u>\$ 160,297</u>	<u>\$ 338,460</u>	<u>\$ 79,671</u>	<u>\$ (81,670)</u>	<u>\$ 28,877</u>

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	\$ 274,727	\$ 324,692	\$ 318,807	\$ 536,499	\$ 817,978	\$ 936,033	\$ 1,026,911	\$ 1,122,584	\$ 1,175,729	\$ 1,171,739
Committed	33,217	145,451	17,541	8,618	31,928	5,350	13,965	61,375	45,966	86,538
Assigned	-	-	-	-	-	-	50,000	19,500	71,455	85,621
Unassigned	249,977	309,885	464,356	280,157	179,972	176,026	245,103	247,891	224,734	282,260
Total general fund	<u>\$ 557,921</u>	<u>\$ 780,028</u>	<u>\$ 800,704</u>	<u>\$ 825,274</u>	<u>\$ 1,029,878</u>	<u>\$ 1,120,540</u>	<u>\$ 1,335,980</u>	<u>\$ 1,451,350</u>	<u>\$ 1,517,884</u>	<u>\$ 1,626,158</u>
All other governmental funds										
Restricted, reported in										
Capital projects fund	\$ 114	\$ -	\$ 406,398	\$ 38,349	\$ 68,295	\$ 40,975	\$ 40,975	\$ 40,975	\$ 20,975	\$ -
Assigned, reported in										
Debt service fund	-	-	15,105	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 114</u>	<u>\$ -</u>	<u>\$ 421,503</u>	<u>\$ 38,349</u>	<u>\$ 68,295</u>	<u>\$ 40,975</u>	<u>\$ 40,975</u>	<u>\$ 40,975</u>	<u>\$ 20,975</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
<b>Revenues</b>										
Tax levy	\$ 3,955,588	\$ 3,976,116	\$ 4,020,304	\$ 4,038,164	\$ 4,027,033	\$ 3,996,963	\$ 3,962,960	\$ 3,949,960	\$ 3,962,470	\$ 3,911,025
Tuition charges	98,658	75,359	76,676	54,399	58,492	52,056	48,066	42,973	41,638	52,157
Interest earnings	2,455	3,056	2,682	9,013	3,746	4,869	6,034	6,339	7,522	16,670
Rents and royalties	-	-	-	-	-	-	-	14,927	14,927	15,523
Miscellaneous	25,080	30,318	31,329	27,802	22,005	19,444	28,256	6,470	5,966	11,258
State sources	1,230,621	1,238,336	1,197,408	1,220,477	1,342,103	1,256,484	1,330,483	1,399,528	1,447,128	1,555,255
State sources - capital projects	-	-	261,320	-	-	(27,320)	-	-	-	-
Federal sources	135,132	254,118	161,884	94,828	113,458	105,441	104,757	110,603	123,218	118,832
<b>Total revenues</b>	<b>5,447,534</b>	<b>5,577,303</b>	<b>5,751,603</b>	<b>5,444,683</b>	<b>5,566,837</b>	<b>5,407,937</b>	<b>5,480,556</b>	<b>5,530,800</b>	<b>5,602,869</b>	<b>5,680,720</b>
<b>Expenditures</b>										
<b>Instruction</b>										
Regular instruction	1,633,579	1,438,717	1,388,873	1,529,646	1,468,616	1,364,605	1,423,145	1,387,021	1,459,416	1,423,416
Special education instruction	222,233	362,337	395,302	357,787	292,919	360,076	367,726	393,807	419,187	366,474
Other special instruction	176,692	178,187	154,290	228,420	218,056	249,800	118,127	106,585	81,348	167,391
Other instruction	8,566	12,805	24,063	17,183	22,870	24,472	32,910	52,032	46,928	46,647
<b>Support services</b>										
Tuition	122,852	128,310	83,885	35,000	64,161	70,914	5,143	-	-	-
Student & inst related services	428,555	409,758	390,354	601,313	624,335	613,522	674,630	697,538	679,331	668,871
General administration	187,281	211,684	174,830	170,166	93,847	156,276	165,202	162,141	170,009	176,888
School administration services	44,140	48,112	46,259	34,411	92,847	35,540	37,415	37,952	39,112	39,675
Central services	117,383	119,384	127,848	134,113	123,041	126,601	130,146	134,589	134,600	136,345
Administrative information technology	-	-	19,432	12,342	13,837	10,468	11,379	14,942	15,557	14,740
Plant operations & maintenance	364,843	411,902	310,564	350,209	350,988	385,790	339,113	341,612	322,646	344,530
Pupil transportation	272,961	279,341	161,879	136,791	162,371	201,973	161,189	162,275	129,564	166,132
Employee benefits	869,111	1,012,320	1,055,879	1,135,216	1,002,812	978,114	959,557	1,030,470	1,133,537	1,022,371
On-behalf TPAF pension & social security contribution	294,978	304,388	295,451	365,531	455,610	392,112	453,115	524,415	553,499	665,072
Special schools	13,834	16,526	-	-	-	-	-	-	-	-
Transfer to charter schools	-	-	8,483	-	-	2,686	-	-	-	-
Capital outlay	-	9,199	-	-	5,388	3,589	33,745	18,584	18,705	-
Capital projects	7,000	114	246,902	338,049	54	-	-	-	-	-
Special revenue funds	135,132	158,022	166,884	71,083	117,978	105,907	108,337	112,253	124,883	120,182
<b>Debt service</b>										
Principal	140,000	150,000	185,000	180,000	185,000	190,000	190,000	190,000	185,000	185,000
Interest & other charges	110,504	104,204	73,246	76,007	75,850	72,150	54,238	49,213	43,013	49,687
<b>Total expenditures</b>	<b>5,149,644</b>	<b>5,355,310</b>	<b>5,309,424</b>	<b>5,773,267</b>	<b>5,370,580</b>	<b>5,344,595</b>	<b>5,265,117</b>	<b>5,415,429</b>	<b>5,556,335</b>	<b>5,593,421</b>

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	\$ 297,890	\$ 221,993	\$ 442,179	\$ (328,584)	\$ 196,257	\$ 63,342	\$ 215,439	\$ 115,371	\$ 46,534	\$ 87,299
Other financing sources (uses)										
Insurance claim proceeds from storm damage	-	-	-	-	8,293	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	8,293	-	-	-	-	-
Net change in fund balances	<u>\$ 297,890</u>	<u>\$ 221,993</u>	<u>\$ 442,179</u>	<u>\$ (328,584)</u>	<u>\$ 204,550</u>	<u>\$ 63,342</u>	<u>\$ 215,439</u>	<u>\$ 115,371</u>	<u>\$ 46,534</u>	<u>\$ 87,299</u>
Debt service as a percentage of non-capital expenditures	5.12%	4.99%	5.38%	4.94%	5.11%	5.16%	4.90%	4.64%	4.29%	4.38%

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	\$ 2,455	\$ 3,056	\$ 2,682	\$ 9,013	\$ 3,746	\$ 4,869	\$ 6,034	\$ 6,339	\$ 7,522	\$ 16,670
Tuition	98,658	75,359	76,676	54,399	58,492	52,056	48,066	42,973	41,638	52,157
Building use fees	24,871	24,871	24,258	18,653	14,927	14,927	14,927	14,927	14,927	15,523
Prior year refunds	77	-	2,071	4,149	887	444	4,510	879	3,837	3,370
Miscellaneous	-	447	-	-	-	1,024	-	425	338	1,154
Donations	132	-	-	-	510	-	377	413	100	250
Old outstanding checks canceled	-	-	-	-	-	-	3,284	403	26	904
Rebate	-	-	-	-	-	-	-	2,700	-	1,000
Insurance claim	-	-	-	-	-	-	-	-	-	3,230
Current year refunds	-	-	-	-	1,161	2,583	1,578	-	-	-
<b>Annual totals</b>	<b>\$ 126,193</b>	<b>\$ 103,733</b>	<b>\$ 105,687</b>	<b>\$ 86,214</b>	<b>\$ 79,723</b>	<b>\$ 75,903</b>	<b>\$ 78,776</b>	<b>\$ 69,059</b>	<b>\$ 68,388</b>	<b>\$ 94,258</b>

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	\$ 6,267,600	\$ 5,875,000	\$ 6,258,200	\$ 4,438,400	\$ 4,130,400	\$ 4,128,700	\$ 4,181,700	\$ 4,403,700	\$ 4,217,600	\$ 3,934,500
Residential	294,741,100	294,234,600	291,200,700	292,209,000	286,559,100	287,884,400	289,296,400	288,535,000	288,396,600	287,479,100
Farm regular	48,434,700	51,517,400	53,529,700	53,550,700	53,823,900	52,492,300	51,344,000	52,484,600	52,274,300	53,345,700
Q farm	5,055,805	5,093,305	5,029,405	5,053,215	5,102,815	5,039,395	4,894,295	5,050,195	5,065,195	5,078,095
Commercial	33,199,300	33,139,800	32,839,800	32,503,800	32,526,600	32,514,600	32,364,200	32,273,800	32,611,100	32,380,700
Industrial	31,199,800	31,199,800	31,024,800	30,969,000	30,969,000	30,829,000	30,829,000	30,829,000	30,837,300	30,837,300
Apartment	306,300	306,300	306,300	306,300	306,300	306,300	306,300	306,300	306,300	306,300
<b>Total assessed value</b>	<b>419,204,605</b>	<b>421,366,205</b>	<b>420,188,905</b>	<b>419,030,415</b>	<b>413,418,115</b>	<b>413,194,695</b>	<b>413,215,895</b>	<b>413,882,595</b>	<b>413,708,395</b>	<b>413,361,695</b>
Public utilities (a)	969,682	1,010,638	942,686	978,714	914,996	692,328	463,886	440,526	434,313	815,456
<b>Net valuation taxable</b>	<b>\$ 420,174,287</b>	<b>\$ 422,376,843</b>	<b>\$ 421,131,591</b>	<b>\$ 420,009,129</b>	<b>\$ 414,333,111</b>	<b>\$ 413,887,023</b>	<b>\$ 413,679,781</b>	<b>\$ 414,323,121</b>	<b>\$ 414,142,708</b>	<b>\$ 414,177,151</b>
Estimated actual county equalized value	\$ 470,783,514	\$ 470,614,867	\$ 442,040,087	\$ 420,724,361	\$ 395,963,362	\$ 381,411,664	\$ 389,508,561	\$ 382,886,095	\$ 408,350,301	\$ 404,542,665
Percentage of net valuation to estimated actual equalized value	89.25%	89.75%	95.27%	99.83%	104.64%	108.51%	106.21%	108.21%	101.42%	102.38%
<b>Total direct school tax rate (b)</b>	<b>\$ 0.94</b>	<b>\$ 0.95</b>	<b>\$ 0.96</b>	<b>\$ 0.96</b>	<b>\$ 0.96</b>	<b>\$ 0.96</b>	<b>\$ 0.95</b>	<b>\$ 0.96</b>	<b>\$ 0.94</b>	<b>\$ 0.94</b>

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's of telephone and messenger system companies
- (b) Tax rates are per \$100

- \* Revalued/Reassessed
- \* Limited exemptions and abatements

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	
2009	\$ 0.88	\$ 0.06	\$ 0.94	\$ 0.80	\$ 0.23	\$ 0.69	\$ 2.66
2010	0.89	0.06	0.95	0.87	0.24	0.69	2.75
2011	0.92	0.04	0.96	0.89	0.24	0.67	2.76
2012	0.91	0.05	0.96	0.92	0.22	0.68	2.78
2013	0.91	0.06	0.97	0.94	0.22	0.69	2.82
2014	0.90	0.06	0.96	0.93	0.25	0.72	2.86
2015	0.90	0.05	0.95	0.99	0.28	0.73	2.95
2016	0.91	0.05	0.96	0.97	0.26	0.71	2.90
2017	0.89	0.05	0.94	1.04	0.27	0.76	3.02
2018	0.89	0.05	0.94	1.02	0.27	0.72	2.95

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.
- \* Revalued/Reassessed

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
	Transcontinental Gas Pipeline	\$ 17,917,900	1	4.33%	\$ 17,917,000	1
ISE America	9,981,100	2	2.41%	9,981,100	3	2.38%
Franklin Realty Group LLC	9,275,200	3	2.24%	15,233,300	2	3.63%
210 Franklin LLC	5,958,100	4	1.44%	-		0.00%
Viking Development Co., LLC	2,313,400	5	0.56%	-		0.00%
J.W.D. Farms, LLC	2,002,300	6	0.48%	-		0.00%
Elizabethtown Gas Company	1,451,700	7	0.35%	1,451,700	4	0.35%
Individual Property Owner	1,290,600	8	0.31%	1,290,600	5	0.31%
Victaulic Reh, LLC	1,122,300	9	0.27%	-		0.00%
Individual Property Owner	1,109,100	10	0.27%	1,109,100	8	0.26%
Individual Property Owner	1,106,000		0.27%	1,066,000	9	0.25%
Asbury Graphite Mills, Inc.	-		0.00%	1,200,000	6	0.29%
Apex Victaulic Co. of America	-		0.00%	1,122,300	7	0.27%
Jimmy Lu LLC/Pohat PRK Homes LLC	-		0.00%	991,100	10	0.24%
	<u>\$ 53,527,700</u>		<u>12.92%</u>	<u>\$ 50,371,100</u>		<u>11.99%</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	\$ 3,955,588	\$ 3,955,588	100.00%
2010	3,976,116	3,976,116	100.00%
2011	4,020,304	4,020,304	100.00%
2012	4,038,164	4,038,164	100.00%
2013	4,027,033	4,027,033	100.00%
2014	3,996,963	3,996,963	100.00%
2015	3,962,960	3,962,960	100.00%
2016	3,949,960	3,949,960	100.00%
2017	3,962,470	3,962,470	100.00%
2018	3,911,025	3,911,025	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	\$ 2,234,000	\$ -	\$ -	\$ -	\$ -	\$ 2,234,000	1.63%	\$ 714	
2010	2,045,000	-	-	-	-	2,045,000	1.50%	655	
2011	1,860,000	-	-	-	-	1,860,000	1.33%	587	
2012	1,680,000	-	-	-	-	1,680,000	1.17%	532	
2013	1,495,000	-	-	-	-	1,495,000	1.02%	476	
2014	1,305,000	-	-	-	-	1,305,000	0.88%	418	
2015	1,115,000	-	-	-	-	1,115,000	0.74%	357	
2016	925,000	-	-	-	-	925,000	0.59%	298	
2017	735,000	-	-	-	-	735,000	0.46%	237	
2018	555,000	-	-	-	-	555,000	N/A	180	

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			% of Actual Taxable Value of Property (a)	Per Capita (b)
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2009	\$ 2,234,000	\$ -	\$ 2,234,000	0.53%	\$ 714
2010	2,045,000	-	2,045,000	0.48%	655
2011	1,860,000	-	1,860,000	0.44%	587
2012	1,680,000	-	1,680,000	0.40%	532
2013	1,495,000	-	1,495,000	0.36%	476
2014	1,305,000	-	1,305,000	0.32%	418
2015	1,115,000	-	1,115,000	0.27%	357
2016	925,000	-	925,000	0.22%	298
2017	740,000	-	740,000	0.18%	239
2018	555,000	-	555,000	0.13%	180

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	\$ 2,011,735	100.00%	\$ 2,011,735
Regional High School	17,494,000	17.73%	3,101,420
County general obligation debt	6,746,849	3.71%	<u>250,560</u>
Subtotal, overlapping debt			5,363,715
School district direct debt			<u>740,000</u>
Total direct and overlapping debt			<u><u>\$ 6,103,715</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

		Equalized Valuation Basis
	2017	\$ 404,881,968
	2016	408,087,749
	2015	381,829,509
		\$ 1,194,799,226
Average equalized valuation of taxable property		\$ 398,266,409
Debt limit (2.5% of average equalization value) (a)		\$ 9,956,660
Total net debt applicable to limit		555,000
Legal debt margin		\$ 9,401,660

	Fiscal Year				
	2014	2015	2016	2017	2018
Debt limit	\$ 10,018,674	\$ 9,734,889	\$ 9,580,041	\$ 9,806,395	\$ 9,956,660
Total net debt applicable	1,305,000	1,115,000	925,000	740,000	555,000
Legal debt margin	\$ 8,713,674	\$ 8,619,889	\$ 8,655,041	\$ 9,066,395	\$ 9,401,660
Total net debt applicable to the limit as a percentage of debt limit	13.03%	11.45%	9.66%	7.55%	5.57%

	Fiscal Year				
	2009	2010	2011	2012	2013
Debt limit	\$ 11,586,640	\$ 11,705,894	\$ 11,472,133	\$ 11,085,593	\$ 10,530,017
Total net debt applicable	2,234,000	2,045,000	1,860,000	1,680,000	1,495,000
Legal debt margin	\$ 9,352,640	\$ 9,660,894	\$ 9,612,133	\$ 9,405,593	\$ 9,035,017
Total net debt applicable to the limit as a percentage of debt limit	19.28%	17.47%	16.21%	15.15%	14.20%

Source: Equalized Valuation Bases were obtained from the annual report of the State of New Jersey Department of Treasury, Division of Taxation.

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

See independent auditors' report.

**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	3,120	\$ 136,100,640	\$ 43,622	6.9%
2010	3,169	139,508,887	44,023	7.2%
2011	3,158	144,184,806	45,657	6.6%
2012	3,139	146,996,231	46,829	6.4%
2013	3,120	147,463,680	47,264	7.4%
2014	3,120	151,625,760	48,598	6.7%
2015	3,104	156,367,104	50,376	5.1%
2016	3,096	159,301,584	51,454	4.9%
2017	3,090	N/A	N/A	4.5%
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**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Function/Program										
Instruction										
Regular	41.2	41.4	34.8	34.8	36.4	36.8	36.8	35.8	29.9	29.6
Special education	4.7	4.7	4.0	4.0	4.7	5.1	5.5	5.5	5.5	6.6
Support services										
General administration	1.5	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.0	1.0
School administration services	2.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Other administration services	2.0	3.0	1.5	1.5	1.0	1.0	1.0	1.0	2.0	2.0
Plant operations and maintenance	3.5	3.5	3.3	3.3	3.3	3.3	3.3	3.2	4.0	3.3
Pupil transportation	2.6	2.6	0.4	0.4	0.4	0.6	0.6	0.4	0.2	0.2
Other support services	1.0	1.0	1.0	1.5	2.0	2.0	3.0	5.1	5.5	3.7
Total	<u>58.5</u>	<u>59.2</u>	<u>48.0</u>	<u>48.5</u>	<u>50.8</u>	<u>51.8</u>	<u>53.2</u>	<u>54.0</u>	<u>49.0</u>	<u>47.4</u>

Source: District Personnel Records

See independent auditors' report.

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

Fiscal Year	Enrollment	Operating Expenditures (a)	Cost Per Pupil	Percentage Change	Teaching Staff ( b )	Teacher Ratio	Average Daily Enrollment ( ADE ) ( c )	Average Daily Attendance ( ADA ) ( c )	% Change in Average Daily Enrollment	Student Attendance Percentage
2009	337	\$ 4,892,140	\$ 14,517	-0.92%	36.0	1 to 8.73	340.8	326.9	-2.01%	95.92%
2010	336	5,091,793	15,154	4.39%	26.4	1 to 11.51	318.0	302.9	-6.69%	95.25%
2011	304	4,804,276	15,804	4.29%	23.3	1 to 13.05	294.3	280.1	-7.45%	95.17%
2012	285	5,179,211	18,173	14.99%	23.6	1 to 12.08	287.2	275.1	-2.41%	95.79%
2013	269	5,104,288	18,975	4.42%	26.0	1 to 10.35	271.3	259.6	-5.54%	95.69%
2014	250	5,078,856	20,315	7.06%	28.0	1 to 8.93	250.9	241.5	-7.52%	96.25%
2015	230	4,987,134	21,683	6.73%	28.0	1 to 8.93	233.1	223.0	-7.09%	95.67%
2016	232	5,157,632	22,231	2.53%	28.0	1 to 8.30	227.8	216.9	-2.28%	95.22%
2017	222	5,309,617	23,917	7.58%	24.0	1 to 9.25	220.4	210.5	-3.27%	95.53%
2018	212	5,358,734	25,277	5.69%	25.4	1 to 8.35	216.0	206.5	-1.97%	95.61%

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 (1960)										
Square feet	47,552	47,552	47,552	47,552	47,552	47,552	49,242	49,242	49,242	49,242
Capacity (students)	367	367	367	367	367	367	367	367	367	367
Enrollment	337	336	304	285	269	250	230	232	222	212

Number of Schools at June 30, 2018

Elementary	1
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Source: District Facilities Office

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

**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	\$ 14,054	\$ 14,054
2010	27,437	27,437
2011	18,356	18,356
2012	71,227	71,227
2013	85,439	85,439
2014	111,544	111,544
2015	77,708	77,708
2016	87,562	87,562
2017	91,605	91,605
2018	90,679	90,679
Total school facilities	<u>\$ 675,611</u>	<u>\$ 675,611</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

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

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy - NJ Schools Insurance Group		
Property - Blanket Building and Contents (Policy Limit)	\$ 500,000,000	\$ 1,000
Comprehensive General Liability (Policy Limit)	16,000,000	-
Automobile Liability (Policy Limit)	16,000,000	-
Employee Benefits (Policy Limit)	16,000,000	1,000
Flood (Policy Limit), All Other Flood Zones	75,000,000	10,000
Flood (Policy Limit), Special Flood Zones	75,000,000	500,000
Earthquake (Policy Limit)	50,000,000	1,000
 School Board Legal Liability - NJ Schools Insurance Group		
Directors and Officers Policy (Policy Limit)	16,000,000	5,000
 Public Employees' Faithful Performance - NJ Schools Insurance Group		
Business Administrators Bond	200,000	1,000
Blanket Bond	250,000	1,000
 Worker's Compensation - NJ Schools Insurance Group		
Bodily Injury by Accident	2,000,000	-
Bodily Injury by Disease	2,000,000	-
Bodily Injury by Disease	2,000,000	-
WC Supplemental	7 day elim. period	-
 Student Accident - BMI		
Catastrophic	1,000,000	-
Accidental Medical	5,000,000	-

Source: District Records

See independent auditors' report.



**SINGLE AUDIT SECTION**



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**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 Warren, 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 Warren, 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 A. Holk, CPA, PSA

February 4, 2019  
Flemington, New Jersey



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**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 Warren, 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*

**BKC, CPAs, PC**

*MU*

Michael A. 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	Adjust- ment	Repayment of Prior Year Balance	Balance June 30, 2018				
					From	To							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	NCLB-1620-17	\$ 22,646	07/01/16	06/30/17	\$ (11,404)	\$ -	\$ 11,404	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Title I A	84.010A	S010S170030	ESSA-1620-18	27,938	07/01/17	06/30/18	-	-	27,938	27,938	-	-	-	-	-	-	
Title II A	84.367A	S367A160029	NCLB-1620-17	6,842	07/01/16	06/30/17	(6,842)	-	6,842	-	-	-	-	-	-	-	
Title IV	84.424A	S424A170031	ESSA-1620-18	10,000	07/01/17	06/30/18	-	-	6,653	10,000	-	-	(3,347)	-	-	-	
Rural education achievement program	84.358A	S358B150030	S358A-3563-16	23,484	07/01/15	09/30/16	(23,021)	-	32,700	9,679	-	-	-	-	-	-	
Rural education achievement program	84.358A	S358B170030	S358A-3563-18	25,890	07/01/17	09/30/18	-	-	13,763	16,915	-	-	(3,152)	-	-	-	
IDEA basic	84.027	H027A160100	IDEA-1620-17	55,197	07/01/16	06/30/17	(16,957)	-	16,957	-	-	-	-	-	-	-	
IDEA basic	84.027	H027A170100	IDEA-1620-18	53,146	07/01/17	06/30/18	-	-	53,146	53,146	-	-	-	-	-	-	
IDEA preschool	84.173	H173S160114	IDEA-1620-17	2,100	07/01/16	06/30/17	(1,050)	-	1,050	-	-	-	-	-	-	-	
IDEA preschool	84.173	H173S170114	IDEA-1620-18	2,070	07/01/17	06/30/18	-	-	2,070	2,070	-	-	-	-	-	-	
Total special revenue fund							<u>(59,274)</u>	<u>-</u>	<u>172,523</u>	<u>119,748</u>	<u>-</u>	<u>-</u>	<u>(6,499)</u>	<u>-</u>	<u>-</u>	<u>-</u>	
U.S. Department of Agriculture passed through State Department of Agriculture Enterprise fund																	
Child nutrition cluster																	
National school lunch program non-cash assistance (commodities)	10.555	181NJ304N1099	N/A	6,769	10/01/17	09/30/18	-	-	6,769	5,728	-	-	-	1,041	-	-	
National school lunch program non-cash assistance (commodities)	10.555	171NJ304N1099	N/A	6,900	10/01/16	09/30/17	1,095	-	-	1,095	-	-	-	-	-	-	
National school lunch program cash assistance	10.555	171NJ304N1099	N/A	17,509	10/01/16	09/30/17	(3,488)	-	3,488	-	-	-	-	-	-	-	
National school lunch program cash assistance	10.555	181NJ304N1099	N/A	17,604	10/01/17	09/30/18	-	-	14,173	17,604	-	-	(3,431)	-	-	-	
Total enterprise fund							<u>(2,393)</u>	<u>-</u>	<u>24,430</u>	<u>24,427</u>	<u>-</u>	<u>-</u>	<u>(3,431)</u>	<u>1,041</u>	<u>-</u>	<u>-</u>	
Total federal financial assistance							<u>\$ (61,667)</u>	<u>\$ -</u>	<u>\$ 196,953</u>	<u>\$ 144,175</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (9,930)</u>	<u>\$ 1,041</u>	<u>\$ -</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	Adjustments/ Repayments	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	\$ 147,307	07/01/17	06/30/18	\$ -	\$ -	\$ 132,825	\$ 147,307	\$ -	\$ -	\$ -	\$ -	\$ (14,482)	\$ 147,307
Equalization aid	18-495-034-5120-078	557,245	07/01/17	06/30/18	-	-	502,460	557,245	-	-	-	-	(54,785)	557,245
Security aid	18-495-034-5120-084	4,013	07/01/17	06/30/18	-	-	3,618	4,013	-	-	-	-	(395)	4,013
Adjustment aid	18-495-034-5120-085	16,011	07/01/17	06/30/18	-	-	14,437	16,011	-	-	-	-	(1,574)	16,011
Transportation aid	18-495-034-5120-014	19,335	07/01/17	06/30/18	-	-	17,434	19,335	-	-	-	-	(1,901)	19,335
PARCC readiness aid	18-495-034-5120-098	2,190	07/01/17	06/30/18	-	-	1,975	2,190	-	-	-	-	(215)	2,190
Per pupil growth aid	18-495-034-5120-097	2,190	07/01/17	06/30/18	-	-	1,975	2,190	-	-	-	-	(215)	2,190
Professional learning community aid	18-495-034-5120-101	2,040	07/01/17	06/30/18	-	-	1,839	2,040	-	-	-	-	(201)	2,040
Extraordinary aid	18-100-034-5120-473	136,188	07/01/17	06/30/18	-	-	-	136,188	-	(136,188)	-	-	-	136,188
Extraordinary aid	17-100-034-5120-473	142,503	07/01/16	06/30/17	(142,503)	-	142,503	-	-	-	-	-	-	142,503
Non-public transportation aid	18-495-034-5120-014	2,280	07/01/17	06/30/18	-	-	-	2,280	-	(2,280)	-	-	-	2,280
Non-public transportation aid	17-495-034-5120-014	999	07/01/16	06/30/17	(999)	-	999	-	-	-	-	-	-	999
Lead testing for schools aid	18-495-034-5120-014	1,384	07/01/17	06/30/18	-	-	1,384	1,384	-	-	-	-	-	1,384
On behalf TPAF pension contribution - teachers' pension & annuity fund	18-495-034-5094-002	300,317	07/01/17	06/30/18	-	-	300,317	300,317	-	-	-	-	-	300,317
On behalf TPAF pension contribution - non-contributory insurance	18-495-034-5094-004	7,288	07/01/17	06/30/18	-	-	7,288	7,288	-	-	-	-	-	7,288
On behalf TPAF pension contribution - post retirement medical	18-495-034-5094-001	198,675	07/01/17	06/30/18	-	-	198,675	198,675	-	-	-	-	-	198,675
On behalf TPAF pension contribution - long-term disability insurance	18-495-034-5094-001	477	07/01/17	06/30/18	-	-	477	477	-	-	-	-	-	477
Reimbursed TPAF social security contribution	18-495-034-5094-003	158,315	07/01/17	06/30/18	-	-	158,315	158,315	-	-	-	-	-	158,315
Reimbursed TPAF social security contribution	17-495-034-5094-003	157,579	07/01/16	06/30/17	(23,167)	-	23,167	-	-	-	-	-	-	157,579
<b>Total general fund</b>					<b>(166,669)</b>	<b>-</b>	<b>1,509,688</b>	<b>1,555,255</b>	<b>-</b>	<b>(138,468)</b>	<b>-</b>	<b>-</b>	<b>(73,768)</b>	<b>1,856,336</b>
State Department of Agriculture														
Enterprise fund														
State school lunch program	17-100-010-3350-023	660	07/01/16	07/01/17	(128)	-	128	-	-	-	-	-	-	660
State school lunch program	18-100-010-3350-023	731	07/01/17	07/01/18	-	-	592	731	-	(139)	-	-	-	731
<b>Total enterprise fund</b>					<b>(128)</b>	<b>-</b>	<b>720</b>	<b>731</b>	<b>-</b>	<b>(139)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,391</b>
<b>Total state financial assistance</b>					<b>\$ (166,797)</b>	<b>\$ -</b>	<b>\$ 1,510,408</b>	<b>1,555,986</b>	<b>\$ -</b>	<b>\$ (138,607)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (73,768)</b>	<b>\$ 1,857,727</b>
Less: On behalf TPAF pension system contributions								(506,757)						
<b>Total for state financial assistance - major program determination</b>								<b>\$ 1,049,229</b>						

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 \$0 for the general fund and \$916 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:

	Federal	State	Total
General fund	\$ -	\$ 1,555,255	\$ 1,555,255
Special revenue fund	118,832	-	118,832
Food service fund	24,427	731	25,158
Total awards and financial assistance	<u>\$ 143,259</u>	<u>\$ 1,555,986</u>	<u>\$ 1,699,245</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.

**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  None reported

Noncompliance material to basic financial statements noted?

Yes  No

Federal Awards

Not Applicable

Internal Control Over Major Programs:

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

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

\_\_\_\_\_

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

Yes  No

Identification of Major Programs:

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

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

\_\_\_\_\_

Did the auditee qualify as a low-risk auditee?

Yes  No

**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?  Yes  No

Internal Control Over Major Programs:

- 1. Were material weakness(es) identified?  Yes  No
- 2. Were there significant deficiencies identified that are not considered to be material weaknesses?  Yes  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  No

Identification of Major Programs:

State Grant/Project Numbers	Name of State Program
	<i>State Aid Public Cluster:</i>
<i>18-495-034-5120-089</i>	<i>Special Education Categorical Aid</i>
<i>18-495-034-5120-078</i>	<i>Equalization Aid</i>
<i>18-495-034-5120-084</i>	<i>Security Aid</i>
<i>18-495-034-5120-085</i>	<i>Adjustment Aid</i>
<i>18-495-034-5120-097</i>	<i>Per Pupil Growth Aid</i>
<i>18-495-034-5120-098</i>	<i>PARCC Readiness Aid</i>
<i>18-495-034-5120-101</i>	<i>Professional Learning Community Aid</i>

**FRANKLIN TOWNSHIP SCHOOL DISTRICT  
Schedule of Findings and Questioned Cost - Section 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

There were no prior year findings or questioned costs.