

**FRANKLIN BOROUGH
SCHOOL DISTRICT**

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

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2021**

**Comprehensive Annual
Financial Report**

of the

FRANKLIN BOROUGH SCHOOL DISTRICT

Franklin, New Jersey

For the Fiscal Year Ended June 30, 2021

Prepared by

**Franklin Borough Board of Education
Finance Department**

FRANKLIN BOROUGH SCHOOL
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INTRODUCTORY SECTION
(UNAUDITED)

Franklin School District

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

John R. Giacchi
Chief School Administrator

Barbara A. Decker
Business Administrator
Board Secretary

October 1, 2021

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

Dear Board Members:

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of the Franklin Borough School District (District) for the fiscal year ended June 30, 2021. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the District. This report will provide the taxpayers of the Franklin Borough School District with comprehensive financial data in a format enabling them to gain an understanding of the School District's financial affairs.

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

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

Leading the Way to Excellence

School District Organization

The Franklin Borough School District is one of 616 school districts in the State of New Jersey and one of 26 school districts in Sussex County. The School District provides education for its preschool through eighth grade students. Geographically, the District is comprised of the Borough of Franklin only. The School District's total area is 4.5 square miles. The 473 elementary students enrolled in the Franklin Borough School District attend the one school comprising the District. Students for 9th through 12th grade attend the Wallkill Valley Regional High School in Hardyston, N.J.

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

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

Reporting Entity

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

Economic Condition and Outlook

The District completed the 2020-2021 fiscal year with an average daily enrollment of 473 students, which is an increase of 5 students over the previous year's average daily enrollment. Over the last few years, the overall district enrollment has decreased except for an increase in 2021. The District is experiencing some enrollment losses to the local charter and choice schools. Students had the option to return to in person instruction in September 2020 as well as continue remote instruction due to COVID-19.

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. The School District's administration is closely monitoring the cost of operations and continues to look for new funding sources in order to maintain the quality educational services that the School District has been accustomed to providing.

The School District attributes much of its past education success to the community's demand for, and support of, both a traditional and quality school system. Our School District will remain accountable to the residents and taxpayers who make the School District their school system of choice.

The assessed valuation of Franklin Borough declined in 2021 due in large part to tax appeals and a few properties that went from ratable to exempt as represented below:

2012-	\$465,191,273
2013-	\$460,989,027
2014-	\$392,370,021
2015-	\$391,758,530
2016-	\$400,632,049
2017-	\$399,364,584
2018-	\$397,568,420
2019-	\$397,847,231
2020-	\$395,552,814
2021-	\$393,621,192

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

2011-	97.15%
2012-	95.43%
2013-	97.22%
2014-	97.57%
2015-	97.71%
2016-	97.10%
2017-	96.83%
2018-	97.02%
2019-	96.77%
2020-	96.98%

Educational Program

The Board of Education continues to maintain quality educational programs for its preschool through eighth grade students. As of January 1, 2019, the preschool program is funded through PEA Grant. With an already strong curriculum focused in language arts, math, science, social studies, and special-areas, technology is infused into all facets of instruction. The goal is to engage learners with hands on learning experiences that will bring learning to life and provide students with the tools needed to be successful in their future careers. Spanish instruction continues to be a key component for our world languages/culture program. The kindergarten classes are offered as a full-day program and an emphasis is placed on language arts and math instruction. Balanced literacy instruction, especially in the early grades, continues as a priority. Remedial and special education programs continue to be implemented so that students with specific learning needs will have increased opportunities for success. The Board supports the technology program and has invested in Chromebooks, visual presenters, projectors, Promethean Boards and training to support the implementation of new technology. The Franklin Parent Teacher Organization and the Franklin Education Foundation have donated many resources to assist our school program.

Major Initiatives

The Board maintains manageable class sizes, invests in staff development and increases technology opportunities. Twelve (12) Promethean Boards were purchased and students in grades one through eight were provided with Chromebooks as part of the one to one initiative. Teachers were also provided new Chromebooks in school year 2020. Additionally, a Steam Maker Activity Table was purchased. We have completed our fifth year with the Go Math! Program. This program along with an additional period (forty-one minutes) of math instruction each day addressed a concern identified through PARCC assessment. Science Dimensions, our K-8 science program, is in the third year of implementation. This program has encouraged problem based learning and incorporated STEM learning. The 2020 school year marked a transition from the Reading Wonders ELA program to School Wide, which is based on readers and writers workshop. This year teachers implemented writers workshop with readers workshop scheduled to launch in the 2021-2022 school year. The implementation of the HIB (harassment, intimidation, bullying) requirements issued by the State in 2011-12 remain in place. Finally, two new copiers for staff and the business office were purchased.

Upgrades and improvements accomplished in fiscal year 2021 include replacing the existing fire alarm system and obtaining New Jersey Department of Education approval for the upcoming Window Project.

Financial Information

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

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

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

In addition to internal accounting controls, the District maintains budgetary controls. Annual appropriated budgets are adopted for the general fund and the special revenue fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The original budget, budget transfers during the year, and final budget amount for the fiscal year is reflected in the financial section. An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriated balances reported as reservations of fund balance at fiscal year-end.

Cash Management

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

Risk Management

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

Independent Audit

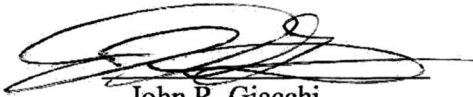
State statutes require an annual audit by independent certified public accountants. The accounting firm of Nisivoccia LLP was selected by the Board of Education. In addition to meeting the requirements set forth in state statutes, the audit was designed to meet the requirements of Title 2 U.S. Code of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

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

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

Respectively submitted,

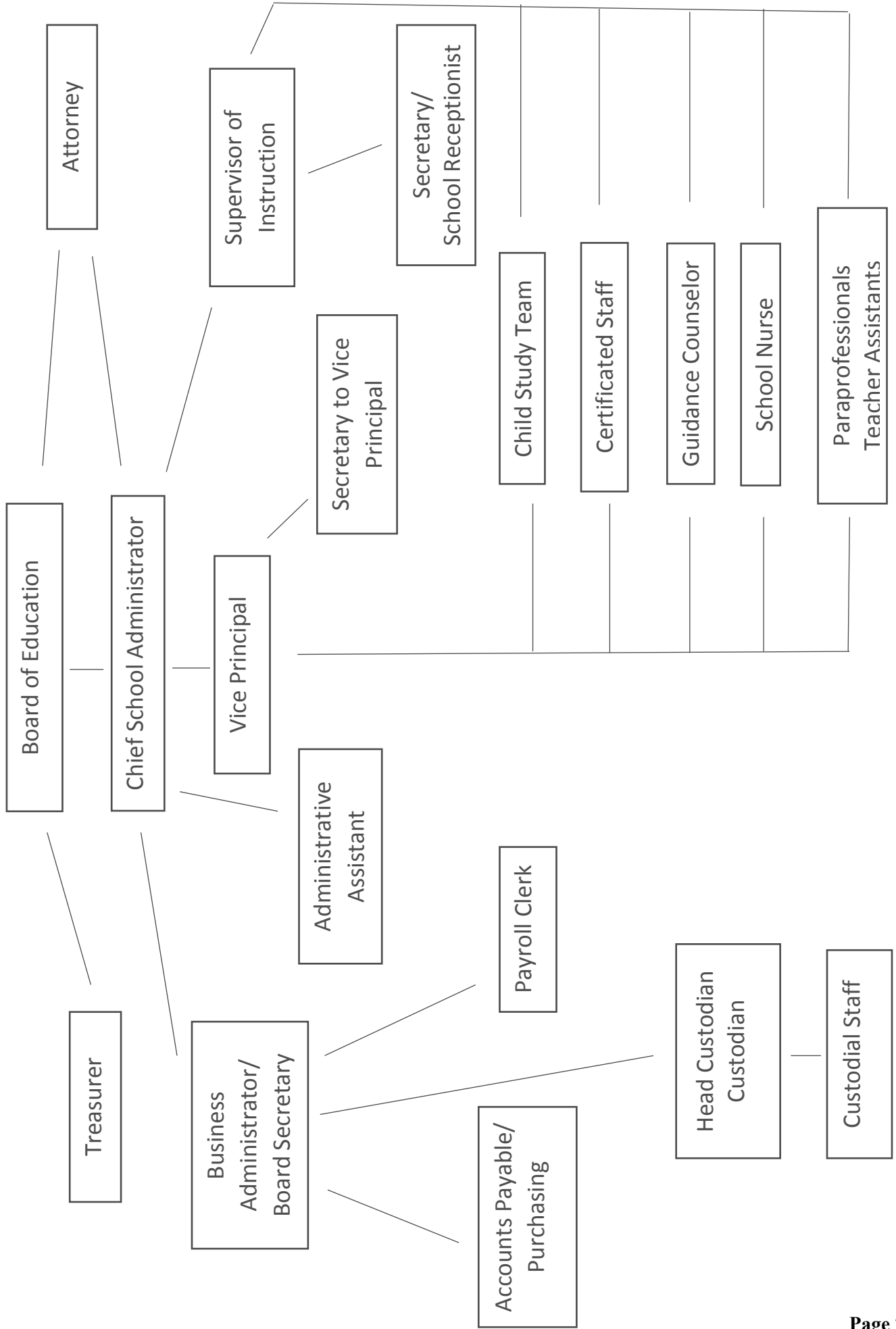


John R. Giacchi
Superintendent



Barbara A. Decker
Business Administrator/Board Secretary

FRANKLIN BOROUGH BOARD OF EDUCATION Organization Chart



**FRANKLIN BOROUGH SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2021**

<u>Members of the Board of Education</u>		<u>Term Expires</u>
Wayne Bartron	President	2023
Kathleen Clohessey	Vice President	2023
F. Cliff Graham	Member	2021
Ronald E. Neal	Member	2021
John J. Friend	Member	2022
Shane Hrbek	Member	2023
Stephen Koger	Member	2022
Suzanne Ross	Member	2022
Michelle Babcock	Member	2021

Other Officers

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

**FRANKLIN BOROUGH SCHOOL DISTRICT
Consultants and Advisors**

Audit Firm

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

Attorney

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

Architect

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

Official Depository

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

Insurance Agent

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

FINANCIAL SECTION

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Franklin Borough School District (the "District") in the County of Sussex, as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Franklin Borough School District, in the County of Sussex, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2021 on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.

September 30, 2021
Mount Arlington, New Jersey

Nisivoccia LLP
NISIVOCCIA LLP

Valerie A. Dolan

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

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021**

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, 2021. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

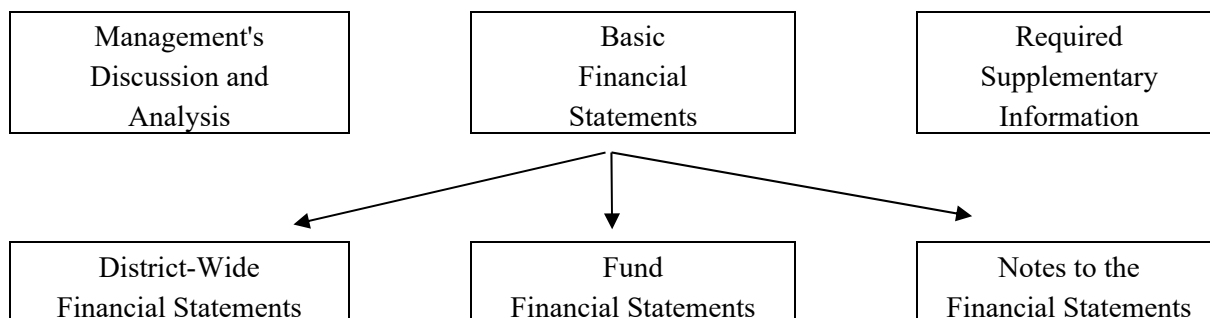
Overview of the Financial Statements

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

- The first two statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more* detail than the District-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- *Proprietary funds* statements offer *short- and long-term* financial information about the activities the District operates like a business, such as food services.
- *Notes to Basic Financial Statements*: Provide additional information essential to a full understanding of the district-wide and fund financial statements.

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, 2021**

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district	The activities of the district that are not proprietary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services
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
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
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
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

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

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021**

District-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021**

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.

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 \$940,103 – from \$1,951,738 at June 30, 2020 to \$2,891,841 at June 30, 2021. Net position from governmental activities increased by \$936,045 and net position from business activities increased by \$4,058. Net investment in capital assets increased by \$154,550, restricted net position increased by \$628,612, and unrestricted net position increased by \$156,941.

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

	Government Activities		Business-Type Activities		Total School District		Total Percentage Change
	2020/2021	2019/2020	2020/2021	2019/2020	2020/2021	2019/2020	
Current and Other Assets	\$ 3,913,288	\$ 2,811,523	\$ 54,421	\$ 47,589	\$ 3,967,709	\$ 2,859,112	
Capital Assets, Net	1,701,650	1,545,738	19,163	20,525	1,720,813	1,566,263	
Total Assets	5,614,938	4,357,261	73,584	68,114	5,688,522	4,425,375	28.54%
Deferred Outflows of Resources	304,447	273,902			304,447	273,902	11.15%
Other Liabilities	775,690	259,789	6,106	4,694	781,796	264,483	
Long-Term Liabilities	1,617,908	1,743,776			1,617,908	1,743,776	
Total Liabilities	2,393,598	2,003,565	6,106	4,694	2,399,704	2,008,259	19.49%
Deferred Inflows of Resources	701,424	739,280			701,424	739,280	-5.12%
Net Position:							
Net Investment in Capital Assets	1,701,650	1,545,738	19,163	20,525	1,720,813	1,566,263	
Restricted	3,220,938	2,592,326			3,220,938	2,592,326	
Unrestricted/(Deficit)	(2,098,225)	(2,249,746)	48,315	42,895	(2,049,910)	(2,206,851)	
Total Net Position	\$ 2,824,363	\$ 1,888,318	\$ 67,478	\$ 63,420	\$ 2,891,841	\$ 1,951,738	48.17%

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

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021**

Financial Analysis of the District as a Whole

Changes in Net Position. The District's combined net position was \$2,891,841 at June 30, 2021, or \$940,103 more than it was the year before. Net investment in capital assets increased by \$154,550 as a result of \$287,784 in current year capital additions offset by \$132,687 of current year depreciation expense and deletions with a net carrying value of \$547. Restricted net position increased by \$628,612 due to a net increase of \$625,022 in the capital reserve account and an increase in Student Activities of \$3,590. Unrestricted net position increased by \$156,941 primarily due to changes in assigned fund balance, compensated absences and net pension liability and related deferred inflows and outflows. (See Figure A-3).

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

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2020/2021	2019/2020	2020/2021	2019/2020	2020/2021	2019/2020	
Revenue:							
Program Revenue:							
Charges for Services	\$ 57,577	\$ 22,933	\$ 2,109	\$ 29,491	\$ 59,686	\$ 52,424	
Operating Grants & Contributions	3,415,059	3,337,421	172,679	102,390	3,587,738	3,439,811	
General Revenue:							
Property Taxes	5,981,549	5,810,534			5,981,549	5,810,534	
Unrestricted Federal and State Aid	2,907,531	2,935,872			2,907,531	2,935,872	
Other	56,129	9,701	61	68	56,190	9,769	
Total Revenue	<u>12,417,845</u>	<u>12,116,461</u>	<u>174,849</u>	<u>131,949</u>	<u>12,592,694</u>	<u>12,248,410</u>	2.81%
Expenses:							
Instruction	7,082,193	7,341,101			7,082,193	7,341,101	
Pupil and Instruction Services	1,903,057	1,892,252			1,903,057	1,892,252	
Administrative and Business	924,248	733,235			924,248	733,235	
Maintenance and Operations	1,126,568	1,015,786			1,126,568	1,015,786	
Transportation	235,854	262,254			235,854	262,254	
Capital Outlay	6,131	4,133			6,131	4,133	
Other	203,749	239,651	170,791	137,589	374,540	377,240	
Total Expenses	<u>11,481,800</u>	<u>11,488,412</u>	<u>170,791</u>	<u>137,589</u>	<u>11,652,591</u>	<u>11,626,001</u>	0.23%
Increase/(Decrease) in Net Position	<u>\$ 936,045</u>	<u>\$ 628,049</u>	<u>\$ 4,058</u>	<u>\$ (5,640)</u>	<u>\$ 940,103</u>	<u>\$ 622,409</u>	51.04%

Governmental Activities

As discussed elsewhere in this commentary, the financial position of the District increased by \$936,045. However, maintaining existing programs with a decrease in enrollment and the provision of special programs and services for disabled pupils, combined with rising salary, benefits and energy costs, has placed great demands on the District's resources.

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

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

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

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

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021**

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

	<u>Total Costs of Services</u>		<u>Net Cost of Services</u>	
	<u>2020/2021</u>	<u>2019/2020</u>	<u>2020/2021</u>	<u>2019/2020</u>
Instruction	\$ 7,082,193	\$ 7,341,101	\$ 4,317,567	\$ 4,644,305
Pupil and Instruction Services	1,903,057	1,892,252	1,325,352	1,330,817
Administrative and Business	924,248	733,235	852,530	721,733
Maintenance and Operations	1,126,568	1,015,786	1,096,694	977,320
Transportation	235,854	262,254	207,141	210,099
Capital Outlay	6,131	4,133	6,131	4,133
Other	203,749	239,651	203,749	239,651
	<u>\$ 11,481,800</u>	<u>\$ 11,488,412</u>	<u>\$ 8,009,164</u>	<u>\$ 8,128,058</u>

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

Business-Type Activities

Net position from the District's Business-type activity increased by \$4,058 (Refer to Figure A-4).

Financial Analysis of the District's Funds

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

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

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

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021**

General Fund Budgetary Highlights

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

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

Capital Asset Administration

Current year capital additions were \$287,784, annual depreciation was \$132,687, (\$131,325 from governmental activities and \$1,362 from business-type activities). (More information on the District's capital assets is presented in Note 6 to the financial statements.)

**Figure A-6
Capital Assets (Net of Depreciation)**

	Government Activities		Business-Type Activities		Total School District		Total Percentage Change
	2020/2021	2019/2020	2020/2021	2019/2020	2020/2021	2019/2020	
Land	\$ 229,166	\$ 229,166			\$ 229,166	\$ 229,166	
Site Improvements	492,858	520,237			492,858	520,237	
Buildings and							
Building Improvements	591,179	390,533			591,179	390,533	
Machinery and Equipment	388,447	405,802	\$ 19,163	\$ 20,525	407,610	426,327	
Total Capital Assets, Net	\$1,701,650	\$1,545,738	\$ 19,163	\$ 20,525	\$1,720,813	\$1,566,263	9.87%

Long-term Liabilities

The District's long-term liabilities represent compensated absence payable and the net pension liability. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements.)

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

	Total School District		Percentage Change
	2020/2021	2019/2020	
Compensated Absences Payable	\$ 244,447	\$ 327,554	
Net Pension Liability	1,373,461	1,416,222	
	\$ 1,617,908	\$ 1,743,776	-7.22%

- Compensated absences payable decreased by a net amount of \$83,107.
- The District had a net decrease in the Net Pension Liability of \$42,761.

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

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021**

Factors Bearing on the District's Future

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

- The District has seen a steady increase in enrollment, which has caused the need to add unbudgeted teaching positions and paraprofessional support.
- With the increase in enrollment along with a school year where many students learned remotely, we anticipate an increased need for academic support both for general education and special education students.
- In addition to academic support, there will be a need to offer programs that target the social and emotional needs of students.
- The district anticipates an increase in the need for counseling sessions for at-risk students.

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

FRANKLIN BOROUGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2021

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 1,568,677	\$ 28,508	\$ 1,597,185
Receivable from Federal Government	69,744	17,010	86,754
Receivable from State Government	11,865	850	12,715
Receivables from Other Governments	42,063	1,088	43,151
Inventories		6,965	6,965
Restricted Cash and Cash Equivalents	2,220,938		2,220,938
Capital Assets:			
Site (Land)	229,166		229,166
Depreciable Site Improvements, Building and Building Improvements, and Machinery and Equipment	1,472,484	19,163	1,491,647
Total Assets	<u>5,614,937</u>	<u>73,584</u>	<u>5,688,521</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred Outflows Related to Pensions	304,447		304,447
Total Deferred Outflows of Resources	<u>304,447</u>		<u>304,447</u>
LIABILITIES			
Accounts Payable	130,276		130,276
Unearned Revenue	645,413	6,106	651,519
Noncurrent Liabilities:			
Due Beyond One Year	1,617,908		1,617,908
Total Liabilities	<u>2,393,597</u>	<u>6,106</u>	<u>2,399,703</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	701,424		701,424
Total Deferred Inflows of Resources	<u>701,424</u>		<u>701,424</u>
NET POSITION			
Net Investment in Capital Assets	1,701,650	19,163	1,720,813
Restricted for:			
Capital Projects	1,567,348		1,567,348
Maintenance Reserve	650,000		650,000
Excess Surplus	1,000,000		1,000,000
Student Activities	3,590		3,590
Unrestricted (Deficit)	<u>(2,098,225)</u>	<u>48,315</u>	<u>(2,049,910)</u>
Total Net Position	<u>\$ 2,824,363</u>	<u>\$ 67,478</u>	<u>\$ 2,891,841</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, 2021

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 4,435,032	\$ 20,563	\$ 1,572,851		\$ (2,841,618)		\$ (2,841,618)
Special Education	2,046,034	37,014	957,343		(1,051,677)		(1,051,677)
Other Special Instruction	404,047		121,449		(282,598)		(282,598)
School-Sponsored/Other Instruction	197,080		55,406		(141,674)		(141,674)
Support Services:							
Tuition	184,226		154,166		(30,060)		(30,060)
Student & Instruction Related Services	1,718,831		423,539		(1,295,292)		(1,295,292)
General Administrative Services	382,822		10,296		(372,526)		(372,526)
School Administrative Services	302,820		61,422		(241,398)		(241,398)
Central Services	238,606				(238,606)		(238,606)
Plant Operations and Maintenance	1,126,568		29,874		(1,096,694)		(1,096,694)
Pupil Transportation	235,854		28,713		(207,141)		(207,141)
Capital Outlay	6,131				(6,131)		(6,131)
Unallocated Depreciation	110,314				(110,314)		(110,314)
Transfer to Charter School	93,435				(93,435)		(93,435)
Total Governmental Activities	11,481,800	57,577	3,415,059		(8,009,164)		(8,009,164)

FRANKLIN BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(Continued)

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Business-Type Activities:							
Food Service	\$ 170,791	\$ 2,109	\$ 172,679		\$ 3,997	\$ 3,997	\$ 3,997
Total Business-Type Activities	170,791	2,109	172,679		3,997	3,997	3,997
Total Primary Government	\$ 11,652,591	\$ 59,686	\$ 3,587,738	\$ - 0 -	\$ (8,009,164)	3,997	(8,005,167)
General Revenue:							
Taxes:							
Property Taxes, Levied for General Purposes, Net					5,981,549		5,981,549
Federal and State Aid not Restricted					2,907,531		2,907,531
Interest and Other Miscellaneous Revenue					56,129	\$ 61	56,190
Total General Revenue					8,945,209	61	8,945,270
Change in Net Position					936,045	4,058	940,103
Net Position - Beginning					1,888,318	63,420	1,951,738
Net Position - Ending					\$ 2,824,363	\$ 67,478	\$ 2,891,841

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, 2021

	General Fund	Special Revenue Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS:			
Cash and Cash Equivalents	\$ 1,122,847	\$ 445,830	\$ 1,568,677
Receivables From Federal Government		69,744	69,744
Receivables From State Government	11,865		11,865
Receivables From Other Governments	42,063		42,063
Restricted Cash and Cash Equivalents	2,217,348	3,590	2,220,938
Total Assets	<u>\$ 3,394,123</u>	<u>\$ 519,164</u>	<u>\$ 3,913,287</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts Payable	\$ 50,138	\$ 138	\$ 50,276
Unearned Revenue		645,413	645,413
Total Liabilities	<u>50,138</u>	<u>645,551</u>	<u>695,689</u>
Fund Balances:			
Restricted:			
Capital Reserve Account	1,567,348		1,567,348
Maintenance Reserve Account	650,000		650,000
Excess Surplus - 2021-2022	500,000		500,000
Excess Surplus - 2022-2023	500,000		500,000
Student Activities		3,590	3,590
Assigned:			
For Subsequent Year's Expenditures	65,382		65,382
Year End Encumbrances	16,063		16,063
Unassigned (Deficit)	45,192	(129,977)	(84,785)
Total Fund Balances/(Deficit)	<u>3,343,985</u>	<u>(126,387)</u>	<u>3,217,598</u>
Total Liabilities and Fund Balances	<u>\$ 3,394,123</u>	<u>\$ 519,164</u>	<u>\$ 3,913,287</u>

FRANKLIN BOROUGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021
(Continued)

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

Total Fund Balances - Governmental Funds (Above)	\$ 3,217,598
Capital assets used in Governmental Activities are not financial resources and are not Reported in the Funds.	1,701,650
Long-Term Liabilities are not due and payable in the current period and therefore are not Reported as liabilities in the Funds.	(244,447)
The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.	(1,373,461)
Certain Amounts Related to the Net Pension Liability are Deferred and Amortized in the Statement of Activities and are not Reported in the Governmental Funds.	
Deferred Outflows	224,447
Deferred Inflows	<u>(701,424)</u>
Net Position of Governmental Activities	<u><u>\$ 2,824,363</u></u>

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

FRANKLIN BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUE:			
Local Sources:			
Local Tax Levy	\$ 5,981,549		\$ 5,981,549
Tuition - Other LEA's Within the State	37,014		37,014
Tuition - Individual	20,563		20,563
Restricted Miscellaneous Revenue		\$ 40,374	40,374
Unrestricted Miscellaneous Revenue	56,129		56,129
Total - Local Sources	6,095,255	40,374	6,135,629
State Sources	4,985,801	626,585	5,612,386
Federal Sources	26,923	385,865	412,788
Total Revenue	11,107,979	1,052,824	12,160,803
EXPENDITURES:			
Current:			
Regular Instruction	2,175,863	643,902	2,819,765
Special Education Instruction	1,098,227	34,912	1,133,139
Other Special Instruction	220,363		220,363
School Sponsored/Other Instruction	107,143		107,143
Support Services and Undistributed Costs:			
Tuition	30,060	154,166	184,226
Student & Instruction Related Services	1,041,240	391,933	1,433,173
General Administrative Services	332,398		332,398
School Administrative Services	157,267		157,267
Central Services	198,857		198,857
Plant Operations and Maintenance	981,264		981,264
Pupil Transportation	224,930		224,930
Unallocated Benefits	3,352,344		3,352,344
Capital Outlay	330,382	17,253	347,635
Transfer of Funds to Charter Schools	93,435		93,435
Total Expenditures	10,343,773	1,242,166	11,585,939
Excess/(Deficit) of Revenue over Expenditures	764,206	(189,342)	574,864

FRANKLIN BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
OTHER FINANCING SOURCES (USES):			
Transfers In/(Out)	\$ (128,160)	\$ 128,160	
Total Other Financing Sources (Uses)	<u>(128,160)</u>	<u>128,160</u>	
Net Change in Fund Balances	636,046	(61,182)	\$ 574,864
Fund Balance/(Deficit) - July 1	<u>2,707,939</u>	<u>(65,205)</u>	<u>2,642,734</u>
Fund Balance/(Deficit) - June 30	<u>\$ 3,343,985</u>	<u>\$ (126,387)</u>	<u>\$ 3,217,598</u>

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, 2021

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2) \$ 574,864

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

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

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

Depreciation Expense	\$ (131,325)
Capital Outlays	287,784
Deletions with Carrying Value	(587)
	155,872

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

Changes in Net Pension Liability	42,761
Change In Deferred Outflows	41,545
Change In Deferred Inflows	37,856
	122,162

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 (+)

Change in Net Position (Exhibit A-2) \$ 936,005

83,107

FRANKLIN BOROUGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021

	Business-type Activities - <u>Enterprise Funds</u> <u>Food Service</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 28,508
Intergovernmental Accounts Receivable:	
Federal	17,010
State	850
Accounts Receivable	1,088
Inventories	6,965
Total Current Assets	<u>54,421</u>
Non-Current Assets:	
Capital Assets	146,947
Less: Accumulated Depreciation	<u>(127,784)</u>
Total Non-Current Assets	<u>19,163</u>
Total Assets	<u>73,584</u>
 LIABILITIES:	
Current Liabilities:	
Unearned Revenue - Prepaid Sales	3,831
Unearned Revenue - Donated Commodities	<u>2,275</u>
Total Current Liabilities	<u>6,106</u>
 NET POSITION:	
Investment in Capital Assets	19,163
Unrestricted	<u>48,315</u>
Total Net Position	<u>\$ 67,478</u>

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

FRANKLIN BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<u>Business-type Activities - Enterprise Funds Food Service</u>
Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 2,109
Total Operating Revenue	<u>2,109</u>
Operating Expenses:	
Cost of Sales - Reimbursable Programs	80,011
Salaries, Benefits and Payroll Taxes	76,338
Supplies and Other Costs	4,920
Management Fee	8,160
Depreciation Expense	1,362
Total Operating Expenses	<u>170,791</u>
Operating Loss	<u>(168,682)</u>
Non-Operating Income:	
Local Sources:	
Interest Income	61
State Sources:	
COVID-19 - Seamless Summer Option	5,658
Federal Sources:	
COVID-19 - Seamless Summer Option	156,089
Food Distribution Program	10,932
Total Non-Operating Income	<u>172,740</u>
Change in Net Position	4,058
Net Position - Beginning of Year	<u>63,420</u>
Net Position - End of Year	<u><u>\$ 67,478</u></u>

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

FRANKLIN BOROUGH SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<u>Business-type Activities - Enterprise Funds Food Service</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 3,496
Payments to Employees	(76,338)
Payments to Food Service Vendor	(74,085)
Payments to Suppliers	(4,920)
Net Cash Used for Operating Activities	<u>(151,847)</u>
Cash Flows from Noncapital Financing Activities:	
Local Sources:	
Interest Income	61
State Sources:	
COVID-19 - Seamless Summer Option	4,826
Federal Sources:	
COVID-19 - Seamless Summer Option	140,903
Net Cash Provided by Noncapital Financing Activities	<u>145,790</u>
Net Decrease in Cash and Cash Equivalents	(6,057)
Cash and Cash Equivalents, July 1	<u>34,565</u>
Cash and Cash Equivalents, June 30	<u><u>\$ 28,508</u></u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (168,682)
Adjustment to Reconcile Operating Loss to Cash Used for Operating Activities:	
Depreciation	1,362
Food Distribution Program	10,932
Changes in Assets and Liabilities:	
(Increase)/Decrease in Other Accounts Receivable	1,387
(Increase)/Decrease in Inventories	1,742
Increase/(Decrease) in Unearned Revenue - Prepaid Sales	1,312
Increase/(Decrease) in Unearned Revenue - Donated Commodities	100
Net Cash Used for Operating Activities	<u><u>\$ (151,847)</u></u>

Noncash Investing and Financing Activities:

The Food Service Enterprise Fund received commodities valued at \$11,032, and utilized \$10,932 of commodities.

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, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

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

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

B. Basis of Presentation:

District-Wide Financial Statements:

The statement of net position and the statement of activities present financial information about the District's governmental and business type activities. These statements include the financial activities of the overall government in its entirety. 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.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

(Continued)

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

B. Basis of Presentation: (Cont'd)

District-Wide Financial Statements (Cont'd)

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.

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. Separate statements for each fund category – governmental and proprietary - 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.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

(Continued)

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

B. Basis of Presentation: (Cont'd)

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.

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.

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary 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.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

(Continued)

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

C. Measurement Focus and Basis of Accounting (Cont'd)

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.

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, 2021 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.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(Continued)

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

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

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 11,103,221	\$ 1,100,817
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		
Prior Year Encumbrances		
Local		15,255
State		123
Federal		1,401
Prior Year State Aid Payments Recognized for GAAP Basis	327,186	65,205
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(322,428)	(129,977)
Total Revenues as Reported on the Statement of Revenues, Expenditures & Changes in Fund Balances - Governmental Funds.	\$ 11,107,979	\$ 1,052,824
	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 10,343,773	\$ 1,225,387
Differences - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		16,779
Total Expenditures as Reported on the Statement of Revenue, Expenditures, & Changes in Fund Balances - Governmental Funds	\$ 10,343,773	\$ 1,242,166

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

(Continued)

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

E. Cash and Cash Equivalents:

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

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

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

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

G. Allowance for Uncollectible Accounts:

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

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(Continued)

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

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, 2021.

K. Capital Assets:

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

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

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

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

(Continued)

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

K. Capital Assets: (Cont'd)

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

L. Long Term Liabilities:

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

M. Accrued Salaries and Wages:

The District does not allow employees, who provide services to the District over a ten-month academic year the option to have their salaries evenly disbursed during the entire twelve month year; therefore, there are no accrued salaries and wages as of June 30, 2021.

N. Compensated Absences:

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

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

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

O. Unearned Revenue:

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

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

(Continued)

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

P. Fund Balance Appropriated:

General Fund: Of the \$3,343,985 General Fund balance at June 30, 2021, \$1,567,348 is restricted in the capital reserve account; \$650,000 is restricted in the maintenance reserve account; \$500,000 is restricted for prior year excess surplus in accordance with N.J.S.A. 18A:7F (S1701) and has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2022; \$500,000 is restricted for current year excess surplus in accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2004, C.73 (S1701) and will be appropriated and included as anticipated revenue for the year ended June 30, 2023; \$65,382 of assigned fund balance has been appropriated and included as anticipated revenue for the fiscal year ending June 30, 2022; and \$16,063 is assigned for encumbrances. The unassigned fund balance of \$45,192 is \$322,428 less than the unassigned fund balance on a budgetary basis due to the final two state aid payments, which are not recognized on a GAAP Basis until the fiscal year ended June 30, 2022.

Special Revenue Fund: Of the deficit of (\$126,387) in the Special Revenue Fund balance at June 30, 2021, \$3,590 is restricted in the student activities account and the unassigned/(deficit) fund balance of \$(129,977) is due to the final two state aid payments, which are not recognized on a GAAP Basis until the fiscal year ended June 30, 2022.

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.

P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the related state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal 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.

Q. Net Position:

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

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had deferred outflows and inflows of resources at June 30, 2021 for pensions.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

(Continued)

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

Q. Net Position: (Cont'd)

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

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

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

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

R. Deficit Net Position/Fund Balance:

The District has a \$2,098,225 deficit in Unrestricted Net Position in the Governmental activities at June 30, 2021 primarily due to compensated absences payable, net pension liability and the related deferred inflows and outflows. The District also has a deficit in unassigned fund balance of \$129,977 in the Special Revenue Fund as of June 30, 2021 as a result of the last two state aid payments that are not recognized on a GAAP basis. The deficits are not an indication that the District is facing financial difficulties and is a permitted practice by generally accepted accounting principles.

S. Fund Balance Restrictions, Commitments and Assignments:

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

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

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, 2021.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

(Continued)

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

S. Fund Balance Restrictions, Commitments and Assignments: (Cont'd)

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 \$81,445 of assigned resources in the General Fund on the budgetary basis at June 30, 2021 for amounts designated for subsequent year's expenditures and year end encumbrances.

T. Revenue - Exchange and Nonexchange Transactions:

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

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

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

U. Operating Revenue and Expenses:

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

V. Management Estimates:

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

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

(Continued)

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

W. Pensions

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

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

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

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

Deposits:

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

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

(Continued)

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

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 of the school district or bonds or other obligations of the local unit or units within which the school district is located.
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983, c.313 (C.40A:5A-1 et seq.). Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investment in the Department of the Treasury for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L.; 1977,c.281 (C.52:18A-90.4); or
- (8) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a. or are bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the requirements of the "Local Authorities Fiscal Control Law," P.L. 1983, c. 313 (C.40A:5A-1 et seq.). ;

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(Continued)

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

Investments (Cont'd):

- (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L.1970, c.236 (C.17:9-41); and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed; or
- (9) Deposit of funds in accordance with the following conditions:
- (a) The funds are initially invested through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.17:9-41) designated by the school district;
 - (b) The designated public depository arranges for the deposit of the funds in deposit accounts in one or more federally insured banks, savings banks or savings and loan associations or credit unions for the account of the school district;
 - (c) 100 percent of the principal and accrued interest of each deposit is insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund;
 - (d) The designated public depository acts as custodian for the school district with respect to these deposits; and
 - (e) On the same date that the school district's funds are deposited pursuant to subparagraph (b) of this paragraph, the designated public depository receives an amount of deposits from customers of other financial institutions, wherever located, equal to the amounts of funds initially invested by the school district through the designated public depository.

As of June 30, 2021, cash and cash equivalents of the District consisted of the following:

	Cash and Cash Equivalents	Capital Reserve Account	Restricted Maintenance Reserve Account	Student Activities Account	Total
Checking Accounts	<u>\$ 1,597,185</u>	<u>\$ 1,567,348</u>	<u>\$ 650,000</u>	<u>\$ 3,590</u>	<u>\$ 3,818,123</u>

The carrying amount of the Board's cash and cash equivalents at June 30, 2021, was \$3,818,123 and the bank balance was \$4,082,467. During the fiscal year ended June 30, 2021, the District did not hold any investments.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by Board resolution on December 15, 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, 2020 to June 30, 2021 fiscal year is as follows:

Beginning Balance, July 1, 2020		\$ 942,326
Deposit by Board Resolution - June 2021	\$ 847,466	
Unexpended Balance from Capital Outlay	<u>23,056</u>	
		<u>870,522</u>
		1,812,848
Budgeted Withdrawal		<u>(245,500)</u>
Ending Balance, June 30, 2021		<u><u>\$ 1,567,348</u></u>

The balance in the capital reserve account at June 30, 2021 does not exceed the balance of local support costs of uncompleted capital projects in the District’s Long Range Facilities Plan (“LRFP”). The withdrawal from the capital reserve was for use in a DOE approved facilities project consistent with the District’s LRFP.

NOTE 5. TRANSFERS TO CAPITAL OUTLAY

During the fiscal year ended June 30, 2021, the District transferred \$69,102 into Capital Outlay accounts: \$15,852 for equipment which did not require approval of the County Superintendent and \$53,250 into Facilities Acquisition and Construction Services for which the required County Superintendent approval was obtained.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

(Continued)

NOTE 6. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2021 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 229,166			\$ 229,166
Total Capital Assets Not Being Depreciated	<u>229,166</u>			<u>229,166</u>
Capital Assets Being Depreciated:				
Site Improvements	963,076			963,076
Buildings and Building Improvements	2,345,505	\$ 237,699		2,583,204
Machinery and Equipment	<u>2,611,549</u>	<u>50,085</u>	\$ (10,801)	<u>2,650,833</u>
Total Capital Assets Being Depreciated	<u>5,920,130</u>	<u>287,784</u>	<u>(10,801)</u>	<u>6,197,113</u>
Governmental Activities Capital Assets	<u>6,149,296</u>	<u>287,784</u>	<u>(10,801)</u>	<u>6,426,279</u>
Less Accumulated Depreciation for:				
Site Improvements	(442,839)	(27,379)		(470,218)
Buildings and Building Improvements	(1,954,972)	(37,053)		(1,992,025)
Machinery and Equipment	<u>(2,205,747)</u>	<u>(66,893)</u>	10,254	<u>(2,262,386)</u>
	<u>(4,603,558)</u>	<u>(131,325)</u>	<u>10,254</u>	<u>(4,724,629)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 1,545,738</u>	<u>\$ 156,459</u>	<u>\$ (547)</u>	<u>\$ 1,701,650</u>
Business Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 146,947			\$ 146,947
Less Accumulated Depreciation	<u>(126,422)</u>	\$ (1,362)		<u>(127,784)</u>
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 20,525</u>	<u>\$ (1,362)</u>	<u>\$ -0-</u>	<u>\$ 19,163</u>

As of June 30, 2021, the District has no active construction projects.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(Continued)

NOTE 6. CAPITAL ASSETS (Cont'd)

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 7,879
School Administrative Services	3,940
Plant Operations and Maintenance	9,192
Unallocated	<u>110,314</u>
	<u>\$ 131,325</u>

NOTE 7. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2021, the following changes occurred in long-term liabilities reported in the District-wide financial statements:

	Beginning Balance	Retired	Ending Balance
Compensated Absences Payable	\$ 327,554	\$ 83,107	\$ 244,447
Net Pension Liability	<u>1,416,222</u>	<u>42,761</u>	<u>1,373,461</u>
Total Long Term Liabilities	<u>\$ 1,743,776</u>	<u>\$ 125,868</u>	<u>\$ 1,617,908</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, 2021.

B. Bonds Authorized But Not Issued:

As of June 30, 2021, the Board had no bonds authorized but not issued.

C. Capital Leases Payable:

As of June 30, 2021, 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 \$244,447.

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, 2021, no liability existed for compensated absences in the Food Service Fund.

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

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(Continued)

NOTE 7. LONG-TERM LIABILITIES (Cont'd)

E. Net Pension Liability:

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2021 is \$-0- and the long-term portion is \$1,373,461. See Note 8 for further information on the PERS.

NOTE 8. PENSION PLANS

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

A. Public Employees' Retirement System (PERS)

Plan Description

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

Benefits Provided

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

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

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

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years, beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$92,136 for fiscal year 2021.

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

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

At June 30, 2021, the District reported a liability of \$1,373,461 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019 which was rolled forward to June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2020, the District's proportion was 0.0084%, which was an increase of 0.0006% from its proportion measured as of June 30, 2019.

For the fiscal year ended June 30, 2021, the District recognized a pension benefit of (\$30,022). At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

	Year	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2016	5.57	\$ 44,557	
	2017	5.48		\$ 130,009
	2018	5.63		127,548
	2019	5.21		101,292
	2020	5.16		216,232
				<u>44,557</u>
Changes in Proportion	2016	5.57	5,839	
	2017	5.48		33,763
	2018	5.63		39,456
	2019	5.21		48,267
	2020	5.16		102,097
				<u>107,936</u>
Net Difference Between Projected and Actual				
Investment Earnings on Pension Plan Investments	2017	5.00	(16,807)	
	2018	5.00	(15,587)	
	2019	5.00	3,772	
	2020	5.00	75,568	
			<u>46,946</u>	
Difference Between Expected and Actual Experience				
	2016	5.57	1,352	
	2017	5.48	3,866	
	2018	5.63		4,857
	2019	5.21	7,743	
	2020	5.16	12,047	
			<u>25,008</u>	<u>4,857</u>
District Contribution Subsequent to the Measurement Date				
	2020	1	80,000	
			<u>\$ 304,447</u>	<u>\$ 701,424</u>

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

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

Fiscal Year Ending June 30,	Total
2021	\$ (172,344)
2022	(157,126)
2023	(89,793)
2024	(36,311)
2025	(7,853)
	\$ (463,427)

Actuarial Assumptions

The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2019 which was rolled forward to June 30, 2020. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

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

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee Mortality Table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and a 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2020) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	7.71%
Non-U.S. Developed Market Equity	13.50%	8.57%
Emerging Markets Equity	5.50%	10.23%
Private Equity	13.00%	11.42%
Real Assets	3.00%	9.73%
Real Estate	8.00%	9.56%
High Yield	2.00%	5.95%
Private Credit	8.00%	7.59%
Investment Grade Credit	8.00%	2.67%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Risk Management Strategies	3.00%	3.40%

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based upon 78% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2020 calculated using the discount rate as disclosed below, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2020		
	At 1% Decrease (6.00%)	At Current Discount Rate (7.00%)	At 1% Increase (8.00%)
District's proportionate share of the Net Pension Liability	\$ 1,725,128	\$ 1,373,461	\$ 1,069,438

Pension plan Fiduciary Net Position

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

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

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

Benefits Provided

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

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

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Benefits Provided (Cont'd)

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

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. For fiscal year 2021, the State's pension contribution was less than the actuarial determined amount.

Special Funding Situation

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the District. This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2021, the State of New Jersey contributed \$1,063,892 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$1,515,943.

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

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

At June 30, 2021, the State's proportionate share of the net pension liability associated with the District was \$24,378,245. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019 which was rolled forward to June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2020, the District's proportion was 0.037%, which was a decrease of 0.0004% from its proportion measured as of June 30, 2019.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

District's Proportionate Share of the Net Pension Liability	\$	-0-
State's Proportionate Share of the Net Pension Liability Associated with the District		24,378,245
Total	\$	<u>24,378,245</u>

For the fiscal year ended June 30, 2021, the State recognized pension expense on behalf of the District in the amount of \$1,515,943 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2021 financial statements.

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

	Year of Deferral	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	8.50	\$ 461,324,773	
	2015	8.30	1,638,696,238	
	2016	8.30	4,304,747,820	
	2017	8.30		\$ 6,882,861,832
	2018	8.29		4,349,959,805
	2019	8.04		3,009,143,115
	2020	7.99	1,411,170,422	
			<u>7,815,939,253</u>	<u>14,241,964,752</u>
Difference Between Expected and Actual Experience	2014	8.50		4,393,807
	2015	8.30	101,207,836	
	2016	8.30		53,533,223
	2017	8.30	122,460,660	
	2018	8.29	763,099,015	
	2019	8.04		116,909,940
	2020	7.99		7,520,890
			<u>986,767,511</u>	<u>182,357,860</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2017	5.00	(226,008,261)	
	2018	5.00	(192,060,744)	
	2019	5.00	108,662,078	
	2020	5.00	965,582,162	
			<u>656,175,235</u>	
		<u>\$ 9,458,881,999</u>	<u>\$ 14,424,322,612</u>	

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

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

Fiscal Year Ending June 30,	Total
2021	\$ (262,056,928)
2022	(188,358,995)
2023	(774,174,971)
2024	(1,939,112,462)
2025	(1,466,451,639)
Thereafter	(335,285,618)
	\$ (4,965,440,613)

Actuarial Assumptions

The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2019 which was rolled forward to June 30, 2020. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

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

Pre-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Employee mortality table with a 93.9% adjustment for males and 85.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Healthy Retiree mortality table with a 114.7% adjustment for males and a 99.6% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for males and 100.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2018.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2020) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	7.71%
Non-U.S. Developed Market Equity	13.50%	8.57%
Emerging Markets Equity	5.50%	10.23%
Private Equity	13.00%	11.42%
Real Assets	3.00%	9.73%
Real Estate	8.00%	9.56%
High Yield	2.00%	5.95%
Private Credit	8.00%	7.59%
Investment Grade Credit	8.00%	2.67%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Risk Management Strategies	3.00%	3.40%

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 5.40% as of June 30, 2020. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 2.21% as of June 30, 2020 based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on 78% of the actuarially determined contributions for the State. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2062. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2062, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

The following presents the net pension liability of the State as of June 30, 2020 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2020		
	At 1% Decrease (4.40%)	At Current Discount Rate (5.40%)	At 1% Increase (6.40%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 28,635,104	\$ 24,378,245	\$ 20,843,638

Pension Plan Fiduciary Net Position - TPAF

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

C. Defined Contribution Retirement Program (DCRP)

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

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

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

For DCRP, the District recognized pension expense of \$20,877 for the fiscal year ended June 30, 2021. Employee contributions to DCRP amounted to \$28,494 for the fiscal year ended June 30, 2021.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(Continued)

NOTE 9. RISK MANAGEMENT

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

Property and Liability Insurance

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

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

The June 30, 2021 audit was not available as of the date of this report; however, selected, summarized financial information for the Fund as of June 30, 2020 is as follows:

	<u>School Alliance Insurance Fund</u>
Total Assets	<u>\$ 51,526,293</u>
Net Position	<u>\$ 20,539,909</u>
Total Revenue	<u>\$ 43,264,716</u>
Total Expenses	<u>\$ 41,642,794</u>
Change in Net Position	<u>\$ 1,621,922</u>
Member Dividends	<u>\$ -0-</u>

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

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

New Jersey Unemployment Compensation Insurance

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

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

(Continued)

NOTE 10. ECONOMIC DEPENDENCY

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

NOTE 11. DEFERRED COMPENSATION

The Board offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Section 403(b) and 457. The plans, which are administered by the entities listed below, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency. The plan administrators are as follows:

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

NOTE 12. TAX CALENDAR

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

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

NOTE 13. MAINTENANCE RESERVE ACCOUNT

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

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(Continued)

NOTE 13. MAINTENANCE RESERVE ACCOUNT (Cont'd)

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

The activity of the maintenance reserve for the July 1, 2020 to June 30, 2021 fiscal year is as follows:

Beginning Balance, July 1, 2020	\$ 650,000
Ending Balance, June 30, 2021	<u>\$ 650,000</u>

NOTE 14. ACCOUNTS PAYABLE.

	Governmental Funds			District Contribution Subsequent to the	
	General Fund	Special Revenue Fund	Total Governmental Funds	Measurement Date	Total Governmental Activities
Vendors	\$ 41,409	\$ 138	\$ 41,547		\$ 41,547
Payroll Deductions and Withholdings	8,729		8,729		8,729
Due to State of New Jersey				\$ 80,000	80,000
	<u>\$ 50,138</u>	<u>\$ 138</u>	<u>\$ 50,276</u>	<u>\$ 80,000</u>	<u>\$ 130,276</u>

NOTE 15. CONTINGENT LIABILITIES

Grant Programs

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

Litigation

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

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(Continued)

NOTE 15. CONTINGENT LIABILITIES (Cont'd)

Encumbrances

At June 30, 2021, there were encumbrances as detailed below in the governmental funds.

General Fund	Special Revenue Fund	Total Governmental Funds
\$ 16,063	\$ -0-	\$ 16,063

NOTE 16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

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

General Information about the OPEB Plan

Plan Description and Benefits Provided

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

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

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

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(Continued)

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

Plan Description and Benefits Provided (Cont'd)

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

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

Employees Covered by Benefit Terms

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

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

Total Nonemployer OPEB Liability

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

Actuarial Assumptions and Other Inputs

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

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

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

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

(Continued)

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

Mortality Rates

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

Health Care Trend Assumptions

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

Discount Rate

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

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

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

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

(Continued)

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

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

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

	June 30, 2019		
	At 1% Decrease (2.50%)	At Discount Rate (3.50%)	At 1% Increase (4.50%)
Total OPEB Liability Attributable to the District	\$ 21,040,949	\$ 17,810,255	\$ 15,243,969

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

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

	June 30, 2019		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 14,674,856	\$ 17,810,255	\$ 21,960,879

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

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

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

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

(Continued)

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

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

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

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

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

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(Continued)

NOTE 17: SUBSEQUENT EVENT

The COVID-19 outbreak in the United States and specifically in New Jersey has caused disruption of the District's normal financial operations. Though the impact on the District's operations cannot be reasonably estimated at this date, it is likely that there will be an impact on certain revenue in the General Fund other than state aid and the local tax levy. There have been additional operating expenses in the General Fund due to schools re-opening on a full-time basis.

The District's Food Service Fund has been impacted by COVID-19 for the fiscal year ending June 30, 2022 as the District continues to offer free lunch to all students under the Seamless Summer Option.

SCHEDULES OF REQUIRED
SUPPLEMENTARY INFORMATION

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

	Fiscal Year Ending June 30,						
	2015	2016	2017	2018	2019	2020	2021
District's proportion of the net pension liability	0.0106036547%	0.0088666023%	0.0091535690%	0.0085801580%	0.0000820568%	0.0078598307%	0.0084223261%
District's proportionate share of the net pension liability	\$ 1,985,294	\$ 1,990,375	\$ 2,711,025	\$ 1,997,324	\$ 1,615,657	\$ 1,416,222	\$ 1,373,461
District's covered employee payroll	\$ 629,695	\$ 629,695	\$ 588,369	\$ 577,758	\$ 548,507	\$ 552,106	\$ 635,598
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	315.28%	338.29%	460.77%	345.70%	294.56%	256.51%	216.09%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%	40.14%	48.10%	53.60%	56.27%	58.32%

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

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

	Fiscal Year Ending June 30,						
	2015	2016	2017	2018	2019	2020	2021
Contractually required contribution	\$ 87,415	\$ 76,229	\$ 82,289	\$ 79,816	\$ 81,772	\$ 76,651	\$ 92,136
Contributions in relation to the contractually required contribution	(87,415)	(76,229)	(82,289)	(79,816)	(81,772)	(76,651)	(92,136)
Contribution deficiency/(excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
District's covered employee payroll	\$ 629,695	\$ 588,369	\$ 577,758	\$ 548,507	\$ 552,106	\$ 635,598	\$ 694,319
Contributions as a percentage of covered employee payroll	13.88%	12.96%	14.24%	14.55%	14.81%	12.06%	13.27%

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

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

	Fiscal Year Ending June 30,						
	2015	2016	2017	2018	2019	2020	2021
State's proportion of the net pension liability attributable to the District	0.0392077322%	0.0381650740%	0.0385951104%	0.0368979137%	0.03889657691%	0.0374974554%	0.0370215500%
State's proportionate share of the net pension liability attributable to the District	\$ 20,955,257	\$ 24,121,915	\$ 30,361,371	\$ 24,877,904	\$ 24,789,185	\$ 23,012,551	\$ 24,378,245
District's covered employee payroll	\$ 3,805,905	\$ 3,805,905	\$ 3,925,675	\$ 4,001,422	\$ 3,907,265	\$ 3,473,832	\$ 4,137,142
State's proportionate share of the net pension liability attributable to the District as a percentage of its covered employee payroll	550.60%	614.47%	773.41%	621.73%	634.44%	662.45%	589.25%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%	22.33%	25.41%	26.49%	26.95%	24.60%

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

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

	Fiscal Year Ending June 30,						
	2015	2016	2017	2018	2019	2020	2021
Contractually required contribution	\$ 1,127,590	\$ 1,472,860	\$ 2,281,235	\$ 1,723,415	\$ 1,445,123	\$ 1,357,341	\$ 1,515,943
Contributions in relation to the contractually required contribution	<u>(206,334)</u>	<u>(309,007)</u>	<u>(400,517)</u>	<u>(573,829)</u>	<u>(737,484)</u>	<u>(812,024)</u>	<u>(1,063,892)</u>
Contribution deficiency/(excess)	<u>\$ 921,256</u>	<u>\$ 1,163,853</u>	<u>\$ 1,880,718</u>	<u>\$ 1,149,586</u>	<u>\$ 707,639</u>	<u>\$ 545,317</u>	<u>\$ 452,051</u>
District's covered employee payroll	\$ 3,805,905	\$ 3,925,675	\$ 4,001,422	\$ 3,907,265	\$ 3,473,832	\$ 4,137,142	\$ 4,323,093
Contributions as a percentage of covered employee payroll	5.42%	7.87%	10.01%	14.69%	21.23%	19.63%	24.61%

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

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

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

* - Covered payroll for the fiscal years ending June 30, 2017, June 30, 2018, June 30, 2019 and June 30, 2020 are based on the payroll on the June 30, 2016, June 30, 2017, June 30, 2018 census data.

Note: This schedule does not contain ten years of information as GASB No. 75 was implemented during the fiscal year ended June 30, 2018.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 6.28% as of June 30, 2019 to 7.00% as of June 30, 2020.

In the July 1, 2018 actuarial valuation the mortality improvement was based on Scale MP-2019 while in the July 1, 2019 actuarial valuation the mortality improvement was based on Scale MP-2020.

B. TEACHERS' PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 5.60% as of June 30, 2019 to 5.40% as of June 30, 2020. The municipal bond rate changed from 3.50% to 2.21%.

In the July 1, 2018 actuarial valuation the mortality improvement was based on Scale MP-2019 while in the July 1, 2019 actuarial valuation the mortality improvement was based on Scale MP-2020.

C. STATE HEALTH BENEFITS LOCAL EDUCATION RETIRED EMPLOYEES OPEN PLAN

Benefit Changes

There were none.

Changes of Actuarial Assumptions

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

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

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

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

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

C. STATE HEALTH BENEFITS LOCAL EDUCATION RETIRED EMPLOYEES OPEN PLAN (Cont'd)

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

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

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

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

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

BUDGETARY COMPARISON SCHEDULES

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenue:					
Local Sources:					
Local Tax Levy	\$ 5,981,549		\$ 5,981,549	\$ 5,981,549	
Tuition - Other LEA's Within the State				37,014	\$ 37,014
Tuition - Individual				20,563	20,563
Unrestricted Miscellaneous	3,000		3,000	56,129	53,129
Total - Local Sources	<u>5,984,549</u>		<u>5,984,549</u>	<u>6,095,255</u>	<u>110,706</u>
State Sources:					
Transportation Aid	49,243		49,243	49,243	
Special Education Aid	303,322		303,322	303,322	
Equalization Aid	2,680,420		2,680,420	2,680,420	
Categorical Security Aid	95,302		95,302	95,302	
Adjustment Aid	100,129		100,129	100,129	
Additional Prior Year Extraordinary Aid				6,258	6,258
Extraordinary Aid				9,255	9,255
Non-Public Transportation				2,610	2,610
TPAF Pension Contribution (On-Behalf - Non-Budgeted)				1,063,892	1,063,892
TPAF NCGI Premium (On-Behalf - Non-Budgeted)				20,242	20,242
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				339,751	339,751
TPAF Long-Term Disability Insurance Contributions (On-Behalf - Non-Budgeted)				693	693
TPAF Social Security (Reimbursed - Non-Budgeted)				309,926	309,926
Total State Sources	<u>3,228,416</u>		<u>3,228,416</u>	<u>4,981,043</u>	<u>1,752,627</u>
Federal Sources:					
Medicaid Assistance Program	17,339		17,339	26,923	9,584
Total Federal Sources	<u>17,339</u>		<u>17,339</u>	<u>26,923</u>	<u>9,584</u>
Total Revenue	<u>9,230,304</u>		<u>9,230,304</u>	<u>11,103,221</u>	<u>1,872,917</u>

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Current Expense:					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 194,313	\$ 49,250	\$ 243,563	\$ 241,463	\$ 2,100
Grades 1-5 - Salaries of Teachers	1,115,917	(17,000)	1,098,917	1,098,503	414
Grades 6-8 - Salaries of Teachers	775,496	(68,035)	707,461	697,639	9,822
Regular Programs - Home Instruction:					
Salaries of Teachers	1,000	(269)	731	269	731
Purchased Professional-Educational Services					
Regular Programs - Undistributed Instruction:					
Other Purchased Services	76,000		76,000	53,809	22,191
General Supplies	97,000		97,000	40,167	56,833
Textbooks	59,500	(3,686)	55,814	49,013	6,801
Other Objects	750		750	750	750
Total Regular Programs - Instruction	2,319,976	(39,471)	2,280,505	2,180,863	99,642
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	257,950	2,976	260,926	256,576	4,350
Other Salaries for Instruction	47,379	(2,976)	44,403	29,839	14,564
General Supplies	4,000	(1,700)	2,300	1,565	735
Total Learning and/or Language Disabilities	309,329	(1,700)	307,629	287,980	19,649
Behavioral Disabilities:					
Salaries of Teachers	122,250		122,250	118,646	3,604
Other Salaries for Instruction	62,305	(34,471)	27,834	23,015	4,819
General Supplies	1,500		1,500	662	838
Total Behavioral Disabilities	186,055	(34,471)	151,584	142,323	9,261
Resource Room/Resource Center:					
Salaries of Teachers	446,276	30,471	476,747	465,226	11,521
Other Salaries for Instruction	112,205	(22,189)	90,016	82,270	7,746
General Supplies	3,798	(1,894)	1,904	1,586	318
Total Resource Room/Resource Center	562,279	6,388	568,667	549,082	19,585

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Special Education - Autistic:					
Salaries of Teachers	\$ 88,864	\$ (100)	\$ 88,764	\$ 85,226	\$ 3,538
Other Salaries for Instruction	37,481		37,481	27,323	10,158
General Supplies	3,000		3,000	352	2,648
Total Special Education - Autistic	129,345	(100)	129,245	112,901	16,344
Preschool Disabilities - Full Time:					
Other Salaries for Instruction	10,689	26,975	37,664	421	37,243
General Supplies	2,132	(2,000)	132		132
Total Preschool Disabilities - Full Time	12,821	24,975	37,796	421	37,375
Home Instruction - Special Education:					
Salaries of Teachers	4,250	791	5,041	5,041	
Purchased Professional-Educational Services		2,803	2,803	479	2,324
Total Home Instruction - Special Education	4,250	3,594	7,844	5,520	2,324
Total Special Education - Instruction	1,204,079	(1,314)	1,202,765	1,098,227	104,538
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	196,508	2,954	199,462	196,662	2,800
General Supplies	1,875		1,875	323	1,552
Total Basic Skills/Remedial - Instruction	198,383	2,954	201,337	196,985	4,352
Bilingual Education - Instruction:					
Salaries of Teachers	23,379		23,379	23,378	1
General Supplies	1,200		1,200		1,200
Total Bilingual Education - Instruction	24,579		24,579	23,378	1,201

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	\$ 40,679		\$ 40,679	\$ 18,823	\$ 21,856
Supplies and Materials	3,000		3,000	14	2,986
Other Objects	500		500	27	473
Transfers to Cover Deficit (Agency Funds)	15,000		15,000	6,719	8,281
Total School-Sponsored Cocurricular Activities - Instruction	59,179		59,179	25,583	33,596
School-Sponsored Cocurricular Activities - Athletics - Instruction:					
Salaries	45,000		45,000		45,000
Supplies and Materials	4,750		4,750		4,750
Other Objects	750	\$ (176)	574		574
Transfers to Cover Deficit (Agency Funds)	4,200		4,200		4,200
Total School-Sponsored Cocurricular Activities - Athletics - Instruction	54,700	(176)	54,524		54,524
Other Instructional Programs - Summer School - Instruction:					
Salaries of Teachers	28,000	(4,261)	23,739	16,474	7,265
Other Salaries of Instruction	8,000		8,000	2,608	5,392
General Supplies	1,500	(1,500)			
Total Other Instructional Programs - Summer School - Instruction	37,500	(5,761)	31,739	19,082	12,657
Other Supplemental/At Risk Programs - Instruction:					
Salaries of Teachers	63,060		63,060	62,060	1,000
Other Salaries of Instruction	1,550	(702)	848	418	430
General Supplies	350		350		350
Total Other Supplemental/At Risk Programs - Instruction:	64,960	(702)	64,258	62,478	1,780
Total Instruction	3,963,356	(44,470)	3,918,886	3,606,596	312,290
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Special	116,721	(8,441)	108,280	4,157	104,123
Tuition to Private School for the Disabled - Within the State	112,912	2,991	115,903	25,903	90,000
Total Undistributed Expenditures - Instruction	229,633	(5,450)	224,183	30,060	194,123

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Health Services:					
Salaries	\$ 90,055	\$ (7,605)	\$ 82,450	\$ 74,393	\$ 8,057
Purchased Professional and Technical Services	5,500	21,761	27,261	24,224	3,037
Other Purchased Services (400-500 series)	2,350	(916)	1,434	898	536
Supplies and Materials	5,776	916	6,692	6,692	
Other Objects	350		350	198	152
Total Health Services	104,031	14,156	118,187	106,405	11,782
Other Support Services - Speech, OT, PT and Related Services:					
Salaries	142,252	(36,960)	105,292	104,292	1,000
Purchased Professional - Educational Services	100,000	(19,009)	80,991	75,947	5,044
Supplies and Materials	5,300	(552)	4,748	4,710	38
Total Other Support Services - Speech, OT, PT and Related Services	247,552	(56,521)	191,031	184,949	6,082
Other Support Services - Extraordinary Services:					
Salaries	52,419	29,179	81,598	77,472	4,126
Purchased Professional - Educational Services	80,000	(14,681)	65,319	1,485	63,834
Total Other Support Services - Extraordinary Services	132,419	14,498	146,917	78,957	67,960
Other Support Services - Guidance:					
Salaries of Other Professional Staff	68,394		68,394	62,805	5,589
Other Purchased Services (400-500 series)		3,333	3,333		3,333
Supplies and Materials	3,000		3,000	125	2,875
Total Other Support Services - Guidance	71,394	3,333	74,727	62,930	11,797
Other Support Services - Child Study Teams:					
Salaries of Other Professional Staff	272,270		272,270	264,260	8,010
Salaries of Secretarial and Clerical Assistants	39,516		39,516	38,556	960
Purchased Professional - Educational Services	6,000		6,000	1,565	4,435
Miscellaneous Purchased Services (400-500 series)	3,800		3,800	3,600	200
Supplies and Materials	4,000		4,000	895	3,105
Other Objects	500		500	75	425
Total Other Support Services - Child Study Teams	326,086		326,086	308,951	17,135

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Educational Media Services - School Library:					
Salaries	\$ 94,105		\$ 94,105	\$ 93,099	\$ 1,006
Salaries of Technology Coordinators	70,000		70,000	63,831	6,169
Supplies and Materials	6,100	\$ (6)	6,094	3,438	2,656
Other Objects		6	6	6	
Total Educational Media Services - School Library	170,205		170,205	160,374	9,831
Improvement of Instructional Services:					
Salaries of Supervisors of Instruction	103,134	(25,783)	77,351	77,350	1
Salaries of Other Professional Staff	10,000		10,000		10,000
Salaries of Secretarial and Clerical Assistants	44,117		44,117	43,575	542
Unused Vacation Payment to Terminated/Retired Staff	3,174		3,174		3,174
Supplies and Materials	4,325		4,325	2,222	2,103
Other Objects	1,500		1,500	1,445	55
Total Improvement of Instructional Services	166,250	(25,783)	140,467	124,592	15,875
Instructional Staff Training Services:					
Purchased Professional - Educational Services	7,000	5,000	12,000	4,178	7,822
Other Purchased Services (400-500 series)	31,253	(5,000)	26,253	4,904	21,349
Supplies and Materials	750		750		750
Total Instructional Staff Training Services	39,003		39,003	9,082	29,921
General Administration:					
Salaries	207,864	4,999	212,863	212,819	44
Legal Services	32,500		32,500	27,319	5,181
Audit Fees	24,500	800	25,300	25,300	
Architectural / Engineering Services	15,000	(800)	14,200		14,200
Communications/Telephone	18,700	2,447	21,147	14,056	7,091
BOE Other Purchased Services	7,500	(6,000)	1,500	1,496	4
Miscellaneous Purchased Services (400-500 series)	43,440	2,353	45,793	38,976	6,817

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
General Administration (Cont'd):					
General Supplies	\$ 6,000		\$ 6,000	\$ 1,961	\$ 4,039
BOE In-House Training and Meeting Supplies	500		500	101	399
Miscellaneous Expenditures	4,250	\$ 1,442	5,692	5,692	
BOE Membership Dues and Fees	6,000	(242)	5,758	4,678	1,080
Total General Administration	366,254	4,999	371,253	332,398	38,855
School Administration:					
Salaries of Principals/Assistant Principals	109,191		109,191	109,191	
Salaries of Secretarial and Clerical Assistants	38,557	480	39,037	39,037	
Unused Vacation Payment to Terminated/Retired Staff	4,200		4,200	4,200	
Other Purchased Services (400-500 series)	2,000	(1,750)	250		250
Supplies and Materials	4,700	(958)	3,742	3,199	543
Other Objects	3,000		3,000	1,640	1,360
Total School Administration	161,648	(2,228)	159,420	157,267	2,153
Central Services:					
Salaries	184,045	(8,910)	175,135	166,712	8,423
Miscellaneous Purchased Services (400-500 series)	23,025	2,000	25,025	24,395	630
Supplies and Materials	4,500	2,160	6,660	6,660	
Other Objects	2,550	(489)	2,061	1,090	971
Total Central Services	214,120	(5,239)	208,881	198,857	10,024
Required Maintenance for School Facilities:					
Salaries	89,663		89,663	77,345	12,318
Cleaning, Repair and Maintenance Services	199,720		199,720	114,174	85,546
Lead Testing of Drinking Water	7,000		7,000		7,000
Other Objects	500		500	258	242
Total Required Maintenance for School Facilities	296,883		296,883	191,777	105,106

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Custodial Services:					
Salaries	\$ 292,624	\$ (14,193)	\$ 278,431	\$ 241,430	\$ 37,001
Salaries of Non-Instructional Aides	37,933	14,193	52,126	46,391	5,735
Unused Vacation Payment to Terminated/Retired Staff	13,100		13,100	8,877	4,223
Cleaning, Repair and Maintenance Services	22,000	(63)	21,937	19,003	2,934
Other Purchased Property Services	29,600		29,600	25,116	4,484
Insurance	83,601	11,150	94,751	93,017	1,734
Miscellaneous Purchased Services	2,000	2,200	4,200	3,119	1,081
General Supplies	66,441	78,094	144,535	139,456	5,079
Energy (Gasoline)	2,000		2,000	1,869	131
Energy (Electricity)	85,000	(3,200)	81,800	59,314	22,486
Energy (Natural Gas)	120,000	(33,000)	87,000	72,143	14,857
Other Objects	2,000		2,000	717	1,283
Total Custodial Services	756,299	55,181	811,480	710,452	101,028
Care and Upkeep of Grounds:					
Salaries	25,572		25,572	25,571	1
Unused Vacation Payment-To Terminated/Retired Staff	1,100		1,100	1,100	
Cleaning, Repair and Maintenance Services	12,000	(3,300)	8,700	7,134	1,566
General Supplies	12,000	(662)	11,338	8,702	2,636
Total Care and Upkeep of Grounds	50,672	(3,962)	46,710	42,507	4,203
Security:					
Salaries	40,617		40,617	30,518	10,099
Purchased Professional and Technical Services	15,800	(15,170)	630	630	
Cleaning, Repair and Maintenance Services	2,000	1,170	3,170	1,485	1,685
General Supplies	17,000	(12,188)	4,812	4,525	287
Total Security	75,417	(26,188)	49,229	36,528	12,701

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Student Transportation Services:					
Salaries for Pupil Trans (Between Home & School) - Regular	\$ 43,725	\$ 2,091	\$ 45,816	\$ 45,816	
Management Fee - ESC & CTSA Transportation Program	9,800	(2,091)	7,709	5,881	\$ 1,828
Aid in Lieu Payments - Non Public Students	4,000		4,000	500	3,500
Aid in Lieu Payments - Charter School Students	4,000		4,000		4,000
Aid in Lieu Payments - Choice School Students	17,000		17,000	3,614	13,386
Contracted Services (Other than Between Home and School)- Vendors	24,000		24,000	2,402	21,598
Contracted Services (Regular Students) - ESC's & CTSA's	78,326	(25,031)	53,295	43,847	9,448
Contracted Services (Special Education Students) - ESC's & CTSA's	217,335	(22,557)	194,778	122,870	71,908
Total Student Transportation Services	398,186	(47,588)	350,598	224,930	125,668
Unallocated Benefits:					
Group Insurance	8,999		8,999	5,336	3,663
Social Security Contributions	137,000		137,000	123,985	13,015
Other Retirement Contributions - Regular	20,000		20,000	15,541	4,459
Other Retirement Contributions - PERS	91,000	1,136	92,136	92,136	
Unemployment Compensation	25,000		25,000	20,893	4,107
Workmen's Compensation	98,125	(1,136)	96,989	86,479	10,510
Health Benefits	1,415,996	(66,470)	1,349,526	1,195,249	154,277
Tuition Reimbursement	35,000		35,000	27,193	7,807
Other Employee Benefits	42,800		42,800	37,527	5,273
Unused Sick Payment	45,000		45,000	13,501	31,499
Total Unallocated Benefits	1,918,920	(66,470)	1,852,450	1,617,840	234,610

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
On Behalf Contributions:					
TPAF Pension Contribution (On-Behalf - Non-Budgeted)				\$ 1,063,892	\$ (1,063,892)
TPAF NCGI Premium (On-Behalf - Non-Budgeted)				20,242	(20,242)
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				339,751	(339,751)
TPAF Long-Term Disability Insurance Contributions (On-Behalf - Non-Budgeted)				693	(693)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				309,926	(309,926)
Total On-Behalf Contributions				<u>1,734,504</u>	<u>(1,734,504)</u>
Total Personal Services - Employee Benefits	\$ 1,918,920	\$ (66,470)	\$ 1,852,450	3,352,344	(1,499,894)
Total Undistributed Expenditures	5,724,972	(147,262)	5,577,710	6,313,360	(735,650)
Total Current Expense	9,688,328	(191,732)	9,496,596	9,919,956	(423,360)
Capital Outlay:					
Equipment:					
Grades 1-5	37,390		37,390	36,701	689
School Administration		2,468	2,468	2,468	
Central Services		5,450	5,450	5,450	
Equipment-Enrichment		2,378	2,378	380	1,998
Maintenance Equipment		5,556	5,556	5,556	
Total Equipment	<u>37,390</u>	<u>15,852</u>	<u>53,242</u>	<u>50,555</u>	<u>2,687</u>
Facilities Acquisition and Construction Services:					
Architectural/Engineering Services		53,250	53,250	53,250	
Construction Services	245,500		245,500	222,444	23,056
Assessment for Debt Service on SDA Funding	4,133		4,133	4,133	
Total Facilities Acquisition and Construction Services	<u>249,633</u>	<u>53,250</u>	<u>302,883</u>	<u>279,827</u>	<u>23,056</u>
Total Capital Outlay	<u>287,023</u>	<u>69,102</u>	<u>356,125</u>	<u>330,382</u>	<u>25,743</u>
Transfer of Funds to Charter Schools	126,870	(10,000)	116,870	93,435	23,435
Total Expenditures	<u>10,102,221</u>	<u>(132,630)</u>	<u>9,969,591</u>	<u>10,343,773</u>	<u>(374,182)</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	(871,917)	132,630	(739,287)	759,448	1,498,735

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Other Financing Sources/(Uses):					
Transfer to Special Revenue Fund - PreK - Inclusion	\$ (132,630)	\$ (132,630)	\$ (132,630)	\$ (128,160)	\$ 4,470
Total Other Financing Sources/(Uses)	\$ (871,917)	(132,630)	(871,917)	631,288	1,503,205
Excess (Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	3,035,125		3,035,125	3,035,125	
Fund Balance, July 1	\$ 2,163,208	\$ - 0 -	\$ 2,163,208	\$ 3,666,413	\$ 1,503,205
Fund Balance, June 30					

Recapitulation

Capital Reserve	\$ 1,567,348
Maintenance Reserve	650,000
Excess Surplus - 2021-2022	500,000
Excess Surplus - 2022-2023	500,000
Assigned Fund Balance:	
Year-End Encumbrances	16,063
For Subsequent Year's Expenditures	65,382
Unassigned Fund Balance	367,620
	3,666,413

Reconciliation to Governmental Funds Statements (GAAP):

Last Two State Aid Payments not Recognized on GAAP Basis	(322,428)
Fund Balance per Governmental Funds (GAAP)	\$ 3,343,985

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources		\$ 35,554	\$ 35,554	\$ 25,119	\$ (10,435)
State Sources	\$ 1,322,092	12,683	1,334,775	691,234	(643,541)
Federal Sources	230,194	180,322	410,516	384,464	(26,052)
Total Revenues	<u>1,552,286</u>	<u>228,559</u>	<u>1,780,845</u>	<u>1,100,817</u>	<u>(680,028)</u>
Other Financing Sources:					
Transfer In - Board Contribution - General Fund	132,630		132,630	128,160	(4,470)
Total Revenues and Other Financing Sources	<u>1,684,916</u>	<u>228,559</u>	<u>1,913,475</u>	<u>1,228,977</u>	<u>(684,498)</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers	673,628	60,976	734,604	399,048	335,556
Other Salaries for Instruction	148,596	15,012	163,608	128,450	35,158
Purchased Professional/Technical Services	16,613	19,797	36,410	31,071	5,339
Other Purchased Services (400-500 series)		16,613	16,613	848	15,765
General Supplies	125,194	78,603	203,797	114,774	89,023
Tuition	134,758	24,408	159,166	158,666	500
Other Objects		2,000	2,000		2,000
Total Instruction	<u>1,098,789</u>	<u>217,409</u>	<u>1,316,198</u>	<u>832,857</u>	<u>483,341</u>
Support Services:					
Salaries of Master Teachers	60,000	39,003	99,003	86,159	12,844
Purchased Professional/Technical Services		11,577	11,577	11,577	
Purchased Professional Educational Services		22,061	22,061	19,223	2,838
Personal Services - Employee Benefits	480,249	(116,050)	364,199	249,204	114,995
Transportation - Between Home and School	36,900	15,231	52,131		52,131
Other Purchased Services	8,978	(7,377)	1,601		1,601
Supplies and Materials		9,153	9,153	7,660	1,493
Student Activities		20,299	20,299	16,709	3,590
Total Support Services	<u>586,127</u>	<u>(6,103)</u>	<u>580,024</u>	<u>390,532</u>	<u>189,492</u>
Facilities Acquisition and Construction Services:					
Construction Services		15,255	15,255		15,255
Non-Instructional Equipment		1,998	1,998	1,998	
Total Facilities Acquisition		<u>17,253</u>	<u>17,253</u>	<u>1,998</u>	<u>15,255</u>
Total Expenditures	<u>\$ 1,684,916</u>	<u>\$ 228,559</u>	<u>\$ 1,913,475</u>	<u>\$ 1,225,387</u>	<u>\$ 688,088</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 3,590</u>	<u>\$ 3,590</u>

FRANKLIN BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues 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	\$ 11,103,221	\$ 1,100,817
Differences - Budget to GAAP:		
Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		
Prior Year Encumbrances		
Local		15,255
State		123
Federal		1,401
Prior Year State Aid Payments Recognized for GAAP Statements	327,186	65,205
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(322,428)</u>	<u>(129,977)</u>
 Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	 <u>\$ 11,107,979</u>	 <u>\$ 1,052,824</u>
 Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 10,343,773	\$ 1,225,387
Differences - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
		<u>16,779</u>
 Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	 <u>\$ 10,343,773</u>	 <u>\$ 1,242,166</u>

Annual appropriated budgets are prepared in the spring of each year for the General and Special Revenue Funds. The budget for the fiscal year ended June 30, 2021 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)l. Transfers of appropriations may be made by school board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

FRANKLIN BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

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

SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)

SPECIAL REVENUE FUND

FRANKLIN BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Elementary and Secondary Education Act		IDEA Part B		
	Title I	Title II Part A	Title IV	Basic	Preschool
REVENUE:					
Local Sources					
State Sources					
Federal Sources	\$ 70,908	\$ 10,577	\$ 12,215	\$ 179,166	\$ 9,912
Total Revenue	70,908	10,577	12,215	179,166	9,912
Other Financing Sources:					
Transfer In - Board Contribution - General Fund					
Total Revenue and Other Financing Sources	70,908	10,577	12,215	179,166	9,912
EXPENDITURES:					
Instruction:					
Salaries of Teachers	70,908				
Other Salaries for Instruction					9,912
Purchased Professional/Technical Services			6,071	25,000	
Other Purchased Services (400-500 series)			4,146		
General Supplies				154,166	
Tuition					
Total Instruction	70,908		10,217	179,166	9,912
Support Services:					
Salaries of Master Teachers		10,577			
Purchased Professional/Technical Services					
Purchased Professional Educational Services					
Personal Services - Employee Benefits					
Supplies and Materials					
Student Activities					
Total Support Services		10,577			
Facilities Acquisition:					
Non-Instructional Equipment			1,998		
Total Facilities Acquisition			1,998		
Total Expenditures	\$ 70,908	\$ 10,577	\$ 12,215	\$ 179,166	\$ 9,912

FRANKLIN BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	COVID-19 - CARES Emergency Relief Grant	COVID 19 - Coronavirus Relief Fund (CRF) Grant	Preschool Education Aid	Local Grants	Student Activities Fund	Totals
REVENUE:						
Local Sources						
State Sources	\$ 67,925	\$ 33,761	\$ 691,234	\$ 4,820	\$ 20,299	\$ 25,119
Federal Sources						691,234
Total Revenue	\$ 67,925	\$ 33,761	\$ 691,234	\$ 4,820	\$ 20,299	\$ 384,464
Other Financing Sources:						
Transfer In - Board Contribution - General Fund			128,160			128,160
Total Revenue and Other Financing Sources	\$ 67,925	\$ 33,761	\$ 819,394	\$ 4,820	\$ 20,299	\$ 1,228,977
EXPENDITURES:						
Instruction:						
Salaries of Teachers			328,140			399,048
Other Salaries for Instruction			118,538			128,450
Purchased Professional/Technical Services						31,071
Other Purchased Services (400-500 series)			848			848
General Supplies	60,941	29,261	15,606	4,820		114,774
Tuition		4,500				158,666
Total Instruction	\$ 60,941	\$ 33,761	\$ 463,132	\$ 4,820		\$ 832,857
Support Services:						
Salaries of Master Teachers			72,939			72,939
Purchased Professional/Technical Services	1,000		19,223			11,577
Purchased Professional Educational Services			262,424			19,223
Personal Services - Employee Benefits			1,676			262,424
Supplies and Materials	5,984					7,660
Student Activities					16,709	16,709
Total Support Services	\$ 6,984		\$ 356,262		\$ 16,709	\$ 390,532
Facilities Acquisition:						
Non-Instructional Equipment						1,998
Total Facilities Acquisition						1,998
Total Expenditures	\$ 67,925	\$ 33,761	\$ 819,394	\$ 4,820	\$ 16,709	\$ 1,225,387

FRANKLIN BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
PRESCHOOL EDUCATION EXPANSION AID SCHEDULE OF EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

District-wide Total

	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES:			
Instruction:			
Salaries of Teachers	\$ 654,604	\$ 328,140	\$ 326,464
Other Salaries for Instruction	153,696	118,538	35,158
Other Purchased Services (400-500 series)	16,613	848	15,765
General Supplies	109,326	15,606	93,720
Total Instruction	<u>934,239</u>	<u>463,132</u>	<u>471,107</u>
Support Services:			
Salaries of Master Teachers	99,003	72,939	26,064
Personal Services - Employee Benefits	358,079	262,424	95,655
Purchased Professional - Educational Services	22,061	19,223	2,838
Transportation - Between Home and School	12,530		12,530
Cleaning, Repair and Maintenance	35,131		35,131
Supplies and Materials	1,769	1,676	93
Total Support Services	<u>528,573</u>	<u>356,262</u>	<u>172,311</u>
Total Expenditures	<u>\$ 1,462,812</u>	<u>\$ 819,394</u>	<u>\$ 643,418</u>

CALCULATION OF BUDGET & CARRYOVER

Total Revised 2020-2021 Preschool Education Aid Allocation	\$ 1,299,774
Add: Actual PEA Carryover (June 30, 2020)	34,890
Add: Budgeted Transfer from General Fund	128,160
Total Preschool Education Aid Funds Available for 2020-2021 Budget	<u>1,462,824</u>
Less: 2020-2021 Budgeted Preschool Education Aid (Including prior year budgeted carryover)	(1,462,812)
Available & Unbudgeted Preschool Education Aid Funds as of June 30, 2021	<u>12</u>
Add: June 30, 2021 Unexpended Preschool Education Aid	<u>\$ 643,418</u>
2020-2021 Preschool Education Aid Carryover Budgeted for Preschool Programs in 2021-2022	<u>\$ 643,430</u>

CAPITAL PROJECTS FUND
(NOT APPLICABLE)

PROPRIETARY FUNDS

FRANKLIN BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET POSITION
JUNE 30, 2021

ASSETS:

Current Assets:	
Cash and Cash Equivalents	\$ 28,508
Intergovernmental Accounts Receivable:	
Federal	17,010
State	850
Accounts Receivable	1,088
Inventories	6,965
	<hr/>
Total Current Assets	54,421
	<hr/>
Non-Current Assets:	
Capital Assets	146,947
Less: Accumulated Depreciation	(127,784)
	<hr/>
Total Non-Current Assets	19,163
	<hr/>
Total Assets	73,584
	<hr/>
LIABILITIES:	
Current Liabilities:	
Unearned Revenue - Prepaid Sales	3,831
Unearned Revenue - Donated Commodities	2,275
	<hr/>
Total Current Liabilities	6,106
	<hr/>
NET POSITION:	
Investment in Capital Assets	19,163
Unrestricted	48,315
	<hr/>
Total Net Postion	\$ 67,478
	<hr/> <hr/>

FRANKLIN BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 2,109
Total Operating Revenue	<u>2,109</u>
Operating Expenses:	
Cost of Sales - Reimbursable Programs	80,011
Salaries, Benefits and Payroll Taxes	76,338
Supplies and Other Costs	4,920
Management Fee	8,160
Depreciation Expense	1,362
Total Operating Expenses	<u>170,791</u>
Operating Loss	<u>(168,682)</u>
Non-Operating Income:	
Local Sources:	
Interest Income	61
State Sources:	
COVID-19 - Seamless Summer Option	5,658
Federal Sources:	
COVID-19 - Seamless Summer Option	156,089
Food Distribution Program	10,932
Total Non-Operating Income	<u>172,740</u>
Change in Net Position	4,058
Net Position - Beginning of Year	<u>63,420</u>
Net Position - End of Year	<u><u>\$ 67,478</u></u>

FRANKLIN BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 3,496
Payments to Employees	(76,338)
Payments to Food Service Vendor	(74,085)
Payments to Suppliers	(4,920)
Net Cash Used for Operating Activities	<u>(151,847)</u>
Cash Flows from Noncapital Financing Activities:	
Local Sources:	
Interest Income	61
State Sources:	
COVID-19 - Seamless Summer Option	4,826
Federal Sources:	
COVID-19 - Seamless Summer Option	140,903
Net Cash Provided by Noncapital Financing Activities	<u>145,790</u>
Net Decrease in Cash and Cash Equivalents	(6,057)
Cash and Cash Equivalents, July 1	<u>34,565</u>
Cash and Cash Equivalents, June 30	<u>\$ 28,508</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (168,682)
Adjustment to Reconcile Operating Loss to Cash Used for Operating Activities:	
Depreciation	1,362
Food Distribution Program	10,932
Changes in Assets and Liabilities:	
(Increase)/Decrease in Other Accounts Receivable	1,387
(Increase)/Decrease in Inventories	1,742
Increase/(Decrease) in Unearned Revenue - Prepaid Sales	1,312
Increase/(Decrease) in Unearned Revenue - Donated Commodities	100
Net Cash Used for Operating Activities	<u>\$ (151,847)</u>

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received commodities valued at \$11,032, and utilized \$10,932 of commodities.

FIDUCIARY ACTIVITIES
(NOT APPLICABLE)

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>
Financial Trends These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	J-1 thru J-5
Revenue Capacity These schedules contain information to help the reader assess the factors affecting the District's ability to generate its property taxes.	J-6 thru J-9
Debt Capacity These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	J-10 thru J-13
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other governments.	J-14 thru J-15
Operating Information These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the School provides and the activities it performs.	J-16 thru J-20

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

FRANKLIN BOROUGH SCHOOL DISTRICT

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

UNAUDITED

(Accrual Basis of Accounting)

	June 30,				
	2012	2013	2014	2015	2016
Governmental Activities:					
Net Investment in Capital Assets	\$ 1,144,048	\$ 1,011,225	\$ 945,150	\$ 1,088,306	\$ 1,103,719
Restricted	936,150	1,108,545	1,256,363	1,425,446	1,755,145
Unrestricted (Deficit)	(224,344)	(247,365)	(2,308,360)	(2,327,492)	(2,334,868)
Total Governmental Activities Net Position	\$ 1,855,854	\$ 1,872,405	\$ (106,847)	\$ 186,260	\$ 523,996
Business-Type Activities:					
Investment in Capital Assets	\$ 31,803	\$ 24,266	\$ 21,977	\$ 22,859	\$ 27,153
Unrestricted	49,171	48,628	45,410	34,353	49,507
Total Business-Type Activities Net Position	\$ 80,974	\$ 72,894	\$ 67,387	\$ 57,212	\$ 76,660
District-Wide:					
Net Investment in Capital Assets	\$ 1,175,851	\$ 1,035,491	\$ 967,127	\$ 1,111,165	\$ 1,130,872
Restricted	936,150	1,108,545	1,256,363	1,425,446	1,755,145
Unrestricted (Deficit)	(175,173)	(198,737)	(2,262,950)	(2,293,139)	(2,285,361)
Total District Net Position/(Deficit)	\$ 1,936,828	\$ 1,945,299	\$ (39,460)	\$ 243,472	\$ 600,656

FRANKLIN BOROUGH SCHOOL DISTRICT

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

UNAUDITED

(Accrual Basis of Accounting)

	June 30,				
	2017	2018	2019	2020	2021
Governmental Activities:					
Net Investment in Capital Assets	\$ 1,102,023	\$ 1,021,654	\$ 1,016,419	\$ 1,545,738	\$ 650,000
Restricted	1,900,732	2,265,723	2,518,831	2,592,326	726,138
Unrestricted (Deficit)	(2,368,703)	(2,332,354)	(2,274,981)	(2,249,746)	-
Total Governmental Activities Net Position	\$ 634,052	\$ 955,023	\$ 1,260,269	\$ 1,888,318	\$ 1,376,138
Business-Type Activities:					
Investment in Capital Assets	\$ 24,610	\$ 23,248	\$ 21,887	\$ 20,525	\$ -
Unrestricted	52,400	61,958	47,173	42,895	-
Total Business-Type Activities Net Position	\$ 77,010	\$ 85,206	\$ 69,060	\$ 63,420	\$ -
District-Wide:					
Net Investment in Capital Assets	\$ 1,126,633	\$ 1,044,902	\$ 1,038,306	\$ 1,566,263	\$ 650,000
Restricted	1,900,732	2,265,723	2,518,831	2,592,326	726,138
Unrestricted (Deficit)	(2,316,303)	(2,270,396)	(2,227,808)	(2,206,851)	-
Total District Net Position/(Deficit)	\$ 711,062	\$ 1,040,229	\$ 1,329,329	\$ 1,951,738	\$ 1,376,138

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,				
	2012	2013	2014	2015	2016
Expenses:					
Governmental Activities					
Instruction:					
Regular	\$ 3,135,585	\$ 3,262,853	\$ 3,299,543	\$ 3,968,504	\$ 4,143,993
Special Education	1,727,419	1,887,048	1,682,982	1,945,012	2,143,384
Other Special Instruction	64,418	103,423	102,233	149,879	192,107
School-Sponsored/Other Instruction	111,129	124,105	123,028	120,126	143,877
Support Services:					
Tuition	257,292	289,976	280,636	240,643	205,752
Student & Instruction Related Services	1,121,430	1,052,331	1,086,900	1,207,823	1,269,307
School Administrative Services	265,413	281,741	281,723	424,057	391,912
General Administrative Services	393,107	407,769	384,579	269,481	326,741
Central Services	279,044	289,215	282,428	262,464	243,173
Plant Operations and Maintenance	941,719	960,088	1,051,540	999,695	1,026,072
Pupil Transportation	174,420	212,738	235,386	293,369	317,747
Unallocated Depreciation	174,274	139,490	85,921	66,132	91,150
Capital Outlay		2,680	4,133	23,733	25,148
Charter Schools	49,489	72,557	91,239	82,088	45,715
Total Governmental Activities Expenses	<u>8,694,739</u>	<u>9,086,014</u>	<u>8,992,271</u>	<u>10,053,006</u>	<u>10,566,078</u>
Business-Type Activities:					
Food Service	161,431	169,208	171,026	177,280	177,935
Total Business-type Activities Expense	<u>161,431</u>	<u>169,208</u>	<u>171,026</u>	<u>177,280</u>	<u>177,935</u>
Total District Expenses	<u>\$ 8,856,170</u>	<u>\$ 9,255,222</u>	<u>\$ 9,163,297</u>	<u>\$ 10,230,286</u>	<u>\$ 10,744,013</u>

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

	Fiscal Year Ending June 30,				
	2012	2013	2014	2015	2016
Program Revenues					
Governmental Activities:					
Charges for Services:					
Tuition	\$ 30,000	\$ 89,992	\$ 86,715	\$ 46,043	\$ 46,016
Operating Grants and Contributions	1,417,527	1,598,952	1,420,590	2,483,155	2,861,736
Total Governmental Activities Program Revenues	<u>1,447,527</u>	<u>1,688,944</u>	<u>1,507,305</u>	<u>2,529,198</u>	<u>2,907,752</u>
Business-Type Activities:					
Charges for Services:					
Food Service	\$ 66,775	\$ 64,821	\$ 62,019	\$ 56,561	\$ 55,740
Operating Grants and Contributions	88,760	101,215	103,402	110,473	111,579
Total Business-type Activities Program Revenues	<u>155,535</u>	<u>166,036</u>	<u>165,421</u>	<u>167,034</u>	<u>167,319</u>
Total District Program Revenues	<u>\$ 1,603,062</u>	<u>\$ 1,854,980</u>	<u>\$ 1,672,726</u>	<u>\$ 2,696,232</u>	<u>\$ 3,075,071</u>
Net (Expense)/Revenue					
Governmental Activities	\$ (7,247,212)	\$ (7,397,070)	\$ (7,484,966)	\$ (7,523,808)	\$ (7,658,326)
Business-type Activities	<u>(5,896)</u>	<u>(3,172)</u>	<u>(5,605)</u>	<u>(10,246)</u>	<u>(10,616)</u>
Total District-wide Net Expense	<u>\$ (7,253,108)</u>	<u>\$ (7,400,242)</u>	<u>\$ (7,490,571)</u>	<u>\$ (7,534,054)</u>	<u>\$ (7,668,942)</u>

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

	Fiscal Year Ending June 30,				
	2012	2013	2014	2015	2016
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Property Taxes Levied for General Purposes, Net	\$ 4,408,150	\$ 4,496,313	\$ 4,586,239	\$ 4,806,638	\$ 4,994,231
Unrestricted Grants and Contributions	3,072,474	2,823,561	2,936,990	2,968,021	2,967,845
Investment Earnings & Other Miscellaneous Revenue	52,767	88,747	48,208	42,256	52,635
Cancellation on Prior Year Accounts Payable					11,351
Transfers		5,000			(30,000)
Total Governmental Activities	7,533,391	7,413,621	7,571,437	7,816,915	7,996,062
Business-Type Activities:					
Investment Earnings	108	92	98	71	64
Transfers/Other		(5,000)			30,000
Total Business-Type Activities	108	(4,908)	98	71	30,064
Total District-Wide	\$ 7,533,499	\$ 7,408,713	\$ 7,571,535	\$ 7,816,986	\$ 8,026,126
Change in Net Position:					
Governmental Activities	\$ 286,179	\$ 16,551	\$ 86,471	\$ 293,107	\$ 337,736
Business-type Activities	(5,788)	(8,080)	(5,507)	(10,175)	19,448
Total District	\$ 280,391	\$ 8,471	\$ 80,964	\$ 282,932	\$ 357,184

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

	Fiscal Year Ending June 30,				
	2017	2018	2019	2020	2021
Expenses:					
Governmental Activities					
Instruction:					
Regular	\$ 4,847,531	\$ 5,207,660	\$ 4,617,962	\$ 3,648,626	\$ 4,435,032
Special Education	2,409,841	2,574,713	2,113,949	1,549,166	2,046,034
Other Special Instruction	236,397	154,783	182,560	237,287	404,047
School-Sponsored/Other Instruction	139,806	189,030	179,886	1,906,022	197,080
Support Services:					
Tuition	211,412	177,504	173,351	282,231	184,226
Student & Instruction Related Services	1,380,867	1,302,730	1,788,622	1,610,021	1,718,831
School Administrative Services	431,185	300,607	287,679	192,191	302,820
General Administrative Services	354,562	376,740	420,342	328,245	382,822
Central Services	255,064	278,786	269,025	212,799	238,606
Plant Operations and Maintenance	1,055,725	1,091,168	1,024,541	1,015,786	1,126,568
Pupil Transportation	308,356	265,043	322,373	262,254	235,854
Unallocated Depreciation	101,685	101,989	99,441	112,781	110,314
Capital Outlay	4,133	4,133	4,133	4,133	6,131
Charter Schools	93,505	159,517	159,524	126,870	93,435
Total Governmental Activities Expenses	<u>11,830,069</u>	<u>12,184,402</u>	<u>11,643,388</u>	<u>11,488,412</u>	<u>11,481,800</u>
Business-Type Activities:					
Food Service	171,043	148,613	186,577	137,589	170,791
Total Business-type Activities Expense	<u>171,043</u>	<u>148,613</u>	<u>186,577</u>	<u>137,589</u>	<u>170,791</u>
Total District Expenses	<u>\$ 12,001,112</u>	<u>\$ 12,333,015</u>	<u>\$ 11,829,965</u>	<u>\$ 11,626,001</u>	<u>\$ 11,652,591</u>

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

	Fiscal Year Ending June 30,				
	2017	2018	2019	2020	2021
Program Revenues					
Governmental Activities:					
Charges for Services:					
Tuition	\$ 33,907	\$ 123,902	\$ 12,352	\$ 22,933	\$ 57,577
Operating Grants and Contributions	3,619,892	3,987,926	3,307,919	3,337,421	3,415,059
Total Governmental Activities Program Revenues	<u>3,653,799</u>	<u>4,111,828</u>	<u>3,320,271</u>	<u>3,360,354</u>	<u>3,472,636</u>
Business-Type Activities:					
Charges for Service:					
Food Service	\$ 54,157	\$ 49,744	\$ 47,586	\$ 29,491	\$ 2,109
Operating Grants and Contributions	117,149	106,969	122,724	102,390	172,679
Total Business-type Activities Program Revenues	<u>171,306</u>	<u>156,713</u>	<u>170,310</u>	<u>131,881</u>	<u>174,788</u>
Total District Program Revenues	<u>\$ 3,825,105</u>	<u>\$ 4,268,541</u>	<u>\$ 3,490,581</u>	<u>\$ 3,492,235</u>	<u>\$ 3,647,424</u>
Net (Expense)/Revenue					
Governmental Activities	\$ (8,176,270)	\$ (8,072,574)	\$ (8,323,117)	\$ (8,128,058)	\$ (8,009,164)
Business-type Activities	263	8,100	(16,267)	(5,708)	3,997
Total District-wide Net Expense	<u>\$ (8,176,007)</u>	<u>\$ (8,064,474)</u>	<u>\$ (8,339,384)</u>	<u>\$ (8,133,766)</u>	<u>\$ (8,005,167)</u>

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

	Fiscal Year Ending June 30,				
	2017	2018	2019	2020	2021
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Property Taxes Levied for General Purposes, Net	\$ 5,181,152	\$ 5,334,774	\$ 5,651,469	\$ 5,810,534	\$ 5,981,549
Unrestricted Grants and Contributions	2,976,727	2,955,286	2,933,868	2,935,872	2,907,531
Investment Earnings & Other Miscellaneous Revenue	128,447	103,485	43,026	9,701	56,129
Cancellation on Prior Year Accounts Payable					
Transfers					
Total Governmental Activities	8,286,326	8,393,545	8,628,363	8,756,107	8,945,209
Business-Type Activities:					
Investment Earnings	87	96	121	68	61
Transfers/Other					
Total Business-Type Activities	87	96	121	68	61
Total District-Wide	\$ 8,286,413	\$ 8,393,641	\$ 8,628,484	\$ 8,756,175	\$ 8,945,270
Change in Net Position:					
Governmental Activities	\$ 110,056	\$ 320,971	\$ 305,246	\$ 628,049	\$ 936,045
Business-type Activities	350	8,196	(16,146)	(5,640)	4,058
Total District	\$ 110,406	\$ 329,167	\$ 289,100	\$ 622,409	\$ 940,103

Source: Franklin Borough School District Financial Reports.

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

	June 30,				
	2012	2013	2014	2015	2016
General Fund:					
Restricted	\$ 936,150	\$ 1,108,545	\$ 1,256,363	\$ 1,425,446	\$ 1,755,145
Assigned	119,591	84,875	83,751	61,366	28,995
Unassigned					
Total General Fund	\$ 1,055,741	\$ 1,193,420	\$ 1,340,114	\$ 1,486,812	\$ 1,784,140
All Other Governmental Funds:					
Restricted					
Unassigned (Deficit)					
Total All Other Governmental Funds/(Deficit)	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ - 0 -

	June 30,				
	2017	2018	2019	2020	2021
General Fund:					
Restricted	\$ 1,900,732	\$ 2,265,723	\$ 1,669,063	\$ 2,592,326	\$ 3,217,348
Assigned	74,674	110,454	14,592	115,613	81,445
Unassigned					45,192
Total General Fund	\$ 1,975,406	\$ 2,376,177	\$ 1,683,655	\$ 2,707,939	\$ 3,343,985
All Other Governmental Funds:					
Restricted					\$ 3,590
Unassigned (Deficit)			\$ (41,118)	\$ (65,205)	(129,977)
Total All Other Governmental Funds/(Deficit)	\$ - 0 -	\$ - 0 -	\$ (41,118)	\$ (65,205)	\$ (126,387)

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,				
	2012	2013	2014	2015	2016
Revenues:					
Tax Levy	\$ 4,408,150	\$ 4,496,313	\$ 4,586,239	\$ 4,806,638	\$ 4,994,231
Tuition Charges	30,000	89,992	86,715	46,043	46,016
Restricted Miscellaneous Revenue	52,767	88,747	50,208	49,659	52,935
Unrestricted Miscellaneous Revenue	4,033,257	4,077,746	4,041,782	4,155,973	4,296,337
State Sources	456,511	344,767	313,798	366,544	370,870
Federal Sources					
Total Revenue	8,980,685	9,097,565	9,078,742	9,424,857	9,760,389
Expenditures					
Instruction:					
Regular Instruction	2,166,716	2,159,809	2,260,337	2,300,768	2,319,582
Special Education Instruction	1,175,235	1,273,651	1,153,575	1,140,808	1,192,849
Other Special Education	38,977	66,141	66,966	77,340	94,806
School Sponsored/Other Instruction	84,897	87,628	85,297	82,426	94,537
Support Services:					
Tuition	257,292	289,976	280,636	240,643	205,752
Student & Instruction Related Services	895,599	822,296	839,398	921,425	1,002,833
General Administrative Services	322,937	331,587	315,652	326,451	326,793
School Administrative Services	174,390	177,628	182,600	160,539	180,564
Central Services	219,154	223,158	219,411	207,915	193,722
Plant Operations and Maintenance	825,748	839,624	932,194	858,763	871,810
Student Transportation	174,420	212,738	232,714	279,449	304,906

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,				
	2012	2013	2014	2015	2016
Expenditures					
Support Services:					
Unallocated Benefits	\$ 2,083,513	\$ 2,372,178	\$ 2,231,685	\$ 2,353,927	\$ 2,461,472
Charter Schools	49,489	72,557	91,239	82,088	45,715
Capital Outlay	1,864	35,915	40,344	245,617	149,071
Total Expenditures	<u>8,470,231</u>	<u>8,964,886</u>	<u>8,934,062</u>	<u>9,280,174</u>	<u>9,446,428</u>
Excess/(Deficiency) of Revenue Over/(Under) Expenditures	<u>510,454</u>	<u>132,679</u>	<u>144,680</u>	<u>144,683</u>	<u>313,961</u>
Other Financing Sources/(Uses):					
Cancellation of Prior Year Accounts Payable					11,351
Transfers In	72,285	5,000			
Transfers Out	<u>(72,285)</u>				<u>(30,000)</u>
Total Other Financing Sources/(Uses)		<u>5,000</u>			<u>(18,649)</u>
Net Change in Fund Balances	<u>\$ 510,454</u>	<u>\$ 137,679</u>	<u>\$ 144,680</u>	<u>\$ 144,683</u>	<u>\$ 295,312</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,				
	2017	2018	2019	2020	2021
Revenues:					
Tax Levy	\$ 5,181,152	\$ 5,334,774	\$ 5,651,469	\$ 5,810,534	\$ 5,981,549
Tuition Charges	33,907	123,902	12,352	22,933	57,577
Restricted Miscellaneous Revenue	131,547	104,485	58,499	40,209	40,374
Unrestricted Miscellaneous Revenue	4,356,212	4,598,093	4,840,301	5,560,205	5,612,386
State Sources	369,404	333,393	321,771	299,167	412,788
Federal Sources					
Total Revenue	10,072,222	10,494,647	10,884,392	11,733,048	12,160,803
Expenditures					
Instruction:					
Regular Instruction	2,449,913	2,446,209	2,584,258	2,758,427	2,819,765
Special Education Instruction	1,159,365	1,203,722	1,112,212	1,068,254	1,133,139
Other Special Education	96,608	64,232	87,497	208,868	220,363
School Sponsored/Other Instruction	92,671	103,028	106,772	174,179	107,143
Support Services:					
Tuition	211,412	177,504	173,351	282,231	184,226
Student & Instruction Related Services	1,013,109	971,930	1,319,390	1,437,458	1,433,173
General Administrative Services	350,929	299,736	315,537	348,124	332,398
School Administrative Services	174,726	181,550	151,483	163,348	157,267
Central Services	195,788	215,127	201,015	212,799	198,857
Plant Operations and Maintenance	918,127	895,646	854,313	976,778	981,264
Student Transportation	292,739	253,929	309,679	246,100	224,930

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,				
	2017	2018	2019	2020	2021
Expenditures					
Support Services:					
Unallocated Benefits	\$ 2,702,567	\$ 3,028,348	\$ 3,094,347	\$ 3,017,685	\$ 3,352,344
Charter Schools	93,505	159,517	159,524	126,870	93,435
Capital Outlay	123,489	99,406	139,209	720,275	347,635
Total Expenditures	<u>9,876,965</u>	<u>10,099,884</u>	<u>10,608,587</u>	<u>11,741,396</u>	<u>11,585,939</u>
Excess/(Deficiency) of Revenue Over/(Under) Expenditures	<u>315,977</u>	<u>394,763</u>	<u>275,805</u>	<u>(8,348)</u>	<u>574,864</u>
Other Financing Sources/(Uses):					
Cancellation of Prior Year Accounts Payable				117,791	128,160
Transfers In				(117,791)	(128,160)
Transfers Out					
Total Other Financing Sources/(Uses)					
Net Change in Fund Balances	<u>\$ 297,328</u>	<u>\$ 394,763</u>	<u>\$ 275,805</u>	<u>\$ (8,348)</u>	<u>\$ 574,864</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)

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Tuition</u>	<u>Rentals - Use</u> <u>of Facilities</u>	<u>Prior Year</u> <u>Refunds</u>	<u>Other</u>	<u>Total</u>
2012	\$ 3,414	\$ 30,000	\$ 1,500	\$ 16,353	\$ 31,500	\$ 82,767
2013	3,663	89,992	1,500	51,454	32,130	178,739
2014	3,872	86,715	3,000	8,563	32,773	134,923
2015	4,379	46,043	3,000	56	34,821	88,299
2016	4,865	46,016	3,000	7,942	36,828	98,651
2017	5,004	33,907	3,000	47,011	73,432	162,354
2018	5,579	123,902		77,207	20,699	227,387
2019	3,907	12,352		39,119		55,378
2020	6,129	22,933		3,572		32,634
2021	6,641	57,577		49,488		113,706

Source: Franklin Borough School District Financial Reports.

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

Year Ended Dec. 31	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Public Utilities ^a	Net Valuation Taxable	Tax-Exempt Property	Total Assessed Value	Total Direct School Tax Rate ^b	Actual (County Equalized Value)
2011	\$ 15,165,600	\$ 309,750,900	\$ 4,849,900	\$ 210,600	\$ 121,699,700	\$ 12,949,100	\$ 7,253,800	\$ 2,032,665	\$ 473,912,265	\$ 58,078,400	\$ 531,990,665	\$ 0.92	\$ 499,383,129
2012	14,345,200	309,071,200	5,238,000	226,100	114,519,600	12,949,100	7,207,500	1,634,573	465,191,273	57,677,700	522,868,973	0.96	494,108,058
2013	14,492,100	308,457,400	5,104,600	226,100	111,148,900	12,949,100	7,213,800	1,397,027	460,989,027	57,681,000	518,670,027	0.99	447,347,266
2014	12,909,900	248,180,400	4,097,500	222,500	108,720,600	9,924,600	6,723,300	1,591,221	392,370,021	57,771,400	450,141,421	1.20	403,786,555
2015	13,861,600	247,749,100	4,259,500	226,100	107,220,100	9,924,600	6,657,700	1,859,830	391,758,530	58,016,800	449,775,330	1.25	418,389,622
2016	12,331,200	248,846,800	3,950,200	210,400	116,839,400	9,924,600	6,690,800	1,838,649	400,632,049	57,714,700	458,346,749	1.27	421,019,872
2017	12,135,200	248,664,900	4,000,100	210,500	115,978,000	9,428,000	6,690,800	1,760,484	399,364,584	57,793,900	457,158,484	1.32	411,593,307
2018	12,646,400	248,416,400	4,000,100	189,700	114,131,800	9,428,000	6,981,100	1,774,920	397,568,420	57,385,300	454,953,720	1.38	411,468,592
2019	12,628,900	248,081,900	4,000,100	189,700	110,923,500	9,428,000	10,587,700	2,007,431	397,847,231	54,890,400	452,737,631	1.44	406,210,837
2020	12,639,300	248,772,600	4,270,500	178,400	109,576,200	9,375,900	10,737,700	2,214	395,550,600	54,526,300	450,076,900	1.49	421,959,917

^ - Reassessment of property was effective in 2014

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

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

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

Source: Franklin Borough Tax Assessor.

FRANKLIN BOROUGH SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN YEARS
UNAUDITED
(Rate per \$100 of Assessed Value)

Year Ended December 31,	Direct School Rate		Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic School Rate ^a	Total Direct School Rate	Municipality	County	Regional High School	
2011	\$ 0.921	\$ 0.921	\$ 0.901	\$ 0.456	\$ 0.396	\$ 2.674
2012	0.957	0.957	0.932	0.493	0.457	2.839
2013	0.985	0.985	0.972	0.476	0.485	2.918
2014	1.197 [^]	1.197 [^]	1.183 [^]	0.536 [^]	0.565 [^]	3.481
2015	1.251	1.251	1.211	0.551	0.559	3.571
2016	1.270	1.270	1.172	0.575	0.544	3.561
2017	1.316	1.316	1.171	0.597	0.555	3.639
2018	1.382	1.382	1.173	0.600	0.575	3.730
2019	1.441	1.441	1.177	0.588	0.588	3.794
2020	1.491	1.491	1.226	0.623	0.634	3.974

[^] - Reassessment of property was effective in 2014

Note: NJSA 18A:7F-5d limits the amount that the district can submit for the General Fund tax levy. The levy when added to other 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 Taxable.

^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 TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

	2021			2012		
	Assessed Value	Rank	% of Total District Net Assessed Value	Assessed Value	Rank	% of Total District Net Assessed Value
Wal-Mart	\$ 11,988,700	1	3.03%	\$ 14,210,200	1	2.57%
Franklin 23	9,000,000	2	2.28%	10,621,200	2	2.28%
Weis Markets, Inc.	6,965,000	3	1.76%	9,057,700	3	1.95%
Wurtsboro Associates	5,782,900	4	1.46%	7,500,000	4	1.61%
Walgreens	5,469,100	5	1.38%	4,839,000	5	1.04%
Transbanc International	5,134,500	6	1.30%	4,784,500	6	1.03%
Braen Aggregates, LLC	5,133,700	7	1.30%	4,623,600	7	0.99%
Hillside Estates at Franklin, LLC	4,400,000	8	1.11%	3,900,000	8	0.84%
Concetta Towers LLC	2,882,800	9	0.73%	3,438,800	9	0.74%
Durling Realty LLC	2,671,900	10	0.68%	2,845,000	10	0.61%
Total	\$ 59,428,600		15.03%	\$ 65,820,000		13.66%

Note - A reassessment of property was effective in 2014.

Source: Franklin Borough Tax Assessor.

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2012	\$ 4,408,150	\$ 4,408,150	100.00%	- 0 -
2013	4,496,313	4,496,313	100.00%	- 0 -
2014	4,586,239	4,586,239	100.00%	- 0 -
2015	4,806,638	4,806,638	100.00%	- 0 -
2016	4,994,231	4,994,231	100.00%	- 0 -
2017	5,181,152	5,181,152	100.00%	- 0 -
2018	5,334,774	5,334,774	100.00%	- 0 -
2019	5,651,469	5,651,469	100.00%	- 0 -
2020	5,810,534	5,810,534	100.00%	- 0 -
2021	5,981,549	5,981,549	100.00%	- 0 -

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

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

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

Fiscal Year Ended June 30,	Governmental Activities			Business- Type Activities	Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases			
2012	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
2013	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
2014	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
2015	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
2016	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
2017	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
2018	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
2019	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
2020	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
2021	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -

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

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

Source: Franklin Borough School District Financial Reports.

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2012	- 0 -	- 0 -	- 0 -	0.00%	- 0 -
2013	- 0 -	- 0 -	- 0 -	0.00%	- 0 -
2014	- 0 -	- 0 -	- 0 -	0.00%	- 0 -
2015	- 0 -	- 0 -	- 0 -	0.00%	- 0 -
2016	- 0 -	- 0 -	- 0 -	0.00%	- 0 -
2017	- 0 -	- 0 -	- 0 -	0.00%	- 0 -
2018	- 0 -	- 0 -	- 0 -	0.00%	- 0 -
2019	- 0 -	- 0 -	- 0 -	0.00%	- 0 -
2020	- 0 -	- 0 -	- 0 -	0.00%	- 0 -
2021	- 0 -	- 0 -	- 0 -	0.00%	- 0 -

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

^a See Exhibit J-6 for property tax data. This ratio is calculated using valuation data for the prior calendar year.

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

Source: Franklin Borough School District Financial Reports.

FRANKLIN BOROUGH SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2020
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Franklin Borough General Debt	\$ 2,002,905	100.00%	\$ 2,002,905
Sussex County General Obligation Debt	97,520,409	2.388%	2,328,667
Wallkill Valley Regional High School Debt	1,780,000	20.70%	<u>368,443</u>
Subtotal, Overlapping Debt as of December 31, 2020			4,700,015
Franklin Borough School District Direct Debt			<u>- 0 -</u>
Total Direct And Overlapping Debt			<u>\$ 4,700,015</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									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Debt Limit	\$ 15,358,659	\$ 14,563,904	\$ 13,535,302	\$ 12,703,824	\$ 12,309,935	\$ 12,383,647	\$ 12,325,133	\$ 12,269,395	\$ 12,323,109	\$ 12,598,261
Total Net Debt Applicable to Limit	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
Legal Debt Margin	\$ 15,358,659	\$ 14,563,904	\$ 13,535,302	\$ 12,703,824	\$ 12,309,935	\$ 12,383,647	\$ 12,325,133	\$ 12,269,395	\$ 12,323,109	\$ 12,598,261

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%
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Legal Debt Margin Calculation for Fiscal Year 2021	
Year	Equalized Valuation Basis
2018	402,270,048
2019	420,435,263
2020	437,120,787
	<u>\$ 1,259,826,098</u>

Average Equalized Valuation of Taxable Property

Debt Limit (3% of average equalization value)^a
 Net Bonded School Debt as of June 30, 2021
 Legal Debt Margin

\$	<u>419,942,033</u>
\$	12,598,261
\$	<u>12,598,261</u>

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

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

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

Year	Population ^a	Per Capita Personal Income ^b	Personal Income ^c	Unemployment Rate ^d
2012	4,983	\$ 50,832	\$ 253,295,856	10.60%
2013	4,928	51,457	253,580,096	10.60%
2014	4,899	53,814	263,634,786	8.20%
2015	4,833	55,706	269,227,098	6.30%
2016	4,793	57,006	273,229,758	6.20%
2017	4,763	58,798	280,054,874	5.80%
2018	4,746	61,156	290,246,376	5.20%
2019	4,728	63,784	301,570,752	4.60%
2020	4,697	63,784 **	299,593,448	11.50%
2021	4,697 *	63,784 **	299,593,448	N/A

* - Latest Sussex County population available (2020) was used for calculation purposes.

** - Latest Sussex County per capita income available (2019) 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

	2020		2012		Percentage of Total Employment	
	Employer	Employees	Percentage of Total Employment	Employer		Employees
Selective Insurance Group Inc.		1,000-4,999	1.43%-7.17%	Crystal Springs Golf and Spa Resort	2,000	2.61%
Crystal Springs Resort		1,000-4,999	0.72%-1.43%	Newton Memorial Hospital	1,200	1.56%
Newton Medical Center		500-999	0.72%-1.43%	Selective Insurance	900	1.17%
Sussex County Offices		500-999	0.36%-0.72%	County of Sussex	830	1.08%
Thoriabs		500-999	0.14%-0.36%	Mountain Creek Resort	800	1.04%
Mountain Creek Resort		500-999	0.14%-0.36%	Ames Rubber Corp	445	0.58%
Shop Rite		250-499	0.14%-0.36%	Shop Rite (Ronetco)	301	0.39%
Sussex County Community College		250-499	0.14%-0.36%	Andover Subacute & Rehab Center	300	0.39%
United Methodist Community Bristol Glen		250-499	0.14%-0.36%	Sussex County Community College	300	0.39%
Andover Subacute & Rehab Center		100-249	0.14%-0.36%	SCARC, Inc.	287	0.37%
		<u>4,850-15,740</u>	<u>6.96%-22.59%</u>	Total	<u>7,363</u>	<u>9.60%</u>
Total Employment - Sussex County		<u>71,425</u>		Total Employment	<u>76,713</u>	

Source: County of Sussex

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

<u>Function/Program:</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Instruction:										
Regular	37.3	35.3	35.3	35.3	36.9	36.7	32.2	31.5	33.6	32.5
Special Education	17.0	17.0	17.0	17.0	18.0	18.0	15.0	14.0	13	13
Other	2.4	2.2	2.2	2.2	2.2	2.2	2.1	2.4	2.7	2
Support Services:										
Student & Instruction Related Services:	12.6	12.4	13.0	18.2	17.3	18.0	29.2	28.6	29	35.8
School Administrative Services	3.0	3.0	3.0	3.0	3.0	3.0	2.1	2.0	2	2
General Administrative Services	2.1	2.1	2.1	2.1	2.1	2.1	2.0	2.1	2.1	2.1
Central Services	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3	2.5
Plant Operations and Maintenance	6.5	6.9	6.9	6.9	6.9	6.9	6.8	6.9	5.9	7.3
	<u>83.9</u>	<u>81.9</u>	<u>82.5</u>	<u>87.7</u>	<u>89.4</u>	<u>89.9</u>	<u>92.4</u>	<u>90.5</u>	<u>91.3</u>	<u>97.2</u>

Source: Franklin Borough School District Financial Reports.

FRANKLIN BOROUGH SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary Schools	Elementary Schools				
2012	504	\$ 8,468,367	\$ 16,802	6.37%	44.0	1:11.5	499	475	-1.96%	95.19%	
2013	492	8,928,971	18,148	8.01%	44.0	1:11.2	492	467	-1.40%	94.92%	
2014	464	8,893,718	19,167	5.62%	44.0	1:10.6	464	446	-5.69%	96.12%	
2015	471	9,034,557	19,182	0.07%	44.0	1:10.7	471	454	1.51%	96.39%	
2016	467	9,297,357	19,909	3.79%	45.9	1:10.2	467	446	-0.85%	95.50%	
2017	491	9,753,476	19,865	-0.22%	45.3	1:10.2	491	464	5.14%	94.50%	
2018	428	10,000,478	23,366	17.62%	49.3	1:11.2	488	462	-0.61%	94.67%	
2019	428	10,469,378	24,461	4.69%	47.9	1:11.2	471	441	-3.48%	93.63%	
2020	454	11,021,121	24,276	-0.76%	49.4	1:11.3	468	449	-0.64%	95.94%	
2021	472	11,238,304	23,810	-1.92%	47.5	1:11.3	473	430	1.07%	90.91%	

Note: Enrollment based on annual October District count.

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

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

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

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

Sources: Franklin Borough School District Records.

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

District Building

Franklin Elementary School:

<u>Fiscal Year</u>	<u>Square Feet</u>	<u>Capacity (Students)</u>	<u>Enrollment</u>
2012	114,480	810	504
2013	114,480	810	492
2014	114,480	810	464
2015	114,480	810	471
2016	114,480	810	467
2017	114,480	810	491
2018	114,480	810	488
2019	114,480	810	488
2020	114,480	810	454
2021	114,480	810	472

Number of Schools at June 30, 2021:

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>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>School Facilities:</u>						
Franklin Elementary	N/A	<u>\$ 91,936</u>	<u>\$ 92,891</u>	<u>\$ 89,840</u>	<u>\$ 67,261</u>	<u>\$ 131,917</u>
<u>Facility</u>	<u>Project #'(s)</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
<u>School Facilities:</u>						
Franklin Elementary	N/A	<u>\$ 138,747</u>	<u>\$ 96,959</u>	<u>\$ 112,161</u>	<u>\$ 261,817</u>	<u>\$ 191,777</u>

N/A - Not Applicable

Source: Franklin Borough School District Records.

FRANKLIN BOROUGH SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2021
UNAUDITED

	Coverage		Deductible
School Alliance Insurance Fund:			
School Package Policy - School Alliance Insurance Fund	\$ 500,000	Occurrence	\$ 2,500
Building & Personal Property			
Auto Physical Damage			1,000
General Liability including Auto, Employee Benefits:			
Per Occurrence	5,000,000		
General Aggregate		Agreed upon based on membership	
Product/Completed Ops			
Personal Injury			
Fire Damage	2,500,000		
Medical Expenses			
(excluding students taking part in athletics)	10,000		
Automobile Coverage			
Combined Single Limit			
Hired/Non-owned			
Environmental Impairment Liability	\$1,000,000/\$25,000,000	Fund Aggregate	10,000
	\$100,000 Fungi & Legionella		100,000
Crime Coverage	50,000	Inside/Outside	1,000
Blanket Dishonesty Bond	500,000		1,000
Boiler and Machinery	100,000,000		2,500
Excess Liability (AL/GL)	5,000,000		
School Board Legal Liability	5,000,000		10,000
Workers' Compensation	Statutory		
Employer's Liability	5,000,000		
Supplemental Liability	Statutory		
Student Accident Insurance/ Bollinger		All Students and Athletes	
Selective Insurance:			
Public Official Bond - School Business Administrator	200,000		
Public Official Bond - Treasurer	200,000		

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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 30, 2021.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

September 30, 2021
Mount Arlington, New Jersey

Nisivocca LLP
NISIVOCCA LLP

Valerie A. Dolan

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



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

Independent Auditors' Report

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

Report on Compliance for Each Major State Program

We have audited the Board of Education of the Franklin Borough School District's (the "District's") compliance with the types of compliance requirements described in the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on each of the District's major state programs for the fiscal year ended June 30, 2021. The District's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

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, 2021.

Report on Internal Control Over Compliance

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

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

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

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

September 30, 2021
Mount Arlington, New Jersey

Nisivoccia LLP
NISIVOCCIA LLP

Valerie A. Dolan

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

FRANKLIN BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Federal Grantor/Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2020			Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2021		
					Budgetary Accounts Receivable	Budgetary Unearned Revenue	Due to Grantor				Budgetary Accounts Receivable	Budgetary Unearned Revenue	Due to Grantor
Special Revenue Fund:													
U.S. Department of Treasury:													
COVID-19 - Coronavirus Relief Fund (CRF) Grant	21.019	N/A	3/1/20-12/30/20	\$ 34,261			\$ 34,261	\$ (33,761)			\$ 500		
Total U.S. Department of Treasury							\$ 34,261	\$ (33,761)			\$ 500		
U.S. Department of Education:													
Passed-through State Department of Education:													
Special Education Cluster:													
IDEA Combined Grant:													
I.D.E.A. Part B, Basic	84.027	IDEA157021	7/1/20-9/30/21	179,166			179,166	(179,166)					
I.D.E.A. Part B, Preschool	84.173	IDEA157021	7/1/20-9/30/21	9,912			9,912	(9,912)					
Total Special Education Cluster							189,078	(189,078)					
Elementary and Secondary Education Act (E.S.E.A.)													
As amended by the Every Student Succeeds Act													
Consolidation Grant:													
Title I	84.010A	ESEA157021	7/1/20-9/30/21	88,721			21,096	(69,908)			\$ 48,812		
Title I	84.010A	ESEA157020	7/1/19-9/30/20	88,238	\$ 6,120		6,120	(1,000)	\$ 170		1,000		
Title I	84.010A	ESEA157018	7/1/17-6/30/18	93,450									
Title II, Part A	84.367A	ESEA157021	7/1/20-9/30/21	11,222			2,860	(10,577)			7,717		
Title II, Part A	84.367A	ESEA157020	7/1/19-9/30/20	11,222			11,222						
Title II, Part A	84.367A	ESEA157018	7/1/17-6/30/18	13,634					25				
Title IV	84.186A	ESEA157021	7/1/20-9/30/21	17,554				(12,215)			12,215		
COVID 19 - CARES Emergency Relief Grant	84.425D	CARES157020	3/13/20-9/30/22	74,816			74,816	(67,925)					
Total Special Revenue Fund							242,233	(350,703)	195		69,744		
Total U.S. Department of Education							242,233	(384,464)	195		69,744	500	
U.S. Department of Agriculture:													
Passed-through State Department of Agriculture:													
Child Nutrition Cluster:													
U.S.D.A Commodities Program	10.555	N/A	7/1/20-6/30/21	11,032			11,032	(8,757)			2,275		
U.S.D.A Commodities Program	10.555	N/A	7/1/19-6/30/20	6,869	\$ 2,175			(2,175)					
COVID 19 - Seamless Summer Option - Lunch	10.555	N/A	3/18/20-6/30/20	7,577			1,120						
COVID 19 - Seamless Summer Option - Breakfast	10.553	N/A	3/18/20-6/30/20	3,881			704						
COVID 19 - Seamless Summer Option	10.553	N/A	7/1/20-6/30/21	156,089			139,079	(156,089)			17,010		
Total U.S. Department of Agriculture/Child Nutrition Cluster							1,824	(167,021)			17,010	2,275	
U.S. Department of Health and Human Services:													
Medicaid Cluster:													
Medicaid Assistance Program	93.778	N/A	7/1/20-6/30/21	26,923			26,923	(26,923)					
Total Federal Awards							\$ 26,057	\$ (578,408)	\$ 195		\$ 86,754	\$ 2,775	
N/A - Not Applicable / Available													

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

FRANKLIN BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2020		Cash Received	Budgetary Expenditures	Cancellation of Prior Year Accounts Payable	Balance at June 30, 2021		MEMO	
				Budgetary Accounts Receivable	Budgetary Unearned Revenue				GAAP Accounts Receivable	Budgetary Unearned Revenue	Budgetary Accounts Receivable	Cumulative Total Expenditures
New Jersey Department of Education												
General Fund:												
Equalization Aid	20-495-034-5120-078	7/1/19 - 6/30/20	\$ 2,680,420	\$ 267,703	\$	\$ 267,703					\$	2,680,420
Transportation Aid	20-495-034-5120-014	7/1/19 - 6/30/20	49,243	4,918		4,918						49,243
Special Education	20-495-034-5120-089	7/1/19 - 6/30/20	303,322	30,294		30,294						303,322
Categorical Security Aid	20-495-034-5120-084	7/1/19 - 6/30/20	95,302	9,518		9,518						95,302
Adjustment Aid	20-495-034-5120-085	7/1/19 - 6/30/20	147,715	14,753		14,753						147,715
Extraordinary Aid	20-100-034-5120-044	7/1/19 - 6/30/20	68,728	62,470		68,728	\$ (6,258)					68,728
Non-Public Transportation	20-495-035-5120-014	7/1/19 - 6/30/20	2,912	2,912		2,912						2,912
Homeless Tuition Reimbursement	20-495-034-5120-005	7/1/19 - 6/30/20	43,804	43,804		43,804						43,804
Reimbursed TPAF Social Security Contributions	20-495-034-5094-003	7/1/19 - 6/30/20	295,129	14,759		14,759						295,129
Equalization Aid	21-495-034-5120-078	7/1/20 - 6/30/21	2,680,420			2,412,721	(2,680,420)			\$ 267,699		2,680,420
Special Education	21-495-034-5120-089	7/1/20 - 6/30/21	303,322			273,029	(303,322)			30,293		303,322
Categorical Security Aid	21-495-034-5120-084	7/1/20 - 6/30/21	95,302			85,784	(95,302)			9,518		95,302
Adjustment Aid	21-495-034-5120-085	7/1/20 - 6/30/21	100,129			90,129	(100,129)			10,000		100,129
Transportation Aid	21-495-035-5120-014	7/1/20 - 6/30/21	49,243			44,325	(49,243)			4,918		49,243
Non-Public Transportation	21-495-035-5120-014	7/1/20 - 6/30/21	2,610				(2,610)		\$ 2,610	2,610		2,610
Extraordinary Aid	21-100-034-5120-044	7/1/20 - 6/30/21	9,255				(9,255)			9,255		9,255
Reimbursed TPAF Social Security Contributions	21-495-034-5094-003	7/1/20 - 6/30/21	309,926			309,926	(309,926)					309,926
On-Behalf TPAF Post Retirement Contributions	21-495-034-5094-001	7/1/20 - 6/30/21	339,751			339,751	(339,751)					339,751
On-Behalf Long Term Disability Insurance Contributions	21-495-034-5094-004	7/1/20 - 6/30/21	693			693	(693)					693
On-Behalf TPAF Pension Contributions	21-495-034-5094-002	7/1/20 - 6/30/21	1,063,892			1,063,892	(1,063,892)					1,063,892
On-Behalf TPAF Non-Contributory Insurance	21-495-034-5094-003	7/1/20 - 6/30/21	20,242			20,242	(20,242)					20,242
Total General Fund State Aid			451,131			5,097,881	(4,981,043)		11,865		334,293	8,661,360
Special Revenue Fund:												
Preschool Education Aid	20-495-034-5120-086	7/1/19 - 6/30/20	652,050	\$ 34,878		65,205	(34,756)	\$ 12		\$ 134		652,050
Preschool Education Aid	21-495-034-5120-086	7/1/20 - 6/30/21	1,299,774			1,169,797	(656,478)			643,296		1,299,774
Total Special Revenue Fund			1,951,824	34,878		1,835,002	(712,234)			1,286,592		1,951,824
Enterprise Fund:												
COVID 19 - Seamless Summer Option	20-100-010-3350-023	3/18/20-6/30/20	119	18		18						119
COVID 19 - Seamless Summer Option	21-100-010-3350-023	3/18/20-6/30/21	5,154			4,304	(5,154)			850		5,154
State School Lunch Program	20-100-010-3350-023	7/1/19 - 6/30/20	504			504	(504)					504
Total Enterprise Fund			577	18		4,826	(5,658)			850		5,777
Total State Department of Education			\$ 5,163,54	\$ 34,878		\$ 6,337,709	\$ (5,677,935)	\$ 12	\$ 12,715	\$ 643,430	\$ 465,120	\$ 9,975,665
Less: On-Behalf TPAF Pension System Contributions:												
On-Behalf TPAF Post Retirement Contributions	21-495-034-5094-001	7/1/20 - 6/30/21				\$ 339,751						\$ 339,751
On-Behalf Long Term Disability Insurance Contributions	21-495-034-5094-001	7/1/20 - 6/30/21				693						693
On-Behalf TPAF Pension Contributions	21-495-034-5094-002	7/1/20 - 6/30/21				1,063,892						1,063,892
On-Behalf TPAF Non-Contributory Insurance	21-495-034-5094-003	7/1/20 - 6/30/21				20,242						20,242
Subtotal - On-Behalf TPAF Pension System Contributions						1,424,578						1,424,578
Total State Awards - for Major Program Determination			\$ (4,253,357)									\$ (4,253,357)

SEE ACCOMPANYING NOTES TO SCHEDULES 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, 2021

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, 2021. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”) and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. INDIRECT COST RATE

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

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$4,758 for the General Fund and (\$47,993) for the Special Revenue Fund (for which \$15,255 is for local projects), See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the General and Special Revenue Funds, respectively.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
 (Continued)

NOTE 5. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

	Federal	State	Total
General Fund	\$ 26,923	\$ 4,985,801	\$ 5,012,724
Special Revenue Fund	385,865	626,585	1,012,450
Food Service Fund	167,021	5,658	172,679
Total Awards	\$ 579,809	\$ 5,618,044	\$ 6,197,853

NOTE 6. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 7. OTHER

Revenue and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. TPAF Social Security contributions represent the amount reimbursed by the State for the employers’ share of social security contributions for TPAF members for the fiscal year ended June 30, 2021.

FRANKLIN BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in *the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over major state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance*.
- The auditor's report on compliance for the major state programs for the District expresses an unmodified opinion on all major state programs.
- The District was not subject to the single audit provisions of the Uniform Guidance for the fiscal year ended June 30, 2021 as federal grant expenditures were less than the single audit threshold of \$750,000 identified in the Uniform Guidance.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance.
- The District's programs tested as major state programs for the current fiscal year consisted of the following state aid:

<u>State Aid Public</u>	<u>State Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
Equalization Aid	21-495-034-5120-078	7/1/20 - 6/30/21	\$ 2,680,420	\$2,680,420
Special Education Categorical Aid	21-495-034-5120-089	7/1/20 - 6/30/21	303,322	303,322
Security Aid	21-495-034-5120-084	7/1/20 - 6/30/21	95,302	95,302
Adjustment Aid	21-495-034-5120-085	7/1/20 - 6/30/21	100,129	100,129

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

FRANKLIN BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(Continued)

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

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

Findings and Questioned Costs for Federal Awards:

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

Findings and Questioned Costs for State Awards:

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

FRANKLIN BOROUGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Status of Prior Year Findings:

There were no prior year audit findings.