

**FRANKLIN BOROUGH
SCHOOL DISTRICT**

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

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2013**

**Comprehensive Annual
Financial Report**

of the

FRANKLIN BOROUGH SCHOOL DISTRICT

Franklin, New Jersey

For the Fiscal Year Ended June 30, 2013

Prepared by

**Franklin Borough Board of Education
Finance Department**

FRANKLIN BOROUGH SCHOOL DISTRICT
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INTRODUCTORY SECTION

Franklin School District

Washington Avenue
Franklin, NJ 07416
Phone (973) 827-9775
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Thomas N. Turner, Ed.D.
Superintendent

William J. Sabo
Business Administrator
Board Secretary

August 23, 2013

Honorable President and
Members of the Board of Education
Franklin Borough School District
County of Sussex
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, 2013. 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 Organizational Chart of the School District.
- The Financial Section begins with the Independent Auditors' Report and includes the Management's Discussion and Analysis; the Basic Financial Statements and Notes providing an overview of the School District's financial position and operating results, and other schedules providing detailed budgetary information.
- The Statistical Section includes selected economic and demographic information, financial trends, and the fiscal capacity of the School District, generally presented on a multi-year basis.

Leading the Way to Excellence

Honorable President and
Members of the Board of Education
Franklin Borough School District
August 23, 2013
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- The Single Audit Section - The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations," and New Jersey OMB's Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid." Information related to this single audit, including the independent auditors' report on internal control and on 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.

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 handicapped 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 492 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 money.

The Superintendent 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) in 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 2012-13 fiscal year with an average daily enrollment of 491.8 students, which is 8 students less than the previous year's average daily enrollment.

The school district enrollment has declined this fiscal year. Over the last few years, the overall district enrollment has been relatively flat, if not slightly increasing but the District is experiencing some enrollment losses to the local charter and choice schools.

Honorable President and
 Members of the Board of Education
 Franklin Borough School District
 August 23, 2013
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Economic Condition and Outlook (Cont'd)

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 30 January 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 educational 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 has been decreasing over the last few years, as follows:

2010-	\$489,898,013
2011-	\$473,912,265
2012-	\$465,191,273

This decrease is attributed to the various tax appeals that have been filed by local property owners. In 2010, 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:

2010-	96.38%
2011-	97.15%
2012-	95.43%

EDUCATIONAL PROGRAM

For the past several years, the Board of Education has strived to maintain a quality general education program for its preschool through eighth grade students. Attention has focused on language arts, math, science, social studies, and special curriculum areas. Spanish instruction continues to be a key component for our world languages/culture program. The kindergarten classes continue to be offered as a full-day program. Integrated literature and balanced literacy instruction, especially in the younger grades, continue to flourish. Remedial and special education programs continue to be implemented so that students with specific learning needs will have increased opportunities for success. During this year, the Board continued to support the technology program. Again this fiscal year, the Franklin Home and School Association has donated many resources to aid our academic program as did the Franklin Education Foundation. However, the 2012-13 school year suffered through dramatic reductions as a result of the 2% cap on the tax levy and the loss of revenues. The prior year reductions in staffing continue to adversely impact and limit the specific programs affected.

Honorable President and
Members of the Board of Education
Franklin Borough School District
August 23, 2013
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MAJOR INITIATIVES

Given the staff reductions resulting in more than 11 positions (both full-time and part-time) being eliminated or reduced, no new major initiatives were undertaken in 2011-12. This continues to hold true for 2012-13. Rather a great effort continues to be made to maintain as much of the program as possible. The Board continued to focus on the balanced literacy/reading program. Middle school writing skills continued to be targeted during the 2012-13 school year. Everyday Mathematics and the Accelerated Math programs continued to be emphasized. Spanish was offered in kindergarten through eighth grade; however, the Spanish 1 program in eighth grade *remained* eliminated. The basic skills instruction program (BSIP) that was expanded to meet the needs of our students through the use of ARRA funds in 2009-10 remained at the *lower/reduced* staff levels. The board also implemented the new HIB (harassment, intimidation, bullying) requirements issued by the State in 2011-12. The Board and administration began to plan and support the major changes in teacher evaluation through the AchieveNJ and EE4NJ programs. These efforts will be continued into the next fiscal year and beyond. The Board also joined the county in participating in a solar project that should yield additional funds/reduce energy costs for the next 15 years.

During this school year, the Franklin and the Hamburg Borough Boards of Education continued an inter-local agreement to share Franklin's Business Administrator. This agreement saved the Hamburg Board of Education money and generated a positive revenue stream for the Franklin Board of Education. In January 2013, the Franklin and the Hamburg Boards of Education agreed to renew this inter-local agreement for five (5) more years starting with the FY 2013-14 school year.

Financial Information

Internal Accounting Controls: Management of the District is responsible for establishing and maintaining an internal control system designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data 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.

Honorable President and
Members of the Board of Education
Franklin Borough School District
August 23, 2013
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Financial Information (Cont'd)

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as fund balance restrictions, commitments and assignments at June 30, 2013.

Accounting System and Reports: The District's accounting records reflect generally accepted accounting principles, as promulgated by the GASB. The accounting system of the District is organized on the basis of funds. These funds are explained in "Notes to the Basic Financial Statements", Note 1.

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.

Honorable President and
Members of the Board of Education
Franklin Borough School District
August 23, 2013
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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 the Single Audit Act Amendments of 1996, and the related U.S. Office of Management and Budget Circular A-133, "Audits of State, Local Governments and Non-Profit Organizations" and New Jersey OMB's Circular 04-04 "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 and *Government Auditing Standards* are included in the single audit section of this report.

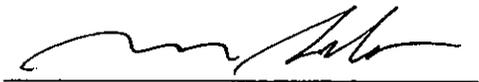
Acknowledgements

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.

Respectfully submitted,

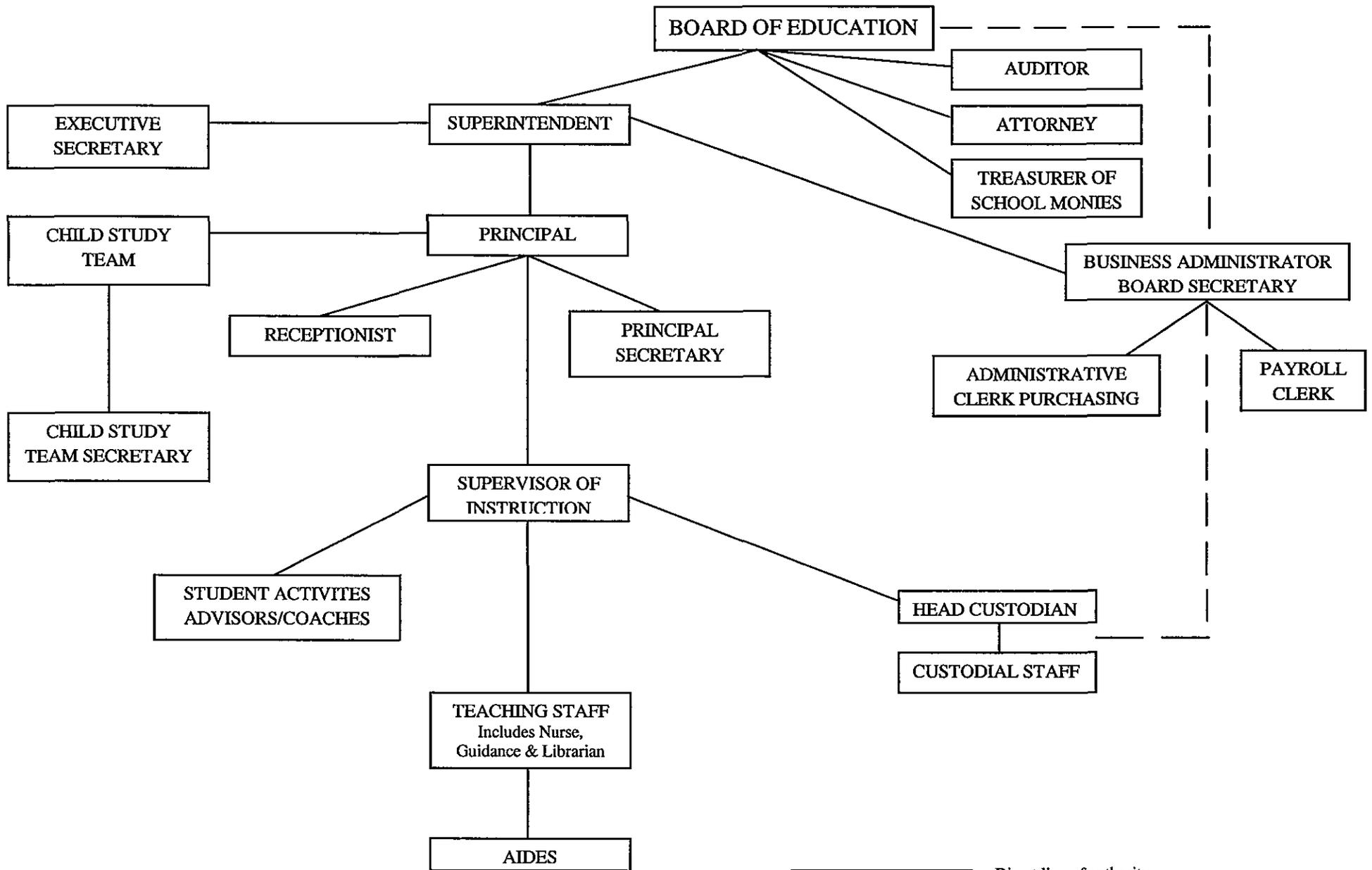


Thomas N. Turner, Ed.D.
Superintendent



William J. Sabo
Business Administrator/Board Secretary

ORGANIZATION CHART



————— Direct line of authority
----- Secondary line of authority (Advisory)

**FRANKLIN BOROUGH SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2013**

<u>Members of the Board of Education</u>		<u>Term Expires</u>
Mary Alonso	President	2014
Louise A. Murphy	Vice President	2013
Kevin Blondina	Member	2015
Richard A. Kell	Member	2014
Ronald E. Neal	Member	2015
Dawn Murrin	Member	2015
Michael A. Payton	Member	2013 *
Jeanine Paszkiel	Member	2013
Victoria Pennella	Member	2013

Other Officers

Dr. Thomas N. Turner, Superintendent
William J. Sabo, Business Administrator/Board Secretary
Theresa Schlosser, Treasurer of School Monies

* The November 2013 election will have a one year unexpired term on the ballot

**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
5 Ravine Drive
Matawan, New Jersey 07747

Architect

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

Official Depositories

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

New Jersey Cash Management
CN 290
Trenton, New Jersey 08625

Insurance Agent

The Morville Agency
Public Entity Division
Bollinger, Inc.
55 Newton-Sparta Road
Newton, New Jersey 07860

FINANCIAL SECTION



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07856
 973-328-1825 | 973-328-0507 Fax

Lawrence Business Center
 11 Lawrence Road
 Newton, NJ 07860
 973-383-6699 | 973-383-6555 Fax

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, 2013, and the related notes to the financial statements, which collectively comprise of 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.

The Honorable President and Members
of the Board of Education
Franklin Borough School District
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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, 2013, 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, 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 supplementary information such as the combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal and state awards, as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

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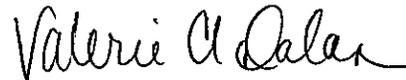
The accompanying other information such as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2013 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

August 23, 2013
Mount Arlington, New Jersey

NISIVOCCIA LLP



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, 2013
(Unaudited)**

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, 2013. 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.

Financial Highlights

- Overall revenue was \$9,268,693.
- Overall expenses were \$9,260,222.
- The District's financial position increased \$8,471 on a district-wide basis over the course of the year.

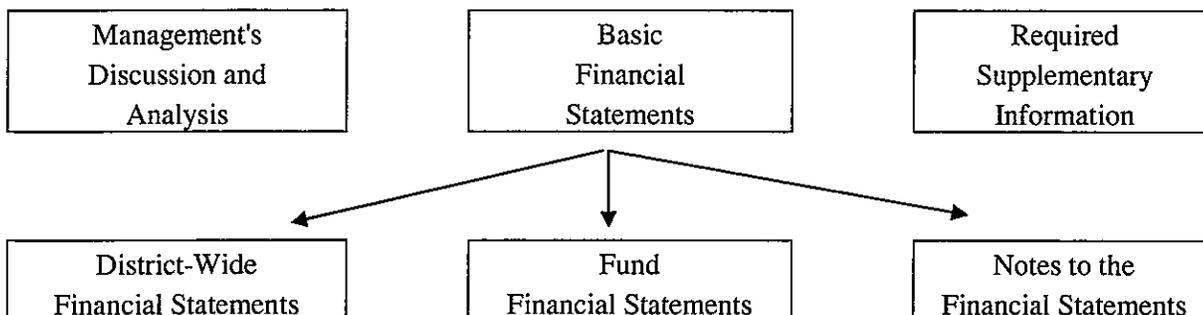
Overview of the Financial Statements

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, 2013
(Unaudited)**

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, 2013
(Unaudited)**

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 assets includes all of the District's assets 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 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 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**

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(Unaudited)**

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 \$8,471 – from \$1,936,828 at June 30, 2012 to \$1,945,299 at June 30, 2013. Net position from governmental activities increased by \$16,551 and net position from business activities decreased by \$8,080. Net investment in capital assets decreased by \$140,360, restricted net position increased by \$172,395, and unrestricted net position decreased by \$23,564.

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

	Government Activities		Business-Type Activities		Total School District		Total Percentage Change
	2012/2013	2011/2012	2012/2013	2011/2012	2012/2013	2010/2011	
Current and Other Assets	\$ 1,300,216	\$ 1,204,472	\$ 63,362	\$ 59,030	\$ 1,363,578	\$ 1,263,502	7.92%
Capital Assets	1,011,225	1,144,048	24,266	31,803	1,035,491	1,175,851	-11.94%
Total Assets	<u>2,311,441</u>	<u>2,348,520</u>	<u>87,628</u>	<u>90,833</u>	<u>2,399,069</u>	<u>2,439,353</u>	-1.65%
Long-Term Debt Outstanding	332,240	343,935			332,240	343,935	-3.40%
Other Liabilities	106,796	148,731	14,734	9,859	121,530	158,590	-23.37%
Total Liabilities	<u>439,036</u>	<u>492,666</u>	<u>14,734</u>	<u>9,859</u>	<u>453,770</u>	<u>502,525</u>	-9.70%
Net Position:							
Net Investment in							
Capital Assets	1,011,225	1,144,048	24,266	31,803	1,035,491	1,175,851	-11.94%
Restricted	1,108,545	936,150			1,108,545	936,150	18.42%
Unrestricted/(Deficit)	<u>(247,365)</u>	<u>(224,344)</u>	<u>48,628</u>	<u>49,171</u>	<u>(198,737)</u>	<u>(175,173)</u>	-13.45%
Total Net Position	<u>\$ 1,872,405</u>	<u>\$ 1,855,854</u>	<u>\$ 72,894</u>	<u>\$ 80,974</u>	<u>\$ 1,945,299</u>	<u>\$ 1,936,828</u>	0.44%

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

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Financial Analysis of the District as a Whole

Changes in Net Position. The District's *combined* net position were \$1,945,299 at June 30, 2013, or \$8,471 more than they were the year before. Net investment in capital assets decreased by \$140,360 as a result of \$173,595 in current year depreciation expense offset by \$33,235 of current year capital additions. Restricted net position increased by \$172,395 due to a \$635 increase in the capital reserve account and a \$171,760 increase in excess surplus above state-mandated amounts. Unrestricted net position decreased by \$23,564 due to the \$34,716 decrease in the assigned fund balance and the \$543 decrease in the unrestricted food service net position, offset by the \$11,695 decrease in the liability for compensated absences. (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
	2012/2013	2011/2012	2012/2013	2011/2012	2012/2013	2011/2012	
Revenue:							
Program Revenue:							
Charges for Services	\$ 89,992	\$ 30,000	\$ 64,821	\$ 66,775	\$ 154,813	\$ 96,775	59.97%
Operating Grants & Contributions	1,598,952	1,417,527	101,215	88,760	1,700,167	1,506,287	12.87%
General Revenue:							
Property Taxes	4,496,313	4,408,150			4,496,313	4,408,150	2.00%
Unrestricted Federal and State Aid	2,823,561	3,072,474			2,823,561	3,072,474	-8.10%
Other	88,747	52,767	92	108	88,839	52,875	68.02%
Total Revenue	<u>9,097,565</u>	<u>8,980,918</u>	<u>166,128</u>	<u>155,643</u>	<u>9,263,693</u>	<u>9,136,561</u>	1.39%
Expenses:							
Instruction	5,377,429	5,038,551			5,377,429	5,038,551	6.73%
Pupil and Instruction Services	1,342,307	1,378,722			1,342,307	1,378,722	-2.64%
Administrative and Business	978,725	937,564			978,725	937,564	4.39%
Maintenance and Operations	960,088	941,719			960,088	941,719	1.95%
Transportation	212,738	174,420			212,738	174,420	21.97%
Capital Outlay	2,680				2,680		100.00%
Other	212,047	223,763	169,208	161,431	381,255	385,194	-1.02%
Total Expenses	<u>9,086,014</u>	<u>8,694,739</u>	<u>169,208</u>	<u>161,431</u>	<u>9,255,222</u>	<u>8,856,170</u>	4.51%
Transfers	5,000		(5,000)				
Increase/(Decrease) in Net Position	<u>\$ 16,551</u>	<u>\$ 286,179</u>	<u>\$ (8,080)</u>	<u>\$ (5,788)</u>	<u>\$ 8,471</u>	<u>\$ 280,391</u>	-96.98%

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Revenue Sources. The District's total revenue for the 2012/2013 school year was \$9,268,693, (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$4,496,313 of the total, or 48.51%. (See Figure A-5). Approximately 48.80% came from state and federal aid, 1.67% came from charges for services and the remaining 1.01% came from miscellaneous sources.

**Figure A-5
Sources of Revenue for Fiscal Years 2013 and 2012**

	<u>2013</u>	<u>Percentage</u>	<u>2012</u>	<u>Percentage</u>
Sources of Income:				
State Formula Aid	\$ 3,128,933	33.77%	\$ 3,138,038	34.34%
Property Taxes	4,496,313	48.54%	4,408,150	48.25%
Federal and State Categorical Grants	1,394,795	15.06%	1,440,723	15.77%
Charges for Services	154,813	1.67%	96,775	1.06%
Other	88,839	0.96%	52,875	0.58%
	<u>\$ 9,263,693</u>	<u>100.00%</u>	<u>\$ 9,136,561</u>	<u>100.00%</u>

The total cost of all programs and services was \$9,260,222. The District's expenses are predominantly related to instructing, caring for (pupil and instruction services) and transporting students (74.87 percent). (See Figure A-6). The District's administrative and business expenses represented 10.57% and maintenance and operations activities accounted for 10.37% of total costs. It is important to remember that \$139,490 in unallocated depreciation expense is included in the \$386,255 of other expenses for the fiscal year.

**Figure A-6
Sources of Expenses for Fiscal Years 2013 and 2012**

	<u>2013</u>	<u>Percentage</u>	<u>2012</u>	<u>Percentage</u>
Expense Category:				
Instruction	\$ 5,377,429	58.07%	\$ 5,038,551	56.89%
Pupil and Instruction Services	1,342,307	14.50%	1,378,722	15.57%
Administrative and Business	978,725	10.57%	937,564	10.59%
Maintenance and Operations	960,088	10.37%	941,719	10.63%
Transportation	212,738	2.30%	174,420	1.97%
Capital Outlay	2,680	0.03%		
Other	381,255	4.16%	385,194	4.35%
	<u>\$ 9,255,222</u>	<u>100.00%</u>	<u>\$ 8,856,170</u>	<u>100.00%</u>

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Figure A-7 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:

**Figure A-7
Net Cost of Governmental Activities**

	Total Costs of Services		Net Cost of Services	
	2012/2013	2011/2012	2012/2013	2011/2012
Instruction	\$ 5,377,429	\$ 5,038,551	\$ 3,990,985	\$ 3,918,463
Pupil and Instruction Services	1,342,307	1,378,722	1,123,937	1,127,715
Administrative and Business	978,725	937,564	936,515	904,222
Maintenance and Operations	960,088	941,719	960,088	941,719
Transportation	212,738	174,420	170,818	131,330
Capital Outlay	2,680		2,680	
Other	212,047	223,763	212,047	223,763
	<u>\$ 9,086,014</u>	<u>\$ 8,694,739</u>	<u>\$ 7,397,070</u>	<u>\$ 7,247,212</u>

- The cost of all governmental activities this year was \$9,086,014.
- The federal and state governments subsidized certain programs with grants and contributions of \$4,578,761.
- Approximately \$4,496,313 of the District's costs were financed by District taxpayers.
- The remainder of the funding came from tuition charges, miscellaneous revenue and investment earnings.

Business-Type Activities

Net position from the District's Business-type activity decreased by \$8,080 (Refer to Figure A-4). Factors contributing to these results included:

- The decrease in net assets is due primarily to a decrease in charges for services (student participation) and relatively stable expenses.

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

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)**

Financial Analysis of the District's Funds

The District's financial position in the General Fund remained stable due to careful planning and monitoring of expenditures despite significant changes in student needs and difficult economic times. Expenditures during the recent year decreased significantly in the area of instruction as a result of various teacher retirements and increased significantly 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 reduction of staff. Fringe benefit costs for all staff have increased dramatically in the past several years. Special transportation costs have been offset by a reduction of regular bussing through consolidation of routes.

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 and Debt Administration

**Figure A-8
Capital Assets (Net of Depreciation)**

	<u>Government Activities</u>		<u>Business-Type Activities</u>		<u>Total School District</u>		<u>Total Percentage Change</u>
	<u>2012/2013</u>	<u>2011/2012</u>	<u>2012/2013</u>	<u>2011/2012</u>	<u>2012/2013</u>	<u>2011/2012</u>	
Land	\$ 229,166	\$ 229,166			\$ 229,166	\$ 229,166	0.00%
Site Improvements	18,988	23,776			18,988	23,776	-20.14%
Buildings and Building Improvements	334,985	365,566			334,985	365,566	-8.37%
Machinery and Equipment	428,086	525,540	\$ 24,266	\$ 31,803	452,352	557,343	-18.84%
Total Capital Assets, Net	<u>\$ 1,011,225</u>	<u>\$ 1,144,048</u>	<u>\$ 24,266</u>	<u>\$ 31,803</u>	<u>\$ 1,035,491</u>	<u>\$ 1,175,851</u>	-11.94%

Current year capital additions were \$33,325 and annual depreciation was \$173,595 (\$166,058 from governmental activities and \$7,537 from business-type activities). (More information on the District's capital assets is presented in Note 5 to the financial statements.)

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

**Management's Discussion and Analysis
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(Unaudited)**

Long-term Debt

The District's long-term debt represents compensated absence payable. (More detailed information about the District's long-term liabilities is presented in Note 6 to the financial statements.)

**Figure A-9
Outstanding Long-Term Debt**

	<u>Total School District</u>		<u>Percentage Change</u>
	<u>2012/2013</u>	<u>2011/2012</u>	
Other Long-Term Liabilities	\$ 332,240	\$ 343,935	-3.40%
	<u>\$ 332,240</u>	<u>\$ 343,935</u>	-3.40%

- Compensated absences payable decreased by a net amount of \$11,695 due to the accrual of sick days for all employees offset by the retirement of three employees.

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 significantly affect its financial health in the future:

- A5 – known as School District Accountability. This law, approved by the Governor on March 15, 2007, provides for various school district accountability measures.
- A1 – known as Tax Levy CAP. This new law, approved by the Governor on April 3, 2007, established a 4% cap on tax levy increases (which was later changed to 2%), changes the accounting/transfers for and expands the number of permitted fund balance reserves.
- A4 – known as CORE. This new law, approved by the Governor on April 3, 2007 implements CORE proposals and the primary focus of this new law is to establish uniform shared services and consolidation through the new Executive County Superintendent.

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 Mr. William J. Sabo, Board Secretary/Business Administrator, Franklin Borough Board of Education, 50 Washington Ave., Franklin, NJ 07416.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

Exhibit A-1

FRANKLIN BOROUGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 791,173	\$ 64,464	\$ 855,637
Receivable from State Government	31,788		31,788
Receivable from Federal Government	45,278		45,278
Receivables from Other Governments	418		418
Internal Balances	5,000	(5,000)	
Inventories		3,898	3,898
Restricted Assets:			
Capital Reserve Account - Cash	426,559		426,559
Capital Assets:			
Site (Land)	229,166		229,166
Depreciable Site Improvements, Building and Building Improvements, and Machinery and Equipment	<u>782,059</u>	<u>24,266</u>	<u>806,325</u>
Total Assets	<u>2,311,441</u>	<u>87,628</u>	<u>2,399,069</u>
LIABILITIES			
Accounts Payable	69,418	12,814	82,232
Payable to State Government	37,378		37,378
Unearned Revenue		1,920	1,920
Noncurrent Liabilities:			
Due Beyond One Year	<u>332,240</u>		<u>332,240</u>
Total Liabilities	<u>439,036</u>	<u>14,734</u>	<u>453,770</u>
NET POSITION			
Net Investment in Capital Assets	1,011,225	24,266	1,035,491
Restricted for:			
Capital Projects	426,559		426,559
Other Purposes	681,986		681,986
Unrestricted (Deficit)	<u>(247,365)</u>	<u>48,628</u>	<u>(198,737)</u>
Total Net Position	<u>\$ 1,872,405</u>	<u>\$ 72,894</u>	<u>\$ 1,945,299</u>

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, 2013

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 3,262,853		\$ 595,503		\$ (2,667,350)		\$ (2,667,350)
Special Education	1,887,048		758,611		(1,128,437)		(1,128,437)
Other Special Instruction	103,423		15,984		(87,439)		(87,439)
School-Sponsored/Other Instruction	124,105		16,346		(107,759)		(107,759)
Support Services:							
Tuition	289,976	\$ 89,992	71,884		(128,100)		(128,100)
Student & Instruction Related Services	1,052,331		56,494		(995,837)		(995,837)
General Administrative Services	407,769				(407,769)		(407,769)
School Administrative Services	281,741		42,210		(239,531)		(239,531)
Central Services	289,215				(289,215)		(289,215)
Plant Operations and Maintenance	960,088				(960,088)		(960,088)
Pupil Transportation	212,738		41,920		(170,818)		(170,818)
Capital Outlay	2,680				(2,680)		(2,680)
Unallocated Depreciation	139,490				(139,490)		(139,490)
Transfer to Charter School	72,557				(72,557)		(72,557)
Total Governmental Activities	9,086,014	89,992	1,598,952		(7,397,070)		(7,397,070)

FRANKLIN BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Business-Type Activities:							
Food Service	\$ 169,208	\$ 64,821	\$ 101,215			\$ (3,172)	\$ (3,172)
Total Business-Type Activities	169,208	64,821	101,215			(3,172)	(3,172)
Total Primary Government	<u>\$ 9,255,222</u>	<u>\$ 154,813</u>	<u>\$ 1,700,167</u>	<u>\$ - 0 -</u>	<u>\$ (7,397,070)</u>	<u>(3,172)</u>	<u>(7,400,242)</u>
General Revenue & Transfers:							
Taxes:							
Property Taxes, Levied for General Purposes, Net					4,496,313		4,496,313
Federal and State Aid not Restricted					2,823,561		2,823,561
Interest					3,663	92	3,755
Miscellaneous Income					85,084		85,084
Transfers					5,000	(5,000)	
Total General Revenue & Transfers					<u>7,413,621</u>	<u>(4,908)</u>	<u>7,408,713</u>
Change in Net Position					16,551	(8,080)	8,471
Net Position - Beginning					<u>1,855,854</u>	<u>80,974</u>	<u>1,936,828</u>
Net Position - Ending					<u>\$ 1,872,405</u>	<u>\$ 72,894</u>	<u>\$ 1,945,299</u>

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, 2013

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS:			
Cash and Cash Equivalents	\$ 791,173		\$ 791,173
Interfund Receivable	12,900		12,900
Receivables From Federal Government		\$ 45,278	45,278
Receivables From State Government	31,788		31,788
Receivables From Other Governments	418		418
Restricted Cash and Cash Equivalents	426,559		426,559
Total Assets	\$ 1,262,838	\$ 45,278	\$ 1,308,116
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts Payable - Vendors	\$ 69,418		\$ 69,418
Interfund Payable		\$ 7,900	7,900
Payable to State Government		37,378	37,378
Total Liabilities	69,418	45,278	114,696
Fund Balances:			
Restricted:			
Capital Reserve Account	426,559		426,559
Excess Surplus	342,585		342,585
Excess Surplus - For Subsequent Year's Expenditures	339,401		339,401
Assigned:			
For Subsequent Year's Expenditures	84,875		84,875
Total Fund Balances	1,193,420		1,193,420
Total Liabilities and Fund Balances	\$ 1,262,838	\$ 45,278	\$ 1,308,116

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

Total Fund Balances - Governmental Funds (Above)	\$ 1,193,420
Capital assets used in Governmental Activities are not financial resources and are not reported in the Funds. The cost of the assets is \$4,882,853 and the accumulated depreciation is \$3,738,805.	1,011,225
Long-Term Liabilities are not due and payable in the current period and therefore are not reported as liabilities in the Funds.	(332,240)
Net Position of Governmental Activities	\$ 1,872,405

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

Exhibit B-2

1 of 2

FRANKLIN BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUE:			
Local Sources:			
Local Tax Levy	\$ 4,496,313		\$ 4,496,313
Tuition - Other LEA's	89,992		89,992
Interest Earned on Investments	3,028		3,028
Interest Earned on Capital Reserve Funds	635		635
Miscellaneous	85,084		85,084
Total - Local Sources	4,675,052		4,675,052
State Sources	3,990,188	\$ 87,558	4,077,746
Federal Sources	12,221	332,546	344,767
Total Revenue	8,677,461	420,104	9,097,565
EXPENDITURES:			
Current:			
Regular Instruction	2,038,307	121,502	2,159,809
Special Education Instruction	1,084,864	188,787	1,273,651
Other Special Instruction	66,141		66,141
School Sponsored/Other Instruction	87,628		87,628
Support Services and Undistributed Costs:			
Tuition	218,092	71,884	289,976
Student & Instruction Related Services	784,365	37,931	822,296
General Administrative Services	331,587		331,587
School Administrative Services	177,628		177,628
Central Services	223,158		223,158
Plant Operations and Maintenance	839,624		839,624
Pupil Transportation	212,738		212,738
Unallocated Benefits	2,372,178		2,372,178
Capital Outlay	35,915		35,915
Transfer of Funds to Charter Schools	72,557		72,557
Total Expenditures	8,544,782	420,104	8,964,886
Excess of Revenue over Expenditures	132,679		132,679

Exhibit B-2

2 of 2

FRANKLIN BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General Fund	Special Revenue Fund	Total Governmental Funds
OTHER FINANCING SOURCES:			
Transfers	\$ 5,000		\$ 5,000
Total Other Financing Sources	5,000		5,000
Net Change in Fund Balances	137,679		137,679
Fund Balance (Deficit) - July 1	1,055,741		1,055,741
Fund Balance - June 30	\$ 1,193,420	\$ - 0 -	\$ 1,193,420

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

FRANKLIN BOROUGH SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2) \$ 137,679

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 exceeded Capital Outlays in the period.

	Depreciation Expense	\$ (166,058)	
	Capital Outlays	<u>33,235</u>	
			(132,823)

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 (+)

11,695

Change in Net Position (Exhibit A-2) \$ 16,551

Exhibit B-4

FRANKLIN BOROUGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Business-type Activities - Enterprise Funds Food Service
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 64,464
Inventories	3,898
Total Current Assets	68,362
Non-Current Assets:	
Capital Assets	136,511
Less: Accumulated Depreciation	(112,245)
Total Non-Current Assets	24,266
Total Assets	92,628
 LIABILITIES:	
Current Liabilities:	
Accounts Payable - Vendors	12,814
Interfund Payable	5,000
Unearned Revenue	1,920
Total Current Liabilities	19,734
 NET POSITION:	
Net Investment in Capital Assets	24,266
Unrestricted	48,628
Total Net Position	\$ 72,894

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

Exhibit B-5

FRANKLIN BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Business-type Activities - Enterprise Funds Food Service
Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 44,161
Daily Sales - Non-Reimbursable Programs	16,334
Special Events	4,326
Total Operating Revenue	64,821
Operating Expenses:	
Cost of Sales	89,643
Salaries, Benefits and Payroll Taxes	52,950
Supplies and Other Costs	2,984
Management Fee	16,094
Depreciation Expense	7,537
Total Operating Expenses	169,208
Operating Loss	(104,387)
Non-Operating Income:	
Local Sources:	
Interest Income	92
State Sources:	
State School Lunch Program	2,184
Federal Sources:	
National School Breakfast Program	10,651
National School Lunch Program	78,455
Food Distribution Program	9,925
Total Non-Operating Income	101,307
Change in Net Position	(3,080)
Operating Transfers (Out) - General Fund	(5,000)
Net Position - Beginning of Year	80,974
Net Position - End of Year	\$ 72,894

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

Exhibit B-6

FRANKLIN BOROUGH SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Business-type Activities - Enterprise Funds Food Service</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 60,495
Other Receipts	4,326
Payments to Food Service Vendor	(144,817)
Payments to Suppliers	(2,984)
	(82,980)
Net Cash Used for Operating Activities	(82,980)
Cash Flows from Investing Activities:	
Local Sources:	
Interest Income	92
	92
Net Cash Provided by Investing Activities	92
Cash Flows from Noncapital Financing Activities:	
State and Federal Subsidy Reimbursements	94,468
	94,468
Net Cash Provided by Noncapital Financing Activities	94,468
Net Increase in Cash and Cash Equivalents	11,580
Cash and Cash Equivalents, July 1	52,884
Cash and Cash Equivalents, June 30	\$ 64,464
Reconciliation of Operating Loss to Net Cash Provided by (Used for) Operating Activities:	
Operating Loss	\$ (104,387)
Adjustment to Reconcile Operating Loss to Cash Provided by (Used for) Operating Activities:	
Depreciation	7,537
Food Distribution Program	9,925
Changes in Assets and Liabilities:	
(Increase) in Inventories	(930)
Increase in Unearned Revenue	959
Increase in Accounts Payable	3,916
	(82,980)
Net Cash Provided by (Used for) Operating Activities	\$ (82,980)

Noncash Investing and Financing Activities:

The Food Service Enterprise Fund received commodities valued at \$10,884 and utilized commodities valued at \$9,925 from the Federal Food Distribution Program for the fiscal year ended June 30, 2013.

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

Exhibit B-7

FRANKLIN BOROUGH SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2013

	<u>Agency</u>	<u>Flex Spending Trust</u>
ASSETS:		
Cash and Cash Equivalents	\$ 200	\$ 6,003
Total Assets	<u>200</u>	<u>6,003</u>
LIABILITIES:		
Due to Student Groups	<u>200</u>	
Total Liabilities	<u>200</u>	
NET POSITION:		
Held in Trust for Flex Spending Claims		<u>6,003</u>
Total Net Position	<u>\$ - 0 -</u>	<u>\$ 6,003</u>

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

Exhibit B-8

FRANKLIN BOROUGH SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Flex Spending Trust
Additions:	
Contributions:	
Plan Contributions	\$ 18,765
Total Contributions	18,765
Investment Earnings:	
Interest	22
Net Investment Earnings	22
Total Additions	18,787
Deductions:	
Flex Spending Claims	16,782
Other Miscellaneous Expenditures	22
Total Deductions	16,804
Change in Net Position	1,983
Net Position - Beginning of the Year	4,020
Net Position - End of the Year	\$ 6,003

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, 2013

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 publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency and a resulting financial benefit or burden relationship, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources, and significances) should be included in the financial reporting entity. The combined financial statements include all funds of the District over which the Board exercises operating control. The operations of the District include one elementary school located in the Franklin Borough School District. 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 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.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

B. Basis of Presentation: (Cont'd)

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.

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.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

B. Basis of Presentation: (Cont' d)

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 Student Activities, Payroll Agency and Flex-Spending Trust Funds.

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, 2013
(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, 2013 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	\$ 8,666,991	\$ 420,104
Differences - Budget to GAAP:		
Prior Year State Aid Payments Recognized for GAAP Basis	314,383	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(303,913)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures & Changes in Fund Balances - Governmental Funds.	<u>\$ 8,677,461</u>	<u>\$ 420,104</u>

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(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	<u>\$ 8,544,782</u>	<u>\$ 420,104</u>
Total Expenditures as Reported on the Statement of Revenue, Expenditures, & Changes in Fund Balances - Governmental Funds	<u>\$ 8,544,782</u>	<u>\$ 420,104</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.

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 pledged, plus the collateral of all the other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

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.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

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, 2013.

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 their estimated fair market value on the date received. The cost of normal maintenance and repairs is not capitalized. The District does not possess any infrastructure. Capital assets have been reviewed for impairment.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

K. Capital Assets: (Cont'd)

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	50 years
Site Improvements	20 years
Furniture and Equipment	10 to 15 years
Computer and Related Technology	5 years
Vehicles	8 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. Fixed 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 government activities, business-type activities, or enterprise funds. Bond issuance costs, as well as applicable 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, governmental fund types recognize bond discounts as well as bond issuance costs as expenditures in the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

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, 2013.

N. Compensated Absences:

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

District employees are granted varying 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.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

(Continued)

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

N. Compensated Absences: (Cont'd)

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 \$1,193,420 General Fund balance at June 30, 2013, \$426,559 is restricted in the capital reserve account; \$339,401 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, 2014; \$342,585 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, 2015; \$84,875 of assigned fund balance has been appropriated and included as anticipated revenue for the fiscal year ending June 30, 2014. The assigned fund balance is \$22,125 less than the actual assigned fund balance due to the final two state aid payments, which are not recognized on a GAAP Basis until the fiscal year ended June 30, 2014. Additionally, there is \$281,788 of unassigned fund balance which is not reported on a GAAP basis due to the final two state aid payments.

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 \$303,913 (\$281,788 in unassigned fund balance and \$22,125 in fund balance assigned for year end encumbrances), 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 Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal 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.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

Q. Deficit Fund Balances/Net Position:

The District implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, during the current fiscal year. This statement defines net position as the residual of all other elements presented in a statement of financial position. It is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. This Statement provides guidance for reporting net position within a framework that includes deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities.

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 did not have any deferred inflows or outflows of resources at June 30, 2013.

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.

The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

The District has a \$247,365 deficit in Unrestricted Net Position in the Governmental activities at June 30, 2013 due to the assigned fund balance for year end encumbrances of \$84,875 in the General Fund offset by compensated absences payable of \$332,240 as of June 30, 2013 as reported in the fund financial statements (modified accrual basis). This deficit is 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, 2013
(Continued)

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

R. 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 has been restricted, committed or assigned.

Fund balance restrictions have been established for excess surplus 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, 2013.

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 \$84,875 of assigned resources in the General Fund at June 30, 2013 for amounts designated for subsequent year's expenditures.

S. 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, 2013
(Continued)

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

S. 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.

T. 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.

U. 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.

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.

Investments are stated at cost, which approximates market. 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 Statement No. 40, *Governmental Accounting Standards Board Deposit and Investment Risk Disclosures*, 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.

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 on the following page.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

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;
- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund; or
- (7) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (b) the custody of collateral is transferred to a third party;

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

Investments (Cont'd):

- (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 statute; and
- (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of June 30, 2013, cash and cash equivalents and investments of the District consisted of the following:

	Cash and Cash Equivalents	Capital Reserve Account	Total
Checking Accounts	\$ 861,840	\$ 426,559	\$ 1,288,399

The carrying amount of the Board's cash and cash equivalents at June 30, 2013, was \$1,288,399 and the bank balance was \$1,458,525.

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by Board resolution on October 10, 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.

The activity of the capital reserve for the July 1, 2012 to June 30, 2013 fiscal year is as follows:

Beginning Balance, July 1, 2012	\$ 425,924
Interest Earnings	635
Ending Balance, June 30, 2012	\$ 426,559

The balance in the capital reserve account at June 30, 2013 does not exceed the balance of local support costs of uncompleted capital projects in the District's Long Range Facilities Plan ("LRFP"). The District made no withdrawals from the Capital Reserve Account during the fiscal year.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

NOTE 5. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2013 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
Construction in Progress				
Total Capital Assets Not Being Depreciated	<u>229,166</u>			<u>229,166</u>
Capital Assets Being Depreciated:				
Site Improvements	432,777			432,777
Buildings and Building Improvements	2,124,252			2,124,252
Machinery and Equipment	<u>2,096,658</u>	\$ 33,235	\$ 16,597	<u>2,146,490</u>
Total Capital Assets Being Depreciated	<u>4,653,687</u>	<u>33,235</u>	<u>16,597</u>	<u>4,703,519</u>
Governmental Activities Capital Assets	<u>4,882,853</u>	<u>33,235</u>	<u>16,597</u>	<u>4,932,685</u>
Less Accumulated Depreciation for:				
Site Improvements	(409,001)	(4,788)		(413,789)
Buildings and Building Improvements	(1,758,686)	(30,581)		(1,789,267)
Machinery and Equipment	<u>(1,571,118)</u>	<u>(130,689)</u>	<u>(16,597)</u>	<u>(1,718,404)</u>
	<u>(3,738,805)</u>	<u>(166,058)</u>	<u>(16,597)</u>	<u>(3,921,460)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 1,144,048</u>	<u>\$ (132,823)</u>	<u>\$ -0-</u>	<u>\$ 1,011,225</u>
Business Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 136,511			\$ 136,511
Less Accumulated Depreciation	<u>(104,708)</u>	<u>\$ (7,537)</u>		<u>(112,245)</u>
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 31,803</u>	<u>\$ (7,537)</u>	<u>\$ -0-</u>	<u>\$ 24,266</u>

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 9,963
School Administrative Services	4,982
Plant Operations and Maintenance	11,623
Unallocated	<u>139,490</u>
	<u>\$ 166,058</u>

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
 (Continued)

NOTE 6. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2013, the following changes occurred in 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	<u>\$ 343,935</u>	<u>\$ 7,175</u>	<u>\$ 18,870</u>	<u>\$ 332,240</u>

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, 2013.

B. Bonds Authorized But Not Issued:

As of June 30, 2013, the Board had no bonds authorized but not issued.

C. Capital Leases Payable:

As of June 30, 2013, 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 \$332,240.

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, 2013, no liability existed for compensated absences in the Food Service Fund.

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

NOTE 7. TRANSFERS TO CAPITAL OUTLAY

During the fiscal year ended June 30, 2013, the District transferred \$34,569 to the Capital Outlay accounts for equipment which did not require County Superintendent approval.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

NOTE 8. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey; or the Defined Contribution Retirement Program (DCRP). The TPAF and the PERS are sponsored and administered by the State of New Jersey. The TPAF is considered a cost-sharing, multiple employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Board and the system's other non-contribution employers. The PERS is also considered a cost-sharing, multiple-employer plan. Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. As a general rule, all full-time employees are eligible to join the TPAF or the PERS. However, if an employee is ineligible to enroll in the TPAF or the PERS, the employee may be eligible to enroll in the DCRP.

Employees who are members of TPAF or PERS and retire at a specified age according to the relevant tier category for that employee are entitled to a retirement benefit based upon a formula which takes "final average salary" during years of creditable service. Vesting occurs after 8 to 10 years of service. The 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 each of the above systems. 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.

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey regulation. For PERS and TPAF, the employee contribution rate was 6.64% effective July 1, 2012. Subsequent increases are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018. Employers are required to contribute at an actuarially determined rate in each fund.

The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits, and post-retirement medical premiums. Under current statute, the District is a noncontributing employer of the TPAF. 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 of 5.5% for DCRP are matched by a 3% employer contribution.

District contributions to PERS amounted to \$88,295, \$88,639 and \$86,455 for 2013, 2012 and 2011, respectively. Employee and employer contributions for the DCRP for the years ended June 30, 2013, 2012 and 2011 were \$4,926, \$2,053 and \$1,188, respectively.

State contributions to TPAF on behalf of the District during the fiscal year ended June 30, 2013 and 2012 were \$257,520 and \$124,631, respectively. During the fiscal year ended June 30, 2011, the State of New Jersey made no contributions on behalf of the District to the TPAF for normal pension benefits.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

NOTE 9. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. Chapter 103 of Public Laws 2007 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS.

It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2012, there were 97,661 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to Chapter 126, P.L. 1992 c. 126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$146.6 million toward Chapter 126 benefits for 16,618 eligible retired members in Fiscal Year 2012.

The State's on behalf Post Retirement Medical Contributions to TPAF for the District amounted to \$291,191, \$250,541, and \$267,929, for 2013, 2012, and 2011, respectively.

NOTE 10. RISK MANAGEMENT

The District maintains 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.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

NOTE 10. RISK MANAGEMENT (Cont'd)

The June 30, 2013 audit was not available as of the date of this report; however, selected, summarized financial information for the Fund as of June 30, 2012 is as follows:

	<u>School Alliance Insurance Fund</u>
Total Assets	\$ 36,551,011
Net Position	\$ 12,224,220
Total Revenue	\$ 28,022,109
Total Expenses	\$ 28,300,068
Change in Net Position	\$ (277,959)
Member Dividends	\$ -0-

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.

NOTE 11. 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 12. 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 (s). 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

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

NOTE 13. 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 any litigation not covered by insurance would not materially affect the financial statements of the District.

NOTE 14. 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 15. INTERFUND RECEIVABLE AND PAYABLE

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 12,900	
Special Revenue Fund		\$ 7,900
Food Service Fund		5,000
	<u>\$ 12,900</u>	<u>\$ 12,900</u>

The interfund receivable in the General Fund from the Special Revenue Fund is the amount of the cash deficit in the Special Revenue Fund attributable to the timing of federal grant reimbursements from the State combined with expenditures paid by the General Fund on-behalf of the Special Revenue Fund. The interfund receivable in the General Fund from the Food Service Fund is for expenditures paid by the General Fund on-behalf of the Food Service Fund.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

NOTE 16. ACCOUNTS PAYABLE

Payables as of June 30, 2013 were as follows:

	<u>Governmental Funds</u>	<u>Business-Type Activities</u>
	<u>General Fund</u>	<u>Enterprise Funds</u>
Salaries and Wages	\$ 18,870	
Vendors	<u>50,548</u>	<u>\$ 12,814</u>
	<u>\$ 69,418</u>	<u>\$ 12,814</u>

BUDGETARY COMPARISON SCHEDULES

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenue:					
Local Sources:					
Local Tax Levy	\$ 4,496,313		\$ 4,496,313	\$ 4,496,313	
Tuition - Other LEA's				89,992	\$ 89,992
Unrestricted Miscellaneous	41,500		41,500	86,612	45,112
Interest Earned on Capital Reserve Funds	1,000		1,000	635	(365)
Restricted Miscellaneous	2,000		2,000	1,500	(500)
Total - Local Sources	4,540,813		4,540,813	4,675,052	134,239
State Sources:					
Transportation Aid	41,204		41,204	41,204	
Special Education Aid	270,678		270,678	270,678	
Equalization Aid	2,525,242		2,525,242	2,525,242	
Categorical Security Aid	75,094		75,094	75,094	
Adjustment Aid	206,245		206,245	206,245	
Extraordinary Aid				31,272	31,272
Nonpublic Transportation				516	516
TPAF Pension Contribution (On-Behalf - Non-Budgeted)				257,520	257,520
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				291,191	291,191
TPAF Social Security (Reimbursed - Non-Budgeted)				280,756	280,756
Total State Sources	3,118,463		3,118,463	3,979,718	861,255
Federal Sources:					
Medicaid Assistance Program	15,400		15,400	12,221	(3,179)
Total Federal Sources	15,400		15,400	12,221	(3,179)
Total Revenue	7,674,676		7,674,676	8,666,991	992,315

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Expenditures:					
Current Expense:					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 171,523	\$ (27,000)	\$ 144,523	\$ 143,768	\$ 755
Grades 1-5 - Salaries of Teachers	1,064,142	64,800	1,128,942	1,127,939	1,003
Grades 6-8 - Salaries of Teachers	699,229	(23,500)	675,729	674,719	1,010
Regular Programs - Home Instruction:					
Salaries of Teachers	1,000	1,000	2,000	1,539	461
Other Purchased Services	1,000	(500)	500		500
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	2,000		2,000	1,400	600
Purchased Professional-Educational Services		1,000	1,000	787	213
Other Purchased Services	16,000	5,000	21,000	20,685	315
General Supplies	69,800	(7,400)	62,400	62,019	381
Textbooks	13,000	(8,000)	5,000	3,871	1,129
Other Objects	3,000	(1,300)	1,700	1,580	120
Total Regular Programs - Instruction	<u>2,040,694</u>	<u>4,100</u>	<u>2,044,794</u>	<u>2,038,307</u>	<u>6,487</u>
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	305,288	(41,200)	264,088	263,185	903
Other Salaries for Instruction	93,412	(46,800)	46,612	37,846	8,766
General Supplies	6,600	(4,500)	2,100	1,443	657
Total Learning and/or Language Disabilities	<u>405,300</u>	<u>(92,500)</u>	<u>312,800</u>	<u>302,474</u>	<u>10,326</u>
Behavioral Disabilities:					
Salaries of Teachers	52,148	(500)	51,648	51,000	648
Other Salaries for Instruction	4,338	20,500	24,838	23,833	1,005
General Supplies	2,261	(1,000)	1,261	411	850
Total Behavioral Disabilities	<u>58,747</u>	<u>19,000</u>	<u>77,747</u>	<u>75,244</u>	<u>2,503</u>

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Expenditures:					
Resource Room/Resource Center:					
Salaries of Teachers	\$ 512,937	\$ 39,500	\$ 552,437	\$ 550,025	\$ 2,412
Other Salaries for Instruction	65,556	2,000	67,556	67,226	330
General Supplies	3,000		3,000	2,917	83
Total Resource Room/Resource Center	581,493	41,500	622,993	620,168	2,825
Preschool Disabilities - Part Time:					
Salaries of Teachers	73,899	1,000	74,899	74,346	553
Other Salaries for Instruction	8,363	1,500	9,863	9,779	84
General Supplies	1,300	(750)	550	543	7
Other Objects		650	650	563	87
Total Preschool Disabilities - Part Time	83,562	2,400	85,962	85,231	731
Home Instruction - Special Education					
Salaries of Teachers	2,500		2,500	1,747	753
Purchased Professional-Educational Services	700		700		700
Total Home Instruction - Special Education	3,200		3,200	1,747	1,453
Total Special Education - Instruction	1,132,302	(29,600)	1,102,702	1,084,864	17,838
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	28,584	8,000	36,584	35,717	867
Total Basic Skills/Remedial - Instruction	28,584	8,000	36,584	35,717	867
Bilingual Education - Instruction:					
Salaries of Teachers	26,849	3,600	30,449	30,018	431
General Supplies	1,000		1,000	406	594
Total Bilingual Education - Instruction	27,849	3,600	31,449	30,424	1,025

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Expenditures:					
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	\$ 27,013		\$ 27,013	\$ 23,390	\$ 3,623
Supplies and Materials	1,600	\$ 500	2,100	1,617	483
Other Objects	1,000	(500)	500	250	250
Transfers to Cover Deficit (Agency Funds)	14,500	1,000	15,500	12,974	2,526
Total School-Sponsored Cocurricular Activities - Instruction	44,113	1,000	45,113	38,231	6,882
School-Sponsored Cocurricular Activities - Athletics - Instruction:					
Salaries	30,452	500	30,952	30,631	321
Supplies and Materials	4,600	(1,600)	3,000	2,061	939
Other Objects		500	500	486	14
Transfers to Cover Deficit (Agency Funds)	3,900		3,900	3,015	885
Total School-Sponsored Cocurricular Activities - Athletics - Instruction	38,952	(600)	38,352	36,193	2,159
Other Instructional Programs - Summer School - Instruction					
Salaries of Teachers	11,000	2,800	13,800	13,204	596
Other Salaries of Instruction	2,000	(2,000)			
General Supplies	200	(200)			
Total Other Instructional Programs -Summer School - Instruction	13,200	600	13,800	13,204	596
Total Instruction	3,325,694	(12,900)	3,312,794	3,276,940	35,854
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Special	203,569	(60,300)	143,269	137,425	5,844
Tuition to Private School for the Disabled - Within the State	71,446	9,300	80,746	80,667	79
Total Undistributed Expenditures - Instruction	275,015	(51,000)	224,015	218,092	5,923

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Health Services:					
Salaries	\$ 70,998	\$ 500	\$ 71,498	\$ 71,440	\$ 58
Purchased Professional and Technical Services	5,500	(400)	5,100	5,000	100
Other Purchased Services (400-500 series)	1,000	(500)	500	268	232
Supplies and Materials	3,600	1,300	4,900	4,592	308
Other Objects	200	100	300	243	57
Total Health Services	81,298	1,000	82,298	81,543	755
Other Support Services - Speech, OT, PT and Related Services:					
Salaries	81,586	1,000	82,586	81,128	1,458
Purchased Professional - Educational Services	59,000		59,000	56,223	2,777
Supplies and Materials	1,500	(1,000)	500	322	178
Total Other Support Services - Speech, OT, PT and Related Services	142,086		142,086	137,673	4,413
Other Support Services - Guidance:					
Salaries of Other Professional Staff	87,857		87,857	86,127	1,730
Salaries of Secretarial and Clerical Assistants	43,968	100	44,068	43,952	116
Purchased Professional - Educational Services					
Other Purchased Services (400-500 series)	625	(100)	525	304	221
Supplies and Materials	1,000		1,000	681	319
Total Other Support Services - Guidance	133,450		133,450	131,064	2,386
Other Support Services - Child Study Teams:					
Salaries of Other Professional Staff	278,692	100	278,792	275,296	3,496
Salaries of Secretarial and Clerical Assistants	41,969	(500)	41,469	41,149	320
Other Purchased Professional and Technical Services	500	(100)	400		400
Miscellaneous Purchased Services (400-500 series)	2,100		2,100	432	1,668
Supplies and Materials	7,300	500	7,800	3,474	4,326
Other Objects	200		200	124	76
Total Other Support Services - Child Study Teams	330,761		330,761	320,475	10,286

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Educational Media Services - School Library:					
Salaries	\$ 24,463	\$ 100	\$ 24,563	\$ 24,563	
Other Purchased Services (400-500 series)	500		500		\$ 500
Supplies and Materials	2,000	2,000	4,000	3,921	79
Other Objects	400	(100)	300		300
Total Educational Media Services - School Library	27,363	2,000	29,363	28,484	879
Improvement of Instructional Services:					
Salaries of Supervisors of Instruction	66,202	100	66,302	66,202	100
Salaries of Secretarial and Clerical Assistants	11,139	100	11,239	10,140	1,099
Supplies and Materials	1,500		1,500	85	1,415
Other Objects	900	(200)	700	120	580
Total Improvement of Instructional Services	79,741		79,741	76,547	3,194
Instructional Staff Training Services:					
Purchased Professional - Educational Services	3,000		3,000	325	2,675
Other Purchased Services (400-500 series)	14,000	4,000	18,000	8,254	9,746
Total Instructional Staff Training Services	17,000	4,000	21,000	8,579	12,421
General Administration:					
Salaries	236,354	100	236,454	236,338	116
Legal Services	11,500	(300)	11,200	3,988	7,212
Audit Fees	20,000	1,000	21,000	21,000	
Architectural / Engineering Services	3,900	7,000	10,900	10,700	200
Other Purchased Professional Services	10,000	12,000	22,000	6,497	15,503
Purchased Technical Services	1,000		1,000	639	361
Communications/Telephone	17,200	3,000	20,200	11,142	9,058
BOE Other Purchased Services	8,000		8,000	3,069	4,931

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Expenditures:					
General Administration (Cont'd):					
Miscellaneous Purchased Services (400-500 series)	\$ 27,500	\$ (1,600)	\$ 25,900	\$ 19,035	\$ 6,865
General Supplies	7,000	6,000	13,000	6,271	6,729
BOE In-House Training and Meeting Supplies	1,000		1,000	119	881
Miscellaneous Expenditures	6,500	1,600	8,100	7,905	195
BOE Membership Dues and Fees	6,500		6,500	4,884	1,616
Total General Administration	356,454	28,800	385,254	331,587	53,667
School Administration:					
Salaries of Principals/Assistant Principals	146,209		146,209	146,209	
Salaries of Secretarial and Clerical Assistants	30,762		30,762	27,384	3,378
Other Purchased Services (400-500 series)	2,400	500	2,900	1,311	1,589
Supplies and Materials	5,000		5,000	1,569	3,431
Other Objects	3,000	(500)	2,500	1,155	1,345
Total School Administration	187,371		187,371	177,628	9,743
Central Services:					
Salaries	205,085	100	205,185	204,929	256
Purchased Technical Services	15,000	(100)	14,900	12,157	2,743
Miscellaneous Purchased Services (400-500 series)	2,000		2,000	1,780	220
Supplies and Materials	4,000		4,000	1,641	2,359
Other Objects	3,000		3,000	2,651	349
Total Central Services	229,085		229,085	223,158	5,927
Required Maintenance for School Facilities:					
Cleaning, Repair and Maintenance Services	80,000	17,000	97,000	92,891	4,109
Total Required Maintenance for School Facilities	80,000	17,000	97,000	92,891	4,109

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Expenditures:					
Custodial Services:					
Salaries	\$ 307,464	\$ (6,000)	\$ 301,464	\$ 295,463	\$ 6,001
Cleaning, Repair and Maintenance Services	26,000	(4,969)	21,031	16,828	4,203
Other Purchased Property Services	53,000	(3,000)	50,000	37,098	12,902
Insurance	37,000	9,000	46,000	45,932	68
Miscellaneous Purchased Services	1,000		1,000	300	700
General Supplies	55,000	9,000	64,000	62,929	1,071
Energy (Gasoline)	2,500		2,500	2,236	264
Energy (Electricity)	105,000	(11,000)	94,000	74,377	19,623
Energy (Natural Gas)	14,000		14,000	9,581	4,419
Energy (Oil)	134,500		134,500	133,811	689
Other Objects	1,000		1,000	689	311
Total Custodial Services	736,464	(6,969)	729,495	679,244	50,251
Care and Upkeep of Grounds:					
Salaries	41,800	500	42,300	42,004	296
Cleaning, Repair and Maintenance Services	17,000	(800)	16,200	16,029	171
General Supplies	11,000	(2,500)	8,500	6,877	1,623
Other Objects	1,000	(1,000)			
Total Care and Upkeep of Grounds	70,800	(3,800)	67,000	64,910	2,090
Security:					
Cleaning, Repair and Maintenance Services	4,000	(1,200)	2,800	2,579	221
Total Security	4,000	(1,200)	2,800	2,579	221
Student Transportation Services:					
Management Fee - ESC & CTSA Transportation Program	6,800	1,000	7,800	7,369	431
Aid in Lieu Payments - Non Public Students	4,700	7,000	11,700	10,480	1,220
Contracted Services (Other than Between Home and School)- Vendors	24,000	1,000	25,000	21,161	3,839
Contracted Services (Regular Students) - ESC's & CTSA's	47,000		47,000	38,674	8,326
Contracted Services (Special Education Students) - ESC's & CTSA's	152,000	(9,000)	143,000	135,054	7,946
Total Student Transportation Services	234,500	(9,000)	234,500	212,738	21,762

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Unallocated Benefits:					
Regular Instruction:					
Group Insurance		\$ 2,000	\$ 2,000	\$ 1,731	\$ 269
Social Security Contributions	\$ 97,000	(100)	96,900	96,498	402
TPAF Contribution		20,000	20,000	20,000	
Other Retirement Contributions - PERS	108,000	(17,000)	91,000	88,295	2,705
Other Retirement Contributions - Regular	2,000	3,100	5,100	4,926	174
Unemployment Compensation	21,000		21,000	18,557	2,443
Workmen's Compensation	80,000	(4,000)	76,000	69,899	6,101
Health Benefits	1,211,571		1,211,571	1,159,800	51,771
Tuition Reimbursement	36,700	(22,000)	14,700	5,236	9,464
Other Employee Benefits	98,148	(16,000)	82,148	77,769	4,379
Total Unallocated Benefits	1,654,419	(34,000)	1,620,419	1,542,711	77,708
On-Behalf Contributions:					
TPAF Pension Contribution (On-Behalf - Non-Budgeted)				257,520	(257,520)
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				291,191	(291,191)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				280,756	(280,756)
Total On-Behalf Contributions				829,467	(829,467)
Total Personal Services - Employee Benefits	1,654,419	(34,000)	1,620,419	2,372,178	(751,759)
Total Undistributed Expenditures	4,639,807	(44,169)	4,595,638	5,159,370	(563,732)
Total Current Expense	7,965,501	(57,069)	7,908,432	8,436,310	(527,878)
Capital Outlay:					
Equipment:					
Undistributed Expenditures - Equipment		15,600	15,600	15,348	252
Educational Media Services/School Library		4,969	4,969	4,969	
Support Services - Child Study Team		5,000	5,000	4,170	830
School Administration		9,000	9,000	8,748	252
Total Equipment		34,569	34,569	33,235	1,334

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Capital Outlay:					
Facilities Acquisition and Construction Services:					
Construction Services	\$ 3,000		\$ 3,000	\$ 2,680	\$ 320
Total Facilities Acquisition and Construction Services	3,000		3,000	2,680	320
Total Capital Outlay	3,000	\$ 34,569	37,569	35,915	1,654
Transfer of Funds to Charter Schools	40,004	36,000	76,004	72,557	3,447
Total Expenditures	8,008,505	13,500	8,022,005	8,544,782	(522,777)
Excess (Deficiency) of Revenue Over (Under) Expenditures	(333,829)	(13,500)	(347,329)	122,209	469,538
Other Financing Sources/(Uses):					
Transfer to/from Food Service Fund	(13,500)	13,500		5,000	5,000
Total Other Financing Sources/(Uses)	(13,500)	13,500		5,000	5,000
Excess (Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(347,329)		(347,329)	127,209	474,538
Fund Balance, July 1	1,370,124		1,370,124	1,370,124	
Fund Balance, June 30	\$ 1,022,795	\$ - 0 -	\$ 1,022,795	\$ 1,497,333	\$ 474,538
<u>Recapitulation:</u>					
Restricted Fund Balances:					
Capital Reserve				\$ 426,559	
Excess Surplus				342,585	
Excess Surplus - For Subsequent Year's Expenditures				339,401	
Assigned Fund Balance:					
For Subsequent Year's Expenditures				107,000	
Unassigned Fund Balance				281,788	
				1,497,333	
Reconciliation to Governmental Funds Statements (GAAP):					
Last State Aid Payment not Recognized on GAAP Basis				(303,913)	
Fund Balance per Governmental Funds (GAAP)				\$ 1,193,420	

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
State Sources	\$ 146,791	\$ (21,855)	\$ 124,936	\$ 87,558	\$ (37,378)
Federal Sources	278,700	82,088	360,788	332,546	(28,242)
Total Revenues	425,491	60,233	485,724	420,104	(65,620)
EXPENDITURES:					
Instruction:					
Salaries of Teachers	91,000	(8,439)	82,561	82,561	
Other Salaries for Instruction	7,700	78,126	85,826	85,826	
Purchased Professional and Educational Services	97,437	(15,498)	81,939	54,448	27,491
General Supplies		3,666	3,666	3,666	
Tuition	180,000	(108,116)	71,884	71,884	
Textbooks	9,385	549	9,934	9,760	174
Total Instruction	385,522	(49,712)	335,810	308,145	27,665
Support Services:					
Purchased Professional/Technical Services	13,405	383	13,788	13,788	
Purchased Professional - Educational Services	26,564	90,405	116,969	80,098	36,871
Personal Services - Employee Benefits		18,073	18,073	18,073	
Other Purchased Services		1,084	1,084		1,084
Total Support Services	39,969	109,945	149,914	111,959	37,955
Total Expenditures	\$ 425,491	\$ 60,233	\$ 485,724	\$ 420,104	\$ 65,620

Exhibit C-3

FRANKLIN BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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	\$ 8,666,991	\$ 420,104
Differences - Budget to GAAP:		
Prior Year State Aid Payments Recognized for GAAP Statements	314,383	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(303,913)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 8,677,461	\$ 420,104
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 8,544,782	\$ 420,104
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 8,544,782	\$ 420,104

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, 2013 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.

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 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, 2013

	No Child Left Behind			IDEA Part B	
	Title I	Title I - Carryover	Title II Part A	Basic	Basic - Carryover
REVENUE:					
State Sources					
Federal Sources	\$ 91,954	\$ 10,275	\$ 23,920	\$ 177,714	\$ 12,302
Total Revenue	91,954	10,275	23,920	177,714	12,302
EXPENDITURES:					
Instruction:					
Salaries of Teachers	54,507	8,430	19,624		
Other Salaries for Instruction	25,515			50,000	
Purchased Professional/Educational Services					
General Supplies					
Tuition				71,884	
Textbooks					
Total Instruction	80,022	8,430	19,624	121,884	
Support Services:					
Purchased Professional/Technical Services					
Purchased Professional/Educational Services				55,830	12,302
Personal Services - Employee Benefits	11,932	1,845	4,296		
Total Support Services	11,932	1,845	4,296	55,830	12,302
Total Expenditures	\$ 91,954	\$ 10,275	\$ 23,920	\$ 177,714	\$ 12,302

FRANKLIN BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>IDEA Part B</u> <u>Preschool</u>	<u>Race to</u> <u>the Top</u>	<u>Nonpublic</u> <u>Textbooks</u>	<u>Nonpublic</u> <u>Nursing</u>	<u>Nonpublic</u> <u>Technology</u>
REVENUE:					
State Sources			\$ 9,760	\$ 13,788	\$ 3,666
Federal Sources	\$ 10,311	\$ 6,070			
Total Revenue	<u>10,311</u>	<u>6,070</u>	<u>9,760</u>	<u>13,788</u>	<u>3,666</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers					
Other Salaries for Instruction	10,311				
Purchased Professional/Educational Services					
General Supplies					3,666
Tuition					
Textbooks			9,760		
Total Instruction	<u>10,311</u>		<u>9,760</u>		<u>3,666</u>
Support Services:					
Purchased Professional/Technical Services				13,788	
Purchased Professional/Educational Services		6,070			
Personal Services - Employee Benefits					
Total Support Services		<u>6,070</u>		<u>13,788</u>	
Total Expenditures	<u>\$ 10,311</u>	<u>\$ 6,070</u>	<u>\$ 9,760</u>	<u>\$ 13,788</u>	<u>\$ 3,666</u>

FRANKLIN BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Nonpublic Handicapped Services			Nonpublic Auxiliary Services	Totals
	Examination & Classification	Corrective Speech	Supplemental Instruction	Compensatory Education	
REVENUE:					
State Sources	\$ 5,896	\$ 9,218	\$ 6,105	\$ 39,125	\$ 87,558
Federal Sources					332,546
Total Revenue	5,896	9,218	6,105	39,125	420,104
EXPENDITURES:					
Instruction:					
Salaries of Teachers					82,561
Other Salaries for Instruction					85,826
Purchased Professional/Educational Services		9,218	6,105	39,125	54,448
General Supplies					3,666
Tuition					71,884
Textbooks					9,760
Total Instruction	-	9,218	6,105	39,125	308,145
Support Services:					
Purchased Professional/Technical Services					13,788
Purchased Professional/Educational Services	5,896				80,098
Personal Services - Employee Benefits					18,073
Total Support Services	5,896				111,959
Total Expenditures	\$ 5,896	\$ 9,218	\$ 6,105	\$ 39,125	\$ 420,104

CAPITAL PROJECTS FUND
(NOT APPLICABLE)

PROPRIETARY FUNDS

Exhibit G-1

FRANKLIN BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2013

ASSETS:

Current Assets:

Cash and Cash Equivalents	\$ 64,464
Inventories	3,898

Total Current Assets	<u>68,362</u>
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Non-Current Assets:

Capital Assets	136,511
Less: Accumulated Depreciation	<u>(112,245)</u>

Total Non-Current Assets	<u>24,266</u>
--------------------------	---------------

Total Assets	<u>92,628</u>
--------------	---------------

LIABILITIES:

Current Liabilities:

Accounts Payable - Vendors	12,814
Interfund Payable	5,000
Unearned Revenue	<u>1,920</u>

Total Current Liabilities	<u>19,734</u>
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NET POSITION:

Net Investment in Capital Assets	24,266
Unrestricted	<u>48,628</u>

Total Net Postion	<u>\$ 72,894</u>
-------------------	------------------

Exhibit G-2

FRANKLIN BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 44,161
Daily Sales - Non-Reimbursable Programs	16,334
Special Functions	4,326
	<hr/>
Total Operating Revenue	64,821
	<hr/>
Operating Expenses:	
Cost of Sales	89,643
Salaries, Benefits and Payroll Taxes	52,950
Supplies and Other Costs	2,984
Management Fee	16,094
Depreciation Expense	7,537
	<hr/>
Total Operating Expenses	169,208
	<hr/>
Operating Loss	(104,387)
	<hr/>
Non-Operating Income:	
Local Sources:	
Interest Income	92
State Sources:	
State School Lunch Program	2,184
Federal Sources:	
National School Breakfast Program	10,651
National School Lunch Program	78,455
Food Distribution Program	9,925
	<hr/>
Total Non-Operating Income	101,307
	<hr/>
Change in Net Position	(3,080)
Operating Transfers (Out) - General Fund	(5,000)
Net Position - Beginning of Year	80,974
	<hr/>
Net Position - End of Year	\$ 72,894
	<hr/> <hr/>

Exhibit G-3

FRANKLIN BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 60,495
Other Receipts	4,326
Payments to Food Service Vendor	(144,817)
Payments to Suppliers	(2,984)
	<hr/>
Net Cash Used for Operating Activities	(82,980)
	<hr/>
Cash Flows from Investing Activities:	
Interest Income	92
	<hr/>
Net Cash Provided by Investing Activities	92
	<hr/>
Cash Flows from Noncapital Financing Activities:	
State and Federal Subsidy Reimbursements	94,468
	<hr/>
Net Cash Provided by Noncapital Financing Activities	94,468
	<hr/>
Net Increase in Cash and Cash Equivalents	11,580
Cash and Cash Equivalents, July 1	52,884
	<hr/>
Cash and Cash Equivalents, June 30	\$ 64,464
	<hr/> <hr/>
Reconciliation of Operating Loss to Net Cash Provided by (Used for) Operating Activities:	
Operating Loss	\$ (104,387)
Adjustment to Reconcile Operating Loss to Cash Provided by (Used for) Operating Activities:	
Depreciation	7,537
Food Distribution Program	9,925
Changes in Assets and Liabilities:	
(Increase) in Inventories	(930)
Increase in Unearned Revenue	959
Increase in Accounts Payable	3,916
	<hr/>
Net Cash Used for Operating Activities	\$ (82,980)
	<hr/> <hr/>

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received commodities valued at \$10,884 and utilized commodities valued at \$9,925 from the Federal Food Distribution Program for the fiscal year ended June 30, 2013.

FIDUCIARY FUNDS

Exhibit H-1

FRANKLIN BOROUGH SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2013

	Student Activities Agency Fund	Payroll Agency Fund	Total Agency	Flex Spending Trust
ASSETS:				
Cash and Cash Equivalents	\$ 200		\$ 200	\$ 6,003
Total Assets	200		200	6,003
LIABILITIES:				
Due to Student Groups	200		200	
Total Liabilities	200		200	
NET POSITION:				
Held in Trust for Flex Spending Claims				6,003
Total Net Position	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ 6,003

Exhibit H-2

FRANKLIN BOROUGH SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Flex Spending Trust</u>
Additions:	
Contributions:	
Plan Contributions	\$ 18,765
Total Contributions	<u>18,765</u>
Investment Earnings:	
Interest	<u>22</u>
Net Investment Earnings	<u>22</u>
Total Additions	<u>18,787</u>
Deductions:	
Flex Spending Claims	16,782
Other Miscellaneous Expenditures	<u>22</u>
Total Deductions	<u>16,804</u>
Change in Net Position	1,983
Net Position - Beginning of the Year	<u>4,020</u>
Net Position - End of the Year	<u><u>\$ 6,003</u></u>

Exhibit H-3

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

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 200	\$ 37,618	\$ 37,618	\$ 200
Total Assets	<u>\$ 200</u>	<u>\$ 37,618</u>	<u>\$ 37,618</u>	<u>\$ 200</u>
<u>LIABILITIES:</u>				
Due to Student Groups	\$ 200	\$ 37,618	\$ 37,618	\$ 200
Total Liabilities	<u>\$ 200</u>	<u>\$ 37,618</u>	<u>\$ 37,618</u>	<u>\$ 200</u>

Exhibit H-4

FRANKLIN BOROUGH SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY

	<u>Balance</u> <u>July 1, 2012</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2013</u>
Franklin Elementary School	\$ 200	\$ 37,618	\$ 37,618	\$ 200
Total All Schools	<u>\$ 200</u>	<u>\$ 37,618</u>	<u>\$ 37,618</u>	<u>\$ 200</u>

Exhibit H-5

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

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
<u>ASSETS:</u>				
Cash and Cash Equivalentents	\$ 16	\$ 2,338,582	\$ 2,338,598	\$ - 0 -
Total Assets	<u>\$ 16</u>	<u>\$ 2,338,582</u>	<u>\$ 2,338,598</u>	<u>\$ - 0 -</u>
<u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	\$ 16	\$ 2,338,582	\$ 2,338,598	\$ - 0 -
Total Liabilities	<u>\$ 16</u>	<u>\$ 2,338,582</u>	<u>\$ 2,338,598</u>	<u>\$ - 0 -</u>

LONG-TERM DEBT
(NOT APPLICABLE)

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

	<u>Exhibit</u>
<p>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.</p>	J-1 thru J-5
<p>Revenue Capacity These schedules contain information to help the reader assess the factors affecting the District's ability to generate its property taxes.</p>	J-6 thru J-9
<p>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.</p>	J-10 thru J-13
<p>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.</p>	J-14 thru J-15
<p>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 School provides and the activities it performs.</p>	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. The District implemented Statement 34 in a previous fiscal year. Schedules presenting government-wide information include information beginning in the fiscal year ended June 30, 2006 (and retroactive to June 30, 2004 or 2005).

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

	Fiscal Year Ending June 30,				
	2004	2005	2006	2007	2008
Governmental Activities:					
Net Investment in Capital Assets	\$ 1,067,192	\$ 1,356,299	\$ 1,246,182	\$ 1,172,036	\$ 1,069,154
Restricted	615,537	268,709	386,357	616,716	562,149
Unrestricted (Deficit)	(189,471)	(184,747)	(232,707)	(255,116)	(212,837)
Total Governmental Activities Net Position	\$ 1,493,258	\$ 1,440,261	\$ 1,399,832	\$ 1,533,636	\$ 1,418,466
Business-Type Activities:					
Net Investment in Capital Assets	\$ 18,646	\$ 24,291	\$ 22,150	\$ 20,009	\$ 17,868
Unrestricted	36,030	22,407	31,975	42,104	47,769
Total Business-Type Activities Net Position	\$ 54,676	\$ 46,698	\$ 54,125	\$ 62,113	\$ 65,637
District-Wide:					
Net Investment in Capital Assets	\$ 1,085,838	\$ 1,380,590	\$ 1,268,332	\$ 1,192,045	\$ 1,087,022
Restricted	615,537	268,709	386,357	616,716	562,149
Unrestricted (Deficit)	(153,441)	(162,340)	(200,732)	(213,011)	(165,068)
Total District Net Position	\$ 1,547,934	\$ 1,486,959	\$ 1,453,957	\$ 1,595,750	\$ 1,484,103

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

	Fiscal Year Ending June 30,				
	2009	2010	2011	2012	2013
Governmental Activities:					
Net Investment in Capital Assets	\$ 704,625	\$ 627,994	\$ 1,338,770	\$ 1,144,048	\$ 1,011,225
Restricted	612,258	740,616	587,175	936,150	1,108,545
Unrestricted (Deficit)	(276,556)	(458,905)	(356,270)	(224,344)	(247,365)
Total Governmental Activities Net Position	\$ 1,040,327	\$ 909,705	\$ 1,569,675	\$ 1,855,854	\$ 1,872,405
Business-Type Activities:					
Net Investment in Capital Assets	\$ 32,381	\$ 33,250	\$ 37,467	\$ 31,803	\$ 24,266
Unrestricted	25,149	30,283	49,295	49,171	48,628
Total Business-Type Activities Net Position	\$ 57,530	\$ 63,533	\$ 86,762	\$ 80,974	\$ 72,894
District-Wide:					
Net Investment in Capital Assets	\$ 737,006	\$ 661,244	\$ 1,376,237	\$ 1,175,851	\$ 1,035,491
Restricted	612,258	740,616	587,175	936,150	1,108,545
Unrestricted (Deficit)	(251,407)	(428,622)	(306,975)	(175,173)	(198,737)
Total District Net Position	\$ 1,097,857	\$ 973,238	\$ 1,656,437	\$ 1,936,828	\$ 1,945,299

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,				
	2004	2005	2006	2007	2008
Expenses:					
Governmental Activities					
Instruction:					
Regular	\$ 3,177,845	\$ 3,087,670	\$ 3,263,431	\$ 3,663,672	\$ 3,608,723
Special Education	1,168,369	1,301,392	1,353,091	1,247,748	1,475,135
Other Special Instruction	29,115	37,856	36,468	142,523	130,941
School-Sponsored/Other Instruction	56,253	61,543	72,906		
Support Services:					
Tuition	9,593	43,419	11,833	15,238	64,761
Student & Instruction Related Services	850,906	1,014,817	990,090	1,023,438	1,223,371
School Administrative Services	253,259	298,980	282,008	270,550	199,635
General Administrative Services	337,703	401,248	412,224	654,837	402,653
Central Services	216,050	236,020	244,433		270,615
Plant Operations and Maintenance	859,859	953,183	960,089	1,165,752	1,052,540
Pupil Transportation	186,269	198,228	177,711	143,485	167,418
Unallocated Depreciation	86,510	87,625	95,871	91,855	101,065
Capital Outlay					
Charter Schools	11,488	16,537	8,638		24,597
Total Governmental Activities Expenses	<u>7,243,219</u>	<u>7,738,518</u>	<u>7,908,793</u>	<u>8,419,098</u>	<u>8,721,453</u>
Business-Type Activities:					
Food Service	144,445	143,892	143,328	136,170	142,731
Total Business-type Activities Expense	<u>144,445</u>	<u>143,892</u>	<u>143,328</u>	<u>136,170</u>	<u>142,731</u>
Total District Expenses	<u>\$ 7,387,664</u>	<u>\$ 7,882,410</u>	<u>\$ 8,052,121</u>	<u>\$ 8,555,268</u>	<u>\$ 8,864,184</u>

FRANKLIN BOROUGH SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,				
	2004	2005	2006	2007	2008
Program Revenues					
Governmental Activities:					
Charges for Services:					
Tuition	\$ 56,628	\$ 88,948	\$ 42,151	\$ 28,081	\$ 11,038
Plant Operations and Maintenance	3,300	4,200	4,200		
Operating Grants and Contributions	4,782			434,058	433,852
Total Governmental Activities Program Revenues	<u>64,710</u>	<u>93,148</u>	<u>46,351</u>	<u>462,139</u>	<u>444,890</u>
Business-Type Activities:					
Charges for Services:					
Food Service	\$ 88,425	\$ 86,140	\$ 84,737	\$ 80,480	\$ 91,055
Operating Grants and Contributions	48,519	48,895	51,497	48,688	54,436
Total Business-type Activities Program Revenues	<u>136,944</u>	<u>135,035</u>	<u>136,234</u>	<u>129,167</u>	<u>145,490</u>
Total District Program Revenues	<u>\$ 201,654</u>	<u>\$ 228,183</u>	<u>\$ 182,585</u>	<u>\$ 591,306</u>	<u>\$ 590,380</u>
Net (Expense)/Revenue					
Governmental Activities	\$ (7,178,509)	\$ (7,645,370)	\$ (7,862,442)	\$ (7,956,960)	\$ (8,276,563)
Business-type Activities	(7,501)	(8,857)	(7,094)	(7,002)	2,759
Total District-wide Net Expense	<u>\$ (7,186,010)</u>	<u>\$ (7,654,227)</u>	<u>\$ (7,869,536)</u>	<u>\$ (7,963,962)</u>	<u>\$ (8,273,804)</u>

FRANKLIN BOROUGH SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,				
	2004	2005	2006	2007	2008
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Property Taxes Levied for General Purposes, Net	\$ 3,605,689	\$ 3,524,992	\$ 3,677,456	\$ 3,852,608	\$ 3,906,712
Unrestricted Grants and Contributions	3,810,823	4,036,168	4,135,833	4,112,363	4,221,129
Investment Earnings	11,878	19,132	31,442	42,708	26,338
Prior Period Adjustment				72,822	
Miscellaneous Income	4,520	22,687	1,557	23,764	7,212
Transfers	(18,004)	(10,606)	(24,275)	(13,500)	
Total Governmental Activities	<u>7,414,906</u>	<u>7,592,373</u>	<u>7,822,013</u>	<u>8,090,764</u>	<u>8,161,392</u>
Business-Type Activities:					
Investment Earnings	597	879	1,021	1,490	765
Transfers/Other	13,500		13,500	13,500	
Total Business-Type Activities	<u>14,097</u>	<u>879</u>	<u>14,521</u>	<u>14,990</u>	<u>765</u>
Total District-Wide	<u>\$ 7,429,003</u>	<u>\$ 7,593,252</u>	<u>\$ 7,836,534</u>	<u>\$ 8,105,754</u>	<u>\$ 8,162,157</u>
Change in Net Position:					
Governmental Activities	\$ 236,397	\$ (52,997)	\$ (40,429)	\$ 133,804	\$ (115,171)
Business-type Activities	6,596	(7,978)	7,427	7,988	3,524
Total District	<u>\$ 242,993</u>	<u>\$ (60,975)</u>	<u>\$ (33,002)</u>	<u>\$ 141,792</u>	<u>\$ (111,647)</u>

FRANKLIN BOROUGH SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,				
	2009	2010	2011	2012	2013
Expenses:					
Governmental Activities					
Instruction:					
Regular	\$ 3,374,985	\$ 3,349,066	\$ 3,155,336	\$ 3,135,585	\$ 3,262,853
Special Education	1,579,089	1,934,292	1,550,014	1,727,419	1,887,048
Other Special Instruction	69,412	40,110	76,230	64,418	103,423
School-Sponsored/Other Instruction	98,114	89,831	98,470	111,129	124,105
Support Services:					
Tuition	83,798	42,099	184,306	257,292	289,976
Student & Instruction Related Services	1,086,659	1,043,264	1,081,777	1,121,430	1,052,331
School Administrative Services	460,309	230,039	242,250	265,413	407,769
General Administrative Services	211,741	389,916	321,201	393,107	281,741
Central Services	272,892	280,445	270,751	279,044	289,215
Plant Operations and Maintenance	951,174	943,438	964,376	941,719	960,088
Pupil Transportation	162,668	191,968	164,792	174,420	212,738
Unallocated Depreciation	306,207	76,131	59,532	174,274	139,490
Capital Outlay		3,390	4,322		2,680
Charter Schools	54,608	61,336	82,924	49,489	72,557
Total Governmental Activities Expenses	<u>8,711,656</u>	<u>8,675,325</u>	<u>8,256,281</u>	<u>8,694,739</u>	<u>9,086,014</u>
Business-Type Activities:					
Food Service	184,532	191,947	161,191	161,431	169,208
Total Business-type Activities Expense	<u>184,532</u>	<u>191,947</u>	<u>161,191</u>	<u>161,431</u>	<u>169,208</u>
Total District Expenses	<u>\$ 8,896,188</u>	<u>\$ 8,867,272</u>	<u>\$ 8,417,472</u>	<u>\$ 8,856,170</u>	<u>\$ 9,255,222</u>

FRANKLIN BOROUGH SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,				
	2009	2010	2011	2012	2013
Program Revenues					
Governmental Activities:					
Charges for Services:					
Tuition	\$ 10,634	\$ 38,586	\$ 41,574	\$ 30,000	\$ 89,992
Plant Operations and Maintenance					
Operating Grants and Contributions	1,275,574	1,489,754	1,327,145	1,417,527	1,598,952
Total Governmental Activities Program Revenues	<u>1,286,208</u>	<u>1,528,340</u>	<u>1,368,719</u>	<u>1,447,527</u>	<u>1,688,944</u>
Business-Type Activities:					
Charges for Services:					
Food Service	\$ 93,689	\$ 102,756	\$ 72,485	\$ 66,775	\$ 64,821
Operating Grants and Contributions	64,531	81,335	89,884	88,760	101,215
Total Business-type Activities Program Revenues	<u>158,220</u>	<u>184,091</u>	<u>162,369</u>	<u>155,535</u>	<u>166,036</u>
Total District Program Revenues	<u>\$ 1,444,428</u>	<u>\$ 1,712,431</u>	<u>\$ 1,531,088</u>	<u>\$ 1,603,062</u>	<u>\$ 1,854,980</u>
Net (Expense)/Revenue					
Governmental Activities	\$ (7,425,448)	\$ (7,146,985)	\$ (6,887,562)	\$ (7,247,212)	\$ (7,397,070)
Business-type Activities	(26,312)	(7,856)	1,178	(5,896)	(3,172)
Total District-wide Net Expense	<u>\$ (7,451,760)</u>	<u>\$ (7,154,841)</u>	<u>\$ (6,886,384)</u>	<u>\$ (7,253,108)</u>	<u>\$ (7,400,242)</u>

FRANKLIN BOROUGH SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,				
	2009	2010	2011	2012	2013
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Property Taxes Levied for General Purposes, Net	\$ 4,062,980	\$ 4,155,498	\$ 4,321,716	\$ 4,408,150	\$ 4,496,313
Unrestricted Grants and Contributions	2,953,706	2,791,040	2,747,901	3,072,474	2,823,561
Investment Earnings	33,610	43,404	40,331	19,767	3,663
Prior Period Adjustment					
Miscellaneous Income	13,964	39,921	33,000	33,000	85,084
Transfers	(16,950)	(13,500)	(13,500)		5,000
Total Governmental Activities	<u>7,047,310</u>	<u>7,016,363</u>	<u>7,129,448</u>	<u>7,533,391</u>	<u>7,413,621</u>
Business-Type Activities:					
Investment Earnings	1,255	1,219	1,263	108	92
Transfers/Other	16,950	12,640	16,765		(5,000)
Total Business-Type Activities	<u>18,205</u>	<u>13,859</u>	<u>18,028</u>	<u>108</u>	<u>(4,908)</u>
Total District-Wide	<u>\$ 7,065,515</u>	<u>\$ 7,030,222</u>	<u>\$ 7,147,476</u>	<u>\$ 7,533,499</u>	<u>\$ 7,408,713</u>
Change in Net Position:					
Governmental Activities	\$ (378,138)	\$ (130,622)	\$ 241,886	\$ 286,179	\$ 16,551
Business-type Activities	(8,107)	6,003	19,206	(5,788)	(8,080)
Total District	<u>\$ (386,245)</u>	<u>\$ (124,619)</u>	<u>\$ 261,092</u>	<u>\$ 280,391</u>	<u>\$ 8,471</u>

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)

	Fiscal Year Ending June 30,				
	2004	2005	2006	2007	2008
General Fund:					
Reserved	\$ 237,496	\$ 269,802	\$ 386,357	\$ 616,716	\$ 457,148
Restricted					
Assigned					
Unreserved	236,242	194,143	162,381	93,775	191,940
Total General Fund	<u>\$ 473,738</u>	<u>\$ 463,945</u>	<u>\$ 548,738</u>	<u>\$ 710,491</u>	<u>\$ 649,088</u>
All Other Governmental Funds:					
Unassigned (Deficit)					
Unreserved (Deficit)	\$ 378,041	\$ (1,093)			\$ (2,129)
Total All Other Governmental Funds	<u>\$ 378,041</u>	<u>\$ (1,093)</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ (2,129)</u>

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

	Fiscal Year Ending June 30,				
	2009	2010	2011	2012	2013
General Fund:					
Reserved	\$ 612,258	\$ 740,616			
Restricted			\$ 517,170	\$ 936,150	\$ 1,108,545
Assigned			65,112	119,591	84,875
Unreserved	93,838	(80,289)			
Total General Fund	<u>\$ 706,096</u>	<u>\$ 660,327</u>	<u>\$ 582,282</u>	<u>\$ 1,055,741</u>	<u>\$ 1,193,420</u>
All Other Governmental Funds:					
Unassigned (Deficit)			\$ (36,995)		
Unreserved (Deficit)					
Total All Other Governmental Funds	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ (36,995)</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</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,				
	2004	2005	2006	2007	2008
Revenues:					
Tax Levy	\$ 3,605,689	\$ 3,524,992	\$ 3,677,456	\$ 3,852,608	\$ 3,906,712
Tuition Charges	56,628	88,948	42,151	28,081	11,038
Interest Earnings	14,162	19,133	31,442	42,708	26,338
Miscellaneous	12,602	26,886	5,757	23,764	7,212
State Sources	3,538,680	3,810,747	3,889,579	4,169,003	4,376,185
Federal Sources	272,143	225,421	246,254	377,417	278,796
Total Revenue	7,499,904	7,696,127	7,892,639	8,493,581	8,606,281
Expenditures					
Instruction:					
Regular Instruction	2,545,106	2,328,555	2,372,212	2,608,889	2,606,850
Special Education Instruction	912,916	964,547	991,168	921,081	987,049
Other Special Education	22,734	27,964	26,656	98,968	100,937
Co-Curricular Activities & Athletics	44,947	46,534	48,707		
Other Instruction			5,864		
Support Services:					
Tuition	9,593	43,419	11,833	15,238	64,761
Student & Instruction Related Services	698,317	815,483	772,334	758,702	871,814
General Administrative Services	288,735	338,573	344,292	478,346	300,284
School Administrative Services	200,612	224,488	208,491	204,083	146,485
Central Services	171,842	178,523	183,139		185,635
Plant Operations and Maintenance	760,854	832,897	830,548	852,923	890,995
Student Transportation	186,269	198,228	177,711	143,485	167,418

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,				
	2004	2005	2006	2007	2008
Expenditures					
Support Services:					
Unallocated Benefits	\$ 1,347,011	\$ 1,661,452	\$ 1,794,615	\$ 2,177,786	\$ 2,316,598
Charter Schools	11,488	16,537	8,638		6,390
Capital Outlay	150,886	397,248	6,270	58,828	24,597
Total Expenditures	<u>7,351,310</u>	<u>8,074,448</u>	<u>7,782,478</u>	<u>8,318,328</u>	<u>8,669,812</u>
Excess/(Deficiency) of Revenue					
Over/(Under) Expenditures	<u>148,594</u>	<u>(378,321)</u>	<u>110,161</u>	<u>175,253</u>	<u>(63,531)</u>
Other Financing Sources/(Uses):					
Transfers In					
Transfers Out	<u>(20,288)</u>	<u>(10,606)</u>	<u>(24,275)</u>	<u>(13,500)</u>	
Total Other Financing Sources/(Uses)	<u>(20,288)</u>	<u>(10,606)</u>	<u>(24,275)</u>	<u>(13,500)</u>	
Net Change in Fund Balances	<u>\$ 128,306</u>	<u>\$ (388,927)</u>	<u>\$ 85,886</u>	<u>\$ 161,753</u>	<u>\$ (63,531)</u>
Debt Service as a Percentage of Noncapital Expenditures	0.00%	0.00%	0.00%	0.00%	0.00%

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,				
	2009	2010	2011	2012	2013
Revenues:					
Tax Levy	\$ 4,062,980	\$ 4,155,498	\$ 4,321,716	\$ 4,408,150	\$ 4,496,313
Tuition Charges	10,634	38,586	41,574	30,000	89,992
Interest Earnings	33,610	43,404	39,795	3,414	3,663
Miscellaneous	13,964	39,921	36,536	49,353	85,084
State Sources	3,895,106	3,289,446	3,733,405	4,033,257	4,077,746
Federal Sources	334,174	991,349	338,641	456,511	344,767
Total Revenue	8,350,468	8,558,204	8,511,667	8,980,685	9,097,565
Expenditures					
Instruction:					
Regular Instruction	2,514,183	2,523,947	2,248,877	2,166,716	2,159,809
Special Education Instruction	1,181,824	1,398,665	1,083,647	1,175,235	1,273,651
Other Special Education	49,989	26,330	52,303	38,977	66,141
Co-Curricular Activities & Athletics	80,168	72,157	69,267	84,897	87,628
Other Instruction					
Support Services:					
Tuition	83,798	42,099	184,306	257,292	289,976
Student & Instruction Related Services	797,449	798,512	874,448	895,599	822,296
General Administrative Services	315,170	305,181	310,120	322,937	331,587
School Administrative Services	153,949	162,713	169,418	174,390	177,628
Central Services	207,710	210,775	215,500	219,154	223,158
Plant Operations and Maintenance	833,376	835,073	865,200	825,748	839,624
Student Transportation	162,668	191,968	164,792	174,420	212,738

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,				
	2009	2010	2011	2012	2013
Expenditures					
Support Services:					
Unallocated Benefits	\$ 1,839,489	\$ 1,944,327	\$ 1,924,520	\$ 2,083,513	\$ 2,372,178
Charter Schools	54,608	61,336	82,924	49,489	72,557
Capital Outlay		17,390	367,885	1,864	35,915
Total Expenditures	<u>8,274,381</u>	<u>8,590,473</u>	<u>8,613,207</u>	<u>8,470,231</u>	<u>8,964,886</u>
Excess/(Deficiency) of Revenue Over/(Under) Expenditures	<u>76,087</u>	<u>(32,269)</u>	<u>(101,540)</u>	<u>510,454</u>	<u>132,679</u>
Other Financing Sources/(Uses):					
Transfers In				72,285	5,000
Transfers Out	<u>(16,950)</u>	<u>(13,500)</u>	<u>(13,500)</u>	<u>(72,285)</u>	
Total Other Financing Sources/(Uses)	<u>(16,950)</u>	<u>(13,500)</u>	<u>(13,500)</u>		<u>5,000</u>
Net Change in Fund Balances	<u>\$ 59,137</u>	<u>\$ (45,769)</u>	<u>\$ (115,040)</u>	<u>\$ 510,454</u>	<u>\$ 137,679</u>
Debt Service as a Percentage of Noncapital Expenditures	0.00%	0.00%	0.00%	0.00%	0.00%

Source: Franklin Borough School District Financial Reports.

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

Fiscal Year Ending June 30,	Interest on Investments	Tuition	Rentals - Use of Facilities	Prior Year Refunds	Donations	Other	Total
2004	\$ 10,302	\$ 56,628	\$ 3,300	\$ 3,193	\$ 4,782	\$ 1,327	\$ 79,532
2005	16,778	88,948	4,200	2,067		20,619	132,612
2006	31,442	42,151	4,200	501		1,056	79,350
2007	42,708	28,081				23,764	94,553
2008	26,338	11,038				7,212	44,588
2009	33,610	10,634				13,964	58,208
2010	43,404	38,586				39,921	121,911
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

Source: Franklin Borough School District Financial Reports.

FRANKLIN BOROUGH SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL 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)
2003	\$ 8,017,600	\$ 158,936,300	\$ 2,625,100	\$ 137,100	\$ 45,485,000	\$ 6,862,200	\$ 5,035,200	\$ 3,450,397	\$ 230,548,897	\$ 37,252,600	\$ 267,801,497	\$ 1.54	\$ 302,112,079
2004	8,019,500	160,745,400	2,625,100	127,900	44,956,800	6,862,200	4,994,300	2,699,727	231,030,927	37,597,900	268,628,827	1.54	336,600,819
2005	5,889,700	162,777,200	2,225,900	143,300	58,002,400	6,966,000	4,994,300	2,331,278	243,330,078	25,724,100	269,054,178	1.48	438,179,636
2006	5,341,000	164,173,400	2,225,900	150,700	56,260,000	7,200,700	4,759,700	2,382,655	242,494,055	26,081,500	268,575,555	1.55	490,624,029
2007	5,977,900	165,345,500	2,519,000	155,700	56,514,700	6,506,000	3,588,200	2,410,024	243,017,024	25,376,200	268,393,224	1.60	519,220,975
2008	5,669,800	166,086,500	2,519,000	155,700	57,469,500	6,506,000	3,433,500	1,759,787	243,599,787	25,136,100	268,735,887	1.60	507,321,166
2009	6,183,400	166,411,300	2,351,500	156,000	57,876,100	6,506,000	3,433,500	1,697,057	244,614,857	26,152,000	270,766,857	1.68	530,387,808
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

[^] - Reassessment of property was effective in 2010.

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	School Debt Service ^b	Total Direct School Rate	Municipality	County	Regional High School	
2003	\$ 1.540		\$ 1.540	\$ 1.008	\$ 0.691	\$ 0.841	\$ 4.080
2004	1.544		1.544	0.999	0.704	0.843	4.090
2005	1.480		1.480	1.015	0.690	0.795	3.980
2006	1.553		1.553	1.086	0.773	0.818	4.230
2007	1.597		1.597	1.220	0.836	0.857	4.510
2008	1.601		1.601	1.342	0.830	0.860	4.633
2009	1.680		1.680	1.471	0.801	0.737	4.689
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

[^] - Reassessment of property was effective in 2010.

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 components 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 Tazable.

^b Rates for debt service are based on each year's requirements.

Source: Franklin Borough Tax Collector and School Business Administrator.

FRANKLIN BOROUGH SCHOOL DISTRICT
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

Taxpayer	2013			2004		
	Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Wal-Mart	\$ 11,941,000	1	2.57%	Information is not Available		
Franklin 23	10,621,200	2	2.28%			
Transbanc International Corp	9,057,700	3	1.95%			
Weis Markets, Inc.	7,500,000	4	1.61%			
Hillside Estates at Franklin	4,839,000	5	1.04%			
Wurtsboro Associates	4,784,500	6	1.03%			
Braen Aggregates, LLC	4,623,600	7	0.99%			
Sterling Plaza, Inc	3,900,000	8	0.84%			
KAJ Franklin, LLC	3,438,800	9	0.74%			
Durling Realty, LLC	2,845,600	10	0.61%			
Total	\$ 63,551,400		13.66%			

Source: Franklin Borough Tax Assessor.

Exhibit J-9

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	
2004	\$ 3,605,689	\$ 3,605,689	100.00%	\$ - 0 -
2005	3,524,992	3,524,992	100.00%	- 0 -
2006	3,677,456	3,677,456	100.00%	- 0 -
2007	3,852,608	3,852,608	100.00%	- 0 -
2008	3,906,712	3,906,712	100.00%	- 0 -
2009	4,062,980	4,062,980	100.00%	- 0 -
2010	4,155,498	4,155,498	100.00%	- 0 -
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 -

^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)

Exhibit J-10

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				
2004	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
2005	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
2006	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
2007	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
2008	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
2009	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
2010	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
2011	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
2012	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
2013	-0-	-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.

Exhibit J-11

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		
2004	\$ - 0 -	\$ - 0 -	\$ - 0 -	0.00%	\$ - 0 -
2005	- 0 -	- 0 -	- 0 -	0.00%	- 0 -
2006	- 0 -	- 0 -	- 0 -	0.00%	- 0 -
2007	- 0 -	- 0 -	- 0 -	0.00%	- 0 -
2008	- 0 -	- 0 -	- 0 -	0.00%	- 0 -
2009	- 0 -	- 0 -	- 0 -	0.00%	- 0 -
2010	- 0 -	- 0 -	- 0 -	0.00%	- 0 -
2011	- 0 -	- 0 -	- 0 -	0.00%	- 0 -
2012	- 0 -	- 0 -	- 0 -	0.00%	- 0 -
2013	- 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.

Exhibit J-12

FRANKLIN BOROUGH SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2012
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	\$ 1,014,074	100.000%	\$ 1,014,074
Sussex County General Obligation Debt	78,366,014	2.615%	2,049,542
Wallkill Valley Regional High School Debt	5,415,000	21.760%	<u>1,178,299</u>
Subtotal, Overlapping Debt as of December 31, 2012			4,241,915
Franklin Borough School District Direct Debt			<u>- 0 -</u>
Total Direct And Overlapping Debt			<u>\$ 4,241,915</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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt Limit	\$7,350,597	\$7,939,619	\$ 9,661,174	\$ 11,169,600	\$ 12,907,171	\$ 14,480,246	\$ 15,171,662	\$ 15,532,503	\$ 15,358,659	\$ 14,563,904
Total Net Debt Applicable to Limit	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
Legal Debt Margin	<u>\$7,350,597</u>	<u>\$7,939,619</u>	<u>\$ 9,661,174</u>	<u>\$ 11,169,600</u>	<u>\$ 12,907,171</u>	<u>\$ 14,480,246</u>	<u>\$ 15,171,662</u>	<u>\$ 15,532,503</u>	<u>\$ 15,358,659</u>	<u>\$ 14,563,904</u>
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 2013

Year	Equalized Valuation Basis
2010	\$ 510,552,913
2011	498,604,818
2012	447,232,706
	<u>\$1,456,390,437</u>
Average Equalized Valuation of Taxable Property	<u>\$ 485,463,479</u>
Debt Limit (3% of average equalization value) ^a	\$ 14,563,904
Net Bonded School Debt as of June 30, 2013	- 0 -
Legal Debt Margin	<u>\$ 14,563,904</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.

Exhibit J-14

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

Year	Population ^a	Per Capita Personal Income ^b	Personal Income ^c	Unemployment Rate ^d
2004	5,179	40,736	\$ 210,971,744	2.60%
2005	5,164	42,409	219,000,076	4.90%
2006	5,126	45,436	232,904,936	4.90%
2007	5,122	48,201	246,885,522	4.90%
2008	5,095	49,575	252,584,625	6.30%
2009	5,077	47,479	241,050,883	10.30%
2010	5,042	49,207	248,101,694	11.00%
2011	5,019	49,782	249,855,858	10.70%
2012	4,945	49,782 **	246,171,990	10.60%
2013	4,945 *	49,782 **	246,171,990	N/A

* - Latest Sussex County population available (2012) was used for calculation purposes.

** - Latest Sussex County per capita income available (2011) 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

<u>2012</u>			<u>2003</u>		
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>	<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>
Crystal Springs Gold & Spa Resort	2,000	N/A	Selective Insurance	954	N/A
Newton Memorial Hospital	1,200	N/A	Andover Subacute & Rehab Center	900	N/A
Selective Insurance	900	N/A	County of Sussex	825	N/A
County of Sussex	830	N/A	Mountain Creek Resort	800	N/A
Mountain Creek Resort	800	N/A	Newton Memorial Hospital	757	N/A
Ames Rubber Corp.	445	N/A	Ronetco Supermarkets	711	N/A
Shop Rite Supermarkets	301	N/A	Vernon Township Board of Education	629	N/A
Andover Subacute & Rehab Center	300	N/A	F.O. Phoenix, Inc.	600	N/A
Sussex County Community College	300	N/A	Hopatcong Board of Education	450	N/A
SCARC, Inc.	287	N/A	Wal-Mart	380	N/A
Total	7,363	N/A	Total	7,006	N/A

N/A - Not Available

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

<u>Function/Program:</u>	<u>Fiscal Year Ending June 30,</u>								
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Instruction:									
Regular	44.4	45.2	46.9	46.7	46.7	46.7	37.3	37.3	35.3
Special Education	15.0	15.0	16.0	16.0	16.0	16.0	17.0	17.0	17.0
Other	1.8	1.8	1.7	2.2	2.2	2.2	2.4	2.4	2.2
Support Services:									
Student & Instruction Related Services	10.1	11.1	7.7	8.7	8.7	7.7	12.6	12.6	12.4
School Administrative Services	3.2	2.8	3.8	3.0	3.0	3.0	3.0	3.0	3.0
General Administrative Services	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
Central Services	3.2	3.1	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Plant Operations and Maintenance	7.8	7.8	7.5	7.5	7.5	7.5	6.5	6.5	6.9
	<u>87.6</u>	<u>88.9</u>	<u>88.7</u>	<u>89.2</u>	<u>89.2</u>	<u>88.2</u>	<u>83.9</u>	<u>83.9</u>	<u>81.9</u>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ended June 30, 2006 (retroactive to June 30,2005).

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 Elementary Schools	Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
2004	559	\$ 7,355,689	\$ 13,159	12.08%	51.8	1:11	574	545	-4.97%	94.89%
2005	545	7,200,424	13,212	0.40%	50.8	1:10	556	531	-3.08%	95.45%
2006	532	7,677,200	14,431	9.23%	52.8	1:10	550	524	-1.17%	95.27%
2007	494	7,776,208	15,741	9.08%	52.9	1:9.5	535	509	-2.64%	95.16%
2008	491	7,810,526	15,907	1.06%	53.3	1:11	490	466	-8.43%	95.12%
2009	517	8,274,381	16,005	0.61%	51.3	1:10.1	517	485	5.57%	93.80%
2010	523	8,573,083	16,392	2.42%	51.9	1:10.1	520	495	0.50%	95.19%
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%

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.

Exhibit J-18

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>
2004	114,480	810	559
2005	114,480	810	545
2006	114,480	810	532
2007	114,480	810	494
2008	114,480	810	491
2009	114,480	810	517
2010	114,480	810	523
2011	114,480	810	522
2012	114,480	810	504
2013	114,480	810	492

Number of Schools at June 30, 2013:

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>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<u>School Facilities:</u>											
Franklin Elementary	N/A	<u>\$ 122,910</u>	<u>\$ 177,748</u>	<u>\$ 88,320</u>	<u>\$ 151,484</u>	<u>\$ 132,662</u>	<u>\$ 99,612</u>	<u>\$ 60,413</u>	<u>\$ 78,244</u>	<u>\$ 91,936</u>	<u>\$ 92,891</u>

N/A - Not Applicable

Source: Franklin Borough School District Records.

FRANKLIN BOROUGH SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2013
UNAUDITED

	<u>Coverage</u>		<u>Deductible</u>
School Alliance Insurance Fund:			
School Package Policy:	\$ 250,000,000	Fund Limit	\$ 1,000
Building & Personal Property			
Inland Marine - Auto Physical Damage			
General Liability including Auto, Employee Benefits:			
Per Occurrence	5,000,000		
General Aggregate	50,000,000		
Product/Completed Ops	(Included)		
Personal Injury	(Included)		
Fire Damage	2,500,000		
Medical Expenses			
(excluding students taking part in athletics)	10,000		
Automobile Coverage	(Included)		
Environmental Impairment Liability	1,000,000	Per Occurrence	5,000
	25,000,000	Fund Aggregate	
Crime Coverage	50,000	Inside/Outside	1,000
Blanket Dishonesty Bond	500,000		1,000
Boiler and Machinery	100,000,000		1,000
Excess Liability	5,000,000		
School Board Legal Liability	5,000,000		5,000
Workers' Compensation:			
Employer's Liability	Statutory		
Supplemental Indemnity	5,000,000		
Student Accident Insurance	1,000,000		
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, 2013, and the related notes to the financial statements, which collectively comprise the District's basis financial statements, and have issued our report thereon dated August 23, 2013.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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

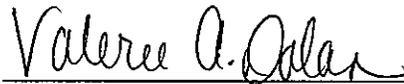
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

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.

August 23, 2013
Mount Arlington, New Jersey

NISIVOCCA LLP



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 Required by OMB Circular A-133
 and New Jersey OMB's Circular 04-04

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 *OMB Circular A-133 Compliance Supplement* and the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on the District's major state programs for the fiscal year ended June 30, 2013. 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 the requirements of laws, regulations, contracts, and grants 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, OMB Circular A-133 and New Jersey OMB's Circular 04-04 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, 2013.

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 OMB Circular A-133 and NJOMB 04-04, 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 that the testing based on the requirements of OMB Circular A-133 or NJOMB 04-04. Accordingly, this report is not suitable for any other purpose.

August 23, 2013
Mount Arlington, New Jersey

NISIVOCCIA LLP



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, 2013

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, 2012			Cash Received	Budgetary Expenditures	Balance at June 30, 2013		
					Budgetary Accounts Receivable	Budgetary Unearned Revenue	Due to Grantor			Budgetary Accounts Receivable	Budgetary Unearned Revenue	Due to Grantor
U.S. Department of Education Passed-through State Department of Education:												
Special Revenue Fund:												
Special Education Cluster:												
IDEA Combined Grant:												
I.D.E.A. Part B, Basic	84.027	IDEA157013	9/1/12-8/31/13	\$ 177,714			\$ 167,455	\$ (177,714)	\$ 10,259			
I.D.E.A. Part B, Basic - Carryover	84.027	IDEA157012	9/1/11-8/31/12	201,768	\$ 18,265		30,567	(12,302)				
I.D.E.A. Part B, Preschool	84.173	IDEA157013	9/1/12-8/31/13	10,311			9,281	(10,311)	1,030			
I.D.E.A. Part B, Preschool	84.173	IDEA157012	9/1/11-8/31/12	10,268	2,052		2,052					
Total Special Education Cluster					20,317		209,355	(200,327)	11,289			
No Child Left Behind Consolidated Grant:												
Title I	84.010A	NCLB157013	9/1/12-8/31/13	91,954			70,013	(91,954)	21,941			
Title I- Carryover	84.010A	NCLB157012	9/1/11-8/31/12	92,561	30,480		40,755	(10,275)				
Title II, Part A	84.367A	NCLB157013	9/1/12-8/31/13	23,920			17,942	(23,920)	5,978			
Title II, Part A- Carryover	84.367A	NCLB157012	9/1/11-8/31/12	28,035	6,737		6,737					
State Fiscal Stabilization Fund (SFSF)												
ARRA - Race-to-the-Top	84.395	N/A	9/1/11-11/30/15	6,070				(6,070)	6,070			
Total Special Revenue Fund					57,534		344,802	(332,546)	45,278			
Total U.S. Department of Education					57,534		344,802	(332,546)	45,278			
U.S. Department of Agriculture:												
Passed-through State Department of Agriculture:												
Child Nutrition Cluster:												
U.S.D.A Commodities Program	10.555	N/A	7/1/12-6/30/13	10,884			10,884	(8,964)	\$ 1,920			
U.S.D.A Commodities Program	10.555	N/A	7/1/11-6/30/12	9,262		\$ 961		(961)				
National School Lunch Program	10.555	N/A	7/1/12-6/30/13	78,455			78,455	(78,455)				
National School Lunch Program	10.555	N/A	7/1/11-6/30/12	70,018	2,767		2,767					
National School Breakfast Program	10.553	N/A	7/1/12-6/30/13	10,651			10,651	(10,651)				
National School Breakfast Program	10.553	N/A	7/1/11-6/30/12	7,217	322		322					
Total U.S. Department of Agriculture/Child Nutrition Cluster					3,089	961	103,079	(99,031)	1,920			
U.S. Department of Health and Human Services:												
Medicaid Assistance Program	93.778	N/A	7/1/12-6/30/13	12,221			12,221	(12,221)				
Total Federal Awards					\$ 60,623	\$ 961	\$ - 0 -	\$ 460,102	\$ (443,798)	\$45,278	\$ 1,920	\$ - 0 -

N/A - Not Applicable

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, 2013**

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2012			Award Balance Cancelled	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2013		MEMO	
				Budgetary Accounts Receivable	Budgetary Unearned Revenue	Due to Grantor					GAAP Accounts Receivable	Due to Grantor	Budgetary Accounts Receivable	Cumulative Total Expenditures
New Jersey Department of Education														
General Fund:														
Equalization Aid	12-495-034-5120-078	7/1/11 - 6/30/12	\$ 2,523,956	\$ 251,611			\$ 251,611							\$ 2,523,956
Transportation Aid	12-495-034-5120-014	7/1/11 - 6/30/12	42,288	4,216			4,216							42,288
Special Ed. Categorical Aid	12-495-034-5120-089	7/1/11 - 6/30/12	255,804	25,501			25,501							255,804
Security Aid	12-495-034-5120-084	7/1/11 - 6/30/12	73,780	7,355			7,355							73,780
Adjustment Aid	12-495-034-5120-085	7/1/11 - 6/30/12	257,806	25,700			25,700							257,806
Extraordinary Aid	12-100-034-5120-473	7/1/11 - 6/30/12	5,666	5,666			5,666							5,666
Nonpublic Transportation	12-495-035-5120-014	7/1/11 - 6/30/12	804	804			804							804
Equalization Aid	13-495-034-5120-078	7/1/12 - 6/30/13	2,525,242				2,279,142	\$ (2,525,242)					\$ 246,100	2,525,242
Transportation Aid	13-495-034-5120-014	7/1/12 - 6/30/13	41,204				37,188	(41,204)					4,016	41,204
Special Ed. Categorical Aid	13-495-034-5120-089	7/1/12 - 6/30/13	270,678				244,299	(270,678)					26,379	270,678
Security Aid	13-495-034-5120-084	7/1/12 - 6/30/13	75,094				67,776	(75,094)					7,318	75,094
Adjustment Aid	13-495-034-5120-085	7/1/12 - 6/30/13	206,245				186,145	(206,245)					20,100	206,245
Extraordinary Aid	13-100-034-5120-473	7/1/12 - 6/30/13	31,272					(31,272)			\$ 31,272		31,272	31,272
Nonpublic Transportation	13-495-035-5120-014	7/1/12 - 6/30/13	516					(516)			516		516	516
Reimbursed TPAF Social Security Contributions	13-495-034-5095-002	7/1/12 - 6/30/13	280,756				280,756	(280,756)						280,756
Total General Fund State Aid				320,853			3,416,159	(3,431,007)			31,788		335,701	6,591,111
Special Revenue Fund:														
New Jersey Nonpublic Aid:														
Textbooks	12-100-034-5120-064	9/1/11 - 6/30/12	9,385			\$ 233				\$ 233				9,152
Textbooks	13-100-034-5120-064	9/1/12 - 6/30/13	9,934				9,934	(9,760)				\$ 174		9,760
Nursing Services	13-100-034-5120-070	9/1/12 - 6/30/13	13,788				13,788	(13,788)						13,788
Technology Initiative	13-100-034-5120-373	9/1/12 - 6/30/13	3,666				3,666	(3,666)						3,666
Handicapped Services:														
Examination & Classification	12-100-034-5120-066	9/1/11 - 6/30/12	26,564			\$ 11,812				11,812				14,752
Examination & Classification	13-100-034-5120-066	9/1/12 - 6/30/13	15,609				15,609	(5,896)					9,713	5,896
Supplementary Instruction	12-100-034-5120-066	9/1/11 - 6/30/12	14,732			3,999				3,999				10,733
Supplementary Instruction	13-100-034-5120-066	9/1/12 - 6/30/13	14,571				14,571	(6,105)					8,466	6,105
Corrective Speech	12-100-034-5120-066	9/1/11 - 6/30/12	14,612			1,975				1,975				12,637
Corrective Speech	13-100-034-5120-066	9/1/12 - 6/30/13	17,186				17,186	(9,218)					7,968	9,218
Auxiliary Services:														
Compensatory Education	12-100-034-5120-067	9/1/11 - 6/30/12	67,626			8,709				8,709				58,917
Compensatory Education	13-100-034-5120-067	9/1/12 - 6/30/13	49,329				49,329	(39,125)					10,204	39,125
English as a Second Language	12-100-034-5120-067	9/1/11 - 6/30/12	862			862				862				
English as a Second Language	13-100-034-5120-067	9/1/12 - 6/30/13	853				853						853	
Home Instruction	12-100-034-5120-067	9/1/11 - 6/30/12	8,451				8,451							8,451
Total Special Revenue Fund			8,451			27,590	133,387	(87,558)		27,590			37,378	202,200

FRANKLIN BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2012			Award Balance Cancelled	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2013		MEMO	
				Budgetary Accounts Receivable	Budgetary Unearned Revenue	Due to Grantor					GAAP Accounts Receivable	Due to Grantor	Budgetary Accounts Receivable	Cumulative Total Expenditures
Enterprise Fund:														
State School Lunch Program	12-100-010-3350-023	9/1/11 - 6/30/12	\$ 2,263	\$ 89				\$ 89						\$ 2,263
State School Lunch Program	13-100-010-3350-023	9/1/12 - 6/30/13	2,184					2,184	\$ (2,184)					2,184
Total Enterprise Fund				89				2,273	(2,184)					4,447
Total Awards				\$ 329,393	\$ -0-	\$ 27,590	\$ -0-	\$ 3,551,819	\$ (3,520,749)	\$ 27,590	\$ 31,788	\$ 37,378	\$ 335,701	\$ 6,797,758

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, 2013

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, 2013. The information in these schedules is presented in accordance with the Federal Office of Management and Budget (OMB), *Audits of States and Local Governments and Non-Profit Organizations* and New Jersey OMB's Circular 04-04, *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 Board's basic financial statements. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements. Such expenditures are recognized following the cost principles contained in Federal OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governmental Units*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through identifying numbers are presented where available.

NOTE 3. 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 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 \$10,470 for the General Fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the General and Special Revenue Funds, respectively. The schedule of expenditures of state awards does not include the on-behalf TPAF Pension Contributions and Post Retirement Contributions revenue of \$257,520 and \$291,191 respectively.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

(Continued)

NOTE 3. 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	\$ 12,221	\$ 3,990,188	\$ 4,002,409
Special Revenue Fund	332,546	87,558	420,104
Food Service Fund	99,031	2,184	101,215
Total Awards	<u>\$ 443,798</u>	<u>\$ 4,079,930</u>	<u>\$ 4,523,728</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

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, 2013.

FRANKLIN BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Summary of Auditors' Results:

- An unqualified report was issued on the District's financial statements.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the District.
- The audit did not disclose any noncompliance which is material in relation to the financial statements of the District.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the District's major federal and state programs.
- An unqualified report was issued on the District's compliance for major state programs.
- The audit did not disclose any audit findings which are required to be reported under Federal OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* or New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*.
- The District was not subject to the single audit provisions of Federal OMB Circular A-133 for the fiscal year end June 30, 2013 as grant expenditures were less than the single audit threshold of \$500,000 identified in the Circular.
- The District's major state programs for the current fiscal year consisted of the following:

	<u>State Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
<u>State:</u>				
Equalization Aid	13-495-034-5120-078	7/1/12-6/30/13	\$ 2,525,242	\$ 2,525,242
Special Education Categorical Aid	13-495-034-5120-089	7/1/12-6/30/13	270,678	270,678
Security Aid	13-495-034-5120-084	7/1/12-6/30/13	75,094	75,094
Adjustment Aid	13-495-034-5120-085	7/1/12-6/30/13	206,245	206,245

- The threshold for distinguishing Type A and Type B state programs was \$300,000.
- The District qualified as a "low-risk" auditee for state programs under the provisions of section 530 of the federal Circular.

FRANKLIN BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(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 section 510(a) of the federal Circular or NJ OMB 04-04.

FRANKLIN BOROUGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013

Status of Prior Year Findings:

There were no prior year audit findings.