

**FRANKLIN BOROUGH
SCHOOL DISTRICT**

**Franklin Borough Board of Education
Franklin, New Jersey**

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2020**

Comprehensive Annual Financial Report

of the

FRANKLIN BOROUGH SCHOOL DISTRICT

Franklin, New Jersey

For the Fiscal Year Ended June 30, 2020

Prepared by

**Franklin Borough Board of Education
Finance Department**

FRANKLIN BOROUGH SCHOOL
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INTRODUCTORY SECTION
(UNAUDITED)

Franklin School District

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Franklin, NJ 07416
Phone (973) 827-9775
Fax (973) 827-6522

John R. Giacchi
Chief School Administrator

Barbara A. Decker
Business Administrator
Board Secretary

December 15, 2020

Honorable President and
Members of the Board of Education
Franklin Borough School District
Franklin, New Jersey 07416

Dear Board Members:

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of the Franklin Borough School District (District) for the fiscal year ended June 30, 2020. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the District. This report will provide the taxpayers of the Franklin Borough School District with comprehensive financial data in a format enabling them to gain an understanding of the School District's financial affairs.

The Comprehensive Annual Financial Report is presented in four sections as follows:

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

Leading the Way to Excellence

School District Organization

The Franklin Borough School District is one of 616 school districts in the State of New Jersey and one of 26 school districts in Sussex County. The School District provides education for its preschool through eighth grade students. Geographically, the District is comprised of the Borough of Franklin only. The School District's total area is 4.5 square miles. The 454 elementary students enrolled in the Franklin Borough School District attend the one school comprising the District. Students for 9th through 12th grade attend the Wallkill Valley Regional High School in Hardyston, N.J.

An elected nine-member Board of Education (the "Board") serves as the policy maker for the School District. The Board adopts an annual budget and directly approves all expenditures which serve as the basis for control over and authorization for all expenditures of School District tax money.

The Chief School Administrator is the chief executive officer of the School District, responsible to the Board for total educational and support operations. The Business Administrator/Board Secretary is the chief financial officer of the School District, responsible for maintaining all financial records, issuing warrants in payment of liabilities incurred by the School District, acting as custodian of all School District funds, and investing idle funds as permitted by New Jersey law.

Reporting Entity

Franklin Borough School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB) as established by GASB codification section 2100. All funds of the District are included in this report. The Franklin Borough Board of Education and its one elementary school constitute the District's reporting entity.

Economic Condition and Outlook

The District completed the 2019-2020 fiscal year with an average daily enrollment of 468 students, which is 3 students less than the previous year's average daily enrollment. Beginning March 16, 2020, students transitioned to remote instruction due to COVID-19 pandemic plaguing the State for the remainder of the school year.

The school district enrollment increased for this fiscal year. Over the last few years, the overall district enrollment has increased with the exception of a decrease in 2018. The District is experiencing some enrollment losses to the local charter and choice schools.

The School District, along with many other public school systems in the State, still faces some difficult economic situations in the future since the primary funding source is property tax revenue. In January 2012, a law was passed [P.L. 2011, chapter 202] that gave the Boards of Education the ability to move the date for the school's annual election from April to the General Election in November. If the Board chose to elect board members in November, the Boards of Education would not have to submit their annual budgets for voter approval, so long as it does not exceed the tax levy cap [presently at two percent]. However, once the school election is moved to November, no action can be taken to move it back to April for four years. On January 30, 2012, the Franklin Borough Board of Education adopted a resolution to move its school elections to the General Election in November. The School District's administration is

closely monitoring the cost of operations and continues to look for new funding sources in order to maintain the quality educational services that the School District has been accustomed to providing. The School District attributes much of its past education success to the community's demand for, and support of, both a traditional and quality school system. Our School District will remain accountable to the residents and taxpayers who make the School District their school system of choice.

The assessed valuation of Franklin Borough decreased over the last year due to a change with utility on personal property. However, the Borough experienced an increase in the public utility tax base and the classification of apartments as reflected in the increase in the 2019 assessed valuation as follows:

2011-	\$473,912,265
2012-	\$465,191,273
2013-	\$460,989,027
2014-	\$392,370,021
2015-	\$391,758,530
2016-	\$400,632,049
2017-	\$399,364,584
2018-	\$397,568,420
2019-	\$397,847,231
2020-	\$395,552,814

Historically, the decrease in assessed values has been attributed to the various tax appeals that have been filed by local property owners. In 2014 the Borough of Franklin had a reassessment performed. The percentage of taxes collected annually by the Borough for the last several years has consistently been over 95%. The percentage of taxes collected over the previous few years was as follows:

2011-	97.15%
2012-	95.43%
2013-	97.22%
2014-	97.57%
2015-	97.71%
2016-	97.10%
2017-	96.83%
2018-	97.02%
2019-	96.77%

Educational Program

The Board of Education continues to maintain quality educational programs for its preschool through eighth grade students. As of January 1, 2019, the preschool program is funded through PEA Grant. With an already strong curriculum focused in language arts, math, science, social studies, and special-areas, technology is infused into all facets of instruction. The goal is to engage learners with hands on learning experiences that will bring learning to life and provide students with the tools needed to be successful in their future careers. Spanish instruction continues to be a key component for our world languages/culture program. The kindergarten classes are offered as a full-day program and an emphasis is placed on

language arts and math instruction. Balanced literacy instruction, especially in the early grades, continues as a priority. Remedial and special education programs continue to be implemented so that students with specific learning needs will have increased opportunities for success. The Board supports the technology program and has invested in Chromebooks, visual presenters, projectors, Promethean Boards and training to support the implementation of new technology. The Franklin Parent Teacher Organization and the Franklin Education Foundation have donated many resources to assist our school program.

Major Initiatives

The Board maintains manageable class sizes, invests in staff development and increases technology opportunities. Six (6) Promethean Boards were purchased and students in grades one through eight were provided with Chromebooks as part of the one to one initiative. Teachers were also provided new Chromebooks in school year 2020. We have completed our fourth year with the Go Math! Program in grades kindergarten through five and third year with Go Math! in grades six through eight. This program along with an additional period (forty-one minutes) of math instruction each day addressed a concern identified through PARCC assessment. Science Dimensions, our K-8 science program, is in the second year of implementation. This program has encouraged problem based learning and incorporated STEM learning. The implementation of the HIB (harassment, intimidation, bullying) requirements issued by the State in 2011-12 remain in place.

A number of upgrades and improvements were accomplished in fiscal year 2020 including replacing the building's steam boiler and installing natural gas line for the new boiler; demolition of the chimney; removal of underground storage tank; replacing carpet in the lower annex; conducting a window survey preparing for window replacement project; installing fence around the existing playground area (PEA); and constructing an outdoor classroom funded in part by a local grant.

Security upgrades include replacing three (3) boiler room doors and all stairwell doors.

Financial Information

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

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

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

In addition to internal accounting controls, the District maintains budgetary controls. Annual appropriated budgets are adopted for the general fund and the special revenue fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The original budget, budget transfers during the year, and final budget amount 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-appropriated balances reported as reservations of fund balance at fiscal year-end.

Cash Management

The investment policy of the District is guided in large part by state statutes as detailed in “Notes to Basic Financial Statements,” Note 3. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act [GUDPA]. GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

Risk Management

The District continues to protect its assets through a comprehensive insurance program through coverage obtained from the School Alliance Insurance Fund. The Fund is a school district joint self-insurance fund formed under the provisions of the New Jersey Statutes. The Fund’s membership is comprised of local and regional school districts. Coverage includes property loss, crime and fidelity, comprehensive general liability, auto insurance, workers’ compensation, school leaders professional liability, supplemental workers’ compensation and underground storage tank (pollution liability). Other policies purchased from other insurance companies include fidelity bonds for the School Business Administrator/Board Secretary and Board Treasurer of School Monies. Additional policies purchased were for Student Accident Insurance.

Independent Audit

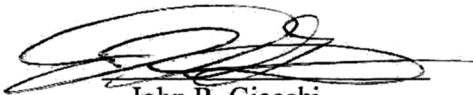
State statutes require an annual audit by independent certified public accountants. The accounting firm of Nisivoccia LLP was selected by the Board of Education. In addition to meeting the requirements set forth in state statutes, the audit was designed to meet the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”) and New Jersey’s OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. The auditor’s report on the basic financial statements and specific required supplemental information is included in the financial section of this report. The auditor’s reports related specifically to the single audit are included in the single audit section of this report.

Honorable President and
Members of the Board of Education
Franklin Borough School District
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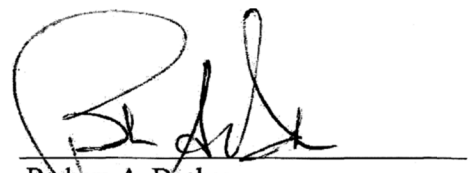
Acknowledgements

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

Respectively submitted,

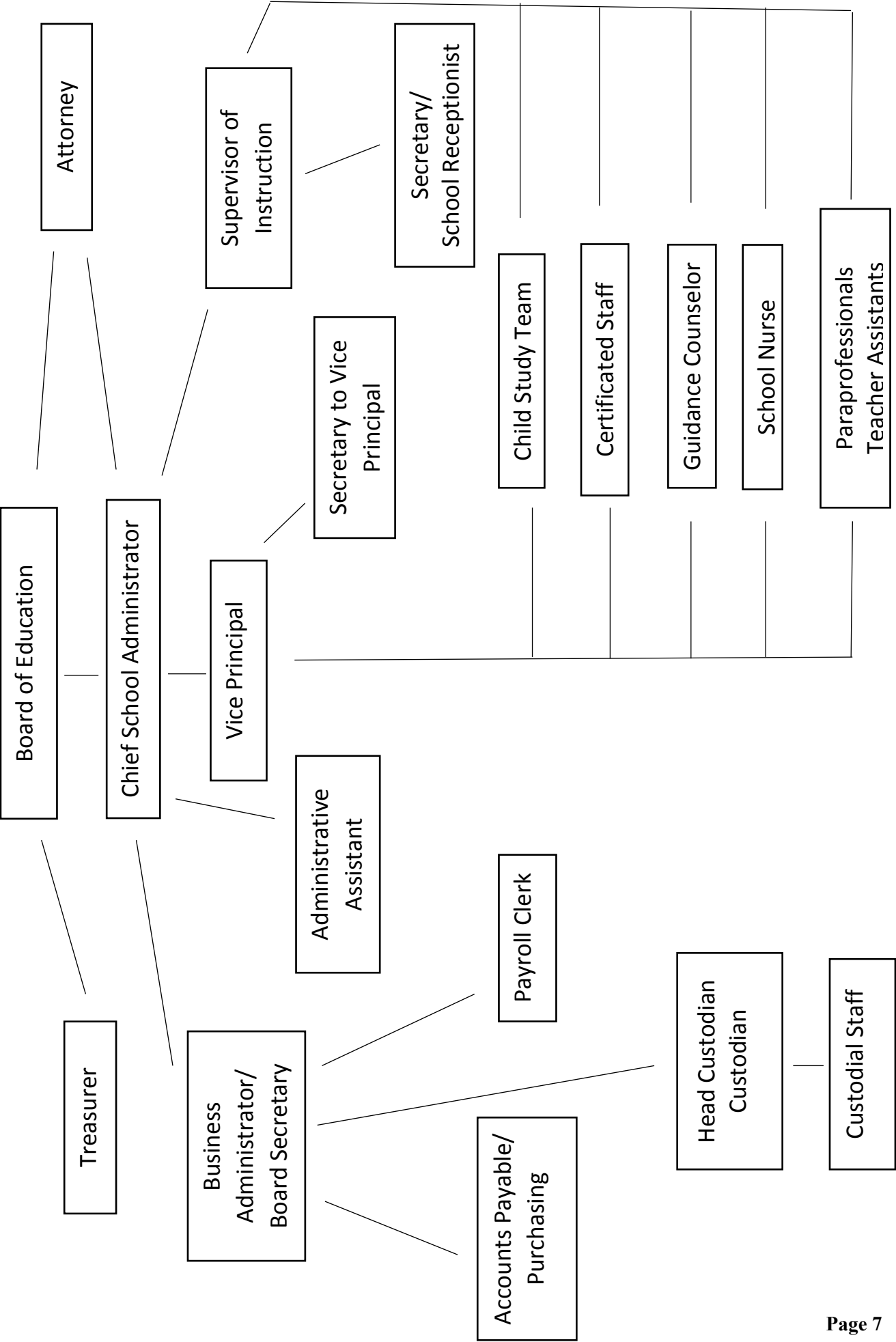


John R. Giacchi
Superintendent



Barbara A. Decker
Business Administrator/Board Secretary

FRANKLIN BOROUGH BOARD OF EDUCATION
Organization Chart



**FRANKLIN BOROUGH SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2020**

<u>Members of the Board of Education</u>		<u>Term Expires</u>
F. Cliff Graham	President	2021
Ronald E. Neal	Vice President	2021
Kathleen Clohessey	Member	2020
Wayne Bartron	Member	2020
John J. Friend	Member	2022
Shane Hrbek	Member	2020
Stephen Koger	Member	2022
Suzanne Ross	Member	2022
Sarah Zydon	Member	2020

Other Officers

John R. Giacchi, Superintendent
Barbara A. Decker, Business Administrator/Board Secretary
Pamela J. Crum, Treasurer of School Monies

FRANKLIN BOROUGH SCHOOL DISTRICT
Consultants and Advisors

Audit Firm

Nisivoccia, LLP
Mount Arlington Corporate Center
200 Valley Road, Suite 300
Mount Arlington, New Jersey 07856
and
Lawrence Business Park
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Newton, New Jersey 07860

Attorney

Matthew J. Giacobbe, Esq.
Cleary Giacobbe Alfieri & Jacobs, LLC
955 State Route 34
Matawan, New Jersey 07747

Architect

Parette Somjen Architects, LLC
439 Route 46 East
Rockaway, New Jersey 07866

Official Depository

Lakeland Bank
250 Oak Ridge Road
Oak Ridge, New Jersey 07438-8906

Insurance Agent

The Morville Agency
Arthur J. Gallagher
Risk Management Services Inc.
55 Newton-Sparta Road
Newton, New Jersey 07860

FINANCIAL SECTION

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Franklin Borough School District (the "District") in the County of Sussex, as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

+

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Franklin Borough School District, in the County of Sussex, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, which follows this report, the pension and postemployment benefit schedules in Exhibits L-1 through L-5 and the related notes and the budgetary comparison information in Exhibits C-1 through C-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

The Honorable President and Members
of the Board of Education
Franklin Borough School District
Page 3

The accompanying other information such as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2020 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 solely 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 the effectiveness of the District's 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.

December 15, 2020
Mount Arlington, New Jersey

Nisiroccia LLP
NISIVOCCIA LLP

Valerie A. Dolan

Valerie A. Dolan
Licensed Public School Accountant #2526
Certified Public Accountant

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

**FRANKLIN BOROUGH SCHOOL DISTRICT
FRANKLIN, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020**

This section of Franklin Borough School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2020. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

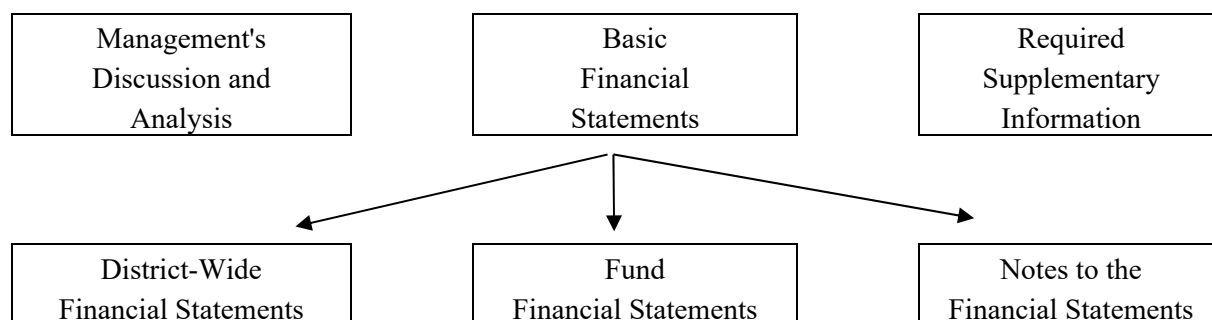
Overview of the Financial Statements

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

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

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

**Figure A-1
Organization of K-8 School District's Financial Report**



**FRANKLIN BOROUGH SCHOOL DISTRICT
FRANKLIN, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020**

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities
Required Financial Statements	<ul style="list-style-type: none"> Statement of net position Statement of activities 	<ul style="list-style-type: none"> Balance sheet Statement of revenue, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> Statement of net position Statement of revenue, expenses, and changes in net position Statement of cash flows 	<ul style="list-style-type: none"> Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities are included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

**FRANKLIN BOROUGH SCHOOL DISTRICT
FRANKLIN, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020**

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, deferred inflows and outflows and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's *net position* and how they have changed. Net position – the difference between the District's assets, deferred inflows and outflows and liabilities – is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on {1} how cash and other financial assets that can readily be converted to cash flow in and out, and {2} the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.

**FRANKLIN BOROUGH SCHOOL DISTRICT
FRANKLIN, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020**

Fund Financial Statements

- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District uses *internal service funds* (the other kind of proprietary fund) to report activities that provide supplies and services for its other programs and activities. The District currently does not maintain any internal service funds.
- *Fiduciary funds:* The District is the trustee, or *fiduciary*, for assets that belong to others, such as scholarship funds and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Notes to the basic financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements. The notes to the basic financial statements can be found immediately following the fund financial statements.

Financial Analysis of the District as a Whole

Net Position. The District's combined net position increased by \$622,409 – from \$1,329,329 at June 30, 2019 to \$1,951,738 at June 30, 2020. Net position from governmental activities increased by \$628,049 and net position from business activities decreased by \$5,640. Net investment in capital assets increased by \$527,957, restricted net position increased by \$73,495, and unrestricted net position increased by \$20,957.

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

	Government Activities		Business-Type Activities		Total School District		Total Percentage Change
	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019	
Current and Other Assets	\$ 2,811,523	\$ 2,904,831	\$ 47,589	\$ 49,244	\$ 2,859,112	\$ 2,954,075	
Capital Assets, Net	1,545,738	1,016,419	20,525	21,887	1,566,263	1,038,306	
Total Assets	4,357,261	3,921,250	68,114	71,131	4,425,375	3,992,381	10.85%
Deferred Outflows of Resources	273,902	399,997			273,902	399,997	-31.52%
Other Liabilities	259,789	329,500	4,694	2,071	264,483	331,571	
Long-Term Liabilities	1,743,776	1,933,239			1,743,776	1,933,239	
Total Liabilities	2,003,565	2,262,739	4,694	2,071	2,008,259	2,264,810	-11.33%
Deferred Inflows of Resources	739,280	798,239			739,280	798,239	-7.39%
Net Position:							
Net Investment in Capital Assets	1,545,738	1,016,419	20,525	21,887	1,566,263	1,038,306	
Restricted	2,592,326	2,518,831			2,592,326	2,518,831	
Unrestricted/(Deficit)	(2,249,746)	(2,274,981)	42,895	47,173	(2,206,851)	(2,227,808)	
Total Net Position	\$ 1,888,318	\$ 1,260,269	\$ 63,420	\$ 69,060	\$ 1,951,738	\$ 1,329,329	46.82%

**FRANKLIN BOROUGH SCHOOL DISTRICT
FRANKLIN, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020**

Financial Analysis of the District as a Whole

Changes in Net Position. The District's *combined* net position was \$1,951,738 at June 30, 2020, or \$622,409 more than it was the year before. Net investment in capital assets increased by \$527,957 as a result of \$663,580 in current year capital additions offset by \$135,623 of current year depreciation expense. Restricted net position increased by \$73,495 due to a net decrease of \$226,737 in the capital reserve account and a \$400,000 increase in the maintenance reserve account, combined with a decrease in Excess Surplus of \$99,768. Unrestricted net position increased by \$20,957 primarily due to changes in assigned fund balance, compensated absences and net pension liability and related deferred inflows and outflows. (See Figure A-3).

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

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019	
Revenue:							
Program Revenue:							
Charges for Services	\$ 22,933	\$ 12,352	\$ 29,491	\$ 47,586	\$ 52,424	\$ 59,938	
Operating Grants & Contributions	3,337,421	3,307,919	102,390	122,724	3,439,811	3,430,643	
General Revenue:							
Property Taxes	5,810,534	5,651,469			5,810,534	5,651,469	
Unrestricted Federal and State Aid	2,935,872	2,933,868			2,935,872	2,933,868	
Other	9,701	43,026	68	121	9,769	43,147	
Total Revenue	12,116,461	11,948,634	131,949	170,431	12,248,410	12,119,065	1.07%
Expenses:							
Instruction	7,341,101	7,094,357			7,341,101	7,094,357	
Pupil and Instruction Services	1,892,252	1,961,973			1,892,252	1,961,973	
Administrative and Business	733,235	977,046			733,235	977,046	
Maintenance and Operations	1,015,786	1,024,541			1,015,786	1,024,541	
Transportation	262,254	322,373			262,254	322,373	
Capital Outlay	4,133	4,133			4,133	4,133	
Other	239,651	258,965	137,589	186,577	377,240	445,542	
Total Expenses	11,488,412	11,643,388	137,589	186,577	11,626,001	11,829,965	-1.72%
Increase/(Decrease) in Net Position	\$ 628,049	\$ 305,246	\$ (5,640)	\$ (16,146)	\$ 622,409	\$ 289,100	115.29%

**FRANKLIN BOROUGH SCHOOL DISTRICT
FRANKLIN, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020**

Governmental Activities

As discussed elsewhere in this commentary, the financial position of the District increased by \$628,049. However, maintaining existing programs with a decrease in enrollment and the provision of special programs and services for disabled pupils, combined with rising salary, benefits and energy costs, has placed great demands on the District's resources.

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

- Participation in an insurance pool operated by School Alliance Insurance Fund resulting in low cost property, liability and workers compensation insurance.
- Participation in Joint Transportation Agreements
- Participation in Joint Purchasing Agreements

It is crucial that the District constantly monitors all expenses throughout the fiscal year.

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

	Total Costs of Services		Net Cost of Services	
	2019/2020	2018/2019	2019/2020	2018/2019
Instruction	\$ 7,341,101	\$ 7,094,357	\$ 4,644,305	\$ 4,516,680
Pupil and Instruction Services	1,892,252	1,961,973	1,330,817	1,506,848
Administrative and Business	733,235	977,046	721,733	812,294
Maintenance and Operations	1,015,786	1,024,541	977,320	968,164
Transportation	262,254	322,373	210,099	256,034
Capital Outlay	4,133	4,133	4,133	4,133
Other	239,651	258,965	239,651	258,965
	<u>\$ 11,488,412</u>	<u>\$ 11,643,388</u>	<u>\$ 8,128,058</u>	<u>\$ 8,323,118</u>

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

Business-Type Activities

Net position from the District's Business-type activity decreased by \$5,640 (Refer to Figure A-4).

**FRANKLIN BOROUGH SCHOOL DISTRICT
FRANKLIN, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020**

Financial Analysis of the District's Funds

The District's financial position in the General Fund increased due to careful planning and monitoring of expenditures despite significant changes in student needs and difficult economic times. Expenditures during the recent year increased in the area of pupil and instruction services attributable to students with various needs entering the school district. In addition to greater numbers, some of these pupils are more profoundly challenged and require more complex educational and related services.

A continued increase in enrollment of disabled students has also forced the District to expand its classroom resources. The increased cost has largely been offset by salary reductions realized from the retirement and/or reallocation of staff. Fringe benefit costs for all staff have increased dramatically in the past several years. These factors are likely to continue for the next several years. To maintain a stable financial position, the District must continue to practice sound fiscal management.

General Fund Budgetary Highlights

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

- Changes made within budgetary line items for changes in school-based needs for programs, supplies and equipment.
- Changes in budgetary line accounts to more accurately reflect current requirements.

Capital Asset Administration

Current year capital additions were \$663,580, annual depreciation was \$135,623, (\$134,261 from governmental activities and \$1,362 from business-type activities). (More information on the District's capital assets is presented in Note 5 to the financial statements.)

Figure A-6

Capital Assets (Net of Depreciation)

	Government Activities		Business-Type Activities		Total School District		Total Percentage Change
	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019	
Land	\$ 229,166	\$ 229,166			\$ 229,166	\$ 229,166	
Site Improvements	520,237	4,060			520,237	4,060	
Buildings and Building Improvements	390,533	419,465			390,533	419,465	
Machinery and Equipment	405,802	363,728	\$ 20,525	\$ 21,887	426,327	385,615	
Total Capital Assets, Net	<u>\$ 1,545,738</u>	<u>\$ 1,016,419</u>	<u>\$ 20,525</u>	<u>\$ 21,887</u>	<u>\$ 1,566,263</u>	<u>\$ 1,038,306</u>	50.85%

**FRANKLIN BOROUGH SCHOOL DISTRICT
FRANKLIN, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020**

Long-term Liabilities

The District's long-term liabilities represent compensated absence payable and the net pension liability. (More detailed information about the District's long-term liabilities is presented in Note 6 to the financial statements.)

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

	Total School District		Percentage
	2019/2020	2018/2019	Change
Compensated Absences Payable	\$ 327,554	\$ 317,582	
Net Pension Liability	<u>1,416,222</u>	<u>1,615,657</u>	
	<u>\$ 1,743,776</u>	<u>\$ 1,933,239</u>	-9.80%

- Compensated absences payable increased by a net amount of \$9,974 due to the accrual of sick days for all employees.
- The District had a net decrease in the Net Pension Liability of \$199,435.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following circumstance that could continue to significantly affect its financial health in the future.

- The District anticipates significant increases in fiscal year 2021 expenditures due to COVID-19 particularly in cleaning and sanitizing products as well as instructional supplies to accommodate remote teaching. Additional staff, including custodial, may be needed.
- The District is not anticipating any changes in revenue for fiscal year 2021; however, there is concern regarding future revenue at both the State and local level due to the COVID-19 pandemic which shut schools down in the State of New Jersey as of March 18, 2020.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mrs. Barbara Decker, Board Secretary/Business Administrator, Franklin Borough Board of Education, 50 Washington Ave., Franklin, New Jersey 07416.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

FRANKLIN BOROUGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 1,070,884	\$ 34,565	\$ 1,105,449
Receivable from Federal Government	24,233	1,824	26,057
Receivable from State Government	123,945	18	123,963
Receivables from Other Governments	135	2,475	2,610
Inventories		8,707	8,707
Restricted Assets:			
Capital Reserve Account - Cash and Cash Equivalents	942,326		942,326
Maintenance Reserve Account - Cash and Cash Equivalents	650,000		650,000
Capital Assets:			
Site (Land)	229,166		229,166
Depreciable Site Improvements, Building and Building Improvements, and Machinery and Equipment	1,316,572	20,525	1,337,097
Total Assets	4,357,261	68,114	4,425,375
DEFERRED OUTFLOW OF RESOURCES			
Deferred Outflows Related to Pensions	273,902		273,902
Total Deferred Outflows of Resources	273,902		273,902
LIABILITIES			
Accounts Payable	205,972		205,972
Due to Federal Governmnet	195		195
Unearned Revenue	53,622	4,694	58,316
Noncurrent Liabilities:			
Due Beyond One Year	1,743,776		1,743,776
Total Liabilities	2,003,565	4,694	2,008,259
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	739,280		739,280
Total Deferred Inflows of Resources	739,280		739,280
NET POSITION			
Net Investment in Capital Assets	1,545,738	20,525	1,566,263
Restricted for:			
Capital Projects	942,326		942,326
Maintenance Reserve	650,000		650,000
Excess Surplus	1,000,000		1,000,000
Unrestricted (Deficit)	(2,249,746)	42,895	(2,206,851)
Total Net Position	\$ 1,888,318	\$ 63,420	\$ 1,951,738

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

FRANKLIN BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating		Governmental Activities	Business-Type Activities
			Grants and Contributions	Capital Grants and Contributions		
Governmental Activities:						
Instruction:						
Regular	\$ 3,648,626		\$ 1,021,917		\$ (2,626,710)	\$ (2,626,710)
Special Education	1,549,166		675,512		(873,654)	(873,654)
Other Special Instruction	237,287		16,183		(221,104)	(221,104)
School-Sponsored/Other Instruction	1,906,022		983,185		(922,837)	(922,837)
Support Services:						
Tuition	282,231	\$ 22,933	148,447		(110,851)	(110,851)
Student & Instruction Related Services	1,610,021		390,055		(1,219,966)	(1,219,966)
General Administrative Services	328,245		11,501		(316,744)	(316,744)
School Administrative Services	192,191				(192,191)	(192,191)
Central Services	212,799				(212,799)	(212,799)
Plant Operations and Maintenance	1,015,786		38,466		(977,320)	(977,320)
Pupil Transportation	262,254		52,155		(210,099)	(210,099)
Capital Outlay	4,133				(4,133)	(4,133)
Unallocated Depreciation	112,781				(112,781)	(112,781)
Transfer to Charter School	126,870				(126,870)	(126,870)
Total Governmental Activities	11,488,412	22,933	3,337,421		(8,128,058)	(8,128,058)

FRANKLIN BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Business-Type Activities: Food Service	\$ 137,589	\$ 29,491	\$ 102,390			\$ (5,708)	\$ (5,708)
Total Business-Type Activities	137,589	29,491	102,390			(5,708)	(5,708)
Total Primary Government	<u>\$ 11,626,001</u>	<u>\$ 52,424</u>	<u>\$ 3,439,811</u>	<u>\$ - 0 -</u>	<u>\$ (8,128,058)</u>	<u>(5,708)</u>	<u>(8,133,766)</u>
General Revenue:							
Taxes:							
Property Taxes, Levied for General Purposes, Net					5,810,534		5,810,534
Federal and State Aid not Restricted					2,935,872		2,935,872
Interest					1,000	68	1,068
Miscellaneous Income					8,701		8,701
Total General Revenue					8,756,107	68	8,756,175
Change in Net Position					628,049	(5,640)	622,409
Net Position - Beginning					1,260,269	69,060	1,329,329
Net Position - Ending					\$ 1,888,318	\$ 63,420	\$ 1,951,738

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

FUND FINANCIAL STATEMENTS

FRANKLIN BOROUGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS:			
Cash and Cash Equivalents	\$ 1,070,884		\$ 1,070,884
Interfund Receivable	18,131		18,131
Receivables From Federal Government		\$ 24,233	24,233
Receivables From State Government	123,945		123,945
Receivables From Other Governments	135		135
Restricted Cash and Cash Equivalents	1,592,326		1,592,326
Total Assets	<u>\$ 2,805,421</u>	<u>\$ 24,233</u>	<u>\$ 2,829,654</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts Payable	\$ 97,482	\$ 17,490	\$ 114,972
Interfund Payable		18,131	18,131
Due to Federal Government		195	195
Unearned Revenue		53,622	53,622
Total Liabilities	<u>97,482</u>	<u>89,438</u>	<u>186,920</u>
Fund Balances:			
Restricted:			
Capital Reserve Account	942,326		942,326
Maintenance Reserve Account	650,000		650,000
Excess Surplus	500,000		500,000
Excess Surplus - For Subsequent Year's Expenditures	500,000		500,000
Assigned:			
For Subsequent Year's Expenditures	34,128		34,128
Year End Encumbrances	81,485		81,485
Unassigned (Deficit)		(65,205)	(65,205)
Total Fund Balances/(Deficit)	<u>2,707,939</u>	<u>(65,205)</u>	<u>2,642,734</u>
Total Liabilities and Fund Balances	<u>\$ 2,805,421</u>	<u>\$ 24,233</u>	<u>\$ 2,829,654</u>

FRANKLIN BOROUGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020
(Continued)

Amounts Reported for *Governmental Activities* in the Statement of Net Position (A-1) are different because:

Total Fund Balances - Governmental Funds (Above)	\$ 2,642,734
Capital assets used in Governmental Activities are not financial resources and are not Reported in the Funds.	1,545,738
Long-Term Liabilities are not due and payable in the current period and therefore are not Reported as liabilities in the Funds.	(327,554)
The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.	(1,416,222)
Certain Amounts Related to the Net Pension Liability are Deferred and Amortized in the Statement of Activities and are not Reported in the Governmental Funds.	
Deferred Outflows	182,902
Deferred Inflows	(739,280)
Net Position of Governmental Activities	<u>\$ 1,888,318</u>

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

FRANKLIN BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUE:			
Local Sources:			
Local Tax Levy	\$ 5,810,534		\$ 5,810,534
Tuition - Other LEA's Within the State	22,933		22,933
Interest Earned on Capital Reserve Funds	1,000		1,000
Miscellaneous	8,701	\$ 30,508	39,209
Total - Local Sources	5,843,168	30,508	5,873,676
State Sources	4,812,294	747,911	5,560,205
Federal Sources	14,489	284,678	299,167
Total Revenue	10,669,951	1,063,097	11,733,048
EXPENDITURES:			
Current:			
Regular Instruction	2,110,879	647,548	2,758,427
Special Education Instruction	1,038,419	29,835	1,068,254
Other Special Instruction	208,868		208,868
School Sponsored/Other Instruction	174,179		174,179
Support Services and Undistributed Costs:			
Tuition	133,784	148,447	282,231
Student & Instruction Related Services	1,096,779	340,679	1,437,458
General Administrative Services	352,507		352,507
School Administrative Services	163,348		163,348
Central Services	212,799		212,799
Plant Operations and Maintenance	977,678		977,678
Pupil Transportation	246,100		246,100
Unallocated Benefits	3,013,302		3,013,302
Capital Outlay	681,809	38,466	720,275
Transfer of Funds to Charter Schools	126,870		126,870
Total Expenditures	10,537,321	1,204,975	11,742,296
Excess/(Deficit) of Revenue over Expenditures	132,630	(141,878)	(9,248)

FRANKLIN BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	General Fund	Special Revenue Fund	Total Governmental Funds
OTHER FINANCING SOURCES (USES):			
Transfers In/(Out)	\$ (117,791)	\$ 117,791	
Total Other Financing Sources (Uses)	(117,791)	117,791	
Net Change in Fund Balances	14,839	(24,087)	\$ (9,248)
Fund Balance - July 1	2,693,100	(41,118)	2,651,982
Fund Balance/(Deficit) - June 30	\$ 2,707,939	\$ (65,205)	\$ 2,642,734

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

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2)

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

Capital Outlays are reported in Governmental Funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which Depreciation Expense differed from Capital Outlays in the period.

Depreciation Expense	\$ (134,261)	
Capital Outlays	663,580	529,319
financial resources		
Net Pension Liability	199,435	
In Deferred Outflows	(140,444)	
Change In Deferred Inflows	58,959	117,950

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

Changes in Net Pension Liability	199,435
Change In Deferred Outflows	(140,444)
Change In Deferred Inflows	<u>58,959</u>

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

 $(9,972)$

Change in Net Position (Exhibit A-2)

\$ 628,049

FRANKLIN BOROUGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020

	<u>Business-type Activities - Enterprise Funds Food Service</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 34,565
Intergovernmental Accounts Receivable:	
Federal	1,824
State	18
Accounts Receivable	2,475
Inventories	8,707
	<hr/>
Total Current Assets	47,589
	<hr/>
Non-Current Assets:	
Capital Assets	146,947
Less: Accumulated Depreciation	(126,422)
	<hr/>
Total Non-Current Assets	20,525
	<hr/>
Total Assets	68,114
	<hr/>
LIABILITIES:	
Current Liabilities:	
Unearned Revenue - Prepaid Sales	2,519
Unearned Revenue - Donated Commodities	2,175
	<hr/>
Total Current Liabilities	4,694
	<hr/>
NET POSITION:	
Investment in Capital Assets	20,525
Unrestricted	42,895
	<hr/>
Total Net Position	\$ 63,420
	<hr/> <hr/>

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

FRANKLIN BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Business-type Activities - Enterprise Funds Food Service
Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 24,772
Daily Sales - Non-Reimbursable Programs	4,719
Total Operating Revenue	29,491
Operating Expenses:	
Cost of Sales - Reimbursable Programs	60,966
Cost of Sales - Non-Reimbursable Programs	11,613
Salaries, Benefits and Payroll Taxes	45,418
Supplies and Other Costs	10,230
Management Fee	8,000
Depreciation Expense	1,362
Total Operating Expenses	137,589
Operating Loss	(108,098)
Non-Operating Income:	
Local Sources:	
Interest Income	68
State Sources:	
State School Lunch Program	1,357
Seamless Summer Option - Lunch	119
Federal Sources:	
School Breakfast Program	18,257
Seamless Summer Option - Breakfast	3,881
National School Lunch Program	64,434
Seamless Summer Option - Lunch	7,577
Food Distribution Program	6,765
Total Non-Operating Income	102,458
Change in Net Position	(5,640)
Net Position - Beginning of Year	69,060
Net Position - End of Year	\$ 63,420

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

FRANKLIN BOROUGH SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Business-type Activities - Enterprise Funds Food Service
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 29,296
Payments to Employees	(45,418)
Payments to Food Service Vendor	(74,450)
Payments to Suppliers	(10,230)
Net Cash Used for Operating Activities	(100,802)
Cash Flows from Noncapital Financing Activities:	
Local Sources:	
Interest Income	68
State Sources:	
State School Lunch Program	1,603
Federal Sources:	
National School Breakfast Program	23,539
National School Lunch Program	77,538
Net Cash Provided by Noncapital Financing Activities	102,748
Net Increase in Cash and Cash Equivalents	1,946
Cash and Cash Equivalents, July 1	32,619
Cash and Cash Equivalents, June 30	\$ 34,565
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (108,098)
Adjustment to Reconcile Operating Loss to Cash Used for Operating Activities:	
Depreciation	1,362
Food Distribution Program	6,765
Changes in Assets and Liabilities:	
(Increase)/Decrease in Other Accounts Receivable	(195)
(Increase)/Decrease in Inventories	(3,259)
Increase/(Decrease) in Unearned Revenue - Prepaid Sales	2,519
Increase/(Decrease) in Unearned Revenue - Donated Commodities	104
Net Cash Used for Operating Activities	\$ (100,802)

Noncash Investing and Financing Activities:

The Food Service Enterprise Fund received commodities valued at \$6,869, and utilized \$6,765 of commodities.

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

FRANKLIN BOROUGH SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2020

	<u>Agency</u>	<u>Flexible Spending Trust</u>
ASSETS:		
Cash and Cash Equivalents	\$ 3,132	\$ 8,485
Total Assets	<u>3,132</u>	<u>8,485</u>
LIABILITIES:		
Payroll Deductions and Withholdings	<u>3,132</u>	
Total Liabilities	<u>3,132</u>	
NET POSITION:		
Held in Trust for Flexible Spending Claims		<u>8,485</u>
Total Net Position	<u>\$ - 0 -</u>	<u>\$ 8,485</u>

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

FRANKLIN BOROUGH SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Flexible Spending Trust
Additions:	
Contributions:	
Plan Contributions	\$ 37,690
Total Contributions	37,690
Investment Earnings:	
Interest	26
Net Investment Earnings	26
Total Additions	37,716
Deductions:	
Flexible Spending Claims	34,875
Total Deductions	34,875
Change in Net Position	2,841
Net Position - Beginning of the Year	5,644
Net Position - End of the Year	\$ 8,485

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

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

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

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

B. Basis of Presentation:

District-Wide Financial Statements:

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

The statement of activities presents a comparison between direct expenses and program revenue for business-type activities and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements. Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

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

B. Basis of Presentation: (Cont'd)

District-Wide Financial Statements (Cont'd)

requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue. The comparison of direct expenses with program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

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

The District reports the following governmental funds:

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

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

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

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

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

B. Basis of Presentation: (Cont'd)

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

The District reports the following proprietary fund:

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

Additionally, the District reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the District on behalf of others and includes the Student Activities and Payroll Agency Funds and the Flexible Spending Trust Fund.

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

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

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

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

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the General and Special Revenue Funds. The budget for the fiscal year ended June 30, 2020 was submitted to the County office and approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be made by school board resolution. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budget during the year).

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

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

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

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenue and Expenditures:

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 10,672,006	\$ 1,053,232
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		
Current Year Encumbrances		(16,778)
Prior Year Encumbrances		50,730
Prior Year State Aid Payments Recognized for GAAP Basis	325,131	41,118
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(327,186)	(65,205)
Total Revenues as Reported on the Statement of Revenues,		
Expenditures & Changes in Fund Balances - Governmental Funds.	<u>\$ 10,669,951</u>	<u>\$ 1,063,097</u>

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 10,537,321	\$ 1,171,023
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.		33,952
Total Expenditures as Reported on the Statement of Revenue, Expenditures, & Changes in Fund Balances - Governmental Funds	<u>\$ 10,537,321</u>	<u>\$ 1,204,975</u>

E. Cash and Cash Equivalents:

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

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

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

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

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

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

F. Interfund Transactions:

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

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

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

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

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

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2020.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

K. Capital Assets:

During the year ended June 30, 1994, the District established a formal system of accounting for its capital assets. Capital assets acquired or constructed subsequent to June 30, 1994, are recorded at historical cost including ancillary charges necessary to place the asset into service. Capital assets acquired or constructed prior to the establishment of the formal system are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Land has been recorded at estimated historical cost. Donated capital assets are valued at acquisition value. The cost of normal maintenance and repairs is not capitalized. The District does not possess any infrastructure. Capital assets have been reviewed for impairment.

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

	<u>Estimated Useful Life</u>
Buildings and Building Improvements	50 years
Site Improvements	20 years
Machinery and Equipment	10 to 15 years

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

L. Long Term Liabilities:

In the government-wide and enterprise fund statements of net position, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or enterprise funds. Bond premium and discounts are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements, 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 issuances are reported as other financing uses.

M. Accrued Salaries and Wages:

The District does not allow employees, who provide services to the District over a ten-month academic year the option to have their salaries evenly disbursed during the entire twelve month year; therefore, there are no accrued salaries and wages as of June 30, 2020.

N. Compensated Absences:

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

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

N. Compensated Absences: (Cont'd)

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

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

O. Unearned Revenue:

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

P. Fund Balance Appropriated:

General Fund: Of the \$2,707,939 General Fund balance at June 30, 2020, \$942,326 is restricted in the capital reserve account; \$650,000 is restricted in the maintenance reserve account; \$500,000 is restricted for prior year excess surplus in accordance with N.J.S.A.18A:7F (S1701) and has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2021; \$500,000 is restricted for current year excess surplus in accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2004, C.73 (S1701) and will be appropriated and included as anticipated revenue for the year ended June 30, 2022; \$34,128 of assigned fund balance has been appropriated and included as anticipated revenue for the fiscal year ending June 30, 2021; and \$81,485 is assigned for Encumbrances. The assigned fund balance is \$11,804 less than the assigned fund balance on a budgetary basis due to the final two state aid payments, which are not recognized on a GAAP Basis until the fiscal year ended June 30, 2021. Additionally, there is \$315,382 of unassigned fund balance which is not reported on a GAAP basis due to the final two state aid payments not being recognized on a GAAP basis.

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

The District's fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$327,186 (\$315,382 in unassigned fund balance and \$11,804 in fund balance assigned for subsequent year's expenditures), as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the related state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

P. Fund Balance Appropriated: (Cont'd)

year, the school district cannot recognize the last two state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the final two state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments. The District had a deficit in fund balance of \$65,205 in the Special Revenue Fund as of June 30, 2020 as a result of the last two state aid payments that are not recognized on a GAAP basis.

Q. Net Position:

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

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had deferred outflows of resources at June 30, 2020 for Pensions. The District had deferred inflows of resources at June 30, 2020 for pensions.

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

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

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

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

R. Deficit Net Position/Fund Balance:

The District has a \$2,249,746 deficit in Unrestricted Net Position in the Governmental activities at June 30, 2020 primarily due to compensated absences payable, net pension liability and the related deferred inflows and outflows. The District also has a deficit in fund balance of \$65,205 in the Special Revenue Fund as of June 30, 2020 as a result of the last two state aid payments that are not recognized on a GAAP basis. The deficits are not an indication that the District is facing financial difficulties and is a permitted practice by generally accepted accounting principles.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

S. Fund Balance Restrictions, Commitments and Assignments:

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

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

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has no committed resources at June 30, 2020.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has \$127,417 of assigned resources in the General Fund on the budgetary basis at June 30, 2020 for amounts designated for subsequent year's expenditures, and year end encumbrances.

T. Revenue - Exchange and Nonexchange Transactions:

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

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

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

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

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

U. Operating Revenue and Expenses:

Operating revenue are those revenues that are generated directly from the primary activity of the Enterprise Fund. For the School District, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Enterprise Fund.

V. Management Estimates:

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

W. Pensions

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

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

GASB requires disclosure of the level of custodial credit risk assumed by the District in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

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

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

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

Deposits:

New Jersey statutes require that school districts deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. School Districts are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

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

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit.

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

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

Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

Investments (Cont'd):

- (4) Bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located.
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983, c.313 (C.40A:5A-1 et seq.). Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investment in the Department of the Treasury for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L.; 1977,c.281 (C.52:18A-90.4); or
- (8) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a. or are bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the requirements of the "Local Authorities Fiscal Control Law," P.L. 1983, c. 313 (C.40A:5A-1 et seq.). ;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L.1970, c.236 (C.17:9-41); and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed; or
- (9) Deposit of funds in accordance with the following conditions:
 - (a) The funds are initially invested through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.17:9-41) designated by the school district;
 - (b) The designated public depository arranges for the deposit of the funds in deposit accounts in one or more federally insured banks, savings banks or savings and loan associations or credit unions for the account of the school district;
 - (c) 100 percent of the principal and accrued interest of each deposit is insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund;

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

Investments (Cont'd):

- (d) The designated public depository acts as custodian for the school district with respect to these deposits; and
- (e) On the same date that the school district's funds are deposited pursuant to subparagraph (b) of this paragraph, the designated public depository receives an amount of deposits from customers of other financial institutions, wherever located, equal to the amounts of funds initially invested by the school district through the designated public depository.

As of June 30, 2020, cash and cash equivalents of the District consisted of the following:

	Cash and Cash Equivalents	Capital Reserve Account	Maintenance Reserve Account	Total
Checking Accounts	\$ 1,117,066	\$ 942,326	\$ 650,000	\$ 2,709,392

The

carrying amount of the Board's cash and cash equivalents at June 30, 2020, was \$2,709,392 and the bank balance was \$2,985,564. During the fiscal year ended June 30, 2020, the District did not hold any investments.

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by Board resolution on December 150, 2000 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by Board resolution at year end (June 1 to June 30) of any unanticipated revenue or unexpended line item appropriation amounts or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-5.1(d)7, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT (Cont'd)

The activity of the capital reserve for the July 1, 2019 to June 30, 2020 fiscal year is as follows:

Beginning Balance, July 1, 2019		\$ 1,169,063
Interest Earnings	\$ 1,000	
Deposit by Board Resolution - June 2020	355,087	
Unexpended Balance from Capital Outlay	<u>370,876</u>	
		<u>726,963</u>
		1,896,026
 Budgeted Withdrawal		 <u>(953,700)</u>
 Ending Balance, June 30, 2020		 <u>\$ 942,326</u>

The balance in the capital reserve account at June 30, 2020 does not exceed the balance of local support costs of uncompleted capital projects in the District's Long Range Facilities Plan ("LRFP"). The withdrawal from the capital reserve was for use in a DOE approved facilities project consistent with the District's LRFP.

NOTE 5. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2020 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 229,166			\$ 229,166
Total Capital Assets Not Being Depreciated	<u>229,166</u>			<u>229,166</u>
Capital Assets Being Depreciated:				
Site Improvements	432,777	\$ 530,299		963,076
Buildings and Building Improvements	2,343,355	2,150		2,345,505
Machinery and Equipment	<u>2,480,418</u>	<u>131,131</u>		<u>2,611,549</u>
Total Capital Assets Being Depreciated	<u>5,256,550</u>	<u>663,580</u>		<u>5,920,130</u>
Governmental Activities Capital Assets	<u>5,485,716</u>	<u>663,580</u>		<u>6,149,296</u>

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 5. CAPITAL ASSETS: (Cont'd)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balance</u>
Less Accumulated Depreciation for:				
Site Improvements	\$ (428,717)	\$ (14,122)		\$ (442,839)
Buildings and Building Improvements	(1,923,890)	(31,082)		(1,954,972)
Machinery and Equipment	(2,116,690)	(89,057)		(2,205,747)
	<u>(4,469,297)</u>	<u>(134,261)</u>		<u>(4,603,558)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 1,016,419</u>	<u>\$ 529,319</u>	<u>\$ -0-</u>	<u>\$ 1,545,738</u>
Business Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 146,947			\$ 146,947
Less Accumulated Depreciation	(125,060)	\$ (1,362)		(126,422)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 21,887</u>	<u>\$ (1,362)</u>	<u>\$ -0-</u>	<u>\$ 20,525</u>

As of June 30, 2020, the District has no active construction projects.

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 8,054
School Administrative Services	4,028
Plant Operations and Maintenance	9,398
Unallocated	<u>112,781</u>
	<u>\$ 134,261</u>

NOTE 6. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2020, the following changes occurred in long-term liabilities reported in the District-wide financial statements:

	<u>Beginning Balance</u>	<u>Accrued</u>	<u>Retired</u>	<u>Ending Balance</u>
Compensated Absences Payable	\$ 317,582	\$ 9,972		\$ 327,554
Net Pension Liability	1,615,657		\$ 199,435	1,416,222
Total Long Term Liabilities	<u>\$ 1,933,239</u>	<u>\$ 9,972</u>	<u>\$ 199,435</u>	<u>\$ 1,743,776</u>

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 6. LONG-TERM LIABILITIES (Cont'd)

A. Bonds Payable:

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board are general obligation bonds. The District had no bonds outstanding as of June 30, 2020.

B. Bonds Authorized But Not Issued:

As of June 30, 2020, the Board had no bonds authorized but not issued.

C. Capital Leases Payable:

As of June 30, 2020, the Board had no capital leases payable.

D. Compensated Absences

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities. The current portion of the compensated absences balance of the governmental funds is \$-0- and the long-term portion of compensated absences is \$327,554.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2020, no liability existed for compensated absences in the Food Service Fund.

The General Fund will be used to liquidate Compensated Absences Payable.

E. Net Pension Liability:

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2020 is \$-0- and the long-term portion is \$1,416,222. See Note 8 for further information on the PERS.

NOTE 7. TRANSFERS TO CAPITAL OUTLAY

During the fiscal year ended June 30, 2020, the District made transfers into Capital Outlay accounts for equipment which do not require approval of the County Superintendent.

NOTE 8. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: Public Employee's Retirement System (PERS) of New Jersey, or the Teachers' Pension and Annuity Fund (TPAF); or the Defined Contribution Retirement Program (DCRP), a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a).

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS)

Plan Description

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

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service. The following represents the membership tiers for PERS:

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

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Contributions (Cont'd)

in level annual payments over a period of 15 years, beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$76,651 for fiscal year 2020.

The employee contribution rate was 7.50% effective July 1, 2018.

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

At June 30, 2020, the District reported a liability of \$1,416,222 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 which was rolled forward to June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2019, the District's proportion was 0.0078%, which was a decrease of 0.0003% from its proportion measured as of June 30, 2018.

For the fiscal year ended June 30, 2020, the District recognized a pension benefit of (\$41,497). At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Year	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	6.44	\$ 3,743	
	2015	5.72	23,142	
	2016	5.57	114,530	
	2017	5.48		\$ 203,304
	2018	5.63		164,288
	2019	5.21		123,974
			<u>141,415</u>	<u>491,566</u>
Changes in Proportion	2014	6.44		2,673
	2015	5.72		42,093
	2016	5.57	16,068	
	2017	5.48		56,576
	2018	5.63		54,458
	2019	5.21		63,302
			<u>16,068</u>	<u>219,102</u>

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

	Year	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual				
Investment Earnings on Pension Plan Investments	2016	5		\$ (26,139)
	2017	5		31,369
	2018	5		21,820
	2019	5		(4,694)
			<u>\$ -0-</u>	<u>22,356</u>
Difference Between Expected and Actual Experience	2015	5.72	6,421	
	2016	5.57	3,476	
	2017	5.48	6,046	
	2018	5.63		6,256
	2019	5	<u>9,476</u>	<u>6,256</u>
			<u>25,419</u>	<u>6,256</u>
District Contribution Subsequent to the Measurement Date	2019	1	<u>91,000</u>	
			<u>\$ 273,902</u>	<u>\$ 739,280</u>

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

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>
2020	\$ (40,894)
2021	(132,660)
2022	(118,457)
2023	(55,622)
2024	(5,711)
	<u>\$ (353,344)</u>

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Actuarial Assumptions

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018 which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00 – 6.00% based on years of service
Thereafter	3.00 – 7.00% based on years of service
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee Mortality Table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and a 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2019 are summarized in the following table:

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. Developed Market Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%

Discount Rate

The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019. 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 3.50% as of June 30, 2019 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 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2019 calculated using the discount rate as disclosed below, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2019		
	At 1% Decrease (5.28%)	At Current Discount Rate (6.28%)	At 1% Increase (7.28%)
District's proportionate share of the Net Pension Liability	\$ 1,801,364	\$ 1,416,222	\$ 1,109,840
<u>Pension plan Fiduciary Net Position</u>			

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

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

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

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service. 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 who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Benefits Provided (Cont'd)

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 with 25 or more years of service credit before age 62 and to Tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. For fiscal year 2020, 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 nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the District. This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2020, the State of New Jersey contributed \$812,024 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$1,357,341.

The employee contribution rate was 7.50% effective July 1, 2018.

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

At June 30, 2020, the State's proportionate share of the net pension liability associated with the District was \$23,012,551. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 which was rolled forward to June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2019, the District's proportion was 0.0374%, which was a decrease of 0.015% from its proportion measured as of June 30, 2018.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

District's Proportionate Share of the Net Pension Liability	\$ -0-
State's Proportionate Share of the Net Pension Liability Associated with the District	<u>23,012,551</u>
Total	<u>\$ 23,012,551</u>

For the fiscal year ended June 30, 2020, the State recognized pension expense on behalf of the District in the amount of \$1,357,341 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2020 financial statements.

The State reported collective deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Year of Deferral	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	8.5	\$ 768,874,621	
	2015	8.3	2,351,172,865	
	2016	8.3	5,609,216,856	
	2017	8.3		\$ 8,483,527,374
	2018	8.29		5,172,258,445
	2019	8.04		3,507,345,617
			<u>8,729,264,342</u>	<u>17,163,131,436</u>
Difference Between Expected and Actual Experience	2014	8.5		7,323,009
	2015	8.3	145,211,243	
	2016	8.3		69,755,412
	2017	8.3	150,939,884	
	2018	8.29	907,352,137	
	2019	8.04		136,265,890
			<u>1,203,503,264</u>	<u>213,344,311</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2016	5		(431,855,192)
	2017	5		452,016,524
	2018	5		288,091,115
	2019	5		(144,882,771)
				<u>163,369,676</u>
			<u>\$ 9,932,767,606</u>	<u>\$ 17,539,845,423</u>

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

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

Fiscal Year Ending June 30,	Total
2020	\$ (272,405,510)
2021	(704,260,700)
2022	(630,562,767)
2023	(1,216,378,743)
2024	(2,381,316,232)
Thereafter	(2,402,153,865)
	<u>\$ (7,607,077,817)</u>

Actuarial Assumptions

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018 which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	1.55 – 4.45% based on years of service
Thereafter	2.75 – 5.65% based on years of service
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Employee mortality table with a 93.9% adjustment for males and 85.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Healthy Retiree mortality table with a 114.7% adjustment for males and a 99.6% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for males and 100.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2018.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk Mitigation Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. Developed Market Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 5.60% as of June 30, 2019. 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 3.50% as of June 30, 2019 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 70% of the actuarially determined contributions for the State. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2054. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2054, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

The following presents the net pension liability of the State as of June 30, 2019 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2019		
	At 1% Decrease (4.60%)	At Current Discount Rate (5.60%)	At 1% Increase (6.60%)
State's Proportionate Share of the Net			
Pension Liability Associated with the District	\$ 27,136,891	\$ 23,012,551	\$ 19,590,651

Pension Plan Fiduciary Net Position - TPAF

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

C. Defined Contribution Retirement Program (DCRP)

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

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

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

For DCRP, the District recognized pension expense of \$24,556 for the fiscal year ended June 30, 2020. Employee contributions to DCRP amounted to \$34,299 for the fiscal year ended June 30, 2020.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 9. RISK MANAGEMENT

The District maintains commercial insurance coverage for student accident insurance and surety bonds. The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The District obtains its health benefit coverage through the State of New Jersey Health Benefits Plan.

Property and Liability Insurance

The Franklin Borough School District is a member of the School Alliance Insurance Fund (the "Fund"). This public entity risk management pool provides general liability, property and automobile coverage and workers' compensation for its members. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. The Fund is a risk-sharing public entity risk pool that is an insured and self-administered group of school boards established for the purpose of providing low-cost insurance for its respective members in order to keep local property taxes to a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Fund are elected.

As a member of this Fund, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of the Fund were to be exhausted, members would become responsible for their respective shares of the Fund's liabilities. The Fund can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided among the members in the same ratio as their individual assessment related to the total assessment of the membership body.

The June 30, 2020 audit was not available as of the date of this report; however, selected, summarized financial information for the Fund as of June 30, 2019 is as follows:

	<u>School Alliance Insurance Fund</u>
Total Assets	<u>\$ 48,410,942</u>
Net Position	<u>\$ 18,917,987</u>
Total Revenue	<u>\$ 41,974,410</u>
Total Expenses	<u>\$ 35,489,360</u>
Change in Net Position	<u>\$ 6,485,050</u>
Member Dividends	<u>\$ -0-</u>

Financial statements for the Fund are available at the Fund's Executive Director's Office:

Public Entity Group Administrative Services
51 Everett Drive
Suite B-40
West Windsor, NJ 08550

New Jersey Unemployment Compensation Insurance

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Contributory Method". Under this plan, the District is required to remit employee withholdings to the State on a quarterly basis. All of the District's claims are paid by the State.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

NOTE 10. ECONOMIC DEPENDENCY

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

NOTE 11. DEFERRED COMPENSATION

The Board offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Section 403(b) and 457. 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:

Great American Financial (G.A.L.I.C.)
AXA Advisors
Siracusa Benefits
Lincoln Investment Planning

NOTE 12. TAX CALENDAR

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

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

NOTE 13. MAINTENANCE RESERVE ACCOUNT

A maintenance reserve account in the amount of \$250,000 was established by the Franklin Borough School District on June 19, 2019. The funds for the establishment of this reserve were withdrawn from unassigned general fund balance. These funds are restricted to be used for specific activities necessary for the purpose of keeping a school facility open and safe for use or in its original condition, and for keeping its constituent buildings systems fully and efficiently functional and for keeping their warranties valid but cannot be used for routine or capital maintenance. The purpose of the reserve is to provide funds for anticipated expenditures required to maintain a building. Pursuant to N.J.A.C. 6A:26A-4.2 funds may be deposited into the maintenance reserve account at any time by board resolution to meet the required maintenance of the district by transferring unassigned general fund balance or by transferring excess, unassigned general fund balance that is anticipated to be deposited during the current year in the advertised recapitulation of balances of the subsequent year's budget that is certified for taxes. Funds may be withdrawn from the maintenance reserve account and appropriated into the required maintenance account lines at budget time or any time during the year by board resolution for use on required maintenance activities by school facility as reported in the comprehensive maintenance plan. Funds withdrawn from the maintenance reserve account are restricted to required maintenance appropriations and may not be transferred to any other line-item account. In any year

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 13. MAINTENANCE RESERVE ACCOUNT (Cont'd)

that maintenance reserve account funds are withdrawn, unexpended required maintenance appropriations, up to the amount of maintenance reserve account funds withdrawn, shall be restored to the maintenance reserve account at year-end. At no time, shall the maintenance reserve account have a balance that exceeds four percent of the replacement cost of the current year of the district's school facilities. If the account exceeds this maximum amount at June 30, the excess shall be restricted and designated in the subsequent year's budget. The maintenance reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

The activity of the maintenance reserve for the July 1, 2019 to June 30, 2020 fiscal year is as follows:

Beginning Balance, July 1, 2019	\$ 250,000
Deposit by Board Resolution - June 2020	<u>400,000</u>
Ending Balance, June 30, 2020	<u>\$ 650,000</u>

NOTE 14. ACCOUNTS PAYABLE

	<u>Governmental Funds</u>		<u>District</u>	
	<u>General</u>	<u>Special</u>	<u>Contribution</u>	<u>Total</u>
	<u>Fund</u>	<u>Revenue</u>	<u>Subsequent to the</u>	<u>Governmental</u>
		<u>Fund</u>	<u>Measurement Date</u>	<u>Activities</u>
Vendors	\$ 97,482	\$ 17,490		\$ 114,972
Due to State of New Jersey			\$ 91,000	91,000
	<u>\$ 97,482</u>	<u>\$ 17,490</u>	<u>\$ 91,000</u>	<u>\$ 205,972</u>

NOTE 15. CONTINGENT LIABILITIES

Grant Programs

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

Litigation

The District estimates that the potential claims against it resulting from litigation not covered by insurance would not materially affect the financial position of the District.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 15. CONTINGENT LIABILITIES (Cont'd)

Encumbrances

At June 30, 2020, there were encumbrances as detailed below in the governmental funds.

<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
\$ 81,485	\$ 16,778	\$ 98,263

On the District's Governmental Funds Balance Sheet as of June 30, 2020, \$-0- is assigned for year-end encumbrances in the Special Revenue Fund, which is \$16,778 less than the actual year-end encumbrances on a budgetary basis. On the GAAP basis, encumbrances are not recognized until paid and this non-recognition of encumbrances on a GAAP basis is also reflected as either a reduction in grants receivable or an increase in unearned revenue in the Special Revenue Fund.

NOTE 16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

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

General Information about the OPEB Plan

Plan Description and Benefits Provided

The District is in a "special funding situation", as described in GASB Codification Section P50, in that OPEB contributions and expenses are legally required to be made by and are the sole responsibility of the State of New Jersey, not the District.

The State of New Jersey reports a liability as a result of its statutory requirements to pay other post-employment (health) benefits for the State Health Benefit Local Education Retired Education Plan. The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in GASB Codification Section P50. The State Health Benefits Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

The employer contributions for the participating local education employers are legally required to be funded by the State of New Jersey in accordance with N.J.S.A. 52:14-17.32f. According to N.J.S.A. 52:14-17.32f, the State provides employer-paid coverage to employees who retire from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), the Police and Firemen Retirement System (PFRS), or the Alternate Benefit Program (ABP). Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 years or more of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

NOTE 16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

Plan Description and Benefits Provided (Cont'd)

The total nonemployer OPEB liability does not include certain other postemployment benefit obligations that are provided by the local education employers. The reporting of these benefits, if any, is the responsibility of the individual education employers.

For additional information about the State Health Benefit Local Education Retired Education Plan, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at <https://www.state.nj.us/treasury/pensions/gasb-notices-opeb.shtml>.

Employees Covered by Benefit Terms

At June 30, 2018, the plan membership consisted of the following:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	\$ 148,051
Active Plan Members	<u>216,892</u>
Total	<u>\$ 364,943</u>

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. The total nonemployer OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017 which was rolled forward to June 30, 2018.

Actuarial Assumptions and Other Inputs

The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%	
	<u>TPAF/ABP</u>	<u>PERS</u>
Salary Increases:		
Through 2026	1.55 - 3.05% based on service years	2.00 - 6.00% based on service years
Thereafter	1.55 - 3.05% based on service years	3.00 - 7.00% based on service years

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies for the periods July 1, 2015 - June 30, 2018 and July 1, 2014 - June 30, 2018 for TPAF and PERS, respectively.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

Mortality Rates

Pre-retirement mortality rates were based on the Pub-2010 Healthy "Teachers" (TPAF/ABP), "General" (PERS), and "Safety" (PFRS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Post-retirement mortality rates were based on the Pub-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Disability mortality was based on the Pub-2010 "General" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019.

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 5.7% and decreases to a 4.5% long term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rate for fiscal year 2020 is reflected. The assumed post-65 medical trend rate is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long term rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%.

Discount Rate

The discount rate for June 30, 2019 was 3.50%. The discount rate for June 30, 2018 was 3.87%, a change of -.37%. This represents the municipal bond rate as chosen by the State of New Jersey Division of Pensions and Benefits. The source is the Bond Buyer Go 20-Bond Municipal bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Changes in the State's Proportionate Share of the Total OPEB Liability Associated with the District

	<u>Total OPEB Liability</u>
Balance at June 30, 2018	\$ 20,373,235
Changes for Year:	
Service Cost	633,586
Interest on the Total OPEB Liability	802,796
Changes of Assumptions	265,552
Differences between Expected and Actual Experience	(3,734,399)
Gross Benefit Payments by the State	(546,721)
Contributions from Members	<u>16,206</u>
Net Changes	<u>(2,562,980)</u>
Balance at June 30, 2019	<u>\$ 17,810,255</u>

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the District to Changes in the Discount Rate

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2019, calculated using the discount rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2019		
	At 1%	At	At 1%
	Decrease	Discount Rate	Increase
	(2.50%)	(3.50%)	(4.50%)

Total OPEB Liability Attributable to			
the District	\$ 21,040,949	\$ 17,810,255	\$ 15,243,969

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the District to Changes in the Healthcare Trend Rate

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2019, calculated using the healthcare trend rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2019		
	1%	Healthcare	1%
	Decrease	Cost Trend Rate	Increase

Total OPEB Liability Attributable to			
the District	\$ 14,674,856	\$ 17,810,255	\$ 21,960,879

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2020 the District recognized OPEB expense of \$144,741 as determined by the State of New Jersey Division of Pensions and Benefits. This expense and the related offsetting revenue are for benefits provided by the State through a defined benefit OPEB plan that meets the criteria in GASB Codification Section P50, in which there is a special funding situation.

In accordance with GASB Codification Section P50, as the District's proportionate share of the OPEB liability is \$-0-, there is no recognition of the allocation of the proportionate share of the deferred inflows and outflows of resources. At June 30, 2019 the State had deferred outflows of resources and deferred inflows of resources related to OPEB associated with the District from the following sources:

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Cont'd)

	Year of Deferral	Original Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2017	9.54		\$ 2,073,474
	2018	9.51		1,783,468
	2019	9.29	\$ 236,968	
			<u>236,968</u>	<u>3,856,942</u>
Differences Between Expected and Actual Experience	2018	9.51		1,685,932
	2019	9.29		2,789,122
				<u>4,475,054</u>
Changes in Proportion	N/A	N/A		<u>1,439,661</u>
			<u>\$ 236,968</u>	<u>\$ 9,771,657</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>
2020	\$ (1,086,876)
2021	(1,086,875)
2022	(1,086,875)
2023	(1,086,875)
2024	(1,086,875)
Thereafter	<u>(2,660,653)</u>
	<u>\$ (8,095,029)</u>

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 17: SUBSEQUENT EVENT

The COVID-19 outbreak in the United States and specifically in New Jersey has caused disruption of the District's normal financial operations. Though the impact on the District's operations cannot be reasonably estimated at this date, it is likely that there will be an impact on certain revenue in the General Fund other than state aid and the local tax levy. Also, there have been additional operating expenses in the General Fund not planned for or expected at the time of the adoption of the District's 2020-21 budget related to COVID-19.

Additionally, the District's cash flow in the Governmental Funds may be affected by the timing of the collection of the District's tax levy as well as certain State aid payments.

SCHEDULES OF REQUIRED
SUPPLEMENTARY INFORMATION

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

	Fiscal Year Ending June 30,					
	2015	2016	2017	2018	2019	2020
District's proportion of the net pension liability	0.0106036547%	0.0088666023%	0.0091535690%	0.0085801580%	0.0000820568%	0.0078598307%
District's proportionate share of the net pension liability	\$ 1,985,294	\$ 1,990,375	\$ 2,711,025	\$ 1,997,324	\$ 1,615,657	\$ 1,416,222
District's covered employee payroll	\$ 629,695	\$ 629,695	\$ 588,369	\$ 577,758	\$ 548,507	\$ 552,106
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	315.28%	338.29%	460.77%	345.70%	294.56%	256.51%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%	40.14%	48.10%	53.60%	56.27%

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

FRANKLIN BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST SIX FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,					
	2015	2016	2017	2018	2019	2020
Contractually required contribution	\$ 87,415	\$ 76,229	\$ 82,289	\$ 79,816	\$ 81,772	\$ 76,651
Contributions in relation to the contractually required contribution	<u>(87,415)</u>	<u>(76,229)</u>	<u>(82,289)</u>	<u>(79,816)</u>	<u>(81,772)</u>	<u>(76,651)</u>
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered employee payroll	\$ 629,695	\$ 588,369	\$ 577,758	\$ 548,507	\$ 552,106	\$ 635,598
Contributions as a percentage of covered employee payroll	13.88%	12.96%	14.24%	14.55%	14.81%	12.06%

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

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

	Fiscal Year Ending June 30,				
	2015	2016	2017	2018	2019
State's proportion of the net pension liability attributable to the District	0.0392077322%	0.0381650740%	0.0385951104%	0.0368979137%	0.0389657691%
State's proportionate share of the net pension liability attributable to the District	\$ 20,955,257	\$ 24,121,915	\$ 30,361,371	\$ 24,877,904	\$ 24,789,185
District's covered employee payroll	\$ 3,805,905	\$ 3,805,905	\$ 3,925,675	\$ 4,001,422	\$ 3,907,265
State's proportionate share of the net pension liability attributable to the District as a percentage of its covered employee payroll	550.60%	614.47%	773.41%	621.73%	634.44%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%	22.33%	25.41%	26.49%
					26.95%

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

FRANKLIN BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF STATE CONTRIBUTIONS
TEACHERS' PENSION AND ANNUITY FUND
LAST SIX FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,					
	2015	2016	2017	2018	2019	2020
Contractually required contribution	\$ 1,127,590	\$ 1,472,860	\$ 2,281,235	\$ 1,723,415	\$ 1,445,123	\$ 1,357,341
Contributions in relation to the contractually required contribution	(206,334)	(309,007)	(400,517)	(573,829)	(737,484)	(812,024)
Contribution deficiency/(excess)	<u>\$ 921,256</u>	<u>\$ 1,163,853</u>	<u>\$ 1,880,718</u>	<u>\$ 1,149,586</u>	<u>\$ 707,639</u>	<u>\$ 545,317</u>
District's covered employee payroll	\$ 3,805,905	\$ 3,925,675	\$ 4,001,422	\$ 3,907,265	\$ 3,473,832	\$ 4,137,142
Contributions as a percentage of covered employee payroll	5.42%	7.87%	10.01%	14.69%	21.23%	19.63%

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

FRANKLIN BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF CHANGES IN THE STATE'S PROPORTIONATE SHARE OF THE TOTAL OPEB LIABILITY
ASSOCIATED WITH THE DISTRICT AND RELATED RATIOS
LAST THREE FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,		
	2017	2018	2019
Total OPEB Liability			
Service Cost	\$ 866,865	717,602	633,586
Interest Cost	767,741	886,058	802,796
Changes in Assumptions	(3,139,866)	(2,337,931)	265,552
Differences between Expected and Actual Experiences		(2,659,844)	(3,734,399)
Member Contributions	20,720	18,828	16,206
Gross Benefit Payments	(562,685)	(544,773)	(546,721)
Net Change in Total OPEB Liability	(2,047,225)	(3,920,060)	(2,562,980)
Total OPEB Liability - Beginning	26,340,520	24,293,295	20,373,235
Total OPEB Liability - Ending	<u>\$ 24,293,295</u>	<u>\$ 20,373,235</u>	<u>\$ 17,810,255</u>
District's Covered Employee Payroll *	\$ 4,514,044	\$ 4,579,180	\$ 4,455,772
Total OPEB Liability as a Percentage of Covered Employee Payroll	538.17%	444.91%	399.71%

* - Covered payroll for the fiscal years ending June 30, 2017, June 30, 2018 and June 30, 2019 are based on the payroll on the June 30, 2017, June 30, 2018 and June 30, 2019 census data.

Note: This schedule does not contain ten years of information as GASB No. 75 was implemented during the fiscal year ended June 30, 2019.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 5.66% as of June 30, 2018 to 6.28% as of June 30, 2019. The municipal bond rate changed from 3.87% to 3.50%.

The inflation rate was 2.25% as of June 30, 2018. As of June 30, 2019, the inflation rate was as follows – Price – 2.75% and Wage – 3.25%. The salary increases as of June 30, 2018 were as follows: Through 2026 – 1.65% - 4.15% based on age and Thereafter – 2.65% - 5.15% based on age. The salary increases as of June 30, 2019 are as follows: Through 2026 – 2.00% - 6.00% based on years of service and Thereafter – 3.00% - 7.00% based on years of service.

The July 1, 2017 actuarial valuation utilized the following mortality rate assumptions:

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and a generational approach based on the plan actuary's modified MP-2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

The July 1, 2018 actuarial valuation utilized the following mortality rate assumptions:

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee Mortality Table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and a 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

B.TEACHERS' PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 4.86% as of June 30, 2018 to 5.60% as of June 30, 2019. The municipal bond rate changed from 3.87% to 3.50%. The inflation rate as of June 30, 2018 was 2.25%. The inflation rate as of June 30, 2019 was as follows: Price – 2.75% and Wage – 3.25%.

The salary increases in the July 1, 2018 valuation were as follows: Through 2026 - 1.55 – 4.45% based on years of service and thereafter - 2.75 – 5.65% based on years of service. The salary increases in the July 1, 2017 valuation were as follows: 2011-2026 – 1.55% - 4.55% and thereafter – 2% - 5.45%.

The mortality rates utilized in the July 1, 2018 valuation were as follows: Pre-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Employee mortality table with a 93.9% adjustment for males and 85.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Healthy Retiree mortality table with a 114.7% adjustment for males and a 99.6% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for males and 100.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The mortality rates utilized in the July 1, 2017 valuation were as follows: Pre-retirement mortality rates were based on the RP-2006 Employee White Collar Mortality Tables, set back 3 years for males and 5 years for females, projected on a generational basis from a base year of 2006 using a 60 year average of improvement rates based on Social Security data from 1953 to 2013. Post-retirement mortality rates were based on the RP-2006 Healthy Annuitant White Collar Mortality Tables, with adjustments as described in the latest experience study, projected on a generational basis from a base year of 2006 using a 60 year average of improvement rates based on Social Security data from 1953 to 2013. Disabled mortality rates were based on the RP-2006 Disabled Retiree Mortality Tables with rates adjusted by 90%. No mortality improvement is assumed for disabled retiree mortality.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

C. STATE HEALTH BENEFITS LOCAL EDUCATION RETIRED EMPLOYEES OPEN PLAN

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate for June 30, 2019 was 3.50%. The discount rate for June 30, 2018 was 3.87%, a change of -.37%.

The mortality rates in the valuation as of June 30, 2018 were based on the following:

Pre-retirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Post-retirement mortality rates were based on the RP-2006 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-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using MP-2017 scale.

The mortality rates in the valuation as of June 30, 2019 were based on the following:

Pre-retirement mortality rates were based on the Pub-2010 Healthy "Teachers" (TPAF/ABP), "General" (PERS), and "Safety" (PFRS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Post-retirement mortality rates were based on the Pub-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Disability mortality was based on the Pub-2010 "General" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019.

The health care trend rates in the valuation as of June 30, 2018 were based on the following:

For pre-Medicare preferred provider organization (PPO) medical benefits and health maintenance organization (HMO) medical benefits, trend rate is initially 5.8% and decreases to a 5.0% long term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long term rate after seven 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.

The health care trend rates in the valuation as of June 30, 2019 were based on the following:

For pre-Medicare medical benefits, the trend rate is initially 5.7% and decreases to a 4.5% long term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rate for fiscal year 2020 is reflected. The assumed post-65 medical trend rate is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long term rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%.

BUDGETARY COMPARISON SCHEDULES

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenue:					
Local Sources:					
Local Tax Levy	\$ 5,810,534		\$ 5,810,534	\$ 5,810,534	\$ 22,933
Tuition - Other LEA's Within the State				22,933	\$ 7,701
Unrestricted Miscellaneous	1,000		1,000	8,701	
Interest Earned on Capital Reserve Funds	1,000		1,000	1,000	
Total - Local Sources	5,812,534		5,812,534	5,843,168	30,634
State Sources:					
Transportation Aid	49,243		49,243	49,243	
Special Education Aid	303,322		303,322	303,322	
Equalization Aid	2,680,420		2,680,420	2,680,420	
Categorical Security Aid	95,302		95,302	95,302	
Adjustment Aid	147,715		147,715	147,715	
Extraordinary Aid				62,470	62,470
Non-Public Transportation				2,912	2,912
Homeless Tuition Reimbursement				43,804	43,804
TPAF Pension Contribution (On-Behalf - Non-Budgeted)				812,024	812,024
TPAF NCGI Premium (On-Behalf - Non-Budgeted)				14,555	14,555
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				306,645	306,645
TPAF Long-Term Disability Insurance Contributions (On-Behalf - Non-Budgeted)				808	808
TPAF Social Security (Reimbursed - Non-Budgeted)				295,129	295,129
Total State Sources	3,276,002		3,276,002	4,814,349	1,538,347
Federal Sources:					
Medicaid Assistance Program	17,913		17,913	14,489	(3,424)
Total Federal Sources	17,913		17,913	14,489	(3,424)
Total Revenue	9,106,449		9,106,449	10,672,006	1,565,557

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Current Expense:					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 184,146	\$ 3,400	\$ 187,546	\$ 184,316	\$ 3,230
Grades 1-5 - Salaries of Teachers	1,208,557	(65,147)	1,143,410	1,053,870	89,540
Grades 6-8 - Salaries of Teachers	735,911	(15,933)	719,978	689,416	30,562
Regular Programs - Home Instruction:					
Salaries of Teachers	1,000	(165)	835		835
Purchased Professional-Educational Services		165	165	165	
Regular Programs - Undistributed Instruction:					
Other Purchased Services	72,960	25,000	97,960	96,250	1,710
General Supplies	84,050	3,664	87,714	86,832	882
Textbooks	35,000	(35,000)			
Other Objects		330	330	30	300
Total Regular Programs - Instruction	2,321,624	(83,686)	2,237,938	2,110,879	127,059
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	217,767	33,855	251,622	247,919	3,703
Other Salaries for Instruction	114,509	(65,702)	48,807	32,141	16,666
General Supplies	1,600	1,618	3,218	2,916	302
Total Learning and/or Language Disabilities	333,876	(30,229)	303,647	282,976	20,671
Behavioral Disabilities:					
Salaries of Teachers	116,982	3,530	120,512	118,112	2,400
Other Salaries for Instruction	10,538	51,676	62,214	58,385	3,829
General Supplies	600	(68)	532		532
Total Behavioral Disabilities	128,120	55,138	183,258	176,497	6,761
Resource Room/Resource Center:					
Salaries of Teachers	525,156	(85,094)	440,062	426,003	14,059
Other Salaries for Instruction	5,242	36,831	42,073	23,396	18,677
General Supplies	2,000		2,000	1,816	184
Total Resource Room/Resource Center	532,398	(48,263)	484,135	451,215	32,920

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Special Education - Autistic:					
Salaries of Teachers	\$ 87,953	\$ (1,750)	\$ 86,203	\$ 84,000	\$ 2,203
Other Salaries for Instruction	53,776	(5,945)	47,831	39,389	8,442
General Supplies	1,500		1,500	826	674
Total Special Education - Autistic	143,229	(7,695)	135,534	124,215	11,319
Preschool Disabilities - Full Time:					
Other Salaries for Instruction		47,557	47,557		47,557
Total Preschool Disabilities - Full Time		47,557	47,557		47,557
Home Instruction - Special Education:					
Salaries of Teachers	2,500	1,750	4,250	3,516	734
Total Home Instruction - Special Education	2,500	1,750	4,250	3,516	734
Total Special Education - Instruction	1,140,123	18,258	1,158,381	1,038,419	119,962
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	148,789	38,460	187,249	186,349	900
Other Purchased Services (400-500 Series)	1,550	(1,550)	500	249	251
General Supplies	500				
Total Basic Skills/Remedial - Instruction	150,839	36,910	187,749	186,598	1,151
Bilingual Education - Instruction:					
Salaries of Teachers	32,377	(10,106)	22,271	22,270	1
General Supplies	500		500		500
Total Bilingual Education - Instruction	32,877	(10,106)	22,771	22,270	501

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	\$ 40,679		\$ 40,679	\$ 37,816	\$ 2,863
Supplies and Materials	1,500	\$ 40	1,540	1,130	410
Other Objects		760	760	760	
Transfers to Cover Deficit (Agency Funds)	15,000		15,000	2,698	12,302
Total School-Sponsored Cocurricular Activities - Instruction	57,179	800	57,979	42,404	15,575
School-Sponsored Cocurricular Activities - Athletics - Instruction:					
Salaries	43,750		43,750	38,752	4,998
Supplies and Materials	2,800	(800)	2,000	778	1,222
Other Objects	500		500	500	
Transfers to Cover Deficit (Agency Funds)	3,900		3,900	2,449	1,451
Total School-Sponsored Cocurricular Activities - Athletics - Instruction	50,950	(800)	50,150	41,979	8,171
Other Instructional Programs - Summer School - Instruction:					
Salaries of Teachers	15,000	8,068	23,068	23,068	
Other Salaries of Instruction	2,500	4,507	7,007	7,007	
General Supplies	2,500		2,500		2,500
Total Other Instructional Programs -Summer School - Instruction	20,000	12,575	32,575	30,075	2,500
Other Supplemental/At Risk Programs - Instruction:					
Salaries of Teachers		61,121	61,121	59,721	1,400
Total Other Supplemental/At Risk Programs - Instruction:		61,121	61,121	59,721	1,400
Total Instruction	3,773,592	35,072	3,808,664	3,532,345	276,319
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Special	91,822	(11,115)	80,707	38,669	42,038
Tuition to Private School for the Disabled - Within the State	84,000	11,115	95,115	95,115	
Total Undistributed Expenditures - Instruction	175,822		175,822	133,784	42,038

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Health Services:					
Salaries	\$ 65,006	\$ 22,097	\$ 87,103	\$ 74,276	\$ 12,827
Purchased Professional and Technical Services	28,097	(22,097)	6,000	5,000	1,000
Other Purchased Services (400-500 series)	2,350	(1,600)	750	742	8
Supplies and Materials	5,500	1,600	7,100	6,740	360
Other Objects	500		500	50	450
Total Health Services	101,453		101,453	86,808	14,645
Other Support Services - Speech, OT, PT and Related Services:					
Salaries	135,373	900	136,273	100,008	36,265
Purchased Professional - Educational Services	111,879	(8,958)	102,921	92,499	10,422
Supplies and Materials	1,000	3,958	4,958	4,816	142
Total Other Support Services - Speech, OT, PT and Related Services	248,252	(4,100)	244,152	197,323	46,829
Other Support Services - Extraordinary Services:					
Salaries	104,396	(8,074)	96,322	72,747	23,575
Purchased Professional - Educational Services	80,000		80,000	40,009	39,991
Total Other Support Services - Extraordinary Services	184,396	(8,074)	176,322	112,756	63,566
Other Support Services - Guidance:					
Salaries of Other Professional Staff	61,441	1,610	63,051	63,051	
Supplies and Materials	3,125		3,125	125	3,000
Total Other Support Services - Guidance	64,566	1,610	66,176	63,176	3,000
Other Support Services - Child Study Teams:					
Salaries of Other Professional Staff	260,193	5,526	265,719	264,085	1,634
Salaries of Secretarial and Clerical Assistants	38,043	114	38,157	38,095	62
Purchased Professional - Educational Services	5,000	4,900	9,900	5,502	4,398
Miscellaneous Purchased Services (400-500 series)		3,600	3,600	3,600	
Supplies and Materials	6,800	(3,614)	3,186	2,808	378
Other Objects	500		500	300	200
Total Other Support Services - Child Study Teams	310,536	10,526	321,062	314,390	6,672

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Educational Media Services - School Library:					
Salaries	\$ 93,771		\$ 93,771	\$ 92,271	\$ 1,500
Salaries of Technology Coordinators	65,948	\$ (1,500)	64,448	64,448	
Supplies and Materials	6,700	(1,505)	5,195	4,403	792
Total Educational Media Services - School Library	166,419	(3,005)	163,414	161,122	2,292
Improvement of Instructional Services:					
Salaries of Supervisors of Instruction	101,309		101,309	96,999	4,310
Salaries of Other Professional Staff	10,000		10,000	9,839	161
Salaries of Secretarial and Clerical Assistants	38,416	1,865	40,281	40,281	
Unused Vacation Payment to Terminated/Retired Staff	3,118		3,118	1,555	1,563
Supplies and Materials	2,500	1,505	4,005	4,005	
Other Objects	600	845	1,445	1,445	
Total Improvement of Instructional Services	155,943	4,215	160,158	154,124	6,034
Instructional Staff Training Services:					
Purchased Professional - Educational Services	7,000	(2,693)	4,307	598	3,709
Other Purchased Services (400-500 series)	12,259	1,848	14,107	6,482	7,625
Total Instructional Staff Training Services	19,259	(845)	18,414	7,080	11,334
General Administration:					
Salaries	195,676	5,771	201,447	201,447	
Legal Services	22,500	(2,500)	20,000	18,517	1,483
Audit Fees	22,500	1,400	23,900	23,900	
Architectural / Engineering Services	5,000	23,250	28,250	28,250	
Communications/Telephone	20,000	(2,933)	17,067	14,600	2,467
BOE Other Purchased Services	7,500	(500)	7,000	6,390	610
Miscellaneous Purchased Services (400-500 series)	36,809	4,388	41,197	40,455	742

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
General Administration (Cont'd):					
General Supplies	\$ 7,000	\$ (769)	\$ 6,231	\$ 4,669	\$ 1,562
BOE In-House Training and Meeting Supplies	500		500	300	200
Miscellaneous Expenditures	4,250	544	4,794	4,794	
BOE Membership Dues and Fees	6,000	(1,144)	4,856	4,802	54
Total General Administration	327,735	27,507	355,242	348,124	7,118
School Administration:					
Salaries of Principals/Assistant Principals	104,755	2,295	107,050	107,050	
Salaries of Secretarial and Clerical Assistants	38,505		38,505	37,668	837
Unused Vacation Payment to Terminated/Retired Staff	4,365		4,365	4,117	248
Other Purchased Services (400-500 series)	2,950	3,813	6,763	5,290	1,473
Supplies and Materials	5,000	8,788	13,788	7,339	6,449
Other Objects	3,000		3,000	1,884	1,116
Total School Administration	158,575	14,896	173,471	163,348	10,123
Central Services:					
Salaries	178,935	20,913	199,848	184,608	15,240
Miscellaneous Purchased Services (400-500 series)	24,125		24,125	22,437	1,688
Supplies and Materials	5,000		5,000	4,284	716
Other Objects	2,550		2,550	1,470	1,080
Total Central Services	210,610	20,913	231,523	212,799	18,724
Required Maintenance for School Facilities:					
Salaries	86,795		86,795	86,790	5
Cleaning, Repair and Maintenance Services	196,041	58,591	254,632	174,769	79,863
Lead Testing of Drinking Water	1,000	(1,000)			
Other Objects	1,300		1,300	258	1,042
Total Required Maintenance for School Facilities	285,136	57,591	342,727	261,817	80,910

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Custodial Services:					
Salaries	\$ 265,791	\$ (10,057)	\$ 255,734	\$ 247,179	\$ 8,555
Salaries of Non-Instructional Aides	42,016	(4,395)	37,621	34,980	2,641
Unused Vacation Payment to Terminated/Retired Staff	15,000		15,000	8,440	6,560
Cleaning, Repair and Maintenance Services	20,000		20,000	16,265	3,735
Other Purchased Property Services	30,000		30,000	24,688	5,312
Insurance	78,655	(2,072)	76,583	76,001	582
Miscellaneous Purchased Services	5,000	(1,273)	3,727	1,006	2,721
General Supplies	70,000	4,522	74,522	73,080	1,442
Energy (Gasoline)	3,000	(250)	2,750	1,460	1,290
Energy (Electricity)	87,000	(7,022)	79,978	59,298	20,680
Energy (Natural Gas)	133,823	(57,591)	76,232	63,566	12,666
Other Objects	3,000	(2,150)	850	739	111
Total Custodial Services	753,285	(80,288)	672,997	606,702	66,295
Care and Upkeep of Grounds:					
Salaries	24,588		24,588	24,588	
Unused Vacation Payment-To Terminated/Retired Staff	2,400		2,400	2,049	351
Cleaning, Repair and Maintenance Services	28,000		28,000	11,859	16,141
General Supplies	15,000		15,000	7,563	7,437
Total Care and Upkeep of Grounds	69,988		69,988	46,059	23,929
Security:					
Salaries	25,000	14,958	39,958	39,958	
Cleaning, Repair and Maintenance Services	13,000	(10,269)	2,731	108	2,623
Security Other Purchased Services		1,000	1,000	900	100
General Supplies	13,000	9,269	22,269	22,134	135
Total Security	51,000	14,958	65,958	63,100	2,858

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Student Transportation Services:					
Salaries for Pupil Trans (Between Home & School) - Regular	\$ 41,859	\$ (4,095)	\$ 37,764	\$ 37,764	\$ 1,851
Management Fee - ESC & CTSA Transportation Program	9,000	556	9,556	7,705	3,668
Aid in Lieu Payments - Non Public Students	7,000	(1,332)	5,668	2,000	2,667
Aid in Lieu Payments - Charter School Students	4,000		4,000	1,333	8,317
Aid in Lieu Payments - Choice School Students	18,000	(1,016)	16,984	8,667	14,238
Contracted Services (Other than Between Home and School)- Vendors	29,500		29,500	15,262	610
Contracted Services (Other than Between Home and School)- Joint Agreements		666	666	56	610
Contracted Services (Other than Between Home and School)- Sp. Ed Joint		666	666	56	38,516
Contracted Services (Regular Students) - ESC's & CTSA's	85,911	(556)	85,355	46,839	103,582
Contracted Services (Special Education Students) - ESC's & CTSA's	230,000		230,000	126,418	
Total Student Transportation Services	425,270	(5,111)	420,159	246,100	174,059
Unallocated Benefits:					
Group Insurance	6,500		6,500	6,363	137
Social Security Contributions	125,000	7,153	132,153	132,153	
Other Retirement Contributions - Regular	10,000	8,700	18,700	18,462	238
Other Retirement Contributions - PERS	87,000	(7,153)	79,847	76,651	3,196
Unemployment Compensation	25,000		25,000	21,367	3,633
Workmen's Compensation	101,900	(5,000)	96,900	89,205	7,695
Health Benefits	1,528,863	(99,954)	1,428,909	1,180,357	248,552
Tuition Reimbursement	36,700		36,700	12,087	24,613
Other Employee Benefits	76,200		76,200	33,588	42,612
Unused Sick Payment	20,000		20,000	18,291	1,709
Total Unallocated Benefits	2,017,163	(96,254)	1,920,909	1,588,524	332,385

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
On Behalf Contributions:					
TPAF Pension Contribution (On-Behalf - Non-Budgeted)				\$ 812,024	\$ (812,024)
TPAF NCGI Premium (On-Behalf - Non-Budgeted)				14,555	(14,555)
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				306,645	(306,645)
TPAF Long-Term Disability Insurance Contributions (On-Behalf - Non-Budgeted)				808	(808)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				295,129	(295,129)
Total On-Behalf Contributions				1,429,161	(1,429,161)
Total Personal Services - Employee Benefits	\$ 2,017,163	\$ (96,254)	\$ 1,920,909	3,017,685	(1,096,776)
Total Undistributed Expenditures	5,725,408	(45,461)	5,679,947	6,196,297	(516,350)
Total Current Expense	9,499,000	(10,389)	9,488,611	9,728,642	(240,031)
Capital Outlay:					
Equipment:					
Grades 1-5	15,210	6,006	21,216	21,216	
Maintenance Equipment	73,636		73,636	73,636	
Total Equipment	88,846	6,006	94,852	94,852	
Facilities Acquisition and Construction Services:					
Construction Services	953,700		953,700	582,824	370,876
Assessment for Debt Service on SDA Funding	4,133		4,133	4,133	
Total Facilities Acquisition and Construction Services	957,833		957,833	586,957	370,876
Total Capital Outlay	1,046,679	6,006	1,052,685	681,809	370,876
Transfer of Funds to Charter Schools	141,576		141,576	126,870	14,706
Total Expenditures	10,687,255	(4,383)	10,682,872	10,537,321	145,551
Excess (Deficiency) of Revenue Over (Under) Expenditures	(1,580,806)	4,383	(1,576,423)	134,685	1,711,108

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Other Financing Sources/(Uses):					
Transfer to Special Revenue Fund - PreK - Inclusion	\$ (175,130)		\$ (175,130)	\$ (117,791)	\$ 57,339
Total Other Financing Sources/(Uses)	(175,130)		(175,130)	(117,791)	57,339
Excess (Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(1,755,936)	4,383	(1,751,553)	16,894	1,768,447
Fund Balance, July 1	3,018,231		3,018,231	3,018,231	
Fund Balance, June 30	\$ 1,262,295	\$ 4,383	\$ 1,266,678	\$ 3,035,125	\$ 1,768,447

Recapitulation

Capital Reserve	\$ 942,326
Maintenance Reserve	650,000
Excess Surplus	500,000
Excess Surplus - For Subsequent Year's Expenditures	500,000
Assigned Fund Balance:	
Year-End Encumbrances	81,485
For Subsequent Year's Expenditures	45,932
Unassigned Fund Balance	315,382
	<u>3,035,125</u>
Reconciliation to Governmental Funds Statements (GAAP):	
Last Two State Aid Payments not Recognized on GAAP Basis	(327,186)
Fund Balance per Governmental Funds (GAAP)	<u>\$ 2,707,939</u>

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources		\$ 50,730	\$ 50,730	\$ 31,933	\$ (18,797)
State Sources	\$ 652,050	118,048	770,098	735,220	(34,878)
Federal Sources	234,320	124,363	358,683	286,079	(72,604)
Total Revenues	886,370	293,141	1,179,511	1,053,232	(126,279)
Other Financing Sources:					
Transfer In - Board Contribution - General Fund	175,130		175,130	117,791	(57,339)
Total Revenues and Other Financing Sources	1,061,500	293,141	1,354,641	1,171,023	(183,618)
EXPENDITURES:					
Instruction:					
Salaries of Teachers	414,779	47,844	462,623	462,623	
Other Salaries for Instruction	152,494	(27,827)	124,667	119,670	4,997
Purchased Professional/Technical Services		26,500	26,500	20,449	6,051
General Supplies	34,688	85,956	120,644	90,019	30,625
Tuition	132,121	16,326	148,447	148,447	
Total Instruction	734,082	148,799	882,881	841,208	41,673
Support Services:					
Salaries of Supervisors of Instruction		4,112	4,112	4,112	
Salaries of Master Teachers	58,500	(4,077)	54,423	48,375	6,048
Professional Tech Services		12,340	12,340	12,340	
Personal Services - Employee Benefits	250,032	(48,381)	201,651	179,174	22,477
Transportation - Between Home and School		26,507	26,507	26,507	
Cleaning, Repair and Maintenance		61,380	61,380	24,480	36,900
Other Purchased Services	11,091	(7,791)	3,300	3,300	
Supplies and Materials	7,795	2,205	10,000	6,891	3,109
Total Support Services	327,418	46,295	373,713	305,179	68,534
Facilities Acquisition					
Instructional Equipment		23,280	23,280	2,186	21,094
Non-Instructional Equipment		74,767	74,767	22,450	52,317
Total Facilities Acquisition		98,047	98,047	24,636	73,411
Total Expenditures	\$ 1,061,500	\$ 293,141	\$ 1,354,641	\$ 1,171,023	\$ 183,618

FRANKLIN BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 10,672,006	\$ 1,053,232
Differences - Budget to GAAP:		
Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		
Current Year Encumbrances:		
Local		(15,255)
State		(122)
Federal		(1,401)
Prior Year Encumbrances		
Local		13,830
State		36,900
Prior Year State Aid Payments Recognized for GAAP Statements	325,131	41,118
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(327,186)	(65,205)
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 10,669,951</u>	<u>\$ 1,063,097</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 10,537,321	\$ 1,171,023
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.		33,952
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 10,537,321</u>	<u>\$ 1,204,975</u>

Annual appropriated budgets are prepared in the spring of each year for the General and Special Revenue Funds. The budget for the fiscal year ended June 30, 2020 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)l. Transfers of appropriations may be made by school board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

FRANKLIN BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

The General Fund and Special Revenue Fund budgetary revenue differs from the GAAP revenue due to a difference in recognition of the last two state aid payments for the current year. Since the State is recording the last two state aid payments in the subsequent fiscal year, the District cannot recognize these payments in the GAAP financial statements.

SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)

SPECIAL REVENUE FUND

FRANKLIN BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Elementary and Secondary Education		IDEA Part B		CARES	Preschool	Preschool	Local	Totals
	Title I	Title II Part A	Title IV	Basic	Preschool	Act	Education Expansion Aid	Grants	
REVENUE:									
Local Sources									
State Sources									
Federal Sources	\$ 87,238	\$ 11,222	\$ 2,446	\$ 168,447	\$ 9,835	\$ 6,891	\$ 735,220	\$ 31,933	\$ 31,933
Total Revenue	87,238	11,222	2,446	168,447	9,835	6,891	735,220	31,933	1,053,232
Other Financing Sources:									
Transfer In - Board Contribution - General Fund							117,791		117,791
Total Revenue and Other Financing Sources	87,238	11,222	2,446	168,447	9,835	6,891	853,011	31,933	1,171,023
EXPENDITURES:									
Instruction:									
Salaries of Teachers	80,000						382,623		462,623
Other Salaries for Instruction					9,835		109,835		119,670
Purchased Professional/Technical Services			449	20,000					20,449
General Supplies			1,997				56,089	31,933	90,019
Tuition				148,447					148,447
Total Instruction	80,000		2,446	168,447	9,835		548,547	31,933	841,208
Support Services:									
Salaries of Supervisors of Instruction							4,112		4,112
Salaries of Master Teachers							48,375		48,375
Professional Tech Services	1,118	11,222					173,054		12,340
Personal Services - Employee Benefits	6,120						26,507		179,174
Transportation - Between Home and School							24,480		26,507
Cleaning, Repair and Maintenance							3,300		24,480
Other Purchased Services						6,891			3,300
Supplies and Materials									6,891
Total Support Services	7,238	11,222				6,891	279,828		305,179
Facilities Acquisition:									
Instructional Equipment							2,186		2,186
Non-Instructional Equipment							22,450		22,450
Total Facilities Acquisition							24,636		24,636
Total Expenditures	\$ 87,238	\$ 11,222	\$ 2,446	\$ 168,447	\$ 9,835	\$ 6,891	\$ 853,011	\$ 31,933	\$ 1,171,023

FRANKLIN BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
PRESCHOOL EDUCATION EXPANSION AID SCHEDULE OF EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

District-wide Total

	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES:			
Instruction:			
Salaries of Teachers	\$ 382,623	\$ 382,623	
Other Salaries for Instruction	113,832	109,835	\$ 3,997
General Supplies	56,204	56,089	115
Total Instruction	<u>552,659</u>	<u>548,547</u>	<u>4,112</u>
Support Services:			
Salaries of Supervisors of Instruction	4,112	4,112	
Salaries of Master Teachers	54,423	48,375	6,048
Personal Services - Employee Benefits	195,530	173,054	22,476
Transportation - Between Home and School	26,507	26,507	
Cleaning, Repair and Maintenance	24,480	24,480	
Supplies and Materials	3,300	3,300	
Total Support Services	<u>308,352</u>	<u>279,828</u>	<u>28,524</u>
Facilities, Acquisition and Construction Services:			
Instructional Equipment	9,450	2,186	7,264
Non-Instructional Equipment	74,767	22,450	52,317
Total Facilities Acquisition and Construction Services	<u>84,217</u>	<u>24,636</u>	<u>59,581</u>
Total Expenditures	<u>\$ 945,228</u>	<u>\$ 853,011</u>	<u>\$ 92,217</u>

CALCULATION OF BUDGET & CARRYOVER

Total Revised 2019-2020 Preschool Education Aid Allocation	\$ 652,050
Add: Actual PEA Carryover (June 30, 2019)	118,048
Add: Budgeted Transfer from General Fund	175,130
Total Preschool Education Aid Funds Available for 2019-2020 Budget	945,228
Less: 2018-2019 Budgeted Preschool Education Aid (Including prior year budgeted carryover)	(945,228)
Available & Unbudgeted Preschool Education Aid Funds as of June 30, 2020	-0-
Add: June 30, 2020 Unexpended Preschool Education Aid	92,217
Less: Reduction in Budgeted Transfer from General Fund	(57,339)
2019-2020 Carryover - Preschool Education Aid	<u>\$ 34,878</u>

2019-2020 Preschool Education Aid Carryover Budgeted for Preschool Programs in 2020-2021 \$ 34,878

CAPITAL PROJECTS FUND
(NOT APPLICABLE)

PROPRIETARY FUNDS

FRANKLIN BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET POSITION
JUNE 30, 2020

ASSETS:

Current Assets:

Cash and Cash Equivalents	\$ 34,565
Intergovernmental Accounts Receivable:	
Federal	1,824
State	18
Accounts Receivable	2,475
Inventories	8,707
	<hr/>
Total Current Assets	47,589

Non-Current Assets:

Capital Assets	146,947
Less: Accumulated Depreciation	(126,422)
	<hr/>
Total Non-Current Assets	20,525

Total Assets	<hr/> 68,114 <hr/>
--------------	--------------------

LIABILITIES:

Current Liabilities:

Unearned Revenue - Prepaid Sales	2,519
Unearned Revenue - Donated Commodities	2,175
	<hr/>
Total Current Liabilities	4,694

NET POSITION:

Investment in Capital Assets	20,525
Unrestricted	42,895
	<hr/>
Total Net Postion	\$ 63,420

FRANKLIN BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Operating Revenue:

Local Sources:

Daily Sales - Reimbursable Programs	\$ 24,772
Daily Sales - Non-Reimbursable Programs	4,719

Total Operating Revenue

29,491

Operating Expenses:

Cost of Sales - Reimbursable Programs	60,966
Cost of Sales - Non-Reimbursable Programs	11,613
Salaries, Benefits and Payroll Taxes	45,418
Supplies and Other Costs	10,230
Management Fee	8,000
Depreciation Expense	1,362

Total Operating Expenses

137,589

Operating Loss

(108,098)

Non-Operating Income:

Local Sources:

Interest Income	68
-----------------	----

State Sources:

State School Lunch Program	1,357
Seamless Summer Option - Lunch	119

Federal Sources:

School Breakfast Program	18,257
Seamless Summer Option - Breakfast	3,881
National School Lunch Program	64,434
Seamless Summer Option - Lunch	7,577
Food Distribution Program	6,765

Total Non-Operating Income

102,458

Change in Net Position

(5,640)

Net Position - Beginning of Year

69,060

Net Position - End of Year

\$ 63,420

FRANKLIN BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 29,296
Payments to Employees	(45,418)
Payments to Food Service Vendor	(74,450)
Payments to Suppliers	(10,230)
Net Cash Used for Operating Activities	<u>(100,802)</u>
Cash Flows from Noncapital Financing Activities:	
Local Sources:	
Interest Income	68
State Sources:	
State School Lunch Program	1,603
Federal Sources:	
School Breakfast Program	23,539
National School Lunch Program	77,538
Net Cash Provided by Noncapital Financing Activities	<u>102,748</u>
Net Increase in Cash and Cash Equivalents	1,946
Cash and Cash Equivalents, July 1	<u>32,619</u>
Cash and Cash Equivalents, June 30	<u><u>\$ 34,565</u></u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (108,098)
Adjustment to Reconcile Operating Loss to Cash Used for Operating Activities:	
Depreciation	1,362
Food Distribution Program	6,765
Changes in Assets and Liabilities:	
(Increase)/Decrease in Other Accounts Receivable	(195)
(Increase)/Decrease in Inventories	(3,259)
Increase/(Decrease) in Unearned Revenue - Prepaid Sales	2,519
Increase/(Decrease) in Unearned Revenue - Donated Commodities	104
Net Cash Used for Operating Activities	<u><u>\$ (100,802)</u></u>
<u>Noncash Investing, Capital and Financing Activities:</u>	

The Food Service Enterprise Fund received commodities valued at \$6,869, and utilized \$6,765 of commodities.

FIDUCIARY FUNDS

FRANKLIN BOROUGH SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2020

	Payroll Agency Fund	Flexible Spending Trust	Totals
ASSETS:			
Cash and Cash Equivalents	\$ 3,132	\$ 8,485	\$ 11,617
Total Assets	3,132	8,485	11,617
LIABILITIES:			
Payroll Deductions and Withholdings	3,132		3,132
Total Liabilities	3,132		3,132
NET POSITION:			
Held in Trust for Flexible Spending Claims		8,485	8,485
Total Net Position	\$ - 0 -	\$ 8,485	\$ 8,485

FRANKLIN BOROUGH SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Flexible Spending Trust
Additions:	
Contributions:	
Plan Contributions	\$ 37,690
Total Contributions	37,690
Investment Earnings:	
Interest	26
Net Investment Earnings	26
Total Additions	37,716
Deductions:	
Flexible Spending Claims	34,875
Total Deductions	34,875
Change in Net Position	2,841
Net Position - Beginning of the Year	5,644
Net Position - End of the Year	\$ 8,485

FRANKLIN BOROUGH SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ -0-	\$ 20,142	\$ 20,142	\$ -0-
Total Assets	<u>\$ -0-</u>	<u>\$ 20,142</u>	<u>\$ 20,142</u>	<u>\$ -0-</u>
<u>LIABILITIES:</u>				
Due to Student Groups	\$ -0-	\$ 20,142	\$ 20,142	\$ -0-
Total Liabilities	<u>\$ -0-</u>	<u>\$ 20,142</u>	<u>\$ 20,142</u>	<u>\$ -0-</u>

FRANKLIN BOROUGH SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY

	<u>Balance</u> <u>July 1, 2019</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2020</u>
Franklin Elementary School	\$ -0-	\$ 20,142	\$ 20,142	\$ -0-
Total All Schools	<u>\$ -0-</u>	<u>\$ 20,142</u>	<u>\$ 20,142</u>	<u>\$ -0-</u>

FRANKLIN BOROUGH SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 6,149	\$ 2,767,098	\$ 2,770,115	\$ 3,132
Total Assets	<u>\$ 6,149</u>	<u>\$ 2,767,098</u>	<u>\$ 2,770,115</u>	<u>\$ 3,132</u>
<u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	\$ 6,149	\$ 2,767,098	\$ 2,770,115	\$ 3,132
Total Liabilities	<u>\$ 6,149</u>	<u>\$ 2,767,098</u>	<u>\$ 2,770,115</u>	<u>\$ 3,132</u>

LONG-TERM DEBT

STATISTICAL SECTION
(UNAUDITED)

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

Contents

Exhibit

Financial Trends

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

J-1 thru J-5

Revenue Capacity

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

J-6 thru J-9

Debt Capacity

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

J-10 thru J-13

Demographic and Economic Information

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

J-14 thru J-15

Operating Information

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

J-16 thru J-20

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

FRANKLIN BOROUGH SCHOOL DISTRICT

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

UNAUDITED

(Accrual Basis of Accounting)

	June 30,				
	2011	2012	2013	2014	2015
Governmental Activities:					
Net Investment in Capital Assets	\$ 1,338,770	\$ 1,144,048	\$ 1,011,225	\$ 945,150	\$ 1,088,306
Restricted	587,175	936,150	1,108,545	1,256,363	1,425,446
Unrestricted (Deficit)	(356,270)	(224,344)	(247,365)	(2,308,360)	(2,327,492)
Total Governmental Activities Net Position	<u>\$ 1,569,675</u>	<u>\$ 1,855,854</u>	<u>\$ 1,872,405</u>	<u>\$ (106,847)</u>	<u>\$ 186,260</u>
Business-Type Activities:					
Investment in Capital Assets	\$ 37,467	\$ 31,803	\$ 24,266	\$ 21,977	\$ 22,859
Unrestricted	49,295	49,171	48,628	45,410	34,353
Total Business-Type Activities Net Position	<u>\$ 86,762</u>	<u>\$ 80,974</u>	<u>\$ 72,894</u>	<u>\$ 67,387</u>	<u>\$ 57,212</u>
District-Wide:					
Net Investment in Capital Assets	\$ 1,376,237	\$ 1,175,851	\$ 1,035,491	\$ 967,127	\$ 1,111,165
Restricted	587,175	936,150	1,108,545	1,256,363	1,425,446
Unrestricted (Deficit)	(306,975)	(175,173)	(198,737)	(2,262,950)	(2,293,139)
Total District Net Position/(Deficit)	<u>\$ 1,656,437</u>	<u>\$ 1,936,828</u>	<u>\$ 1,945,299</u>	<u>\$ (39,460)</u>	<u>\$ 243,472</u>

FRANKLIN BOROUGH SCHOOL DISTRICT

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

UNAUDITED

(Accrual Basis of Accounting)

	June 30,			
	2016	2017	2018	2019
Governmental Activities:				
Net Investment in Capital Assets	\$ 1,103,719	\$ 1,102,023	\$ 1,021,654	\$ 1,016,419
Restricted	1,755,145	1,900,732	2,265,723	2,518,831
Unrestricted (Deficit)	(2,334,868)	(2,368,703)	(2,332,354)	(2,274,981)
Total Governmental Activities Net Position	\$ 523,996	\$ 634,052	\$ 955,023	\$ 1,260,269
Business-Type Activities:				
Investment in Capital Assets	\$ 27,153	\$ 24,610	\$ 23,248	\$ 21,887
Unrestricted	49,507	52,400	61,958	47,173
Total Business-Type Activities Net Position	\$ 76,660	\$ 77,010	\$ 85,206	\$ 69,060
District-Wide:				
Net Investment in Capital Assets	\$ 1,130,872	\$ 1,126,633	\$ 1,044,902	\$ 1,038,306
Restricted	1,755,145	1,900,732	2,265,723	2,518,831
Unrestricted (Deficit)	(2,285,361)	(2,316,303)	(2,270,396)	(2,227,808)
Total District Net Position/(Deficit)	\$ 600,656	\$ 711,062	\$ 1,040,229	\$ 1,329,329

Source: Franklin Borough School District Financial Reports.

FRANKLIN BOROUGH SCHOOL DISTRICT

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

UNAUDITED

(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,				
	2011	2012	2013	2014	2015
<hr/>					
Expenses:					
Governmental Activities					
Instruction:					
Regular	\$ 3,155,336	\$ 3,135,585	\$ 3,262,853	\$ 3,299,543	\$ 3,968,504
Special Education	1,550,014	1,727,419	1,887,048	1,682,982	1,945,012
Other Special Instruction	76,230	64,418	103,423	102,233	149,879
School-Sponsored/Other Instruction	98,470	111,129	124,105	123,028	120,126
Support Services:					
Tuition	184,306	257,292	289,976	280,636	240,643
Student & Instruction Related Services	1,081,777	1,121,430	1,052,331	1,086,900	1,207,823
School Administrative Services	242,250	265,413	281,741	281,723	424,057
General Administrative Services	321,201	393,107	407,769	384,579	269,481
Central Services	270,751	279,044	289,215	282,428	262,464
Plant Operations and Maintenance	964,376	941,719	960,088	1,051,540	999,695
Pupil Transportation	164,792	174,420	212,738	235,386	293,369
Unallocated Depreciation	59,532	174,274	139,490	85,921	66,132
Capital Outlay	4,322		2,680	4,133	23,733
Charter Schools	82,924	49,489	72,557	91,239	82,088
Total Governmental Activities Expenses	8,256,281	8,694,739	9,086,014	8,992,271	10,053,006
Business-Type Activities:					
Food Service	161,191	161,431	169,208	171,026	177,280
Total Business-type Activities Expense	161,191	161,431	169,208	171,026	177,280
Total District Expenses	\$ 8,417,472	\$ 8,856,170	\$ 9,255,222	\$ 9,163,297	\$ 10,230,286

FRANKLIN BOROUGH SCHOOL DISTRICT

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

UNAUDITED

(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,			
	2011	2012	2013	2014
				2015
Program Revenues				
Governmental Activities:				
Charges for Services:				
Tuition	\$ 41,574	\$ 30,000	\$ 89,992	\$ 86,715
Operating Grants and Contributions	1,327,145	1,417,527	1,598,952	1,420,590
Total Governmental Activities Program Revenues	1,368,719	1,447,527	1,688,944	1,507,305
				2,529,198
Business-Type Activities:				
Charges for Services:				
Food Service	\$ 72,485	\$ 66,775	\$ 64,821	\$ 62,019
Operating Grants and Contributions	89,884	88,760	101,215	103,402
Total Business-type Activities Program Revenues	162,369	155,535	166,036	165,421
Total District Program Revenues	\$ 1,531,088	\$ 1,603,062	\$ 1,854,980	\$ 1,672,726
				2,696,232
Net (Expense)/Revenue				
Governmental Activities	\$ (6,887,562)	\$ (7,247,212)	\$ (7,397,070)	\$ (7,484,966)
Business-type Activities	1,178	(5,896)	(3,172)	(5,605)
Total District-wide Net Expense	\$ (6,886,384)	\$ (7,253,108)	\$ (7,400,242)	\$ (7,490,571)
				\$ (7,534,054)

FRANKLIN BOROUGH SCHOOL DISTRICT

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

UNAUDITED

(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,			
	2011	2012	2013	2014
				2015
General Revenues and Other Changes in Net Position				
Governmental Activities:				
Property Taxes Levied for General Purposes, Net	\$ 4,321,716	\$ 4,408,150	\$ 4,496,313	\$ 4,586,239
Unrestricted Grants and Contributions	2,747,901	3,072,474	2,823,561	2,936,990
Investment Earnings	40,331	19,767	3,663	3,872
Miscellaneous Income	33,000	33,000	85,084	44,336
Cancellation on Prior Year Accounts Payable				
Transfers	(13,500)		5,000	
Total Governmental Activities	7,129,448	7,533,391	7,413,621	7,571,437
Business-Type Activities:				
Investment Earnings	1,263	108	92	98
Transfers/Other	16,765		(5,000)	
Total Business-Type Activities	18,028	108	(4,908)	98
Total District-Wide	\$ 7,147,476	\$ 7,533,499	\$ 7,408,713	\$ 7,571,535
Change in Net Position:				
Governmental Activities	\$ 241,886	\$ 286,179	\$ 16,551	\$ 86,471
Business-type Activities	19,206	(5,788)	(8,080)	(5,507)
Total District	\$ 261,092	\$ 280,391	\$ 8,471	\$ 80,964
				\$ 282,932

FRANKLIN BOROUGH SCHOOL DISTRICT

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

UNAUDITED

(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,			
	2016	2017	2018	2019
	2020			
Expenses:				
Governmental Activities				
Instruction:				
Regular	\$ 4,143,993	\$ 4,847,531	\$ 5,207,660	\$ 4,617,962
Special Education	2,143,384	2,409,841	2,574,713	2,113,949
Other Special Instruction	192,107	236,397	154,783	182,560
School-Sponsored/Other Instruction	143,877	139,806	189,030	179,886
				1,906,022
Support Services:				
Tuition	205,752	211,412	177,504	173,351
Student & Instruction Related Services	1,269,307	1,380,867	1,302,730	1,788,622
School Administrative Services	391,912	431,185	300,607	287,679
General Administrative Services	326,741	354,562	376,740	420,342
Central Services	243,173	255,064	278,786	269,025
Plant Operations and Maintenance	1,026,072	1,055,725	1,091,168	1,024,541
Pupil Transportation	317,747	308,356	265,043	322,373
Unallocated Depreciation	91,150	101,685	101,989	99,441
Capital Outlay	25,148	4,133	4,133	4,133
Charter Schools	45,715	93,505	159,517	159,524
				126,870
Total Governmental Activities Expenses	10,566,078	11,830,069	12,184,402	11,643,388
				11,488,412
Business-Type Activities:				
Food Service	177,935	171,043	148,613	186,577
				137,589
Total Business-type Activities Expense	177,935	171,043	148,613	186,577
				137,589
Total District Expenses	\$ 10,744,013	\$ 12,001,112	\$ 12,333,015	\$ 11,829,965
				\$ 11,626,001

FRANKLIN BOROUGH SCHOOL DISTRICT

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

UNAUDITED

(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,			
	2016	2017	2018	2019
				2020
Program Revenues				
Governmental Activities:				
Charges for Services:				
Tuition	\$ 46,016	\$ 33,907	\$ 123,902	\$ 12,352
Operating Grants and Contributions	2,861,736	3,619,892	3,987,926	3,307,919
Total Governmental Activities Program Revenues	2,907,752	3,653,799	4,111,828	3,320,271
				3,360,354
Business-Type Activities:				
Charges for Services:				
Food Service	\$ 55,740	\$ 54,157	\$ 49,744	\$ 47,586
Operating Grants and Contributions	111,579	117,149	106,969	122,724
Total Business-type Activities Program Revenues	167,319	171,306	156,713	170,310
				131,881
Total District Program Revenues	\$ 3,075,071	\$ 3,825,105	\$ 4,268,541	\$ 3,490,581
				3,492,235
Net (Expense)/Revenue				
Governmental Activities	\$ (7,658,326)	\$ (8,176,270)	\$ (8,072,574)	\$ (8,323,117)
Business-type Activities	(10,616)	263	8,100	(16,267)
				(5,708)
Total District-wide Net Expense	\$ (7,668,942)	\$ (8,176,007)	\$ (8,064,474)	\$ (8,339,384)
				(8,133,766)

FRANKLIN BOROUGH SCHOOL DISTRICT

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

UNAUDITED

(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,			
	2016	2017	2018	2019
				2020
General Revenues and Other Changes in Net Position				
Governmental Activities:				
Property Taxes Levied for General Purposes, Net	\$ 4,994,231	\$ 5,181,152	\$ 5,334,774	\$ 5,651,469
Unrestricted Grants and Contributions	2,967,845	2,976,727	2,955,286	2,933,868
Investment Earnings	4,865	5,004	5,579	3,907
Miscellaneous Income	47,770	123,443	97,906	39,119
Cancellation on Prior Year Accounts Payable	11,351			
Transfers	(30,000)			
Total Governmental Activities	7,996,062	8,286,326	8,393,545	8,628,363
Business-Type Activities:				
Investment Earnings	64	87	96	121
Transfers/Other	30,000			
Total Business-Type Activities	30,064	87	96	121
Total District-Wide	\$ 8,026,126	\$ 8,286,413	\$ 8,393,641	\$ 8,628,484
Change in Net Position:				
Governmental Activities	\$ 337,736	\$ 110,056	\$ 320,971	\$ 305,246
Business-type Activities	19,448	350	8,196	(16,146)
Total District	\$ 357,184	\$ 110,406	\$ 329,167	\$ 289,100
				\$ 622,409

Source: Franklin Borough School District Financial Reports.

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

	June 30,				
	2011	2012	2013	2014	2015
General Fund:					
Reserved					
Restricted	\$ 517,170	\$ 936,150	\$ 1,108,545	\$ 1,256,363	\$ 1,425,446
Assigned	65,112	119,591	84,875	83,751	61,366
Total General Fund	<u>\$ 582,282</u>	<u>\$ 1,055,741</u>	<u>\$ 1,193,420</u>	<u>\$ 1,340,114</u>	<u>\$ 1,486,812</u>
All Other Governmental Funds:					
Unassigned (Deficit)	<u>\$ (36,995)</u>				
Total All Other Governmental Funds/(Deficit)	<u>\$ (36,995)</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>

	June 30,				
	2016	2017	2018	2019	2020
General Fund:					
Reserved					
Restricted	\$ 1,755,145	\$ 1,900,732	\$ 2,265,723	\$ 1,669,063	\$ 2,592,326
Assigned	28,995	74,674	110,454	14,592	115,613
Total General Fund	<u>\$ 1,784,140</u>	<u>\$ 1,975,406</u>	<u>\$ 2,376,177</u>	<u>\$ 1,683,655</u>	<u>\$ 2,707,939</u>
All Other Governmental Funds:					
Unassigned (Deficit)				\$ (41,118)	\$ (65,205)
Total All Other Governmental Funds/(Deficit)	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ (41,118)</u>	<u>\$ (65,205)</u>

Source: Franklin Borough School District Financial Reports.

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

UNAUDITED

(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,				
	2011	2012	2013	2014	2015
Revenues:					
Tax Levy	\$ 4,321,716	\$ 4,408,150	\$ 4,496,313	\$ 4,586,239	\$ 4,806,638
Tuition Charges	41,574	30,000	89,992	86,715	46,043
Interest Earnings	39,795	3,414	3,663	3,872	4,379
Miscellaneous	36,536	49,353	85,084	46,336	45,280
State Sources	3,733,405	4,033,257	4,077,746	4,041,782	4,155,973
Federal Sources	338,641	456,511	344,767	313,798	366,544
Total Revenue	8,511,667	8,980,685	9,097,565	9,078,742	9,424,857
Expenditures					
Instruction:					
Regular Instruction	2,248,877	2,166,716	2,159,809	2,260,337	2,300,768
Special Education Instruction	1,083,647	1,175,235	1,273,651	1,153,575	1,140,808
Other Special Education	52,303	38,977	66,141	66,966	77,340
School Sponsored/Other Instruction	69,267	84,897	87,628	85,297	82,426
Support Services:					
Tuition	184,306	257,292	289,976	280,636	240,643
Student & Instruction Related Services	874,448	895,599	822,296	839,398	921,425
General Administrative Services	310,120	322,937	331,587	315,652	326,451
School Administrative Services	169,418	174,390	177,628	182,600	160,539
Central Services	215,500	219,154	223,158	219,411	207,915
Plant Operations and Maintenance	865,200	825,748	839,624	932,194	858,763
Student Transportation	164,792	174,420	212,738	232,714	279,449

FRANKLIN BOROUGH SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

UNAUDITED

(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,			
	2011	2012	2013	2014
Expenditures				
Support Services:				
Unallocated Benefits	\$ 1,924,520	\$ 2,083,513	\$ 2,372,178	\$ 2,231,685
Charter Schools	82,924	49,489	72,557	91,239
Capital Outlay	367,885	1,864	35,915	40,344
Total Expenditures	8,613,207	8,470,231	8,964,886	8,934,062
Excess/(Deficiency) of Revenue				
Over/(Under) Expenditures	(101,540)	510,454	132,679	144,680
Other Financing Sources/(Uses):				
Cancellation of Prior Year Accounts Payable				
Transfers In		72,285	5,000	
Transfers Out	(13,500)	(72,285)		
Total Other Financing Sources/(Uses)	(13,500)		5,000	
Net Change in Fund Balances	\$ (115,040)	\$ 510,454	\$ 137,679	\$ 144,680
Debt Service as a Percentage	0.00%	0.00%	0.00%	0.00%
of Noncapital Expenditures				

FRANKLIN BOROUGH SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

UNAUDITED

(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,			
	2016	2017	2018	2019
Expenditures				
Support Services:				
Unallocated Benefits	\$ 2,461,472	\$ 2,702,567	\$ 3,028,348	\$ 3,094,347
Charter Schools	45,715	93,505	159,517	159,524
Capital Outlay	149,071	123,489	99,406	139,209
Total Expenditures	9,446,428	9,876,965	10,099,884	10,608,587
Excess/(Deficiency) of Revenue				
Over/(Under) Expenditures	313,961	315,977	394,763	275,805
Other Financing Sources/(Uses):				
Cancellation of Prior Year Accounts Payable	11,351			117,791
Transfers In				(117,791)
Transfers Out	(30,000)			
Total Other Financing Sources/(Uses)	(18,649)			
Net Change in Fund Balances	\$ 295,312	\$ 297,328	\$ 394,763	\$ 275,805
Debt Service as a Percentage				
of Noncapital Expenditures	0.00%	0.00%	0.00%	0.00%

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

<u>Fiscal Year Ending June 30,</u>	<u>Interest on Investments</u>	<u>Tuition</u>	<u>Rentals - Use of Facilities</u>	<u>Prior Year Refunds</u>	<u>Other</u>	<u>Total</u>
2011	\$ 40,331	\$ 41,574	\$ 1,500		\$ 31,500	\$ 114,905
2012	3,414	30,000	1,500	\$ 16,353	31,500	82,767
2013	3,663	89,992	1,500	51,454	32,130	178,739
2014	3,872	86,715	3,000	8,563	32,773	134,923
2015	4,379	46,043	3,000	56	34,821	88,299
2016	4,865	46,016	3,000	7,942	36,828	98,651
2017	5,004	33,907	3,000	47,011	73,432	162,354
2018	5,579	123,902		77,207	20,699	227,387
2019	3,907	12,352		39,119		55,378
2020	6,129	22,933		3,572		32,634

Source: Franklin Borough School District Financial Reports.

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

Year Ended Dec. 31	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Public Utilities ^a	Net Valuation Taxable	Tax-Exempt Property	Total Assessed Value	Total Direct School Tax Rate ^b	Actual (County Equalized Value)
2010 ^	\$ 19,202,000	\$319,440,600	\$ 4,444,100	\$ 152,800	\$123,398,300	\$ 13,167,700	\$ 7,466,200	\$ 2,626,313	\$489,898,013	\$ 58,078,400	\$547,976,413	\$ 0.87	\$513,304,708
2011	15,165,600	309,750,900	4,849,900	210,600	121,699,700	12,949,100	7,253,800	2,032,665	473,912,265	58,078,400	531,990,665	0.92	499,383,129
2012	14,345,200	309,071,200	5,238,000	226,100	114,519,600	12,949,100	7,207,500	1,634,573	465,191,273	57,677,700	522,868,973	0.96	494,108,058
2013	14,492,100	308,457,400	5,104,600	226,100	111,148,900	12,949,100	7,213,800	1,397,027	460,989,027	57,681,000	518,670,027	0.99	447,347,266
2014 ^	12,909,900	248,180,400	4,097,500	222,500	108,720,600	9,924,600	6,723,300	1,591,221	392,370,021	57,771,400	450,141,421	1.20	403,786,555
2015	13,861,600	247,749,100	4,259,500	226,100	107,220,100	9,924,600	6,657,700	1,859,830	391,758,530	58,016,800	449,775,330	1.25	418,389,622
2016	12,331,200	248,846,800	3,950,200	210,400	116,839,400	9,924,600	6,690,800	1,838,649	400,632,049	57,714,700	458,346,749	1.27	421,019,872
2017	12,135,200	248,664,900	4,000,100	210,500	115,978,000	9,924,600	6,690,800	1,760,484	399,364,584	57,793,900	457,158,484	1.32	417,593,307
2018	12,646,400	248,416,400	4,000,100	189,700	114,131,800	9,428,000	6,981,100	1,774,920	397,568,420	57,385,300	454,953,720	1.38	411,468,592
2019	12,628,900	248,081,900	4,000,100	189,700	110,923,500	9,428,000	10,587,700	2,007,431	397,847,231	54,890,400	452,737,631	1.44	406,210,837

^ - Reassessment of property was effective in 2010 and 2014

Note: Real property is required to be assessed at some percentage of true value (fair or market value) established by each county board of taxation. Reassessment occurs when ordered by the County Board of Taxation.

^a Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies.

^b Tax rates are per \$100 of Assessed Valuation.

Source: Franklin Borough Tax Assessor.

FRANKLIN BOROUGH SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES

LAST TEN YEARS

UNAUDITED

(Rate per \$100 of Assessed Value)

Year Ended December 31,	Direct SchoolRate		Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic School Rate ^a	Total Direct School Rate	Municipality	County	Regional High School	
2010	\$ 0.865	^ \$ 0.865	^ \$ 0.860	^ \$ 0.443	^ \$ 0.372	^ \$ 2.540
2011	0.921	0.921	0.901	0.456	0.396	2.674
2012	0.957	0.957	0.932	0.493	0.457	2.839
2013	0.985	0.985	0.972	0.476	0.485	2.918
2014	1.197	^ 1.197	^ 1.183	^ 0.536	^ 0.565	^ 3.481
2015	1.251	1.251	1.211	0.551	0.559	3.571
2016	1.270	1.270	1.172	0.575	0.544	3.561
2017	1.316	1.316	1.171	0.597	0.555	3.639
2018	1.382	1.382	1.173	0.600	0.575	3.730
2019	1.441	1.441	1.177	0.588	0.588	3.794

^ - Reassessment of property was effective in 2010 and 2014

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

^a The District's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net Valuation Taxable.
^b Rates for debt service are based on each year's requirements.

Source: Franklin Borough Tax Collector and School Business Administrator.

Note - A reassessment of property was effective in 2010 and 2014.

Source: Franklin Borough Tax Assessor.

FRANKLIN BOROUGH SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2011	\$ 4,321,716	\$ 4,321,716	100.00%	- 0 -
2012	4,408,150	4,408,150	100.00%	- 0 -
2013	4,496,313	4,496,313	100.00%	- 0 -
2014	4,586,239	4,586,239	100.00%	- 0 -
2015	4,806,638	4,806,638	100.00%	- 0 -
2016	4,994,231	4,994,231	100.00%	- 0 -
2017	5,181,152	5,181,152	100.00%	- 0 -
2018	5,334,774	5,334,774	100.00%	- 0 -
2019	5,651,469	5,651,469	100.00%	- 0 -
2020	5,810,534	5,810,534	100.00%	- 0 -

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

Source: Franklin Borough School District records including the Certificate and Report of School Taxes (A4F form)

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

Fiscal Year Ended June 30,	Governmental Activities			Business- Type Activities	Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases			
2011	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
2012	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
2013	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
2014	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
2015	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
2016	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
2017	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
2018	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
2019	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
2020	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -

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

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

Source: Franklin Borough School District Financial Reports.

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2011	- 0 -	- 0 -	- 0 -	0.00%	- 0 -
2012	- 0 -	- 0 -	- 0 -	0.00%	- 0 -
2013	- 0 -	- 0 -	- 0 -	0.00%	- 0 -
2014	- 0 -	- 0 -	- 0 -	0.00%	- 0 -
2015	- 0 -	- 0 -	- 0 -	0.00%	- 0 -
2016	- 0 -	- 0 -	- 0 -	0.00%	- 0 -
2017	- 0 -	- 0 -	- 0 -	0.00%	- 0 -
2018	- 0 -	- 0 -	- 0 -	0.00%	- 0 -
2019	- 0 -	- 0 -	- 0 -	0.00%	- 0 -
2020	- 0 -	- 0 -	- 0 -	0.00%	- 0 -

Note: 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. This ratio is calculated using valuation data for the prior calendar year.

^b See Exhibit J-14 for population data. This ratio is calculated using population for the prior calendar year.

Source: Franklin Borough School District Financial Reports.

FRANKLIN BOROUGH SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2019
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Franklin Borough General Debt	\$ 2,077,099	100.00%	\$ 2,077,099
Sussex County General Obligation Debt	99,441,765	2.42%	2,410,512
Wallkill Valley Regional High School Debt	2,120,000	20.66%	438,072
Subtotal, Overlapping Debt as of December 31, 2019			4,925,683
Franklin Borough School District Direct Debt			- 0 -
Total Direct And Overlapping Debt			<u>\$ 4,925,683</u>

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

^a For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable equalized property values. Applicable percentages were estimated by determining the portion of Franklin Borough's equalized property value that is within the Sussex County's boundaries and dividing it by Sussex County's total equalized property value.

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

FRANKLIN BOROUGH SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt Limit	\$15,532,503	\$15,358,659	\$14,563,904	\$13,535,302	\$12,703,824	\$12,309,935	\$12,383,647	\$12,325,133	\$12,269,395	\$12,323,109
Total Net Debt Applicable to Limit	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Legal Debt Margin	\$15,532,503	\$15,358,659	\$14,563,904	\$13,535,302	\$12,703,824	\$12,309,935	\$12,383,647	\$12,325,133	\$12,269,395	\$12,323,109
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Legal Debt Margin Calculation for Fiscal Year 2020

	Year	Equalized Valuation Basis
Average Equalized Valuation of Taxable Property	2017	409,605,542
	2018	402,270,048
	2019	420,435,263
		<u>\$ 1,232,310,853</u>
Debt Limit (3% of average equalization value) ^a Net Bonded School Debt as of June 30, 2020 Legal Debt Margin		<u>\$ 410,770,284</u>
		\$ 12,323,109
		<u>-0-</u>
		<u>\$ 12,323,109</u>

^a Limit set by NJSA 18A:24-19 for a K through 8 district; other % limits would be applicable for other districts.

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

FRANKLIN BOROUGH SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

<u>Year</u>	<u>Population ^a</u>	<u>Per Capita Personal Income ^b</u>	<u>Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2011	5,039	\$ 49,093	\$ 247,379,627	10.70%
2012	4,982	50,844	253,304,808	10.60%
2013	4,927	51,456	253,523,712	10.60%
2014	4,897	53,818	263,546,746	8.20%
2015	4,831	55,677	268,975,587	6.30%
2016	4,791	56,914	272,674,974	6.20%
2017	4,761	58,717	279,551,637	5.80%
2018	4,740	61,757	292,728,180	5.20%
2019	4,721	61,757 **	291,554,797	4.60%
2020	4,721 *	61,757 **	291,554,797	N/A

* - Latest Sussex County population available (2019) was used for calculation purposes.

** - Latest Sussex County per capita income available (2018) was used for calculation purposes.

N/A - Information is not currently available.

Sources:

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

^b Per capita personal income by municipality estimated based upon the 2000 Census published by the US Bureau of Economic Analysis.

^c Personal income has been estimated based upon the municipal population and per capita personal income presented.

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

FRANKLIN BOROUGH SCHOOL DISTRICT
PRINCIPAL EMPLOYERS, COUNTY OF SUSSEX
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

2019		2010		Percentage of Total Employment
Employer	Employees	Employer	Employees	
Selective Insurance Group Inc.	1,000-4,999	Crystal Springs Golf and Spa Resort	2,000	2.61%
Crystal Springs Resort	1,000-4,999	Newton Memorial Hospital	1,490	1.94%
Newton Medical Center	500-999	Selective Insurance	900	1.17%
Sussex County Offices	500-999	County of Sussex	830	1.08%
Thorlabs	500-999	Mountain Creek Resort	800	1.04%
Mountain Creek Resort	500-999	Shop Rite (Ronetco)	697	0.91%
Shop Rite	250-499	Ames Rubber Corp	445	0.58%
Sussex County Community College	250-499	Walmart	412	0.54%
United Methodist Community Bristol Glen	250-499	Andover Subacute & Rehab Center	300	0.39%
Andover Subacute & Rehab Center	100-249	Sussex County Community College	300	0.39%
	4,850-15,740	Total	8,174	10.66%
Total Employment - Sussex County	71,425	Total Employment	76,713	

Source: County of Sussex

FRANKLIN BOROUGH SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)

<u>Function/Program:</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Instruction:										
Regular	37.3	37.3	35.3	35.3	35.3	36.9	36.7	32.2	31.5	33.6
Special Education	17.0	17.0	17.0	17.0	17.0	18.0	18.0	15.0	14.0	13
Other	2.4	2.4	2.2	2.2	2.2	2.2	2.2	2.1	2.4	2.7
Support Services:										
Student & Instruction Related Services	12.6	12.6	12.4	13.0	18.2	17.3	18.0	29.2	28.6	29
School Administrative Services	3.0	3.0	3.0	3.0	3.0	3.0	3.0	2.1	2.0	2
General Administrative Services	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.0	2.1	2.1
Central Services	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3
Plant Operations and Maintenance	6.5	6.5	6.9	6.9	6.9	6.9	6.9	6.8	6.9	5.9
	<u>83.9</u>	<u>83.9</u>	<u>81.9</u>	<u>82.5</u>	<u>87.7</u>	<u>89.4</u>	<u>89.9</u>	<u>92.4</u>	<u>90.5</u>	<u>91.3</u>

Source: Franklin Borough School District Financial Reports.

FRANKLIN BOROUGH SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/ Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary Schools	Schools				
2011	522	\$ 8,245,322	\$ 15,796	-3.64%	44.0	1:11.5		509	479	-2.12%	94.11%
2012	504	8,468,367	16,802	6.37%	44.0	1:11.5		499	475	-1.96%	95.19%
2013	492	8,928,971	18,148	8.01%	44.0	1:11.2		492	467	-1.40%	94.92%
2014	464	8,893,718	19,167	5.62%	44.0	1:10.6		464	446	-5.69%	96.12%
2015	471	9,034,557	19,182	0.07%	44.0	1:10.7		471	454	1.51%	96.39%
2016	467	9,297,357	19,909	3.79%	45.9	1:10.2		467	446	-0.85%	95.50%
2017	491	9,753,476	19,865	-0.22%	45.3	1:10.2		491	464	5.14%	94.50%
2018	428	10,000,478	23,366	17.62%	49.3	1:11.2		488	462	-0.61%	94.67%
2019	428	10,469,378	24,461	4.69%	47.9	1:11.2		471	441	-3.48%	93.63%
2020	454	11,022,021	24,278	-0.75%	49.4	1:11.3		468	449	-0.64%	95.94%

Note: Enrollment based on annual October District count.

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

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

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

^d The Cost per Pupil calculated above is the sum of the operating expenditures divided by enrollment. This cost per pupil may be different from State cost per pupil calculations.

Sources: Franklin Borough School District Records.

FRANKLIN BOROUGH SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED

District BuildingFranklin Elementary School:

<u>Fiscal Year</u>	<u>Square Feet</u>	<u>Capacity (Students)</u>	<u>Enrollment</u>
2011	114,480	810	522
2012	114,480	810	504
2013	114,480	810	492
2014	114,480	810	464
2015	114,480	810	471
2016	114,480	810	467
2017	114,480	810	491
2018	114,480	810	488
2019	114,480	810	488
2020	114,480	810	454

Number of Schools at June 30, 2020:

Elementary = 1

Note: Enrollment is based on the annual October District count.

Source: Franklin Borough School District Records.

FRANKLIN BOROUGH SCHOOL DISTRICT
GENERAL FUND SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
LAST TEN FISCAL YEARS
UNAUDITED

UNDISTRIBUTED EXPENDITURES - REQUIRED
 MAINTENANCE FOR SCHOOL FACILITIES
 11-000-261-XXX

<u>Facility</u>	<u>Project #'(s)</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<u>School Facilities:</u>						
Franklin Elementary	N/A	<u>\$ 78,244</u>	<u>\$ 91,936</u>	<u>\$ 92,891</u>	<u>\$ 89,840</u>	<u>\$ 67,261</u>

<u>Facility</u>	<u>Project #'(s)</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<u>School Facilities:</u>						
Franklin Elementary	N/A	<u>\$ 131,917</u>	<u>\$ 138,747</u>	<u>\$ 96,959</u>	<u>\$ 112,161</u>	<u>\$ 261,817</u>

N/A - Not Applicable

Source: Franklin Borough School District Records.

FRANKLIN BOROUGH SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2020
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
School Alliance Insurance Fund:		
School Package Policy - School Alliance Insurance Fund	\$ 500,000 Occurrence	\$ 2,500
Building & Personal Property		
Auto Physical Damage		1,000
General Liability including Auto, Employee Benefits:		
Per Occurrence	5,000,000	
General Aggregate	Agreed upon based on membership	
Product/Completed Ops		
Personal Injury		
Fire Damage	2,500,000	
Medical Expenses		
(excluding students taking part in athletics)	10,000	
Automobile Coverage		
Combined Single Limit		
Hired/Non-owned		
Environmental Impairment Liability	\$1,000,000/\$25,000,000 Fund Aggregate	10,000
	\$100,000 Fungi & Legionella	100,000
Crime Coverage	50,000 Inside/Outside	1,000
Blanket Dishonesty Bond	500,000	1,000
Boiler and Machinery	100,000,000	2,500
Excess Liability (AL/GL)	5,000,000	
School Board Legal Liability	5,000,000	10,000
Workers' Compensation	Statutory	
Employer's Liability	5,000,000	
Supplemental Liability	Statutory	
Student Accident Insurance/ Bollinger	All Students and Athletes	
Selective Insurance:		
Public Official Bond - School Business Administrator	185,000	
Public Official Bond - Treasurer	185,000	

Source: Franklin Borough School District Records.

SINGLE AUDIT SECTION



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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Franklin Borough School District, in the County of Sussex (the "District") as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 15, 2020.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

December 15, 2020
Mount Arlington, New Jersey

Nisivocca LLP
NISIVOCCA LLP

Valerie A. Dolan

Valerie A. Dolan
Licensed Public School Accountant #2526
Certified Public Accountant



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

Independent Auditors' Report

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

Report on Compliance for Each Major State Program

We have audited the Board of Education of the Franklin Borough School District's (the "District's") compliance with the types of compliance requirements described in the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on each of the District's major state programs for the fiscal year ended June 30, 2020. The District's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

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

Opinion on Each Major State Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

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

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

December 15, 2020
Mount Arlington, New Jersey

Nisiroccia LLP
NISIVOCIA LLP

Valerie A. Dolan

Valerie A. Dolan
Licensed Public School Accountant #2526
Certified Public Accountant

FRANKLIN BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Federal Grantor/Pass Through Grantor/ Program Title/ Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2019			Balance at June 30, 2020					
					Budgetary Accounts Receivable	Budgetary Unearned Revenue	Due to Grantor	Cash Received	Budgetary Expenditures	Budgetary Accounts Receivable	Budgetary Unearned Revenue	Due to Grantor	Amounts Provided to Subrecipients
U.S. Department of Education Passed-through State Department of Education:													
Special Revenue Fund:													
Special Education Cluster:													
IDEA Combined Grant:													
ID.E.A. Part B, Basic	84.027	IDEA157019	7/1/19-9/30/20	\$ 168,447				\$ 168,447	\$ (168,447)				
ID.E.A. Part B, Basic	84.027	IDEA157019	7/1/18-9/30/19	165,151	\$ 3,893			3,893					
ID.E.A. Part B, Preschool	84.173	IDEA157020	7/1/19-9/30/20	9,835				9,835	(9,835)				
Total Special Education Cluster					3,893			182,175	(178,282)				
Elementary and Secondary Education Act (E.S.E.A)													
As amended by the Every Student Succeeds Act													
Consolidation Grant:													
Title I	84.010A	ESEA157020	7/1/19-9/30/20	88,238				81,118	(87,238)	\$ 6,120			
Title I	84.010A	ESEA157019	7/1/18-9/30/19	94,141	33,057			33,057					
Title I	84.010A	ESEA157018	7/1/17-6/30/18	93,450			\$ 170				\$ 170		
Title II, Part A	84.367A	ESEA157020	7/1/19-9/30/20	11,222					(11,222)	11,222			
Title II, Part A	84.367A	ESEA157019	7/1/18-9/30/19	13,864	4,868			4,868					25
Title II, Part A	84.367A	ESEA157018	7/1/17-6/30/18	13,634			25		(2,446)				
Title IV	84.186A	ESEA157020	7/1/19-9/30/20	10,000				2,446					
COVID 19 - CARES Emergency Relief Grant	84.425D	ESEA359020	3/13/20-9/30/22	70,941					(6,891)	6,891			
Total Special Revenue Fund					41,818		195	303,664	(286,079)	24,233		195	
Total U.S. Department of Education					41,818		195	303,664	(286,079)	24,233		195	
U.S. Department of Agriculture:													
Passed-through State Department of Agriculture:													
Child Nutrition Cluster:													
U.S.D.A Commodities Program	10.555	N/A	7/1/19-6/30/20	6,869				6,869	(4,694)		\$ 2,175		
U.S.D.A Commodities Program	10.555	N/A	7/1/18-6/30/19	8,559			\$ 2,071		(2,071)				
National School Lunch Program	10.555	N/A	7/1/19-6/30/20	64,434				64,434	(64,434)				
National School Lunch Program	10.555	N/A	7/1/18-6/30/19	88,877	6,647			6,647					
COVID 19 - Seamless Summer Option - Lunch	10.555	N/A	3/18/20-6/30/20	7,577				6,457	(7,577)	1,120			
School Breakfast Program	10.553	N/A	7/1/19-6/30/20	18,257				18,257	(18,257)				
School Breakfast Program	10.553	N/A	7/1/18-6/30/19	25,370	2,105			2,105					
COVID 19 - Seamless Summer Option - Breakfast	10.553	N/A	3/18/20-6/30/20	3,881				3,177	(3,881)	704			
Total U.S. Department of Agriculture/Child Nutrition Cluster					8,752			107,946	(100,914)	1,824	2,175		
U.S. Department of Health and Human Services:													
Medicaid Cluster:													
Medicaid Assistance Program	93.778	N/A	7/1/18-6/30/19	28,871	130			130					
Medicaid Assistance Program	93.778	N/A	7/1/19-6/30/20	14,489				14,489	(14,489)				
Total Federal Awards					\$ 50,700		\$ 195	\$ 426,099	\$ (401,482)	\$ 26,057	\$ 2,175	\$ 195	\$ - 0 -
N/A - Not Applicable / Available													

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

FRANKLIN BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

State Grantor/Program Title	Project Number	Grant Period	Award Amount	Balance at June 30, 2019			Balance at June 30, 2020			MEMO	
				Budgetary Accounts Receivable	Budgetary Unearned Revenue	Cash Received	GAAP Accounts Receivable	Budgetary Unearned Revenue	Budgetary Accounts Receivable	Budgetary Accounts Receivable	Cumulative Total Expenditures
New Jersey Department of Education											
General Fund:											
Equalization Aid	19-495-034-5120-078	7/1/18 - 6/30/19	\$ 2,659,880	\$ 265,649	\$	\$ 265,649					\$ 2,659,880
Transportation Aid	19-495-034-5120-014	7/1/18 - 6/30/19	49,243	4,918		4,918					49,243
Special Education Categorical Aid	19-495-034-5120-089	7/1/18 - 6/30/19	303,322	30,293		30,293					303,322
Categorical Security Aid	19-495-034-5120-085	7/1/18 - 6/30/19	95,302	9,518		9,518					95,302
Adjustment Aid	19-495-034-5120-084	7/1/18 - 6/30/19	147,715	14,753		14,753					147,715
Extraordinary Aid	19-100-034-5120-044	7/1/18 - 6/30/19	40,714	40,714		40,714					40,714
Non-Public Transportation	19-495-035-5120-014	7/1/18 - 6/30/19	5,218	5,218		5,218					5,218
Homeless Tuition Reimbursement	19-495-034-5120-005	7/1/18 - 6/30/19	11,547	11,547		11,547					11,547
Reimbursed TPAF Social Security Contributions	19-495-034-5094-003	7/1/18 - 6/30/19	277,806	27,957		27,957					277,806
Equalization Aid	20-495-034-5120-078	7/1/19 - 6/30/20	2,680,420			2,412,717			\$ 267,703		2,680,420
Special Education Categorical Aid	20-495-034-5120-089	7/1/19 - 6/30/20	303,322			273,028			30,294		303,322
Categorical Security Aid	20-495-034-5120-084	7/1/19 - 6/30/20	95,302			85,784			9,518		95,302
Adjustment Aid	20-495-034-5120-085	7/1/19 - 6/30/20	147,715			132,962			14,753		147,715
Transportation Aid	20-495-034-5120-014	7/1/19 - 6/30/20	49,243			44,325			4,918		49,243
Non-Public Transportation	20-495-035-5120-014	7/1/19 - 6/30/20	2,912						2,912		2,912
Extraordinary Aid	20-100-034-5120-044	7/1/19 - 6/30/20	62,470						62,470		62,470
Homeless Tuition Reimbursement	20-495-034-5120-005	7/1/19 - 6/30/20	43,804						43,804		43,804
Reimbursed TPAF Social Security Contributions	20-495-034-5094-003	7/1/19 - 6/30/20	295,129			280,370			14,759		295,129
On-Behalf TPAF Post Retirement Contributions	20-495-034-5094-001	7/1/19 - 6/30/20	306,645			306,645					306,645
On-Behalf Long Term Disability Insurance Contributions	20-495-034-5094-004	7/1/19 - 6/30/20	808			808					808
On-Behalf TPAF Pension Contributions	20-495-034-5094-002	7/1/19 - 6/30/20	812,024			812,024			(812,024)		812,024
On-Behalf TPAF Non-Contributory Insurance	20-495-034-5094-003	7/1/19 - 6/30/20	14,555			14,555			(14,555)		14,555
Total General Fund State Aid				410,567		4,773,785			123,945	451,131	8,405,096
Special Revenue Fund:											
Preschool Education Aid	19-495-034-5120-086	7/1/18 - 6/30/19	349,492	41,118	\$ 118,048	41,118					349,492
Preschool Education Aid	20-495-034-5120-086	7/1/19 - 6/30/20	652,050			586,845		\$ 34,878	65,205		617,172
Total Special Revenue Fund				41,118	118,048	627,963		34,878	65,205		966,664
Enterprise Fund:											
State School Lunch Program	19-100-010-3350-023	7/1/18 - 6/30/19	1,989	145		145					1,989
COVID 19 - Seamless Summer Option	20-100-010-3350-023	3/18/20-6/30/20	119			101			18	18	119
State School Lunch Program	20-100-010-3350-023	7/1/19 - 6/30/20	1,357			1,357					1,357
Total Enterprise Fund				145		1,603				18	3,465
Total State Department of Education				\$ 451,830	\$ 118,048	\$ 5,403,351	\$ 123,963	\$ 34,878	\$ 516,354	\$ 9,375,225	
Less: On-Behalf TPAF Pension System Contributions:											
On-Behalf TPAF Post Retirement Contributions	20-495-034-5094-001	7/1/19 - 6/30/20									\$ 306,645
On-Behalf Long Term Disability Insurance Contributions	20-495-034-5094-001	7/1/19 - 6/30/20									808
On-Behalf TPAF Pension Contributions	20-495-034-5094-002	7/1/19 - 6/30/20									812,024
On-Behalf TPAF Non-Contributory Insurance	20-495-034-5094-003	7/1/19 - 6/30/20									14,555
Subtotal - On-Behalf TPAF Pension System Contributions											1,134,032
Total State Awards - for Major Program Determination											\$ (4,417,013)

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

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards include the federal and state grant activity of the Franklin Borough School District Board of Education under programs of the federal and state governments for the fiscal year ended June 30, 2020. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the accompanying schedules of expenditures of federal and state awards are reported on the budgetary basis of accounting with the exception of programs recorded in the Food Service Fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the District's basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3. INDIRECT COST RATE

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

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The General Fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last two state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes those payments are not recognized until the subsequent budget year due to the state deferral and recording of the last two state aid payments in the subsequent year. The Special Revenue Fund also does not recognize the June state aid payments in the current year. The Special Revenue Fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$2,055) for the General Fund and \$9,865 for the Special Revenue Fund (for which (\$1,425) is for local projects), 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, respectively.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 5. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (Cont'd)

Revenue from federal and state awards are reported on the Board's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 14,489	\$ 4,812,294	\$ 4,826,783
Special Revenue Fund	284,678	747,911	1,032,589
Food Service Fund	<u>100,914</u>	<u>1,476</u>	<u>102,390</u>
Total Awards	<u>\$ 400,081</u>	<u>\$ 5,561,681</u>	<u>\$ 5,961,762</u>

NOTE 6. 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 7. OTHER

Revenue and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2020.

FRANKLIN BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in *the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over major state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance*.
- The auditor's report on compliance for the major state programs for the District expresses an unmodified opinion on all major state programs.
- The District was not subject to the single audit provisions of the Uniform Guidance for the fiscal year ended June 30, 2020 as federal grant expenditures were less than the single audit threshold of \$750,000 identified in the Uniform Guidance.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance.
- The District's programs tested as major state programs for the current fiscal year consisted of the following state aid:

	<u>State Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
<u>State Aid Public</u>				
Equalization Aid	20-495-034-5120-078	7/1/19 - 6/30/20	\$ 2,680,420	\$2,680,420
Special Education Categorical Aid	20-495-034-5120-089	7/1/19 - 6/30/20	303,322	303,322
Security Aid	20-495-034-5120-084	7/1/19 - 6/30/20	95,302	95,302
Adjustment Aid	20-495-034-5120-085	7/1/19 - 6/30/20	147,715	147,715

- The threshold for distinguishing Type A and Type B state programs was \$750,000.
- The District was determined to be a "low-risk" auditee for state programs.

FRANKLIN BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

- The audit did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards.

Findings and Questioned Costs for Federal Awards:

- Not Applicable since federal expenditures were below the single audit threshold.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in 2 CFR 200.516(a) of the Uniform Guidance and New Jersey's OMB Circular 15-08.

FRANKLIN BOROUGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Status of Prior Year Findings:

There were no prior year audit findings.