

**FRENCHTOWN BOROUGH
SCHOOL DISTRICT**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

JUNE 30, 2018

**Responsibility of the Management of
Frenchtown Borough School District
Hunterdon County, New Jersey**



**FRENCHTOWN BOROUGH
SCHOOL DISTRICT**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2018

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**EDITH ORT THOMAS ELEMENTARY SCHOOL
FRENCHTOWN ELEMENTARY SCHOOL DISTRICT
902 Harrison Street
Frenchtown, New Jersey 08825
Phone (908) 996-2751
Fax (908) 996-3599**

Daria Wasserbach
Superintendent

Teresa E. Barna
*Business Administrator/
Board Secretary*

February 5, 2019

Honorable President and
Members of the Board of Education
Frenchtown Elementary School District
Hunterdon County, New Jersey

The comprehensive annual financial report of the Frenchtown Elementary School 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: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the general purpose financial schedules, as well as the auditor's 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 the State Treasury OMB Circular Letter 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments." Information related to this single audit, including the auditor's report of 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: Frenchtown School District is an independent reporting entity within the criteria adopted by the GASB as established by Statement No. 14. All funds and account groups of the District are included in this report. The Frenchtown Board of Education and the school constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre-K through 8. This includes regular, as well as special education for special need students. The District completed the 2017-2018 fiscal year with an enrollment of 135 students. The following details the changes in the student enrollment of the district over the last five years.

Average Daily Enrollment

Fiscal Year	Student Enrollment	Percent Change
2017-2018	135	8.0%
2016-2017	125	10.0%
2015-2016	139	-4.2%
2014-2015	145	0.1%
2013-2014	144	-2.7%

2) ECONOMIC CONDITION AND OUTLOOK: The Frenchtown areas outlook for development and expansion has some potential housing/retail developments pending. Land development has begun for a housing community located across from the school.

3) MAJOR INITIATIVES: The District entered into an arrangement with Delaware Valley Regional High School to provide Superintendent, Business Services and Facilities Management Services to the District. This arrangement has been very beneficial to the District both financially and academically. The Frenchtown Board of Education has completed a Strategic Planning Process. Over the next several years the board and administration will be setting goals and actions to move the District forward in the areas identified in the Strategic Plan. A focus group will be developed to help identify the specific areas of need and grow and to assist with molding the future. Some items being considered are expansion of the co-curricular offerings, diversity education and sustainability. The board and the administration will also be looking at a long-range financial plan to deal with the proposed state aid reductions.

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

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

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

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

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

6) ACCOUNTING SYSTEM AND REPORTS: The District's accounting records reflect generally accepted accounting principles, as promulgated by the 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, Note 1.

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 to meet its responsibility for sound financial management for the fiscal year ended June 30, 2018.

The funding formula from the State of New Jersey, Department of Education established the above maximum permitted net budget, dictated the amount of fund balance the District could maintain and reduced the amount of unrestricted state aid received. Within these constraints, the Frenchtown Board of Education provided a thorough and efficient education in alignment with the emerging core curriculum standards.

8) DEBT ADMINISTRATION: At June 30, 2018 the District had outstanding debt issues of \$1,203,000. On September 30, 2015, the voters of Frenchtown Borough authorized a bond issuance for capital improvements at the Edith Ort Thomas Elementary School in the amount of \$1,353,000. Bonds were issued at an interest rate of 3.0% to 3.13%.

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, Note 3. The District has adopted a cash management plan which requires it to deposit funds in public depositories protect from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted 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.

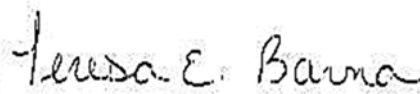
11) OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of BKC, CPAs, PC, was appointed by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Title 2 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 combining and individual fund statements and schedules is included in the financial section of this report. The auditors' reports related specifically to single audit are included in the single audit section of this report.

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

Respectfully submitted,



Daria Wasserbach
Superintendent



Teresa E. Barna
Business Administrator/Board Secretary

Frenchtown Board of Education

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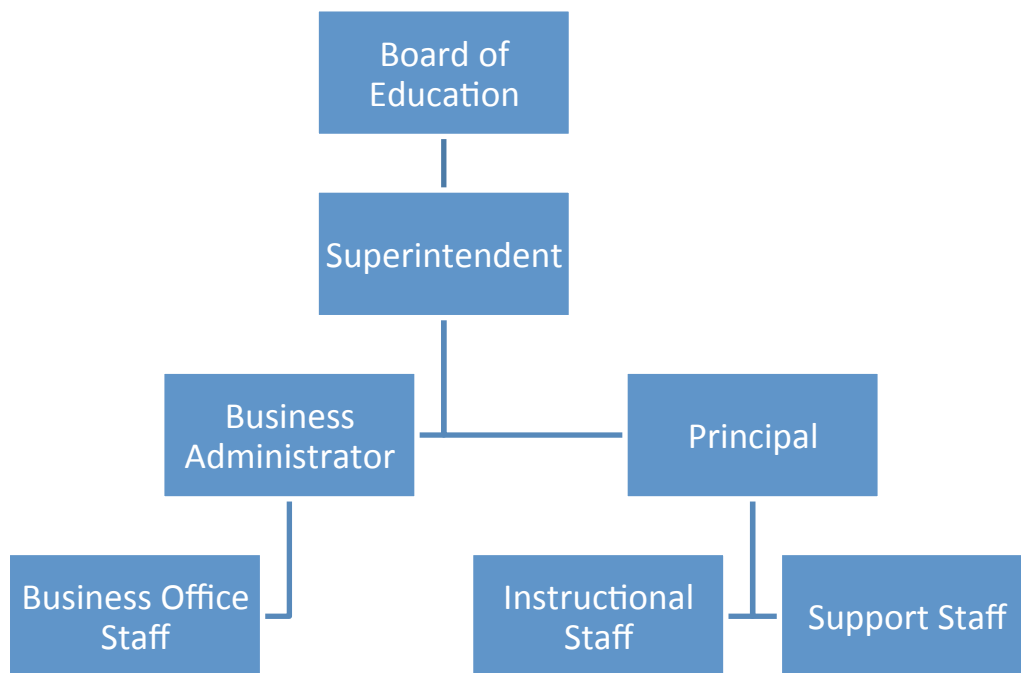
Website: www.frenchtownscool.org



Daria A. Wasserbach
Superintendent

Teresa E. Barna
Business Administrator/Board Secretary

Katherine Griffith
Principal (interim)



FRENCHTOWN BOROUGH SCHOOL DISTRICT
Frenchtown, New Jersey
Roster of Officials
June 30, 2018

<u>Members of the Board of Education</u>	<u>Title</u>	<u>Term Expires</u>
Kate Nugent	President	2018
Teresa Pearson	Vice-President	2020
Laine Nauman		2018
Jennifer Campbell		2019
Laura Einhorn		2019
Adam Blackburn		2020
Amy Musolino		2020

Other Officials

Daria A, Wasserbach	Superintendent
Teresa E. Barna	Board Secretary/School Business Administrator
Katherine Griffin	Principal (interim)

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Frenchtown, New Jersey
Consultants and Advisors
June 30, 2018

AUDIT FIRM

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

ATTORNEY

Cleary Giacobbe Alfieri Jacobs, LLC
5 Ravine Drive
Matawan, NJ 07747

OFFICIAL DEPOSITORY

PNC Bank
PO Box 746
Keene, NH 03431



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

Independent Auditors' Report

Honorable President and
Members of the Board of Education
Frenchtown Borough School District
County of Hunterdon, New Jersey

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an e 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 Frenchtown Borough School District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 7 to the financial statements, in 2018 the District adopted new accounting guidance, *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedules, Schedules Related to Accounting and Reporting for Pensions, and Schedules Related to Accounting and Reporting for Other Postemployment Employee Benefits listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's Basic Financial Statements. The introduction section, combining and individual fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards and Schedule of Expenditures of State Financial Assistance* required by New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* are also not a required part of

the basic financial statements.

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 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 Holk, CPA, PSA

February 5, 2019
Flemington, New Jersey

REQUIRED SUPPLEMENTARY INFORMATION - PART I

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

The discussion and analysis of Frenchtown School District's (the School District) 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 basic financial statements and notes 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 decreased \$162,724 which represents a 5.55% decrease from 2017.
- General revenues accounted for \$4,171,366 in revenue or 95.17% of all revenues. Program specific revenues in the form of operating grants and contributions and capital grants and contributions accounted for \$211,854 or 4.83% of total revenues of \$4,383,220.
- Total assets of governmental activities decreased by \$313,082. As cash and cash equivalents decreased by \$188,384, receivables and other assets decreased by \$18,514 and capital assets decreased by \$106,184.
- The School District had \$4,544,904 in expenses; only \$211,854 of these expenses was offset by program specific charges, grants or contributions. General revenues (primarily property taxes) of \$4,171,366 were adequate to provide for these expenses.
- Among major funds, the general fund had \$3,143,234 in revenues and \$3,162,561 in expenditures. After factoring in transfers to other funds of \$10,000, the general fund's balance decreased \$29,327 from 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 Frenchtown Borough School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities 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 Frenchtown Borough School District, the general fund is by far the most significant fund.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

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

In the Statement of Net Position and the Statement of Activities, the School District reports governmental and business 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. Business activities are the services provided on a charge for goods or services basis to recover all the expense of the goods or services provided. The food service enterprise fund is reported as a business activity.

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 the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

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.

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

	06/30/2018	06/30/2017	Variance	
			Dollars	Percent
ASSETS				
Current & other assets	\$ 598,743	\$ 800,388	\$ (201,645)	-25.19%
Capital assets	4,050,547	4,157,625	(107,078)	-2.58%
Total assets	<u>4,649,290</u>	<u>4,958,013</u>	<u>(308,723)</u>	-6.23%
Deferred outflows of resources	<u>203,906</u>	<u>293,511</u>	<u>(89,605)</u>	-30.53%
LIABILITIES				
Long-term liabilities	1,883,606	2,161,428	(277,822)	-12.85%
Other liabilities	<u>40,731</u>	<u>157,224</u>	<u>(116,493)</u>	-74.09%
Total liabilities	<u>1,924,337</u>	<u>2,318,652</u>	<u>(394,315)</u>	-17.01%
Deferred inflows of resources	<u>158,711</u>	<u>-</u>	<u>158,711</u>	-
NET POSITION				
Net investment in capital assets	2,847,547	2,879,625	(32,078)	-1.11%
Restricted	329,560	409,986	(80,426)	-19.62%
Unrestricted	<u>(406,959)</u>	<u>(356,739)</u>	<u>(50,220)</u>	14.08%
Total net position	<u>\$ 2,770,148</u>	<u>\$ 2,932,872</u>	<u>\$ (162,724)</u>	-5.55%

Total assets decreased \$308,723. Cash and cash equivalents decreased by \$188,546, receivables and other assets decreased by \$13,099, and capital assets decreased by \$107,078. Unrestricted net position, the part of net position that can be used to finance day to day activities without constraints established by grants or legal requirements, of the District decreased by \$50,220.

The negative balance in unrestricted net position is not a negative reflection on the School 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.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

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

Table 2
Changes in Net Position

	06/30/2018	06/30/2017	Variance	
			Dollars	Percent
REVENUES				
Program revenues				
Charges for services	\$ 100,995	\$ 111,443	\$ (10,448)	-9.38%
Operating grants	110,859	82,267	28,592	34.76%
General revenues				
Property taxes	2,020,817	1,983,476	37,341	1.88%
Unrestricted grants	2,138,863	1,785,955	352,908	19.76%
Other	11,686	2,385	9,301	389.98%
Total revenues	<u>4,383,220</u>	<u>3,965,526</u>	<u>417,694</u>	10.53%
PROGRAM EXPENSES				
Instruction				
Regular	1,992,085	1,870,399	121,686	6.51%
Special	757,479	614,996	142,483	23.17%
Other	62,843	33,447	29,396	87.89%
Support services				
Tuition	35,950	-	35,950	-
Student & instructional staff services	784,294	788,667	(4,373)	-0.55%
General & business administration	207,264	171,954	35,310	20.53%
School administration	158,161	132,725	25,436	19.16%
Maintenance	340,434	285,498	54,936	19.24%
Transportation	105,206	33,644	71,562	212.70%
Food service	51,542	62,326	(10,784)	-17.30%
Interest on long-term debt	49,646	51,896	(2,250)	-4.34%
Total expenses	<u>4,544,904</u>	<u>4,045,552</u>	<u>499,352</u>	12.34%
Increase (decrease) before special items	<u>(161,684)</u>	<u>(80,026)</u>	<u>(81,658)</u>	102.04%
Special items				
State capital project grant de-obligated	-	(58,466)	58,466	*
Gain/(loss) on sale of assets	(1,040)	-	(1,040)	-
Increase (decrease) in net position	<u>\$ (162,724)</u>	<u>\$ (138,492)</u>	<u>\$ (24,232)</u>	17.50%

* = Undefined

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

Governmental Activities

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. Local property taxes made up 46.10% of revenues for district-wide activities for the Frenchtown School District for fiscal year 2018.

Instruction comprises 61.88% of district expenses. Support service expenses make up 38.12% of the expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services for June 30, 2018 compared to June 30, 2017 by identifying the cost of services supported by tax revenue and unrestricted State entitlements.

Table 3
Cost of Governmental Services

	Total Cost of Services		Net Cost of Services	
	06/30/2018	06/30/2017	06/30/2018	06/30/2017
Instruction	\$ 2,812,407	\$ 2,518,842	\$ 2,722,458	\$ 2,421,248
Support services				
Tuition	35,950	-	16,050	-
Student & instructional staff	784,294	788,667	731,737	748,193
General & business administration	207,264	171,954	207,264	171,954
School administration	158,161	132,725	158,161	132,725
Plant operations & maintenance	340,434	285,498	337,134	282,198
Pupil transportation	105,206	33,644	105,206	33,644
Food services	51,542	62,326	5,394	9,984
Interest on long-term debt	49,646	51,896	49,646	51,896
	<u>\$ 4,544,904</u>	<u>\$ 4,045,552</u>	<u>\$ 4,333,050</u>	<u>\$ 3,851,842</u>

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

Pupils and instructional staff 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 School District.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

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

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

Extracurricular activities include expenses related to student activities provided by the School District which are designed to provide opportunities for students to participate in school events, public events, or a combination of these for purposes of motivation, enjoyment and skill improvement.

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

The dependence upon tax revenues is apparent. For all activities, including capital projects, local tax revenue support is 60.22% of Governmental funds. The community, as a whole, is the primary support for the Frenchtown Public School District.

The Schools 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 \$3,355,898, expenditures of \$3,437,751, and other financing use of \$10,000. The General fund had a decrease in fund balance of \$29,327.

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

For the general fund, budget basis revenues were \$2,731,640, \$123 below original budgeted estimates of \$2,731,763.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
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 \$4,050,547 invested in land, building, furniture and equipment and vehicles. Table 4 shows June 30, 2018 compared to June 30, 2017.

Table 4
Capital Assets (Net of Depreciation)

	06/30/2018	06/30/2017	Variance	
			Dollars	Percent
Land	\$ 69,500	\$ 69,500	\$ -	0.00%
Construction in progress	62,526	-	62,526	-
Land improvements	967	1,612	(645)	-40.05%
Buildings & improvements	3,715,672	3,855,812	(140,140)	-3.63%
Furniture & equipment	201,882	230,701	(28,819)	-12.10%
	<u>\$ 4,050,547</u>	<u>\$ 4,157,625</u>	<u>\$ (107,078)</u>	<u>-2.55%</u>

Overall capital assets decreased \$107,078 from fiscal year 2017 to fiscal year 2018. Increases in capital assets (primarily buildings and improvements, furniture and equipment) were offset by depreciation expenses for the year.

Long-term liabilities

At June 30, 2018, the School District had \$1,883,606 of long-term liabilities. This amount is detailed in Table 5 below for June 30, 2018 compared to June 30, 2017 .

At June 30, 2018, the legal debt limit is \$5,120,224. General obligation debt at June 30, 2018 is \$1,203,000 resulting in a legal debt margin of \$3,917,224.

Table 5
Long-Term Liabilities at Year End

	06/30/2018	06/30/2017	Variance	
			Dollars	Percent
2015 General obligation bonds	\$ 1,203,000	\$ 1,278,000	\$ (75,000)	-5.87%
PERS net pension liability	644,005	868,292	(224,287)	-25.83%
Compensated absences	36,601	15,136	21,465	141.81%
	<u>\$ 1,883,606</u>	<u>\$ 2,161,428</u>	<u>\$ (277,822)</u>	<u>-12.85%</u>

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

For the Future

The Frenchtown District is in good financial condition presently. The School District is proud of its community support of the public school. A major concern is declining enrollment, increases in the special education population and proposed state aid reductions.

Frenchtown Borough is primarily a residential community, with very few commercial ratables; thus, a large part of the tax burden is borne by homeowners. There have been discussions about a condominium development being constructed across the street from the school building. This would bring some needed ratables and potentially more children. At this time, the development does not raise any financial concerns for the district.

The Frenchtown Board of Education and Administration are acutely aware of this burden on the community and have sought alternate revenue sources. The District has actively sought tuition students in both its Preschool and Elementary programs. It has also sought out shared services opportunities with other local Districts and are currently sharing staff (Superintendent, Business Administrator, Facilities Manager and World Language Teacher), and services (satellite food service, broad band access, transportation). It also actively participated in bids for supplies, energy and communication services.

In conclusion, the Frenchtown 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 challenge 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, contact: Teresa E. Barna, School Business Administrator, Frenchtown School District, 902 Harrison, St., Frenchtown, NJ 08825 (908) 996-2751.

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.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Statement of Net Position
June 30, 2018

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash & cash equivalents	\$ 108,151	\$ 579	\$ 108,730
Receivables, net	213,780	6,263	220,043
Inventory	-	1,830	1,830
Restricted assets			
Capital reserve - cash	159,650	-	159,650
Maintenance reserve - cash	108,490	-	108,490
Capital assets, net			
Land	69,500	-	69,500
Construction in progress	62,526	-	62,526
Other capital assets, net of depreciation	3,913,404	5,117	3,918,521
Total assets	<u>4,635,501</u>	<u>13,789</u>	<u>4,649,290</u>
Deferred outflows of resources			
Deferred amount on pension activity	<u>203,906</u>	<u>-</u>	<u>203,906</u>
Liabilities			
Accounts payable	11,151	-	11,151
Payables to other governments	2,574	-	2,574
Accrued interest	16,841	-	16,841
Unearned revenue	9,228	937	10,165
Long-term liabilities			
Due within one year	75,000	-	75,000
Due beyond one year	1,808,606	-	1,808,606
Total liabilities	<u>1,923,400</u>	<u>937</u>	<u>1,924,337</u>
Deferred inflows of resources			
Deferred amount on pension activity	<u>158,711</u>	<u>-</u>	<u>158,711</u>
Net position			
Net investment in capital assets	2,842,430	5,117	2,847,547
Restricted for			
Capital reserve	159,650	-	159,650
Maintenance reserve	108,490	-	108,490
Capital projects	61,420	-	61,420
Unrestricted	<u>(414,694)</u>	<u>7,735</u>	<u>(406,959)</u>
Total net position	<u><u>\$ 2,757,296</u></u>	<u><u>\$ 12,852</u></u>	<u><u>\$ 2,770,148</u></u>

See accompanying notes to financial statements.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Statement of Activities
For the 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	\$ 1,082,766	\$ 909,319	\$ 62,611	\$ 6,154	\$ -	\$ (1,923,320)	\$ -	\$ (1,923,320)
Special education	445,624	311,855	-	-	-	(757,479)	-	(757,479)
Other special education	21,184	10,526	-	21,184	-	(10,526)	-	(10,526)
Other instruction	27,847	3,286	-	-	-	(31,133)	-	(31,133)
Support services								
Tuition	35,950	-	-	19,900	-	(16,050)	-	(16,050)
Students & instruction related services	530,486	253,808	-	52,557	-	(731,737)	-	(731,737)
General & business administration services	160,601	46,663	-	-	-	(207,264)	-	(207,264)
School administration services	90,535	67,626	-	-	-	(158,161)	-	(158,161)
Plant operations & maintenance	310,080	30,354	3,300	-	-	(337,134)	-	(337,134)
Pupil transportation	103,700	1,506	-	-	-	(105,206)	-	(105,206)
Interest on long-term debt	49,646	-	-	-	-	(49,646)	-	(49,646)
Total governmental activities	<u>2,858,419</u>	<u>1,634,943</u>	<u>65,911</u>	<u>99,795</u>	<u>-</u>	<u>(4,327,656)</u>	<u>-</u>	<u>(4,327,656)</u>
Business-type activities								
Food service	51,542	-	35,084	11,064	-	-	(5,394)	(5,394)
Total business-type activities	<u>51,542</u>	<u>-</u>	<u>35,084</u>	<u>11,064</u>	<u>-</u>	<u>-</u>	<u>(5,394)</u>	<u>(5,394)</u>
Total primary government	<u>\$ 2,909,961</u>	<u>\$ 1,634,943</u>	<u>\$ 100,995</u>	<u>\$ 110,859</u>	<u>\$ -</u>	<u>(4,327,656)</u>	<u>(5,394)</u>	<u>(4,333,050)</u>
General revenues, special items & transfers								
Property taxes levied for general purposes						1,907,948	-	1,907,948
Property taxes levied for debt service						112,869	-	112,869
Federal & state aid not restricted						2,138,863	-	2,138,863
Investment earnings						916	10	926
Miscellaneous income						10,600	160	10,760
Special item - gain/(loss) on disposal of assets						(1,040)	-	(1,040)
Transfers						(10,000)	10,000	-
Total general revenues, special items & transfers						<u>4,160,156</u>	<u>10,170</u>	<u>4,170,326</u>
Change in net position						<u>(167,500)</u>	<u>4,776</u>	<u>(162,724)</u>
Net position-beginning						<u>2,924,796</u>	<u>8,076</u>	<u>2,932,872</u>
Net position-ending						<u>\$ 2,757,296</u>	<u>\$ 12,852</u>	<u>\$ 2,770,148</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.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Governmental Funds
Balance Sheet
June 30, 2018

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
Assets					
Cash & cash equivalents	\$ 108,151	\$ -	\$ -	\$ -	\$ 108,151
Due from other funds	138,517	-	-	-	138,517
Receivables from other governments					
Local	6,489	-	-	-	6,489
State	680	-	180,016	-	180,696
Federal	-	26,033	-	-	26,033
Other accounts receivable	550	12	-	-	562
Restricted cash & cash equivalents	268,140	-	-	-	268,140
Total assets	\$ 522,527	\$ 26,045	\$ 180,016	\$ -	\$ 728,588
Liabilities and fund balances					
Liabilities					
Due to other funds	\$ -	\$ 19,921	\$ 118,596	\$ -	\$ 138,517
Accounts payable	8,634	2,517	-	-	11,151
Payables to governments					
State	-	2,574	-	-	2,574
Unearned revenue	8,195	1,033	-	-	9,228
Total liabilities	16,829	26,045	118,596	-	161,470

See accompanying notes to financial statements.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Governmental Funds
Balance Sheet (continued)
June 30, 2018

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Fund</u>	<u>Capital</u> <u>Project</u> <u>Fund</u>	<u>Debt</u> <u>Service</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Liabilities and fund balances					
Fund balances					
Restricted fund balance					
Capital projects fund balance	\$ -	\$ -	\$ 61,420	\$ -	\$ 61,420
Capital reserve	159,650	-	-	-	159,650
Maintenance reserve	108,490	-	-	-	108,490
Committed fund balance					
Encumbrances	10,816	-	-	-	10,816
Assigned fund balance					
Designated for subsequent year's expenditures	80,803	-	-	-	80,803
Unassigned fund balance	145,939	-	-	-	145,939
Total fund balances	<u>505,698</u>	<u>-</u>	<u>61,420</u>	<u>-</u>	<u>567,118</u>
Total liabilities and fund balances	<u>\$ 522,527</u>	<u>\$ 26,045</u>	<u>\$ 180,016</u>	<u>\$ -</u>	

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 & therefore are not reported in the funds. The cost of the assets are \$5,785,951 & the accumulated depreciation is \$1,740,521.	4,045,430
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	45,195
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.	(1,883,606)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	<u>(16,841)</u>
Total net position of governmental activities	<u>\$ 2,757,296</u>

See accompanying notes to financial statements.

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

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Revenues					
Local sources					
Local tax levy	\$ 1,907,948	\$ -	\$ -	\$ 112,869	\$ 2,020,817
Tuition charges					
Individuals	56,650	-	-	-	56,650
Other sources	5,961	-	-	-	5,961
Interest on investments	916	-	-	-	916
Rents and royalties	3,300	-	-	-	3,300
Miscellaneous	10,600	3,134	-	-	13,734
	<u>1,985,375</u>	<u>3,134</u>	<u>-</u>	<u>112,869</u>	<u>2,101,378</u>
State sources	1,157,859	1,715	-	-	1,159,574
Federal sources	-	94,946	-	-	94,946
Total revenues	<u>3,143,234</u>	<u>99,795</u>	<u>-</u>	<u>112,869</u>	<u>3,355,898</u>
Expenditures					
Current					
Instructional					
Regular instruction	1,076,612	6,154	-	-	1,082,766
Special education instruction	445,624	-	-	-	445,624
Other special instruction	-	21,184	-	-	21,184
Other instruction	27,847	-	-	-	27,847
Support service & undistributed costs					
Tuition	16,050	19,900	-	-	35,950
Student & instruction related services	483,057	47,429	-	-	530,486
General & business administrative services	160,601	-	-	-	160,601
School administrative services	90,535	-	-	-	90,535
Plant operations & maintenance	310,080	-	-	-	310,080
Pupil transportation	103,700	-	-	-	103,700
Unallocated benefits	429,878	5,128	-	-	435,006

See accompanying notes to financial statements.

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

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Expenditures (cont'd)					
Capital outlay	\$ 5,769	\$ -	\$ 62,526	\$ -	\$ 68,295
Debt service					
Principal	-	-	-	75,000	75,000
Interest & other charges	12,808	-	-	37,869	50,677
Total expenditures	<u>3,162,561</u>	<u>99,795</u>	<u>62,526</u>	<u>112,869</u>	<u>3,437,751</u>
Excess (deficit) of revenues over (under) expenditures	<u>(19,327)</u>	<u>-</u>	<u>(62,526)</u>	<u>-</u>	<u>(81,853)</u>
Other financing sources (uses)					
Transfers out	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,000)</u>
Total other financing sources (uses)	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,000)</u>
Net change in fund balance	(29,327)	-	(62,526)	-	(91,853)
Fund balances, July 1	<u>535,025</u>	<u>-</u>	<u>123,946</u>	<u>-</u>	<u>658,971</u>
Fund balances, June 30	<u>\$ 505,698</u>	<u>\$ -</u>	<u>\$ 61,420</u>	<u>\$ -</u>	<u>\$ 567,118</u>

See accompanying notes to financial statements.

FRENCHTOWN BOROUGH 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) \$ (91,853)

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:

Capital outlays	\$ 68,295	
Loss on disposal of assets	(1,040)	
Depreciation expense	<u>(173,439)</u>	(106,184)

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

Debt principal payments	75,000
-------------------------	--------

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.

(24,029)

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.

1,031

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.

(21,465)

Change in net position of governmental activities

\$ (167,500)

See accompanying notes to financial statements.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Proprietary Funds
Statement of Net Position
June 30, 2018

	Food Service Fund
Assets	
Current assets	
Cash and cash equivalents	\$ 579
Receivables from other governments	
State	19
Federal	488
Other local governments	5,756
Inventory	1,830
Total current assets	8,672
Noncurrent assets	
Capital assets	23,377
Less: accumulated depreciation	18,260
Total noncurrent assets	5,117
Total assets	13,789
Liabilities	
Current liabilities	
Unearned revenues - commodities	528
Unearned revenues - prepaid sales	409
Total liabilities	937
Net position	
Net investment in capital assets	5,117
Unrestricted	7,735
Total net position	\$ 12,852

See accompanying notes to financial statements.

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

	Food Service Fund
Operating revenues	
Charges for services	
Daily sales - reimbursable programs	\$ 13,740
Daily sales - non-reimbursable programs	5,260
Satellites sales	16,084
Total operating revenues	35,084
Operating expenses	
Cost of sales - reimbursable programs	11,137
Cost of sales - non-reimbursable programs	10,393
Commodity food costs	1,955
Salaries	18,459
Support services - employee benefits	2,608
Purchased professional/technical services	1,291
Other purchased services	
Insurance	1,969
Management fee	1,973
Supplies and materials	427
Depreciation	894
Miscellaneous expenditures	436
Total operating expenses	51,542
Operating income (loss)	(16,458)
Non-operating revenues (expenses)	
State sources	
State school lunch program	343
Federal sources	
National school lunch program	
Cash assistance	7,867
Non cash assistance (commodities)	1,955
National school breakfast program	899
Interest earned on investments	10
Miscellaneous	160
Total non-operating revenues (expenses)	11,234
Other financing sources (uses)	
Operating transfer in	10,000
Change in net position	4,776
Net position, beginning	8,076
Net position, ending	\$ 12,852

See accompanying notes to financial statements.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2018

	<u>Food Service Fund</u>
Cash flows from operating activities	
Receipts from customers (net)	\$ 32,071
Payments to Food Service Management Co.	(51,437)
Payments to vendors (net)	(128)
Net cash provided by (used for) operating activities	<u>(19,494)</u>
Cash flows from non-capital financing activities	
State sources	342
Federal sources	8,820
Miscellaneous	160
Operating transfer in	10,000
Net cash provided by (used for) non-capital financing activities	<u>19,322</u>
Cash flows from investing activities	
Interest on investments	<u>10</u>
Net increase (decrease) in cash and cash equivalents	(162)
Cash and cash equivalents, beginning	<u>741</u>
Cash and cash equivalents, ending	<u><u>\$ 579</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities	
Operating income (loss)	\$ (16,458)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities	
Depreciation	894
Federal food donation program	1,955
(Increase) decrease in accounts receivable	(5,756)
(Increase) decrease in inventory	288
Increase (decrease) in unearned revenue	(417)
Net cash provided by (used for) operating activities	<u><u>\$ (19,494)</u></u>

See accompanying notes to financial statements.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Fiduciary Funds
Statement of Net Position
June 30, 2018

	Unemployment Compensation Fund	Student Activity Agency Fund	Payroll Agency Fund
Assets			
Cash and cash equivalents	\$ 50,943	\$ 17,273	\$ 82,319
Total assets	\$ 50,943	\$ 17,273	\$ 82,319
Liabilities			
Due to student groups	\$ -	\$ 17,273	\$ -
Accounts payable	293	-	-
Payroll deductions and withholdings	-	-	82,319
Total liabilities	293	\$ 17,273	\$ 82,319
Net position			
Held in trust for unemployment claims & other purposes	\$ 50,650		

See accompanying notes to financial statements.

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

	<u>Unemployment Compensation Fund</u>
Additions	
Contributions	
Employee contributions	\$ 3,498
Investment earnings - interest	<u>85</u>
Total additions	3,583
Deductions	
Unemployment claims	<u>1,218</u>
Change in net position	2,365
Net position, beginning of the year	<u>48,285</u>
Net position, end of the year	<u><u>\$ 50,650</u></u>

See accompanying notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies

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

The basic financial statements include:

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

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

A. Reporting entity

The District is a Type II District located in the County of Hunterdon, State of New Jersey. As a Type II District, the District functions independently through a Board of Education. The Board is comprised of nine members elected to three-year-terms. The purpose of the District is to educate students in Grades K-8. The District had an approximate enrollment at June 30, 2018 of 135 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.

FRENCHTOWN BOROUGH 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.

FRENCHTOWN BOROUGH 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.

FRENCHTOWN BOROUGH 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.

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.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

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

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

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

Fiduciary Fund Types

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

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

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

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

D. Budgets/budgetary control

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

D. Budgets/budgetary control (continued)

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

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

E. Encumbrances

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

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

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

F. Tuition receivable

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

G. Tuition payable

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

H. Short-term interfund receivable and payables

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

FRENCHTOWN BOROUGH 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.

FRENCHTOWN BOROUGH 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.

FRENCHTOWN BOROUGH 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:

FRENCHTOWN BOROUGH 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.

FRENCHTOWN BOROUGH 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.

FRENCHTOWN BOROUGH 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. 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		346,944
Total bank balances	\$	<u>596,944</u>

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

Cash		\$	<u>527,405</u>
Unrestricted cash			
Governmental funds, Balance Sheet	<u>Ref.</u>		\$ 108,151
Enterprise funds, Statement of Net Position	B-1		579
Fiduciary funds, Statement of Net Position	B-4		150,535
B-7			150,535
Restricted cash			
Governmental funds, Balance Sheet	B-1		268,140
Total cash		\$	<u>527,405</u>

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 4 - Capital assets
Capital asset activity for the fiscal year ended June 30, 2018 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 69,500	\$ -	\$ -	\$ 69,500
Construction in progress	-	62,526	-	62,526
Total	<u>69,500</u>	<u>62,526</u>	<u>-</u>	<u>132,026</u>
Capital assets, being depreciated				
Land improvements	50,600	-	-	50,600
Building & improvements	5,079,585	-	-	5,079,585
Furniture & equipment	520,810	5,769	2,839	523,740
Total	<u>5,650,995</u>	<u>5,769</u>	<u>2,839</u>	<u>5,653,925</u>
Accumulated depreciation				
Land improvements	48,988	645	-	49,633
Building & improvements	1,223,773	140,140	-	1,363,913
Furniture & equipment	296,120	32,654	1,799	326,975
Total	<u>1,568,881</u>	<u>173,439</u>	<u>1,799</u>	<u>1,740,521</u>
Total capital assets, being depreciated, net	<u>4,082,114</u>	<u>(167,670)</u>	<u>1,040</u>	<u>3,913,404</u>
Governmental activities capital assets, net	<u>\$ 4,151,614</u>	<u>\$ (105,144)</u>	<u>\$ 1,040</u>	<u>\$ 4,045,430</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business type activities				
Furniture & equipment	\$ 23,377	\$ -	\$ -	\$ 23,377
Less: accumulated depreciation	17,366	894	-	18,260
Business type activities capital assets, net	<u>\$ 6,011</u>	<u>\$ (894)</u>	<u>\$ -</u>	<u>\$ 5,117</u>

FRENCHTOWN BOROUGH 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				\$	82,072
Special education					32,456
Other special instruction					-
Other instruction					2,123
Support services					
Student & instruction					36,825
General & business administration					12,243
School administration					6,902
Plant maintenance					818
Total depreciation expense, governmental activities				\$	<u>173,439</u>

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	\$ 1,278,000	\$ -	\$ 75,000	\$ 1,203,000	\$ 75,000
Compensated absences payable	15,136	21,465	-	36,601	-
PERS net pension liability	868,292	-	224,287	644,005	-
Total governmental activities long-term liabilities	\$ 2,161,428	\$ 21,465	\$ 299,287	\$ 1,883,606	\$ 75,000

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 Ending June 30,	Principal	Interest	Total
2019	\$ 75,000	\$ 35,619	\$ 110,619
2020	80,000	33,294	113,294
2021	80,000	30,894	110,894
2022	85,000	28,419	113,419
2023	85,000	25,869	110,869
2024 - 2028	475,000	87,994	562,994
2029 - 2031	323,000	15,391	338,391
Total	\$ 1,203,000	\$ 257,480	\$ 1,460,480

FRENCHTOWN BOROUGH 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:

\$1,353,000 - 2015 general obligation school building bonds, due in annual installments of \$75,000 to \$139,000, beginning July 15, 2016, through July 15, 2030, interest at 3.00% to 3.125%.	<u>\$ 1,203,000</u>
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The general obligation bonded debt of the District is limited by state law to 3% of the average equalized assessed values of the total taxable property in the District for the past three years. The legal debt limit at June 30, 2018 is \$5,120,224. General obligation debt at June 30, 2018 is \$1,203,000, resulting in a legal debt margin of \$3,917,224.

Note 6 - Pension plans

Description of systems

Substantially all of the District'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 District and the system's other related non-contributing employers. The PERS and DCRP considered cost sharing multiple-employer plans.

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.

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.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)
A. Public employees' retirement systems (PERS) (continued)
Plan description (continued)

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.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

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

Allocation methodology and reconciliation to financial statements (continued)

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2017, the State's pension contribution was less than the actuarial determined amount.

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, PL 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The Actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15-years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

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

Collective net pension liability and actuarial information

Components of net pension liability

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

	2017
Total pension liability	\$ 1,240,857
Plan fiduciary net position	596,852
Net pension liability	\$ 644,005

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

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

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

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

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

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

Long-term expected rate of return

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

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

FRENCHTOWN BOROUGH 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:

District's Proportionate Share of the Net Pension Liability

	2017
At current discount rate (5.00%)	\$ 644,005
At a 1% lower rate (4.00%)	798,932
At a 1% higher rate (6.00%)	514,932

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	\$ 15,164	\$ -
Changes of assumptions	129,745	129,269
Net difference between projected and actual earnings on pension plan investments	4,385	-
Changes in proportion and differences between District contributions and proportionate share of contributions	28,983	29,442
District contributions subsequent to the measurement date	25,629	-
Total	\$ 203,906	\$ 158,711

FRENCHTOWN BOROUGH 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 ending June 30, 2018, the plan measurement date is June 30, 2017) of \$25,629 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	\$ 15,238	\$ 4,702	\$ 4,776	\$ 15,164
Changes of Assumptions	169,729	-	39,985	129,745
Difference between projected and actual earnings on pension plan investments	31,243	(27,604)	(746)	4,385
Deferred inflows of resources				
Changes of assumptions	-	(158,124)	(28,855)	(129,269)
Net of deferred outflows	<u>\$ 216,210</u>	<u>\$ (181,026)</u>	<u>\$ 15,160</u>	<u>\$ 20,025</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	\$ 15,161
2019	22,878
2020	13,863
2021	(18,437)
2022	(13,440)
Total	<u>\$ 20,025</u>

Pension expense

For the year ended June 30, 2018, the District recognized net pension expense of \$49,658 which represents the District's proportionate share of allocable plan pension expense of \$46,451, plus the net amortization of deferred amounts from changes in proportion of \$416, and plus other adjustments to the net pension liability of \$2,791. 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 ending June 30, 2017 are as follows:

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

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

Pension expense (continued)

Service cost	\$	30,040
Interest on total pension liability		54,508
Member contributions		(14,289)
Administrative expense		374
Expected investment return net of investment expense		(38,919)
Pension expense related to specific liabilities of individual employers		(423)
Recognition of deferred inflows/outflows of resources		
Amortization of assumption changes or inputs		11,130
Amortization of expected versus actual experience		4,776
Amortization of projected versus actual investment earnings on pension plan investments		(746)
Pension expense	\$	46,451

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

Plan description

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

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

The following represents the membership tiers for TPAF:

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

FRENCHTOWN BOROUGH 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

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 ending June 30, 2017, the State of New Jersey contributed \$143,824 to the TPAF for normal pension benefits on behalf of the District.

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

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

Collective net pension liability and actuarial information

Components of net pension liability

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 ending June 30, 2017 is as follows:

	2017
State's proportionate share of net pension liability	\$ 8,635,687
District's proportionate share of net pension liability	-
Employer pension expense and related revenue	598,237
Non-employer contribution	143,824
Allocable proportionate percentage	0.0128081062%

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	\$ 386,504
Interest on total pension liability	421,764
Member contributions	(100,916)
Administrative expense	1,522
Expected investment return net of investment expense	(205,069)
Pension expense related to specific liabilities of individual employers	(46)
Recognition of deferred inflows/outflows of resources	
Amortization of assumption changes or inputs	92,371
Amortization of expected versus actual experience	6,806
Amortization of projected versus actual investment earnings on pension plan investments	(4,699)
Pension expense	\$ 598,237

FRENCHTOWN BOROUGH 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 (continued)

Components of net pension liability (continued)

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	\$ 11,577,983
Plan fiduciary net position	2,942,296
Net pension liability	\$ 8,635,687
Plan fiduciary net position as a percentage of the total pension liability	25.41%

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

Inflation rate	2.25%
Salary increases (based on age)	
2012 - 2021	Varies based on experience
Thereafter	Varies based on experience
Investment rate of return	7.00%

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

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

Long-term expected rate of return

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

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

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

Discount rate

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

FRENCHTOWN BOROUGH 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%)	\$ 8,635,687
At a 1% lower rate (3.25%)	10,259,467
At a 1% higher rate (5.25%)	7,298,010

C. Defined contribution retirement program

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

Contribution rates for DCRP provide for employee contributions of 5.50% of annual contractual compensation as defined. The District’s contribution to the DCRP for fiscal year ending 2018 was \$4,975.

D. Other pension plan information

During the year ended June 30, 2018, the State of New Jersey contributed \$125,765 to the TPAF for post-retirement medical benefits, \$4,613 for non-contributory insurance premiums, \$309 for long-term disability insurance, and \$190,106 for normal costs and accrued liability costs on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$90,801 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.

FRENCHTOWN BOROUGH 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).

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 7 - Post-retirement benefits (continued)

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

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

Total OPEB liability

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

	2017
State's proportionate share of the OPEB liability	\$ 53,639,841,858
District's proportionate share of the State's OPEB liability	6,685,201
Employer pension expense and related revenue	382,767
Allocable proportionate percentage	.012463126%

Changes in the total OPEB liability

	Total OPEB Liability
Total OPEB liability at June 30, 2016	\$ 7,199,436
Service cost	262,783
Interest cost	210,563
Change of benefit terms	-
Differences between expected and actual experiences	-
Changes of assumptions	(838,440)
Member contributions	5,702
Gross benefit payments	(154,843)
Total OPEB liability at June 30, 2017	\$ 6,685,201

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.

FRENCHTOWN BOROUGH 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	1.55% - 4.55%	2.15% - 4.15%
Through 2026	2.00% - 5.45%	3.15% - 5.15%
Thereafter		

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.

FRENCHTOWN BOROUGH 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%)	\$ 6,685,201
At a 1% lower rate (2.58%)	7,935,816
At a 1% higher rate (4.58%)	5,693,201

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	\$ 6,685,201
At a 1% lower rate (1% decrease)	5,497,932
At a 1% higher rate (1% increase)	8,261,881

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 \$382,767 determined by the State as the total 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 District 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:

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

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

Note 9 - Interfund receivable and payables
 As of June 30, 2018, the capital projects fund had an interfund payable for \$118,596 and the Special Revenue Fund had an interfund payable for \$19,921 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	\$	1,323
Supplies		507
Total	<u>\$</u>	<u>1,830</u>

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

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

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 12 - Risk management (continued)

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

Fiscal Year	Board Contrib.	Interest Earnings	Employee Contrib.	Amount Reimbursed	Ending Balance
2017 - 2018	\$ -	\$ 85	\$ 3,498	\$ 1,218	\$ 50,650
2016 - 2017	-	23	3,026	374	48,285
2015 - 2016	-	22	2,916	416	45,610

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 District's 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. 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	\$ 159,550	\$ -	\$ 100	\$ -	\$ -	\$ 159,650
Maintenance	126,490	-	-	-	18,000	108,490
Total	<u>\$ 286,040</u>	<u>\$ -</u>	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 18,000</u>	<u>\$ 268,140</u>

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 14 - Fund balances

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

	2018
Restricted	
Capital reserve account - Represents funds restricted to capital projects in the Districts long range facilities plan.	\$ 159,650
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).	108,490
Committed	
Year-end encumbrance - Represents fund balance committed for purchase orders that have been issued but goods or services were not received as of June 30.	10,816
Assigned	
Designated surplus - Designated for Subsequent Year's Expenditures - represents amount appropriated in the succeeding year's budget to reduce tax requirements.	80,803
Unassigned	
Undesignated - Represents fund balance which has not been restricted or designated.	219,282
Total fund balance - budgetary basis (Exhibit C-1)	579,041
Last state aid payments not recognized on GAAP basis	(73,343)
Total fund balance - GAAP basis (Exhibit B-1)	\$ 505,698

Note 15 - Calculation of excess surplus

In accordance with N.J.S.A. 18A:7F-7, as amended by PL 2004, Ch. 73 (S1701), the designation for Reserved Fund Balance - Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey School Districts are required to reserve general fund balance at the fiscal year end of June 30, if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2018 is \$0.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 16 - Operating lease

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

2019		\$	722
Total		\$	722

Note 17 - Recent accounting pronouncements not yet effective

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

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

Note 18 - Deficit balance in unrestricted net position

The District is reporting a deficit balance in unrestricted net position for governmental activities as of June 30, 2018 of (\$414,694) on Schedule A-1 Statement of Net Position. The deficit balance is the result of reporting required by GASB Statement No. 68 Accounting and Financial Reporting for Pensions which allocates the proportionate share of the state's net pension liability for PERS to each contributing entity throughout the state.

Note 19- Subsequent events

The District has evaluated subsequent events through February 5, 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

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES					
Local sources					
Local tax levy	\$ 1,907,948	\$ -	\$ 1,907,948	\$ 1,907,948	\$ -
Tuition from individuals	72,050	-	72,050	56,650	(15,400)
Tuition from other LEAs within the state	-	-	-	5,961	5,961
Rents and royalties	3,300	-	3,300	3,300	-
Unrestricted miscellaneous revenues	2,100	-	2,100	11,416	9,316
Interest earned on capital reserve funds	100	-	100	100	-
Total	1,985,498	-	1,985,498	1,985,375	(123)
State sources					
School choice aid	135,422	-	135,422	135,422	-
Categorical transportation aid	457	-	457	457	-
Categorical special education aid	85,703	-	85,703	85,703	-
Equalization aid	508,039	-	508,039	508,039	-
Categorical security aid	3,251	-	3,251	3,251	-
Adjustment aid	9,673	-	9,673	9,673	-
PARCC readiness aid	1,240	-	1,240	1,240	-
Per pupil growth aid	1,240	-	1,240	1,240	-
Professional learning community aid	1,240	-	1,240	1,240	-
TPAF pension (on-behalf)	-	-	-	194,719	194,719
TPAF social security (reimbursed)	-	-	-	90,801	90,801
TPAF post retirement benefits	-	-	-	125,765	125,765
TPAF long-term disability insurance	-	-	-	309	309
Total	746,265	-	746,265	1,157,859	411,594
Total revenues	\$ 2,731,763	\$ -	\$ 2,731,763	\$ 3,143,234	\$ 411,471
EXPENDITURES					
Current					
Instruction - regular program					
Salaries of teachers					
Kindergarten	\$ 88,269	\$ (4,157)	\$ 84,112	\$ 82,990	\$ 1,122
Grades 1-5	386,141	(1,029)	385,112	385,112	-
Grades 6-8	334,327	(13,363)	320,964	320,964	-
Home instruction					
Salaries of teacher	500	1,143	1,643	1,643	-
Purchased professional - educational services	500	(500)	-	-	-
Regular programs - undistributed instruction					
Other purchased services	35,274	(643)	34,631	34,257	374
General supplies	54,246	(1,049)	53,197	32,230	20,967
Textbooks	700	-	700	234	466
Other objects	2,675	-	2,675	1,982	693
Total	902,632	(19,598)	883,034	859,412	23,622
Special education					
Resource room/resource center					
Salaries of teachers	253,943	(50,600)	203,343	203,343	-
Other salaries for instruction	17,800	-	17,800	16,669	1,131
General supplies	2,700	(2,004)	696	696	-
Total	274,443	(52,604)	221,839	220,708	1,131

See independent auditors' report.

FRENCHTOWN BOROUGH 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)					
Preschool disabilities - part-time					
Salaries of teachers	\$ 57,820	\$ 4,875	\$ 62,695	\$ 62,692	\$ 3
Other salaries for instruction	26,640	22,763	49,403	46,744	2,659
General supplies	500	(217)	283	249	34
Total	<u>84,960</u>	<u>27,421</u>	<u>112,381</u>	<u>109,685</u>	<u>2,696</u>
Total special education	<u>359,403</u>	<u>(25,183)</u>	<u>334,220</u>	<u>330,393</u>	<u>3,827</u>
School-sponsored co/extra curricular activities - instruction					
Salaries	16,795	(545)	16,250	14,287	1,963
Supplies and materials	500	(108)	392	-	392
Total	<u>17,295</u>	<u>(653)</u>	<u>16,642</u>	<u>14,287</u>	<u>2,355</u>
School-sponsored athletics - instruction					
Salaries	10,650	-	10,650	10,650	-
Purchased services	1,890	-	1,890	1,113	777
Supplies and materials	500	(100)	400	347	53
Total	<u>13,040</u>	<u>(100)</u>	<u>12,940</u>	<u>12,110</u>	<u>830</u>
Total instruction regular	<u>\$ 1,292,370</u>	<u>\$ (45,534)</u>	<u>\$ 1,246,836</u>	<u>\$ 1,216,202</u>	<u>\$ 30,634</u>
Undistributed expenditures - instruction					
Tuition to other LEAs within the state - special	\$ -	\$ 16,050	\$ 16,050	\$ 16,050	\$ -
Total	<u>-</u>	<u>16,050</u>	<u>16,050</u>	<u>16,050</u>	<u>-</u>
Undistributed expenditures - health services					
Salaries	68,732	2,193	70,925	70,925	-
Purchased professional and technical services	2,300	(565)	1,735	1,735	-
Supplies and materials	2,000	-	2,000	2,000	-
Other objects	1,100	(1,100)	-	-	-
Total	<u>74,132</u>	<u>528</u>	<u>74,660</u>	<u>74,660</u>	<u>-</u>
Undistributed expenditures - speech, ot, pt & related services					
Salaries	42,711	(938)	41,773	41,773	-
Purchased professional - educational services	27,100	(6,391)	20,709	20,709	-
Supplies and materials	500	(500)	-	-	-
Total	<u>70,311</u>	<u>(7,829)</u>	<u>62,482</u>	<u>62,482</u>	<u>-</u>
Undistributed expend - other supp. service stds. - extra service					
Purchased professional - educational services	-	673	673	673	-
Total	<u>-</u>	<u>673</u>	<u>673</u>	<u>673</u>	<u>-</u>
Undistributed expenditures - guidance					
Salaries of other professional staff	25,881	(7,806)	18,075	7,516	10,559
Supplies and materials	250	-	250	-	250
Total	<u>26,131</u>	<u>(7,806)</u>	<u>18,325</u>	<u>7,516</u>	<u>10,809</u>

See independent auditors' report.

FRENCHTOWN BOROUGH 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 - child study teams					
Salaries of other professional staff	\$ 74,921	\$ 3,674	\$ 78,595	\$ 78,595	\$ -
Salaries of secretarial and clerical assistants	32,163	3,820	35,983	35,983	-
Purchased professional - educational services	8,700	10,813	19,513	19,513	-
Other purchased services	400	(400)	-	-	-
Supplies and materials	600	(414)	186	186	-
Total	116,784	17,493	134,277	134,277	-
Undistributed expenditures - improvement of inst. service					
Salaries of supervisor of instruction	40,228	(40,228)	-	-	-
Salaries of other professional staff	2,250	(2,250)	-	-	-
Other salaries	-	46,624	46,624	46,624	-
Total	42,478	4,146	46,624	46,624	-
Undistributed expenditures - edu. media service/sch. library					
Salaries	19,490	18,499	37,989	37,989	-
Purchased professional and technical services	8,943	(1,428)	7,515	7,515	-
Other purchased services	6,900	(390)	6,510	6,510	-
Supplies and materials	2,200	(991)	1,209	1,209	-
Total	37,533	15,690	53,223	53,223	-
Undistributed expenditures - instructional staff training services					
Other purchased services	3,000	206	3,206	2,552	654
Supplies and materials	-	683	683	683	-
Total	3,000	889	3,889	3,235	654
Undistributed expend. - support service - general admin.					
Legal services	1,500	640	2,140	2,140	-
Audit fees	12,742	(2)	12,740	12,740	-
Purchased technical services	20,000	-	20,000	20,000	-
BOE other purchased services	400	200	600	600	-
Misc. purch services	700	491	1,191	1,191	-
General supplies	350	-	350	350	-
BOE in-house training/meeting supplies	100	(100)	-	-	-
Miscellaneous expenditures	-	50	50	50	-
BOE membership dues and fees	2,375	(114)	2,261	2,261	-
Total	38,167	1,165	39,332	39,332	-
Undistributed expend. - support service - school admin.					
Salaries of principals/assistant principals	31,172	-	31,172	31,172	-
Salaries of secretarial and clerical assistants	31,463	-	31,463	29,144	2,319
Other purchased services	800	(650)	150	150	-
Supplies and materials	425	(233)	192	192	-
Other objects	800	-	800	800	-
Total	64,660	(883)	63,777	61,458	2,319

See independent auditors' report.

FRENCHTOWN BOROUGH 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 - central services					
Salaries	\$ 32,008	\$ (4,862)	\$ 27,146	\$ 25,061	\$ 2,085
Purchased professional services	52,150	2,238	54,388	54,388	-
Miscellaneous purchased services	800	130	930	930	-
Supplies and materials	350	108	458	458	-
Total	85,308	(2,386)	82,922	80,837	2,085
Undistributed expend. - required maint. for school facilities					
Cleaning, repair, and maintenance services	36,426	23,599	60,025	50,154	9,871
Lead testing of drinking water	2,000	(2,000)	-	-	-
Total	38,426	21,599	60,025	50,154	9,871
Undistributed expenditures - custodial services					
Salaries	89,125	(359)	88,766	88,766	-
Purchased professional and technical services	16,500	3,936	20,436	20,271	165
Cleaning, repair, and maintenance service	3,550	-	3,550	3,408	142
Other purchased property services	8,700	27	8,727	8,727	-
Insurance	21,200	(3,952)	17,248	17,248	-
Miscellaneous purchased services	175	158	333	208	125
General supplies	9,048	(967)	8,081	6,854	1,227
Energy (natural gas)	41,500	(7,384)	34,116	26,223	7,893
Energy (electricity)	32,000	-	32,000	22,296	9,704
Energy (gasoline)	250	(250)	-	-	-
Other objects	1,550	(306)	1,244	1,244	-
Total	223,598	(9,097)	214,501	195,245	19,256
Undistributed expenditures - care and upkeep of grounds					
Salaries	17,774	2,152	19,926	19,925	1
Total	17,774	2,152	19,926	19,925	1
Undistributed expenditures - security					
General supplies	-	1,097	1,097	1,097	-
Total	-	1,097	1,097	1,097	-
Undistributed expenditures - student transportation service					
Salaries for pupil trans (other than between home & school)	-	10,710	10,710	8,354	2,356
Management fee - esc & ctsa trans. program	2,400	-	2,400	2,274	126
Contract service-aid in lieu pymts - non-public schools	5,304	728	6,032	2,845	3,187
Contract serv-aid in lieu pymts-choice school students	6,188	-	6,188	5,900	288
Contr service (oth. than between home & school) - vend	4,675	86	4,761	4,761	-
Contract service (spl. ed. students) - escs & ctsas	-	81,093	81,093	79,566	1,527
Total	18,567	92,617	111,184	103,700	7,484

See independent auditors' report.

FRENCHTOWN BOROUGH 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)					
Allocated benefits - employee benefits					
Regular programs - instruction					
Social security contributions	\$ 4,100	\$ -	\$ 4,100	\$ 4,100	\$ -
Other retirement contributions - PERS	5,000	(25)	4,975	4,975	-
Workmen's compensation	10,000	-	10,000	10,000	-
Health benefits	238,474	(46,599)	191,875	191,875	-
Tuition reimbursement	7,500	(7,500)	-	-	-
Other employee benefits	-	6,250	6,250	6,250	-
Unused sick payment to terminated/retired staff	14,462	(14,462)	-	-	-
Total	279,536	(62,336)	217,200	217,200	-
Special programs - instruction					
Social security contributions	6,000	-	6,000	6,000	-
Other retirement contributions - PERS	7,000	-	7,000	7,000	-
Workmen's compensation	3,500	-	3,500	3,500	-
Health benefits	106,078	(7,347)	98,731	98,731	-
Total	122,578	(7,347)	115,231	115,231	-
Other instructional programs - instruction					
Social security contributions	1,450	-	1,450	1,450	-
Total	1,450	-	1,450	1,450	-
Health services					
Social security contributions	77	-	77	77	-
Workmen's compensation	700	-	700	700	-
Health benefits	27,942	2,541	30,483	30,483	-
Total	28,719	2,541	31,260	31,260	-
Other supp services - speech/ot/pt& related sv					
Workmen's compensation	700	-	700	700	-
Health benefits	1,100	175	1,275	1,275	-
Total	1,800	175	1,975	1,975	-
Other supp services - child study teams					
Social security contributions	2,461	-	2,461	2,461	-
Other retirement contributions - PERS	5,945	(200)	5,745	5,745	-
Workmen's compensation	1,800	-	1,800	1,800	-
Health benefits	36,418	4,631	41,049	41,049	-
Other employee benefits	1,900	(32)	1,868	1,868	-
Total	48,524	4,399	52,923	52,923	-
Educational media services - sch. library					
Other retirement contributions - PERS	400	(400)	-	-	-
Workmen's compensation	100	-	100	100	-
Health benefits	12,218	1,891	14,109	14,109	-
Total	12,718	1,491	14,209	14,209	-

See independent auditors' report.

FRENCHTOWN BOROUGH 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)					
Support services - school administration					
Social security contributions	\$ 2,407	\$ -	\$ 2,407	\$ 2,177	\$ 230
Other retirement contributions - PERS	1,000	-	1,000	1,000	-
Workmen's compensation	250	-	250	250	-
Health benefits	19,418	1,732	21,150	21,150	-
Tuition reimbursement	6,500	(2,000)	4,500	4,500	-
Total	29,575	(268)	29,307	29,077	230
Support services - central services					
Social security contributions	2,425	(448)	1,977	1,725	252
Other retirement contributions - PERS	1,625	(25)	1,600	1,600	-
Workmen's compensation	500	-	500	500	-
Health benefits	34,218	2,389	36,607	36,607	-
Total	38,768	1,916	40,684	40,432	252
Custodial services					
Social security contributions	7,000	-	7,000	3,459	3,541
Other retirement contributions - PERS	7,100	(100)	7,000	7,000	-
Workmen's compensation	3,000	(819)	2,181	2,150	31
Health benefits	33,997	(2,947)	31,050	31,050	-
Other employee benefits	300	-	300	-	300
Total	51,397	(3,866)	47,531	43,659	3,872
Total allocated benefits - employees	\$ 615,065	\$ (63,295)	\$ 551,770	\$ 547,416	\$ 4,354
Unallocated benefits - employee benefits					
Social security contributions	\$ 15,000	\$ -	\$ 15,000	\$ 15,000	\$ -
Other retirement contributions - PERS	3,500	-	3,500	3,284	216
Total	18,500	-	18,500	18,284	216
On-behalf TPAF pension contribution	-	-	-	194,719	(194,719)
On-behalf TPAF post retirement medical benefits	-	-	-	125,765	(125,765)
On-behalf TPAF long-term disability insurance	-	-	-	309	(309)
Reimbursed TPAF social security contribution	-	-	-	90,801	(90,801)
Total	-	-	-	411,594	(411,594)
Total undistributed expenditures	\$ 1,490,434	\$ 82,803	\$ 1,573,237	\$ 1,927,782	\$ (354,545)
Total current	\$ 2,782,804	\$ 37,269	\$ 2,820,073	\$ 3,143,984	\$ (323,911)
Capital outlay					
Equipment					
Undistributed					
Undistributed expend. - required maint. for school facilities	\$ -	\$ 5,958	\$ 5,958	\$ 5,769	\$ 189
Total equipment	-	5,958	5,958	5,769	189
Facilities acquisition and construction service					
Assessment for debt service on SDA funding	12,808	-	12,808	12,808	-
Total facilities acquisition and construction service	12,808	-	12,808	12,808	-

See independent auditors' report.

FRENCHTOWN BOROUGH 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)					
Total capital outlay	\$ 12,808	\$ 5,958	\$ 18,766	\$ 18,577	\$ 189
Total expenditures	\$ 2,795,612	\$ 43,227	\$ 2,838,839	\$ 3,162,561	\$ (323,722)
Excess (deficiency) of revenues over (under) expenditures	\$ (63,849)	\$ (43,227)	\$ (107,076)	\$ (19,327)	\$ 87,749
Other financing sources (uses)					
Operating transfer out					
Transfer to food service fund - board contribution	-	(10,000)	(10,000)	(10,000)	-
Total other financing sources (uses)	-	(10,000)	(10,000)	(10,000)	-
Excess (deficiency) of revenues & other financing sources over (under) expenditures & other financing uses	(63,849)	(53,227)	(117,076)	(29,327)	87,749
Fund balances, July 1	608,368	-	608,368	608,368	-
Fund balances, June 30	\$ 544,519	\$ (53,227)	\$ 491,292	\$ 579,041	\$ 87,749
Recapitulation of excess (deficiency) of revenues over (under) expenditures					
Adjustment for prior year encumbrances	\$ (13,949)	\$ -	\$ (13,949)	\$ (13,949)	\$ -
Interest deposit to capital reserve	100	-	100	100	-
Budgeted fund balance	(50,000)	(53,227)	(103,227)	(15,478)	87,749
Total	\$ (63,849)	\$ (53,227)	\$ (117,076)	\$ (29,327)	\$ 87,749
Recapitulation of fund balance					
Restricted fund balance					
Capital reserve				\$ 159,650	
Maintenance reserve				108,490	
Committed fund balance					
Year-end encumbrances				10,816	
Assigned fund balance					
Designated for subsequent year's expenditures				80,803	
Unassigned fund balance				219,282	
Fund balance per budgetary basis				579,041	
Reconciliation to governmental statements (GAAP)					
Last state aid payments not recognized on GAAP basis				(73,343)	
Fund balance per governmental funds (GAAP)				\$ 505,698	

See independent auditors' report.

FRENCHTOWN BOROUGH 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					
Local sources	\$ 4,168	\$ -	\$ 4,168	\$ 3,134	\$ (1,034)
State sources	4,289	-	4,289	1,715	(2,574)
Federal sources	102,078	-	102,078	89,818	(12,260)
Total revenues	<u>\$ 110,535</u>	<u>\$ -</u>	<u>\$ 110,535</u>	<u>\$ 94,667</u>	<u>\$ (15,868)</u>
Expenditures					
Instruction					
Salaries	\$ 29,977	\$ (6,313)	\$ 23,664	\$ 22,646	\$ 1,018
Purchased professional & technical services	5,030	-	5,030	1,424	3,606
General supplies	5,062	(1,970)	3,092	3,049	43
Textbooks	219	-	219	219	-
Other objects	-	-	-	-	-
Totals	<u>40,288</u>	<u>(8,283)</u>	<u>32,005</u>	<u>27,338</u>	<u>4,667</u>
Support services					
Tuition	19,900	-	19,900	19,900	-
Salaries	4,000	-	4,000	4,000	-
Employee benefits	1,148	(1,148)	-	-	-
Purchased professional & technical services	21,115	500	21,615	21,113	502
Other purchased services	21,213	8,931	30,144	19,445	10,699
General supplies	2,871	-	2,871	2,871	-
Total	<u>70,247</u>	<u>8,283</u>	<u>78,530</u>	<u>67,329</u>	<u>11,201</u>
Total expenditures	<u>\$ 110,535</u>	<u>\$ -</u>	<u>\$ 110,535</u>	<u>\$ 94,667</u>	<u>\$ 15,868</u>

See independent auditors' report.

FRENCHTOWN BOROUGH 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	\$ 3,143,234	\$ 94,667
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 prior year	-	5,128
Outstanding encumbrances current year	-	-
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	73,343	-
State aid receivable current year	(73,343)	-
Total revenues (GAAP Basis)	<u>\$ 3,143,234</u>	<u>\$ 99,795</u>
<u>Uses/Outflows of Resources</u>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 3,162,561	\$ 94,667
Differences - Budget to GAAP:		
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 prior year	-	5,128
Outstanding encumbrances current year	-	-
Total expenditures (GAAP Basis)	<u>\$ 3,162,561</u>	<u>\$ 99,795</u>

See independent auditors' report.

REQUIRED SUPPLEMENTARY INFORMATION - PART III

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

FRENCHTOWN BOROUGH 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	0.0027665358%	0.0029317221%	0.0027965698%	0.0027233616%	0.0026532902%	N/A	N/A	N/A	N/A
District's proportion of the net pension liability (asset) - value	N/A	\$ 644,005	\$ 868,292	\$ 627,774	\$ 509,888	\$ 507,096	N/A	N/A	N/A	N/A
District's covered employee payroll	\$ 199,384	193,464	197,884	201,680	177,681	140,144	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	332.88%	438.79%	311.27%	286.97%	361.84%	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 Applicable

See independent auditors' report.

FRENCHTOWN BOROUGH 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	\$ 25,629	\$ 26,045	\$ 24,043	\$ 22,451	\$ 19,992	\$ 19,957	\$ 19,871	\$ 21,065	\$ 14,821	\$ 15,610
Contributions in relation to the contractually required contribution	(25,629)	(26,045)	(24,043)	(22,451)	(19,992)	(19,957)	(19,871)	(21,065)	(14,821)	(15,610)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 199,384	\$ 193,464	\$ 197,884	\$ 201,680	\$ 177,681	\$ 140,144	\$ 183,040	\$ 177,294	\$ 190,537	\$ 179,116
Contributions as a percentage of covered employee payroll	12.85%	13.46%	12.15%	11.13%	11.25%	14.24%	10.86%	11.88%	7.78%	8.72%

See independent auditors' report.

FRENCHTOWN BOROUGH 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
State's proportionate share of the net pension liability (asset) associated with the District	N/A	8,635,687	8,598,001	8,505,094	7,476,453	6,689,301	N/A	N/A	N/A	N/A
Total	\$ -	\$ 8,635,687	\$ 8,598,001	\$ 8,505,094	\$ 7,476,453	\$ 6,689,301	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ -	\$ 1,326,958	\$ 1,335,494	\$ 1,258,538	\$ 1,096,164	\$ 990,785	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 Applicable

See independent auditors' report.

FRENCHTOWN BOROUGH 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	\$ 143,824	\$ 144,066	\$ 87,507	\$ 75,317	\$ 59,178	\$ 85,525	\$ 50,595	\$ 4,873	\$ 5,082	\$ 4,642
Contributions in relation to the contractually required contribution	(143,824)	(144,066)	(87,507)	(75,317)	(59,178)	(85,525)	(50,595)	(4,873)	(5,082)	(4,642)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 1,225,021	\$ 1,326,958	\$ 1,335,494	\$ 1,258,538	\$ 1,096,164	\$ 990,785	\$ 1,335,077	\$ 1,239,498	\$ 1,566,135	\$ 1,547,433
Contributions as a percentage of covered employee payroll	11.74%	10.86%	6.55%	5.98%	5.40%	8.63%	3.79%	0.39%	0.32%	0.30%

See independent auditors' report.

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

FRENCHTOWN BOROUGH 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 net pension liability (asset) associated with the District	N/A	6,685,201	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	\$ -	\$ 6,685,201	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	N/A	\$ 1,520,422	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 Applicable

See independent auditors' report.

FRENCHTOWN BOROUGH 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.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2018

	Small, Rural								
	School Achievement	ESSA Title IA	ESSA Title IIA	ESSA Title IVA	IDEA Basic	IDEA Preschool	NJ Non-public	Local Grants	Total
Revenues									
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,134	\$ 3,134
State sources	-	-	-	-	-	-	1,715	-	1,715
Federal sources	18,330	21,799	3,067	8,940	36,594	1,088	-	-	89,818
Total revenues	\$ 18,330	\$ 21,799	\$ 3,067	\$ 8,940	\$ 36,594	\$ 1,088	\$ 1,715	\$ 3,134	\$ 94,667
Expenditures									
Instruction									
Salaries	\$ -	\$ 21,184	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,462	\$ 22,646
Purchased professional and technical services	-	-	-	1,424	-	-	-	-	1,424
General supplies	-	-	-	645	-	-	732	1,672	3,049
Textbooks	-	-	-	-	-	-	219	-	219
Other objects	-	-	-	-	-	-	-	-	-
Total	-	21,184	-	2,069	-	-	951	3,134	27,338
Support services									
Tuition	-	-	-	-	19,900	-	-	-	19,900
Salaries	-	-	-	4,000	-	-	-	-	4,000
Purchased professional and technical services	-	-	3,067	-	16,194	1,088	764	-	21,113
Other purchased services	18,330	615	-	-	500	-	-	-	19,445
General supplies	-	-	-	2,871	-	-	-	-	2,871
Total	18,330	615	3,067	6,871	36,594	1,088	764	-	67,329
Total expenditures	\$ 18,330	\$ 21,799	\$ 3,067	\$ 8,940	\$ 36,594	\$ 1,088	\$ 1,715	\$ 3,134	\$ 94,667

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.

FRENCHTOWN BOROUGH 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	
Window replacement project	01/06/14	\$ 648,503	\$ 623,874	\$ -	\$ 24,629
Boiler project	01/06/14	520,475	421,158	62,526	36,791
		<u>\$ 1,168,978</u>	<u>\$ 1,045,032</u>	<u>\$ 62,526</u>	<u>\$ 61,420</u>

See independent auditors' report.

FRENCHTOWN BOROUGH 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	
State sources - NJ SDA ROD Grants	\$ -
Total revenues	<u>-</u>
Expenditures	
Purchased professional services	13,553
Construction services	48,973
Other purchased services	-
Total expenditures	<u>62,526</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(62,526)
Net position - beginning	<u>123,946</u>
Net position - ending	<u><u>\$ 61,420</u></u>

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Capital Projects Fund
Schedule of Project Revenues, Expenditures, Project Balance and Project Status
Budgetary Basis
Window 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				
Bond proceeds	\$ 462,000	\$ (63,031)	\$ 398,969	\$ 398,969
State sources				
School Development Authority Grant	249,534	-	249,534	249,534
Total revenues	<u>711,534</u>	<u>(63,031)</u>	<u>648,503</u>	<u>648,503</u>
Expenditures and other financing uses				
Purchased professional services	45,630	-	45,630	45,630
Bonding/legal fees	9,533	-	9,533	9,533
Construction services	562,696	-	562,696	562,696
Other purchased services	6,015	-	6,015	6,015
Transfer to other funds	-	-	-	24,629
Total expenditures	<u>623,874</u>	<u>-</u>	<u>623,874</u>	<u>648,503</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 87,660</u>	<u>\$ (63,031)</u>	<u>\$ 24,629</u>	<u>\$ -</u>

Additional Project Information

Project number	1680-050-14-2003-GO4
Grant date	01/06/14
Bond authorization date	07/22/14
Bonds authorized	\$ 398,969
Bonds issued	398,969
Original authorized cost	770,000
Additional authorized cost	(121,497)
Revised authorized cost	648,503
Percentage completion	96%

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Capital Projects Fund
Schedule of Project Revenues, Expenditures, Project Balance and Project Status
Budgetary Basis
Boiler Project
For the Fiscal Year Ended June 30, 2018

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and other financing sources				
Local sources				
Bond proceeds	\$ 270,000	\$ 63,031	\$ 333,031	\$ 333,031
State sources				
School Development Authority Grant	187,444	-	187,444	187,444
Total revenues	<u>457,444</u>	<u>63,031</u>	<u>520,475</u>	<u>520,475</u>
Expenditures and other financing uses				
Purchased professional services	39,653	13,553	53,206	53,206
Bonding/legal fees	5,696	-	5,696	5,696
Construction services	344,705	48,973	393,678	426,856
Construction contingency	-	-	-	3,613
Other purchased services	31,104	-	31,104	31,104
Total expenditures	<u>421,158</u>	<u>62,526</u>	<u>483,684</u>	<u>520,475</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 36,286</u>	<u>\$ 505</u>	<u>\$ 36,791</u>	<u>\$ -</u>

Additional Project Information

Project number	1680-050-14-2003-GO4
Grant date	01/06/14
Bond authorization date	07/22/14
Bonds authorized	\$ 270,000
Bonds issued	333,031
Original authorized cost	450,000
Additional authorized cost	70,475
Revised authorized cost	520,475
Percentage completion	93%

See independent auditors' report.

PROPRIETARY FUND

DETAIL STATEMENTS

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Food Service Enterprise Fund
Statement of Net Position
For the Fiscal Year Ended June 30, 2018

Assets	
Current assets	
Cash and cash equivalents	\$ 579
Receivables from other governments	
State	19
Federal	488
Other local governments	5,756
Inventory	1,830
Total current assets	<u>8,672</u>
Noncurrent assets	
Capital assets	23,377
Less: accumulated depreciation	<u>18,260</u>
Total noncurrent assets	<u>5,117</u>
Total assets	<u>13,789</u>
Liabilities	
Current liabilities	
Unearned revenues - commodities	528
Unearned revenues - prepaid sales	<u>409</u>
Total liabilities	<u>937</u>
Net position	
Net investment in capital assets	5,117
Unrestricted	<u>7,735</u>
Total net position	<u>\$ 12,852</u>

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Food Service Enterprise Fund
Statement of Revenues, Expenses, and
Changes in Net Position
For the Fiscal Year Ended June 30, 2018

Operating revenues	
Charges for services	
Daily sales - reimbursable programs	\$ 13,740
Daily sales - non-reimbursable programs	5,260
Satellites sales	16,084
Total operating revenues	<u>35,084</u>
Operating expenses	
Cost of sales - reimbursable programs	11,137
Cost of sales - non-reimbursable programs	10,393
Commodity food costs	1,955
Salaries	18,459
Support services - employee benefits	2,608
Purchased professional/technical services	1,291
Other purchased services	
Insurance	1,969
Management fee	1,973
Supplies and materials	427
Depreciation	894
Miscellaneous expenditures	436
Total operating expenses	<u>51,542</u>
Operating income (loss)	<u>(16,458)</u>
Non-operating revenues (expenses)	
State sources	
State school lunch program	343
Federal sources	
National school lunch program	
Cash assistance	7,867
Non-cash assistance (commodities)	1,955
National school breakfast program	899
Interest earned on investments	10
Miscellaneous	160
Total non-operating revenues (expenses)	<u>11,234</u>
Other financing sources	
Operating transfer in	<u>10,000</u>
Change in net position	4,776
Net position, beginning	<u>8,076</u>
Net position, ending	<u>\$ 12,852</u>

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Food Service Enterprise Fund
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2018

Cash flows from operating activities	
Receipts from customers (net)	\$ 32,071
Payments to Food Service Management Co.	(51,437)
Payments to vendors (net)	(128)
Net cash provided by (used for) operating activities	<u>(19,494)</u>
Cash flows from noncapital financing activities	
State sources	342
Federal sources	8,820
Miscellaneous	160
Operating transfer in	10,000
Net cash provided by (used for) noncapital financing activities	<u>19,322</u>
Cash flows from investing activities	
Interest on investments	<u>10</u>
Net increase (decrease) in cash and cash equivalents	(162)
Cash and cash equivalents, July 1	<u>741</u>
Cash and cash equivalents, June 30	<u><u>\$ 579</u></u>
Reconciliation of operating income (loss) to net cash	
provided by (used for) operating activities	
Operating income (loss)	\$ (16,458)
Adjustments to reconcile operating income (loss) to net cash	
provided by (used for) operating activities	
Depreciation	894
Federal food donation program	1,955
(Increase) decrease in accounts receivable	(5,756)
(Increase) decrease in inventory	288
Increase (decrease) in unearned revenue	(417)
Net cash provided by (used for) operating activities	<u><u>\$ (19,494)</u></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.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Fiduciary Funds
Combining Statement of Net Position
June 30, 2018

	Unemployment Compensation Fund	Student Activity Agency Fund	Payroll Agency Fund	Total
Assets				
Cash and cash equivalents	\$ 50,943	\$ 17,273	\$ 82,319	\$ 150,535
Total assets	\$ 50,943	\$ 17,273	\$ 82,319	\$ 150,535
Liabilities				
Due to students groups	\$ -	\$ 17,273	\$ -	\$ 17,273
Accounts payable	293	-	-	293
Payroll deductions & withholdings	-	-	82,319	82,319
Total liabilities	293	17,273	82,319	99,885
Net position				
Held in trust for unemployment claims & other purposes	\$ 50,650	\$ -	\$ -	\$ 50,650

See independent auditors' report.

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

	<u>Unemployment Compensation Fund</u>
Additions	
Contributions	
Employee withholdings	\$ 3,498
Investment earnings - interest	<u>85</u>
Total additions	3,583
Deductions	
Unemployment claims	<u>1,218</u>
Change in net position	2,365
Net position, beginning of the year	<u>48,285</u>
Net position, end of the year	<u><u>\$ 50,650</u></u>

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Fiduciary Funds
Student Activity Agency Fund
Schedule of Receipts & Disbursements
For the Fiscal Year Ended June 30, 2018

	Balance 07/01/17	Additions	Deletions	Balance 06/30/18
Assets				
Cash and cash equivalents	\$ 17,066	\$ 14,134	\$ 13,927	\$ 17,273
Total assets	\$ 17,066	\$ 14,134	\$ 13,927	\$ 17,273
Liabilities				
Due to student groups	\$ 17,066	\$ 14,134	\$ 13,927	\$ 17,273
Total liabilities	\$ 17,066	\$ 14,134	\$ 13,927	\$ 17,273

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FRENCHTOWN BOROUGH SCHOOL DISTRICT
Fiduciary Funds
Payroll Agency Fund
Schedule of Receipts & Disbursements
For the Fiscal Year Ended June 30, 2018

	Balance 07/01/17	Additions	Deletions	Balance 06/30/18
Assets				
Cash and cash equivalents	\$ 72,945	\$ 2,008,140	\$ 1,998,766	\$ 82,319
Total assets	\$ 72,945	\$ 2,008,140	\$ 1,998,766	\$ 82,319
Liabilities				
Due to other funds	\$ 299	\$ -	\$ 299	\$ -
Summer pay	52,127	60,565	57,241	55,451
Payroll deductions and withholdings	18,940	845,508	841,961	22,487
Net payroll	1,579	1,102,067	1,099,265	4,381
Total liabilities	\$ 72,945	\$ 2,008,140	\$ 1,998,766	\$ 82,319

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.

FRENCHTOWN BOROUGH 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					
Series 2015	07/22/15	\$ 1,353,000	07/15/18	\$ 75,000	3.00%	\$ 1,278,000	\$ -	\$ 75,000	\$ 1,203,000
			07/15/19	80,000	3.00%	-	-	-	-
			07/15/20	80,000	3.00%	-	-	-	-
			07/15/21	85,000	3.00%	-	-	-	-
			07/15/22	85,000	3.00%	-	-	-	-
			07/15/23	90,000	3.00%	-	-	-	-
			07/15/24	90,000	3.00%	-	-	-	-
			07/15/25	95,000	3.00%	-	-	-	-
			07/15/26	100,000	3.13%	-	-	-	-
			07/15/27	100,000	3.13%	-	-	-	-
			07/15/28	105,000	3.13%	-	-	-	-
			07/15/29	105,000	3.13%	-	-	-	-
			07/15/30	113,000	3.13%	-	-	-	-
								<u>\$ 1,278,000</u>	<u>\$ -</u>

See independent auditors' report.

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

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenues					
Local sources					
Local tax levy	\$ 112,869	\$ -	\$ 112,869	\$ 112,869	\$ -
Total revenues	<u>112,869</u>	<u>-</u>	<u>112,869</u>	<u>112,869</u>	<u>-</u>
Expenditures					
Regular debt service					
Redemption of principal	75,000	-	75,000	75,000	-
Interest	37,869	-	37,869	37,869	-
Total expenditures	<u>112,869</u>	<u>-</u>	<u>112,869</u>	<u>112,869</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	-
Fund balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.

STATISTICAL SECTION

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Statistical Section J Series

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

FRENCHTOWN BOROUGH 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	\$ 1,483,848	\$ 1,527,013	\$ 1,583,398	\$ 1,637,040	\$ 1,704,199	\$ 1,868,912	\$ 2,105,378	\$ 2,272,952	\$ 2,873,614	\$ 2,842,430
Restricted	109,287	113,604	114,219	139,675	116,934	252,904	996,021	990,584	409,986	329,560
Unrestricted	120,254	64,083	221,778	188,687	311,072	(274,355)	(262,328)	(270,077)	(358,804)	(414,694)
Total governmental activities	<u>\$ 1,713,389</u>	<u>\$ 1,704,700</u>	<u>\$ 1,919,395</u>	<u>\$ 1,965,402</u>	<u>\$ 2,132,205</u>	<u>\$ 1,847,461</u>	<u>\$ 2,839,071</u>	<u>\$ 2,993,459</u>	<u>\$ 2,924,796</u>	<u>\$ 2,757,296</u>
Business-type activities										
Net investment in capital assets	\$ 3,466	\$ 3,102	\$ 2,737	\$ 2,372	\$ 2,008	\$ 1,643	\$ 3,249	\$ 2,705	\$ 6,011	\$ 5,117
Unrestricted	9,627	9,407	13,268	12,223	15,759	13,812	12,337	9,034	2,065	7,735
Total business-type activities	<u>\$ 13,093</u>	<u>\$ 12,509</u>	<u>\$ 16,005</u>	<u>\$ 14,595</u>	<u>\$ 17,767</u>	<u>\$ 15,455</u>	<u>\$ 15,586</u>	<u>\$ 11,739</u>	<u>\$ 8,076</u>	<u>\$ 12,852</u>
District-wide										
Net investment in capital assets	\$ 1,487,314	\$ 1,530,115	\$ 1,586,135	\$ 1,639,412	\$ 1,706,207	\$ 1,870,555	\$ 2,108,627	\$ 2,275,657	\$ 2,879,625	\$ 2,847,547
Restricted	109,287	113,604	114,219	139,675	116,934	252,904	996,021	990,584	409,986	329,560
Unrestricted	129,881	73,490	235,046	200,910	326,831	(260,543)	(249,991)	(261,043)	(356,739)	(406,959)
Total district-wide	<u>\$ 1,726,482</u>	<u>\$ 1,717,209</u>	<u>\$ 1,935,400</u>	<u>\$ 1,979,997</u>	<u>\$ 2,149,972</u>	<u>\$ 1,862,916</u>	<u>\$ 2,854,657</u>	<u>\$ 3,005,198</u>	<u>\$ 2,932,872</u>	<u>\$ 2,770,148</u>

See independent auditors' report.

FRENCHTOWN BOROUGH 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	\$ 1,252,784	\$ 1,361,462	\$ 1,113,235	\$ 1,186,985	\$ 1,262,847	\$ 1,259,721	\$ 1,650,507	\$ 1,626,796	\$ 1,870,399	\$ 1,992,085
Special education	371,898	356,717	408,963	416,596	418,171	440,745	454,682	531,893	609,179	757,479
Other special education	55,755	51,969	50,132	23,866	38,192	40,565	16,359	22,189	5,817	31,710
Other instruction	22,525	17,509	24,549	27,786	23,354	37,082	32,531	31,425	33,447	31,133
Support services										
Tuition	23,416	52,799	1,125	66,420	16,250	1,822	34,919	149	-	35,950
Student & instruction related services	439,504	469,155	424,222	427,911	412,028	388,465	501,078	651,843	788,667	784,294
General & business administrative services	179,702	164,062	121,655	154,246	161,111	206,275	147,189	162,895	171,954	207,264
School administration	70,792	63,896	99,003	102,065	73,510	82,622	119,676	147,574	132,725	158,161
Plant operations & maintenance	268,369	224,628	205,402	274,994	276,299	287,846	307,965	267,431	285,498	340,434
Pupil transportation	51,538	49,362	51,771	63,487	49,144	55,282	84,395	18,670	33,644	105,206
Interest on long-term debt	44,436	40,218	45,511	35,721	30,427	29,335	23,400	55,817	51,896	49,646
Total governmental activities expenses	<u>2,780,719</u>	<u>2,851,777</u>	<u>2,545,568</u>	<u>2,780,077</u>	<u>2,761,333</u>	<u>2,829,760</u>	<u>3,372,701</u>	<u>3,516,682</u>	<u>3,983,226</u>	<u>4,493,362</u>
Business-type activities										
Food services	67,892	59,080	58,450	71,134	65,516	69,869	71,967	61,981	62,326	51,542
Total business-type activities	<u>67,892</u>	<u>59,080</u>	<u>58,450</u>	<u>71,134</u>	<u>65,516</u>	<u>69,869</u>	<u>71,967</u>	<u>61,981</u>	<u>62,326</u>	<u>51,542</u>
Total district expenses	<u>\$ 2,848,611</u>	<u>\$ 2,910,857</u>	<u>\$ 2,604,018</u>	<u>\$ 2,851,211</u>	<u>\$ 2,826,849</u>	<u>\$ 2,899,629</u>	<u>\$ 3,444,668</u>	<u>\$ 3,578,663</u>	<u>\$ 4,045,552</u>	<u>\$ 4,544,904</u>

See independent auditors' report.

FRENCHTOWN BOROUGH 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	\$ 220,382	\$ 206,007	\$ 103,489	\$ 50,788	\$ 18,000	\$ 116,168	\$ 60,328	\$ 83,136	\$ 73,557	\$ 65,911
Operating grants & contributions	62,089	88,332	101,891	102,224	73,523	99,412	87,571	86,376	67,811	99,795
Capital grants & contributions	-	-	-	-	-	-	902,000	-	-	-
Total governmental activities program revenues	<u>282,471</u>	<u>294,339</u>	<u>205,380</u>	<u>153,012</u>	<u>91,523</u>	<u>215,580</u>	<u>1,049,899</u>	<u>169,512</u>	<u>141,368</u>	<u>165,706</u>
Business-type activities										
Charges for services										
Food service	43,262	40,296	40,901	44,751	41,312	41,534	42,404	39,094	37,886	35,084
Operating grants & contributions	17,838	18,186	21,010	16,898	17,997	20,488	20,871	18,690	14,456	11,064
Total business-type activities program revenues	<u>61,100</u>	<u>58,482</u>	<u>61,911</u>	<u>61,649</u>	<u>59,309</u>	<u>62,022</u>	<u>63,275</u>	<u>57,784</u>	<u>52,342</u>	<u>46,148</u>
Total district-program revenues	<u>\$ 343,571</u>	<u>\$ 352,821</u>	<u>\$ 267,291</u>	<u>\$ 214,661</u>	<u>\$ 150,832</u>	<u>\$ 277,602</u>	<u>\$ 1,113,174</u>	<u>\$ 227,296</u>	<u>\$ 193,710</u>	<u>\$ 211,854</u>
Net (expense) revenues										
Governmental activities	\$ (2,498,248)	\$ (2,557,438)	\$ (2,340,188)	\$ (2,627,065)	\$ (2,669,810)	\$ (2,614,180)	\$ (2,322,802)	\$ (3,347,170)	\$ (3,841,858)	\$ (4,327,656)
Business-type activities	(6,792)	(598)	3,461	(9,485)	(6,207)	(7,847)	(8,692)	(4,197)	(9,984)	(5,394)
Total district-wide net expenses	<u>\$ (2,505,040)</u>	<u>\$ (2,558,036)</u>	<u>\$ (2,336,727)</u>	<u>\$ (2,636,550)</u>	<u>\$ (2,676,017)</u>	<u>\$ (2,622,027)</u>	<u>\$ (2,331,494)</u>	<u>\$ (3,351,367)</u>	<u>\$ (3,851,842)</u>	<u>\$ (4,333,050)</u>

See independent auditors' report.

FRENCHTOWN BOROUGH 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	\$ 1,494,908	\$ 1,547,230	\$ 1,609,121	\$ 1,641,301	\$ 1,673,305	\$ 1,705,934	\$ 1,739,200	\$ 1,833,860	\$ 1,870,537	\$ 1,907,948
Taxes levied for debt service	137,967	138,573	143,948	138,861	138,773	143,454	147,673	114,100	112,939	112,869
Unrestricted grants & contributions	822,528	851,842	797,260	904,968	1,025,587	972,029	1,432,990	1,563,704	1,785,955	2,138,863
Investment earnings	4,060	6,020	2,928	806	690	455	572	607	276	916
Capital grants de-obligated	-	-	-	-	-	-	-	(10,772)	(58,466)	-
Miscellaneous income	7,652	5,084	1,626	201	7,631	199	2,796	405	2,107	10,600
Contribution - PTO	17,603	-	-	-	-	-	-	-	-	-
Special item - gain/(loss) on disposal of assets	-	-	-	-	-	-	-	-	-	(1,040)
Operating transfer	(8,655)	-	-	(13,065)	(9,373)	(5,531)	(8,819)	(346)	(6,319)	(10,000)
Total governmental activities	<u>2,476,063</u>	<u>2,548,749</u>	<u>2,554,883</u>	<u>2,673,072</u>	<u>2,836,613</u>	<u>2,816,540</u>	<u>3,314,412</u>	<u>3,501,558</u>	<u>3,707,029</u>	<u>4,160,156</u>
Business-type activities										
Investment earnings	-	14	35	10	6	4	4	4	2	10
Miscellaneous income	25	-	-	-	-	-	-	-	-	160
Operating transfer	8,655	-	-	8,065	9,373	5,531	8,819	346	6,319	10,000
Total business-type activities	<u>8,680</u>	<u>14</u>	<u>35</u>	<u>8,075</u>	<u>9,379</u>	<u>5,535</u>	<u>8,823</u>	<u>350</u>	<u>6,321</u>	<u>10,170</u>
Total district-wide	<u>\$ 2,484,743</u>	<u>\$ 2,548,763</u>	<u>\$ 2,554,918</u>	<u>\$ 2,681,147</u>	<u>\$ 2,845,992</u>	<u>\$ 2,822,075</u>	<u>\$ 3,323,235</u>	<u>\$ 3,501,908</u>	<u>\$ 3,713,350</u>	<u>\$ 4,170,326</u>
Change in net position										
Governmental activities	\$ (22,185)	\$ (8,689)	\$ 214,695	\$ 46,007	\$ 166,803	\$ 202,360	\$ 991,610	\$ 154,388	\$ (134,829)	\$ (167,500)
Business-type activities	1,888	(584)	3,496	(1,410)	3,172	(2,312)	131	(3,847)	(3,663)	4,776
Total district	<u>\$ (20,297)</u>	<u>\$ (9,273)</u>	<u>\$ 218,191</u>	<u>\$ 44,597</u>	<u>\$ 169,975</u>	<u>\$ 200,048</u>	<u>\$ 991,741</u>	<u>\$ 150,541</u>	<u>\$ (138,492)</u>	<u>\$ (162,724)</u>

See independent auditors' report.

FRENCHTOWN BOROUGH 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	\$ 104,477	\$ 108,794	\$ 109,409	\$ 134,865	\$ 112,124	\$ 264,281	\$ 265,180	\$ 307,466	\$ 286,040	\$ 268,140
Committed	41,587	18,266	127,959	89,344	218,474	75,305	33,727	112,868	13,949	10,816
Assigned	-	75,000	-	24,374	-	29,712	79,870	50,000	50,000	80,803
Unassigned	150,634	85,391	149,735	171,066	209,551	179,004	178,786	178,573	185,036	145,939
Total general fund	<u>\$ 296,698</u>	<u>\$ 287,451</u>	<u>\$ 387,103</u>	<u>\$ 419,649</u>	<u>\$ 540,149</u>	<u>\$ 548,302</u>	<u>\$ 557,563</u>	<u>\$ 648,907</u>	<u>\$ 535,025</u>	<u>\$ 505,698</u>
All other governmental funds										
Restricted, reported in										
Capital projects fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 742,218	\$ 680,938	\$ 123,946	\$ 61,420
Assigned, reported in										
Debt service fund	4,810	4,810	4,810	4,810	4,810	4,810	4,810	2,180	-	-
Total all other governmental funds	<u>\$ 4,810</u>	<u>\$ 4,810</u>	<u>\$ 4,810</u>	<u>\$ 4,810</u>	<u>\$ 4,810</u>	<u>\$ 4,810</u>	<u>\$ 747,028</u>	<u>\$ 683,118</u>	<u>\$ 123,946</u>	<u>\$ 61,420</u>

See independent auditors' report.

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

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Tax levy	\$ 1,632,875	\$ 1,685,803	\$ 1,753,069	\$ 1,780,162	\$ 1,812,078	\$ 1,849,388	\$ 1,886,873	\$ 1,947,960	\$ 1,983,476	\$ 2,020,817
Tuition charges	83,683	75,211	52,706	24,139	18,000	72,072	58,018	79,836	70,257	62,611
Interest earnings	4,060	6,020	2,928	806	690	455	572	607	276	916
Rents and royalties	-	-	-	-	-	-	-	3,300	3,300	3,300
Miscellaneous	161,954	135,880	52,409	26,850	7,631	199	5,106	405	4,940	13,734
State sources	822,640	751,926	797,260	883,888	1,025,876	972,048	1,933,024	1,016,036	1,082,378	1,159,574
Federal sources	61,977	188,248	101,891	123,304	73,234	99,393	87,234	85,642	64,069	94,946
Total revenues	2,767,189	2,843,088	2,760,263	2,839,149	2,937,509	2,993,555	3,970,827	3,133,786	3,208,696	3,355,898
Expenditures										
Instruction										
Regular instruction	968,116	983,222	889,341	838,704	872,421	905,825	918,534	877,729	928,603	859,412
Special education instruction	249,139	261,690	245,577	279,378	300,090	294,999	270,085	264,960	356,850	330,393
Other special instruction	38,748	32,429	31,485	8,149	11,728	17,099	-	-	-	-
Other instruction	21,761	16,912	23,789	26,849	22,577	33,743	31,529	27,112	23,461	26,397
Support services										
Tuition	23,416	24,855	1,125	27,014	7,347	1,822	34,919	149	-	16,050
Student & instr. related services	336,285	337,419	274,110	302,166	282,944	265,226	298,965	334,236	377,335	382,690
General administration	77,521	78,493	50,351	39,840	57,612	71,048	48,517	46,256	45,772	39,332
School administration services	65,348	57,652	91,681	81,968	52,987	59,422	78,590	92,619	54,965	61,458
Central services	62,564	48,559	40,196	50,180	48,320	76,185	68,257	82,235	82,071	80,837
Plant operations & maintenance	241,074	195,764	171,631	219,182	238,412	240,361	257,073	217,806	217,125	266,421
Pupil transportation	53,407	36,891	37,928	53,260	39,429	37,753	76,106	15,839	28,604	103,700
Employee benefits	265,098	326,563	344,099	370,003	360,833	382,369	413,411	474,662	606,635	565,700
On-behalf TPAF pension & social security contribution	209,894	215,451	203,051	249,708	284,670	239,992	294,539	288,987	359,529	411,594
Capital outlay	72,253	9,530	10,408	-	7,664	98,353	12,170	68,475	100,217	5,769
Capital projects	-	-	-	-	-	-	159,782	1,403,508	498,526	62,526
Special revenue funds	61,977	88,332	101,891	102,224	73,523	99,412	87,571	86,376	67,811	99,795
Debt service										
Principal	95,000	100,000	110,000	110,000	115,000	125,000	135,000	139,000	75,000	75,000
Interest & other charges	42,967	38,573	33,948	34,913	32,079	31,262	25,481	39,057	52,927	50,677
Total expenditures	2,884,568	2,852,335	2,660,611	2,793,538	2,807,636	2,979,871	3,210,529	4,459,006	3,875,431	3,437,751

See independent auditors' report.

FRENCHTOWN BOROUGH 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	\$ (117,379)	\$ (9,247)	\$ 99,652	\$ 45,611	\$ 129,873	\$ 13,684	\$ 760,298	\$ (1,325,220)	\$ (666,735)	\$ (81,853)
Other financing sources (uses)										
Proceeds from bond issue	-	-	-	-	-	-	-	1,353,000	-	-
Capital leases (non-budgeted)	44,650	-	-	-	-	-	-	-	-	-
Transfers in (out)	(8,655)	-	-	(13,065)	(9,373)	(5,531)	(8,819)	(346)	(6,319)	(10,000)
Total other financing sources (uses)	35,995	-	-	(13,065)	(9,373)	(5,531)	(8,819)	1,352,654	(6,319)	(10,000)
Net change in fund balances	<u>\$ (81,384)</u>	<u>\$ (9,247)</u>	<u>\$ 99,652</u>	<u>\$ 32,546</u>	<u>\$ 120,500</u>	<u>\$ 8,153</u>	<u>\$ 751,479</u>	<u>\$ 27,434</u>	<u>\$ (673,054)</u>	<u>\$ (91,853)</u>
Debt service as a percentage of non-capital expenditures	5.16%	5.12%	5.74%	5.47%	5.54%	5.73%	5.58%	6.34%	4.06%	3.87%

Source: District Records

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

See independent auditors' report.

FRENCHTOWN BOROUGH 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	\$ 4,060	\$ 6,020	\$ 2,928	\$ 806	\$ 690	\$ 455	\$ 572	\$ 607	\$ 275	\$ 916
Tuition	83,683	75,211	52,706	24,139	18,000	72,072	58,018	79,836	70,257	62,611
Other school districts - shared services	136,699	130,796	50,783	26,649	-	-	-	-	-	-
Prior year refunds	549	3,639	319	-	7,242	-	2,796	-	-	9,200
Outstanding checks voided	14	-	-	-	-	-	-	-	71	-
Rents and royalties	1,065	1,187	-	-	-	-	-	3,300	3,300	3,300
Miscellaneous other	274	18	-	-	289	199	-	101	142	-
Contributions	211	89	1,307	201	100	-	-	-	-	-
Transportation reimbursement	896	-	-	-	-	-	-	-	-	-
Joint insurance fund - surplus refund	4,643	-	-	-	-	-	-	-	-	-
Contribution - PTO	17,603	-	-	-	-	-	-	-	-	-
iPad insurance	-	-	-	-	-	-	-	-	1,895	1,400
School bus rental	-	-	-	-	-	-	2,310	-	-	-
Sale of surplus equipment & materials	-	151	-	-	-	-	-	304	-	-
Annual totals	<u>\$ 249,697</u>	<u>\$ 217,111</u>	<u>\$ 108,043</u>	<u>\$ 51,795</u>	<u>\$ 26,321</u>	<u>\$ 72,726</u>	<u>\$ 63,696</u>	<u>\$ 84,148</u>	<u>\$ 75,940</u>	<u>\$ 77,427</u>

Source: District Records

See independent auditors' report.

**FRENCHTOWN BOROUGH 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	\$ 2,608,300	\$ 2,505,100	\$ 2,505,100	\$ 2,505,100	\$ 2,505,100	\$ 2,505,100	\$ 2,490,600	\$ 4,480,500	\$ 4,261,200	\$ 3,636,200
Residential	108,052,500	109,384,700	108,678,000	108,976,400	108,741,700	109,474,900	109,543,700	110,307,000	110,497,100	111,659,800
Farm regular	898,600	898,600	898,600	898,600	898,600	898,600	898,600	449,600	449,600	788,600
Q farm	14,200	14,700	14,700	14,700	14,700	14,700	14,700	11,200	11,200	27,100
Commercial	27,687,500	26,861,900	26,785,700	26,737,800	26,737,800	26,449,600	26,369,600	26,503,300	26,563,300	26,463,000
Industrial	3,726,350	3,726,350	3,726,350	3,726,350	3,726,350	3,726,350	3,726,350	3,726,350	3,726,350	3,726,350
Apartment	6,446,500	6,045,500	6,045,500	6,045,500	6,045,500	5,682,600	5,682,600	5,682,600	5,682,600	5,699,900
Total assessed value	149,433,950	149,436,850	148,653,950	148,904,450	148,669,750	148,751,850	148,726,150	151,160,550	151,191,350	152,000,950
Public utilities (a)	1,130,900	889,485	725,240	592,657	489,679	594,036	693,169	644,203	648,614	648,614
Net valuation taxable	\$ 150,564,850	\$ 150,326,335	\$ 149,379,190	\$ 149,497,107	\$ 149,159,429	\$ 149,345,886	\$ 149,419,319	\$ 151,804,753	\$ 151,839,964	\$ 152,649,564
Estimated actual county equalized value	\$ 182,114,565	\$ 177,418,076	\$ 171,957,166	\$ 166,644,863	\$ 159,392,422	\$ 152,424,868	\$ 164,522,483	\$ 175,578,017	\$ 165,348,975	\$ 177,087,661
Percentage of net valuation to estimated actual equalized value	82.68%	84.73%	86.87%	89.71%	93.58%	97.98%	90.82%	86.46%	91.83%	86.20%
Total direct school tax rate (b)	\$ 1.12	\$ 1.17	\$ 1.19	\$ 1.21	\$ 1.24	\$ 1.26	\$ 1.30	\$ 1.31	\$ 1.33	\$ 1.35

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

See independent auditors' report.

FRENCHTOWN BOROUGH 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	General	(From J-6)		Municipality	County	
	Rate (a)	Obligation Debt Service (b)	Total Direct School Tax Rate				
2009	\$ 1.028	\$ 0.092	\$ 1.120	\$ 0.498	\$ 0.563	\$ 0.419	\$ 2.600
2010	1.071	0.095	1.166	0.473	0.601	0.407	2.647
2011	1.096	0.096	1.192	0.439	0.623	0.398	2.652
2012	1.121	0.092	1.213	0.477	0.655	0.398	2.743
2013	1.145	0.095	1.240	0.524	0.674	0.392	2.830
2014	1.164	0.099	1.263	0.572	0.705	0.383	2.923
2015	1.227	0.076	1.303	0.626	0.873	0.412	3.214
2016	1.232	0.074	1.306	0.694	0.869	0.433	3.302
2017	1.255	0.076	1.331	0.645	0.869	0.406	3.251
2018	1.272	0.075	1.347	0.649	0.905	0.440	3.341

Sources: Municipal Tax Collector

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

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

See independent auditors' report.

FRENCHTOWN BOROUGH 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
Frenchtown Associates LLC	\$ 2,950,000	1	1.93%	\$ 2,950,000	1	1.96%
Country Classics Frenchtown LLC	2,145,200	2	1.41%	-		0.00%
Frenchtown Barn Center LLC	1,500,000	3	0.98%	2,308,000	2	1.53%
Davon LLC	977,200	4	0.64%	977,200	5	0.65%
Le Pont LLC	972,200	5	0.64%	-		0.00%
Individual Property Owner	769,200	6	0.50%	830,800	7	0.55%
Traub Holdings LLC	758,400	7	0.50%	758,400	9	0.50%
B&B Properties LLC	748,500	8	0.49%	748,500	10	0.50%
Leahy	718,800	9	0.47%	-		0.00%
Warren House LLC	695,400	10	0.46%	809,900	8	0.54%
Frenchtown Properties LLC	-		0.00%	2,145,200	3	1.42%
United Telephone Co of NJ	-		0.00%	1,130,900	4	0.75%
Bridge Race Properties LLC	-		0.00%	972,200	6	0.65%
	<u>\$ 12,234,900</u>		<u>8.02%</u>	<u>\$ 13,631,100</u>		<u>9.05%</u>

Source: Municipal Tax Assessor

See independent auditors' report.

FRENCHTOWN BOROUGH 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	\$ 1,632,875	\$ 1,632,875	100.00%
2010	1,685,803	1,685,803	100.00%
2011	1,753,069	1,753,069	100.00%
2012	1,780,162	1,780,162	100.00%
2013	1,812,078	1,812,078	100.00%
2014	1,849,388	1,849,388	100.00%
2015	1,886,873	1,886,873	100.00%
2016	1,947,960	1,947,960	100.00%
2017	1,983,476	1,983,476	100.00%
2018	2,020,817	2,020,817	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.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Governmental Activities				Business-Type	Total District	% of Personal Income (a)	Per Capita (a)
	General Obligation Bonds (b)	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Activities Capital Leases			
2009	\$ 834,000	\$ -	\$ 34,600	\$ -	\$ -	\$ 868,600	0.80%	\$ 592
2010	734,000	-	26,451	-	-	760,451	0.72%	518
2011	624,000	-	17,977	-	-	641,977	0.65%	461
2012	514,000	-	9,165	-	-	523,165	0.50%	365
2013	399,000	-	-	-	-	399,000	0.38%	289
2014	274,000	-	-	-	-	274,000	0.26%	194
2015	139,000	-	-	800,000	-	939,000	0.85%	666
2016	1,353,000	-	-	-	-	1,353,000	1.19%	962
2017	1,278,000	-	-	-	-	1,278,000	1.14%	938
2018	1,203,000	-	-	-	-	1,203,000	N/A	881

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 area calculated using personal income and population for the prior calendar year.
- (b) Includes Early Retirement Incentive Plan (ERIP) refunding.

See independent auditors' report.

FRENCHTOWN BOROUGH 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	\$ 834,000	\$ -	\$ 834,000	0.55%	\$ 592
2010	734,000	-	734,000	0.49%	518
2011	624,000	-	624,000	0.42%	461
2012	514,000	-	514,000	0.34%	365
2013	399,000	-	399,000	0.27%	289
2014	274,000	-	274,000	0.18%	194
2015	139,000	-	139,000	0.09%	666
2016	1,353,000	-	1,353,000	0.89%	962
2017	1,278,000	-	1,278,000	0.84%	938
2018	1,203,000	-	1,203,000	0.79%	881

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.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Direct and Overlapping Governmental Activities Debt
As of December 31, 2017

	Debt Outstanding	Estimated % Applicable (a)	Estimated Share of Overlapping Debt
Governmental Unit			
Debt repaid with property taxes			
Municipality	\$ 2,623,477	100.00%	\$ 2,623,477
Regional High School	1,065,000	7.31%	77,841
County general obligation debt	85,249,037	0.80%	683,054
Subtotal, overlapping debt			3,384,372
School District direct debt			1,203,000
Total direct and overlapping debt			\$ 4,587,372

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.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Legal Debt Margin Information
Last Ten Fiscal Years

Legal Debt Margin Calculation for Fiscal Year 2018

		Equalized Valuation Basis
	2017	\$ 175,395,998
	2016	164,609,115
	2015	172,017,291
		\$ 512,022,404
Average equalized valuation of taxable property		\$ 170,674,135
Debt limit (3.0% of average equalization value)		(a) \$ 5,120,224
Total net debt applicable to limit		1,203,000
Legal debt margin		\$ 3,917,224

	Fiscal Year				
	2014	2015	2016	2017	2018
Debt limit	\$ 4,765,597	\$ 4,746,423	\$ 4,875,396	\$ 5,004,140	\$ 5,120,224
Total net debt applicable	274,000	2,394,000	2,244,227	1,278,000	1,203,000
Legal debt margin	\$ 4,491,597	\$ 2,352,423	\$ 2,631,169	\$ 3,726,140	\$ 3,917,224
Total net debt applicable to the limit as a percentage of debt limit	5.75%	50.44%	46.03%	25.54%	23.50%

	Fiscal Year				
	2009	2010	2011	2012	2013
Debt limit	\$ 5,534,083	\$ 5,531,279	\$ 5,362,191	\$ 5,140,934	\$ 4,968,485
Total net debt applicable	834,000	734,000	624,000	514,000	399,000
Legal debt margin	\$ 4,700,083	\$ 4,797,279	\$ 4,738,191	\$ 4,626,934	\$ 4,569,485
Total net debt applicable to the limit as a percentage of debt limit	15.07%	13.27%	11.64%	10.00%	8.03%

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.

FRENCHTOWN BOROUGH 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	1,467	\$ 104,931,576	\$ 71,528	6.3%
2010	1,393	99,252,643	71,251	6.6%
2011	1,432	104,268,216	72,813	6.5%
2012	1,379	104,321,350	75,650	6.7%
2013	1,412	106,442,208	75,384	6.7%
2014	1,409	110,326,109	78,301	5.2%
2015	1,407	113,439,375	80,625	3.3%
2016	1,362	111,832,458	82,109	3.1%
2017	1,366	N/A	N/A	2.8%
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.

**FRENCHTOWN BOROUGH SCHOOL DISTRICT
Principal Employers
Current Year and Nine Years Ago**

2018

Employer	Employees	Rank	Percentage of Total Municipal Employment
----------	-----------	------	------------------------------------------------

INFORMATION IS NOT AVAILABLE FOR THIS SCHOOL DISTRICT

2009

Employer	Employees	Rank	Percentage of Total Municipal Employment
----------	-----------	------	------------------------------------------------

INFORMATION IS NOT AVAILABLE FOR THIS SCHOOL DISTRICT

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Full Time Equivalent District Employees by Function/Program
Last Ten Fiscal Years

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Instruction	16.4	17.7	18.7	18.7	18.7	19.1	19.6	18.5	19.3	19.8
Health services	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Related services	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.4	0.5	0.5
Guidance	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Child study team	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.2	1.5
Media center	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.6
General administration	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.3	0.3	0.3
School administration services	0.7	0.7	0.7	0.7	0.7	0.7	0.7	1.1	1.1	1.1
Business office	0.8	0.8	0.8	0.8	0.8	0.9	0.9	0.8	0.8	0.8
Building maintenance	2.0	1.4	1.4	1.4	1.4	1.4	2.0	2.0	2.0	2.0
Transportation	0.1	0.7	0.7	0.7	0.7	0.8	-	-	-	-
Cafeteria	0.1	0.1	0.1	0.1	0.1	0.1	-	-	-	-
Total	24.2	25.5	26.5	26.5	26.5	27.1	27.3	26.3	26.9	27.8

Source: District Personnel Records

See independent auditors' report.

FRENCHTOWN BOROUGH 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	158	\$ 2,674,348	\$ 16,926	-4.53%	24.0	1 to 6.59	158.9	150.6	8.61%	94.78%
2010	158	2,704,232	17,115	1.12%	24.0	1 to 6.59	157.5	148.6	-0.88%	94.35%
2011	171	2,506,255	14,656	-14.37%	24.0	1 to 6.50	168.4	158.9	6.92%	94.36%
2012	157	2,648,625	16,870	15.10%	24.0	1 to 6.55	159.6	151.1	-5.23%	94.67%
2013	148	2,652,893	17,925	6.25%	24.0	1 to 6.16	147.8	140.5	-7.39%	95.06%
2014	138	2,725,256	19,748	10.17%	18.5	1 to 7.45	137.7	131.0	-6.83%	95.12%
2015	142	2,878,096	20,268	2.63%	19.6	1 to 7.24	142.8	136.3	3.71%	95.46%
2016	142	2,808,966	19,781	-2.40%	19.6	1 to 7.24	138.9	132.1	-2.74%	95.10%
2017	129	3,148,761	24,409	23.39%	20.2	1 to 6.38	127.4	121.2	-8.28%	95.13%
2018	135	3,243,779	24,028	-1.56%	19.8	1 to 6.82	124.1	118.2	-2.62%	95.28%

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.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
School Building Information
Last Ten Fiscal Years

District Building	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Elementary (1925)										
Square feet	35,992	35,992	35,992	35,992	35,992	35,992	35,992	35,992	35,992	35,992
Capacity (students)	179.1	179.1	179.1	179.1	179.1	179.1	179.1	179.1	179.1	179.1
Enrollment	158.0	158.0	171.0	157.0	148.0	138.0	142.0	142.0	129.0	135.0

Number of Schools at June 30, 2018

 Elementary 1

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.

FRENCHTOWN BOROUGH 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	\$ 19,519	\$ 19,519
2010	15,265	15,265
2011	14,757	14,757
2012	26,903	26,903
2013	65,117	65,117
2014	20,846	20,846
2015	33,947	33,947
2016	24,333	24,333
2017	31,770	31,770
2018	50,154	50,154
Total school facilities	<u>\$ 302,611</u>	<u>\$ 302,611</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

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Insurance Schedule
June 30, 2018
(Unaudited)

	<u>Coverage</u>	<u>Deductible</u>
School Commercial Package Policy - NJ School Boards Association		
Insurance Group		
Property - Building Blanket and Contents (Fund Limit)	\$ 500,000,000	\$ 5,000
Accounts Receivable	250,000	5,000
Electronic Data Processing Equipment	200,000	1,000
Auto Physical Damage	In blanket limit	1,000
School Board Legal Liability - NJ School Boards Association		
Insurance Group	16,000,000	5,000
Liability		
Comprehensive General Liability	16,000,000	-
Automobile Liability	16,000,000	-
Employee Benefit Liability	16,000,000	1,000
Workers Compensation - NJ School Boards Association		
Insurance Group		
Employers Liability	2,000,000	-
Statutory Benefits	Included	-
Supplemental Coverage (Optional)	Included	-
Crime		
Faithful Performance	50,000	500
Forgery & Alteration	50,000	500
Money and Securities	50,000	500
Money Orders/Counterfeit	50,000	500
Computer Fraud	50,000	500
Pollution Policy - NJ School Boards Association		
Insurance Group Through Zurich		
Incident	1,000,000	100,000
Fund Annual Aggregate	11,000,000	-

Source: District Records

See independent auditors' report.

SINGLE AUDIT SECTION



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

Honorable President and
Members of the Board of Education
Frenchtown Borough School District
County of Hunterdon, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards issued* by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Frenchtown Borough School District, County of Hunterdon, the State of New Jersey, (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 5, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Frenchtown Borough 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

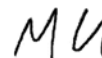
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 5, 2019
Flemington, New Jersey



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

Honorable President and
Members of the Board of Education
Frenchtown Borough School District
County of Hunterdon, New Jersey

Report on Compliance for Each Major State Program

We have audited the Frenchtown Borough School District's, (the District), compliance with the types of compliance requirements described in the New Jersey OMB Circular 15-08 *State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the District's major state programs for the year ended June 30, 2018. The District's major state programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major State Program

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

Report on Internal Control Over Compliance

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

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

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

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



BKC, CPAs, PC



Michael A. Holk, CPA, PSA

February 5, 2019
Flemington, New Jersey

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

Grantor/Program Title	Federal		Project Number	Program or Award Amount	Grant		Balance 06/30/17	Carryover Amount	Cash Received	Budgetary Expenditure	Adjustment	Repayment of Prior Year Balance	Balance June 30, 2018				
	CFDA Number	FAIN Number			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	S010A170030	ESSA-1680-18	\$ 18,134	07/01/17	06/30/18	\$ -	\$ -	\$ 9,307	\$ 9,307	\$ -	\$ -	\$ -	\$ -	\$ -		
Title I A	84.010A	S010A160030	NCLB-1680-17	18,310	07/01/16	06/30/17	(945)	-	13,437	12,492	-	-	-	-	-		
Title II A	84.367A	S367A160029	ESSA-1680-18	3,057	07/01/17	06/30/18	-	-	2,860	3,067	-	-	(207)	-	-		
Title II A	84.367A	S367A150029	NCLB-1680-17	4,467	07/01/16	06/30/17	(464)	-	464	-	-	-	-	-	-		
Title IV A	84.424A	S424A170031	ESSA-1680-18	10,000	07/01/17	06/30/18	-	-	1,503	8,940	-	-	(7,437)	-	-		
Rural education achievement program	84.358A	S358B170030	S358A170459	20,713	07/01/17	09/30/18	-	-	6,411	18,330	-	-	(11,919)	-	-		
Rural education achievement program	84.358A	S358B160030	S358A-3750-16	18,825	07/01/16	09/30/17	(2,197)	-	2,197	-	-	-	-	-	-		
IDEA basic	84.027	H027A170100	IDEA-1680-18	36,594	07/01/17	06/30/18	-	-	30,124	36,594	-	-	(6,470)	-	-		
IDEA basic	84.027	H027A160100	IDEA-1680-17	37,889	07/01/16	06/30/17	(4,810)	-	4,810	-	-	-	-	-	-		
IDEA preschool	84.173	H173S170114	IDEA-1680-18	1,088	07/01/17	06/30/18	-	-	1,088	1,088	-	-	-	-	-		
Total special revenue fund							<u>(8,416)</u>	<u>-</u>	<u>72,201</u>	<u>89,818</u>	<u>-</u>	<u>-</u>	<u>(26,033)</u>	<u>-</u>	<u>-</u>		
U.S. Department of Agriculture passed through State Department of Agriculture																	
Enterprise Fund																	
Child nutrition center																	
National school lunch program																	
non-cash assistance (commodities)	10.555	181NJ304N1099	N/A	1,496	10/01/17	09/30/18	-	-	1,496	968	-	-	-	528	-		
National school lunch program																	
non-cash assistance (commodities)	10.555	171NJ304N1099	N/A	1,831	10/01/16	09/30/17	987	-	-	987	-	-	-	-	-		
National school lunch program																	
cash assistance	10.555	181NJ304N1099	N/A	7,867	10/01/17	09/30/18	-	-	7,432	7,867	-	-	(435)	-	-		
National school lunch program																	
cash assistance	10.555	171NJ304N1099	N/A	10,803	10/01/16	09/30/17	(505)	-	505	-	-	-	-	-	-		
School breakfast program	10.553	171NJ304N1099	N/A	445	10/01/16	09/30/17	(37)	-	37	-	-	-	-	-	-		
School breakfast program	10.553	181NJ304N1099	N/A	899	10/01/17	09/30/18	-	-	846	899	-	-	(53)	-	-		
Total enterprise fund							<u>445</u>	<u>-</u>	<u>10,316</u>	<u>10,721</u>	<u>-</u>	<u>-</u>	<u>(488)</u>	<u>528</u>	<u>-</u>		
Total federal financial assistance							<u>\$ (7,971)</u>	<u>\$ -</u>	<u>\$ 82,517</u>	<u>\$ 100,539</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (26,521)</u>	<u>\$ 528</u>	<u>\$ -</u>		

See independent auditors' report.

FRENCHTOWN BOROUGH 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		Balance June 30, 2017		Cash Received	Budgetary Expenditure	Adjustments/ Repayments	Balance June 30, 2018			Memo	
			From	To	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	\$ 85,703	07/01/17	06/30/18	\$ -	\$ -	\$ 77,280	\$ 85,703	\$ -	\$ -	\$ -	\$ -	\$ 8,423	\$ 85,703
Equalization aid	18-495-034-5120-078	508,039	07/01/17	06/30/18	-	-	458,109	508,039	-	-	-	-	49,930	508,039
School choice aid	18-495-034-5120-068	135,422	07/01/17	06/30/18	-	-	122,113	135,422	-	-	-	-	13,309	135,422
Security aid	18-495-034-5120-084	3,251	07/01/17	06/30/18	-	-	2,932	3,251	-	-	-	-	319	3,251
Adjustment aid	18-495-034-5120-085	9,673	07/01/17	06/30/18	-	-	8,722	9,673	-	-	-	-	951	9,673
Transportation aid	18-495-034-5120-014	457	07/01/17	06/30/18	-	-	412	457	-	-	-	-	45	457
PARCC Readiness aid	18-495-034-5120-098	1,240	07/01/17	06/30/18	-	-	1,118	1,240	-	-	-	-	122	1,240
Per pupil growth aid	18-495-034-5120-097	1,240	07/01/17	06/30/18	-	-	1,118	1,240	-	-	-	-	122	1,240
Professional learning community aid	18-495-034-5120-101	1,240	07/01/17	06/30/18	-	-	1,118	1,240	-	-	-	-	122	1,240
Extraordinary special education costs aid	17-495-034-5120-044	33,834	07/01/16	06/30/17	(33,834)	-	33,834	-	-	-	-	-	-	33,834
Non-public transportation aid	17-495-034-5120-014	1,392	07/01/16	06/30/17	(1,392)	-	1,392	-	-	-	-	-	-	1,392
On behalf TPAF pension contribution - teachers' pension & annuity fund	18-495-034-5094-002	190,106	07/01/17	06/30/18	-	-	190,106	190,106	-	-	-	-	-	190,106
On behalf TPAF pension contribution - non-contributory insurance	18-495-034-5094-004	4,613	07/01/17	06/30/18	-	-	4,613	4,613	-	-	-	-	-	4,613
On behalf TPAF pension contribution - post retirement medical	18-495-034-5094-001	125,765	07/01/17	06/30/18	-	-	125,765	125,765	-	-	-	-	-	125,765
On behalf TPAF pension contribution - long-term disability insurance	18-495-034-5094-004	309	07/01/17	06/30/18	-	-	309	309	-	-	-	-	-	309
Reimbursed TPAF social security contribution	18-495-034-5094-003	90,801	07/01/17	06/30/18	-	-	90,121	90,801	-	(680)	-	-	-	90,801
Reimbursed TPAF social security contribution	17-495-034-5094-003	95,084	07/01/16	06/30/17	(308)	-	308	-	-	-	-	-	-	95,084
Total general fund					(35,534)	-	1,119,370	1,157,859	-	(680)	-	-	73,343	1,288,169
Special revenue fund														
Nonpublic handicapped aid-examination	18-100-034-5120-066	2,546	07/01/17	06/30/18	-	-	2,546	-	-	-	-	2,546	-	-
Nonpublic nursing services	18-100-034-5120-070	776	07/01/17	06/30/18	-	-	776	764	-	-	-	12	-	764
Nonpublic security aid	18-100-034-5120-509	600	07/01/17	06/30/18	-	-	600	600	-	-	-	-	-	600
Nonpublic technology initiative	18-100-034-5120-373	148	07/01/17	06/30/18	-	-	148	132	-	-	-	16	-	132
Nonpublic textbook aid	18-100-034-5120-064	219	07/01/17	06/30/18	-	-	219	219	-	-	-	-	-	219
Nonpublic handicapped aid-examination	18-100-034-5120-066	5,039	07/01/16	06/30/17	-	5,039	-	-	5,039	-	-	-	-	-
Nonpublic nursing services	18-100-034-5120-070	540	07/01/16	06/30/17	-	179	-	-	179	-	-	-	-	361
Nonpublic textbook aid	18-100-034-5120-064	173	07/01/16	06/30/17	-	3	-	-	3	-	-	-	-	170
Total special revenue fund					-	5,221	4,289	1,715	5,221	-	-	2,574	-	2,246

See independent auditors' report.

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

Grantor/Program Title	Project Number	Program or Award Amount	Grant Period From	Grant Period To	Balance June 30, 2017		Cash Received	Budgetary Expenditure	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
Capital projects fund														
NJ School Development Authority														
Boiler conversion	1680-050-14-2002-G04	\$ 187,444	01/06/14	n/a	\$ (164,587)	\$ -		\$ 15,429	\$ -	\$ (180,016)	\$ -	\$ -	\$ -	\$ 187,443
Total capital projects fund					<u>(164,587)</u>	<u>-</u>	<u>-</u>	<u>15,429</u>	<u>-</u>	<u>(180,016)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>187,443</u>
State Department of Agriculture														
Enterprise fund														
State school lunch program	18-100-010-3350-023	343	07/01/17	06/30/18	-	-	324	343	-	(19)	-	-	-	343
State school lunch program	17-100-010-3350-023	367	07/01/16	06/30/17	(18)	-	18	-	-	-	-	-	-	367
Total enterprise fund					<u>(18)</u>	<u>-</u>	<u>342</u>	<u>343</u>	<u>-</u>	<u>(19)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>710</u>
Total state financial assistance					<u>\$ (200,139)</u>	<u>\$ 5,221</u>	<u>\$ 1,124,001</u>	<u>1,175,346</u>	<u>\$ 5,221</u>	<u>\$ (180,715)</u>	<u>\$ -</u>	<u>\$ 2,574</u>	<u>\$ 73,343</u>	<u>\$ 1,478,568</u>
Less: On behalf TPAF Pension system contributions								<u>(320,793)</u>						
Total for state financial assistance - major program determination								<u>\$ 854,553</u>						

See independent auditors' report.

FRENCHTOWN BOROUGH 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 Frenchtown Borough School District (the 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 \$5,128 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.

FRENCHTOWN BOROUGH 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	\$ -	\$ 1,157,859	\$ 1,157,859
Special revenue fund	94,946	1,715	96,661
Food service fund	10,721	343	11,064
Total awards and financial assistance	\$ 105,667	\$ 1,159,917	\$ 1,265,584

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.

**FRENCHTOWN BOROUGH 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

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

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

State Awards

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

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

Internal Control Over Major Programs:

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

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

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

Identification of Major Programs:

<u>State Grant/Project Numbers</u>	<u>Name of State Program</u>
	<i>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>18-495-034-5120-068</i>	<i>School Choice 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>

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

Section II - Financial Statement Findings

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

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

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

**FRENCHTOWN BOROUGH 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.