

**FRANKLIN BOROUGH  
SCHOOL DISTRICT**

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

**Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2015**

**Comprehensive Annual  
Financial Report**

**of the**

**FRANKLIN BOROUGH SCHOOL DISTRICT**

**Franklin, New Jersey**

**For the Fiscal Year Ended June 30, 2015**

**Prepared by**

**Franklin Borough Board of Education  
Finance Department**

FRANKLIN BOROUGH SCHOOL DISTRICT  
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INTRODUCTORY SECTION

# *Franklin School District*

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

Thomas N. Turner, Ed.D.  
Superintendent

William J. Sabo  
Business Administrator  
Board Secretary

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

Dear Board Members:

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of the Franklin Borough School District (District) for the fiscal year ended June 30, 2015. 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 the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations," and the New Jersey's OMB Circulars 04-04 and 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*

Honorable President and  
Members of the Board of Education  
Franklin Borough School District  
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### **School District Organization**

The Franklin Borough School District is one of 616 school districts in the State of New Jersey and one of 26 school districts in Sussex County. The School District provides education for its preschool handicapped through eighth grade students. Geographically, the District is comprised of the Borough of Franklin only. The School District's total area is 4.5 square miles. The 471 elementary students enrolled in the Franklin Borough School District attend the one school comprising the District. Students for 9<sup>th</sup> through 12<sup>th</sup> 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 Superintendent is the chief executive officer of the School District, responsible to the Board for total educational and support operations. The Business Administrator/Board Secretary is the chief financial officer of the School District, responsible for maintaining all financial records, issuing warrants in payment of liabilities incurred by the School District, acting as custodian of all School District funds, and investing idle funds as permitted by New Jersey law.

### **Reporting Entity**

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

### **Economic Condition and Outlook**

The District completed the 2014-15 fiscal year with an average daily enrollment of 471 students, which is 7 students more than the previous year's average daily enrollment.

The school district enrollment has increased this fiscal year. Over the last few years, the overall district enrollment has been relatively flat. The District is experiencing some enrollment losses to the local charter and choice schools.

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

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

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

2011-	\$473,912,265
2012-	\$465,191,273
2013-	\$460,989,027
2014-	\$392,370,021

This decrease is attributed to the various tax appeals that have been filed by local property owners. In 2010, the Borough of Franklin had a reassessment performed. The percentage of taxes collected annually by the Borough for the last several years has consistently been over 95%. The percentage of taxes collected over the previous few years was as follows:

2011-	97.15%
2012-	95.43%
2013-	97.22%
2014-	97.57%

### **EDUCATIONAL PROGRAM**

For the past several years, the Board of Education has strived to maintain a quality education program for its preschool handicapped through eighth grade students. Attention has focused on language arts, math, science, social studies, and special curriculum areas. Spanish instruction continues to be a key component for our world languages/culture program. The kindergarten classes continue to be offered as a full-day program. Integrated literature and balanced literacy instruction, especially in the younger grades, continues to flourish. Remedial and special education programs continue to be implemented so that students with specific learning needs will have increased opportunities for success. The Board continues to support the technology program and with the advent of PARCC, invested substantially in ChromeBooks and training. The Franklin Home and School Association and the Franklin Education Foundation have donated many resources to assist our academic program.

### **MAJOR INITIATIVES**

The Board has and continues to invest a substantial amount of resources (personnel and money) in preparing for PARCC. This included training, purchasing ChromeBooks and increasing bandwidth. This preparation for PARCC/Common Core is an area that requires continued investment in the 2015-16 school year. The Common Core will continue to be the focus for instruction until NJ DOE moves in another direction. The Board also continued the implementation of the HIB (harassment, intimidation, bullying) requirements issued by the State in 2011-12. The Board and administration implemented the major changes in teacher evaluation through the AchieveNJ program and continue to work on implementing the various evaluation components through professional development.

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

Honorable President and  
Members of the Board of Education  
Franklin Borough School District  
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### **International Accounting Controls**

Management of the District is responsible for establishing and maintaining internal control 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 restrictions, commitments, and assignments 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.

Honorable President and  
Members of the Board of Education  
Franklin Borough School District  
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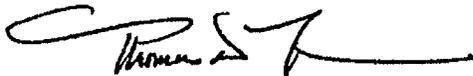
### **Independent Audit**

State statutes require an annual audit by independent certified public accountants. The accounting firm of Nisivoccia LLP was selected by the Board of Education. In addition to meeting the requirements set forth in state statutes, the audit was designed to meet the requirements of the Single Audit Act Amendments of 1996, and the related U.S. Office of Management and Budget Circular, "Audits of States, Local Governments and Non-Profit Organizations" A-133 and the New Jersey's OMB Circulars 04-04 and 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.

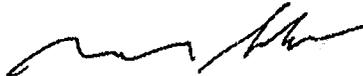
### **Acknowledgements**

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

Respectfully submitted,

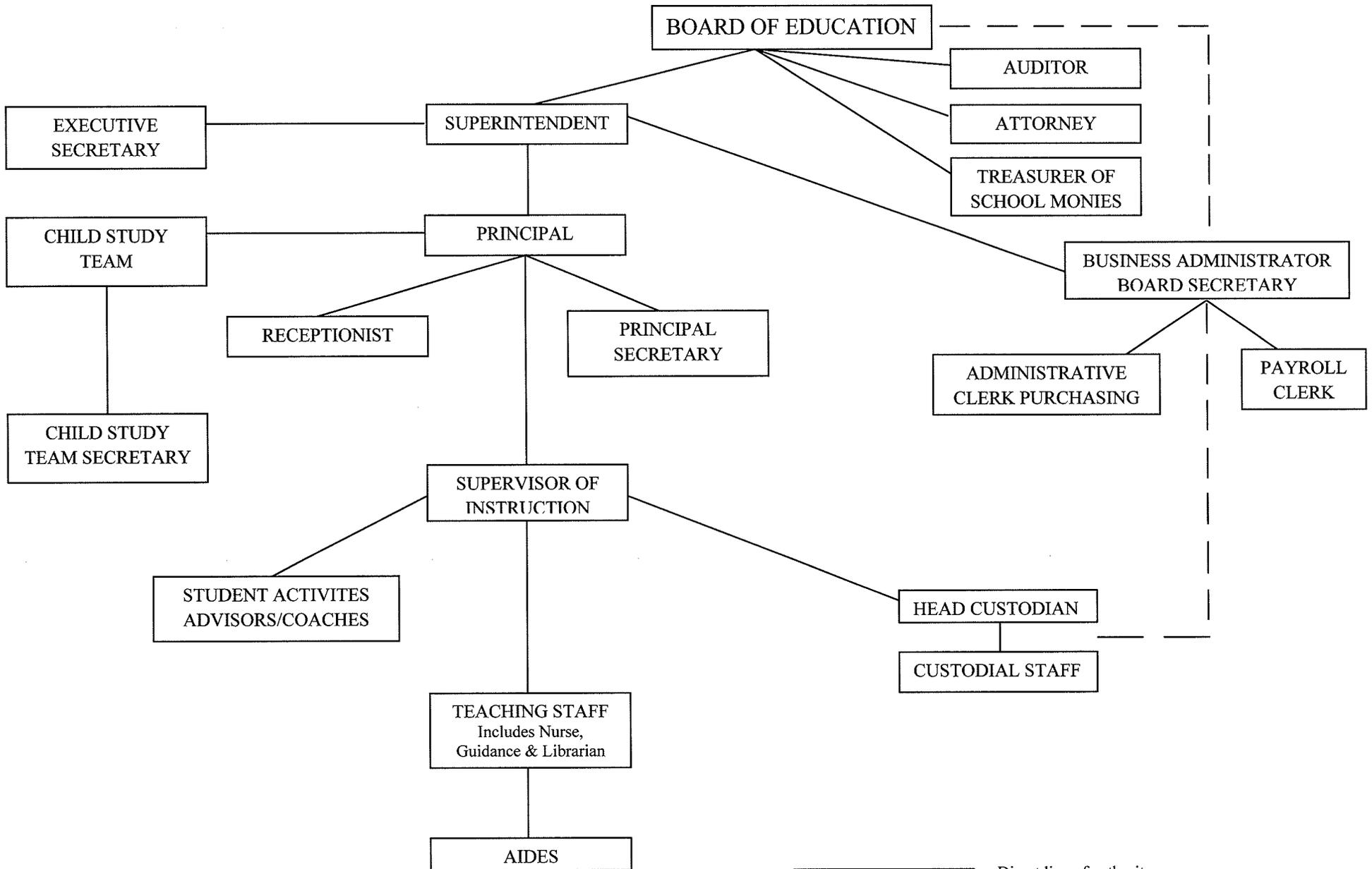


Thomas N. Turner, Ed.D.  
Superintendent



William J. Sabo  
Business Administrator/Board Secretary

**ORGANIZATION CHART**



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

**FRANKLIN BOROUGH SCHOOL DISTRICT  
ROSTER OF OFFICIALS  
JUNE 30, 2015**

<u>Members of the Board of Education</u>		<u>Term Expires</u>
Richard A. Kell	President	2017
Louise A. Murphy	Vice President	2016
Kevin Blondina	Member	2015
Sarah Zydon	Member	2017
Ronald E. Neal	Member	2015
Dawn Murrin	Member	2015
Michael A. Payton	Member	2017
Jeanine Paszkiel	Member	2016
Suzanne Ross	Member	2016

Other Officers

Dr. Thomas N. Turner, Superintendent  
 William J. Sabo, Business Administrator/Board Secretary  
 Theresa Schlosser, 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  
5 Ravine Drive  
Matawan, New Jersey 07747

**Architect**

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

**Official Depositories**

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

New Jersey Cash Management  
CN 290  
Trenton, New Jersey 08625

**Insurance Agent**

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

FINANCIAL SECTION



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

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

## Independent Auditors' Report

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Franklin Borough School District (the "District") in the County of Sussex, as of and for the fiscal year ended June 30, 2015, 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.

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

### ***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, 2015, 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.

### ***Emphasis of Matter***

As discussed in Note 8 to the basic financial statements, the District implemented Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment to GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* during the fiscal year ended June 30, 2015. Our opinions are not modified with respect to this matter. The implementation resulted in the restatement of certain balances on the Statement of Net Position and the ending balance for Net Position for the Governmental Activities as of June 30, 2014 as detailed in Note 17 to the basic financial statements.

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

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal and state awards, as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey's OMB Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

The 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 November 25, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

November 25, 2015  
Mount Arlington, New Jersey

NISIVOCCIA LLP



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

REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

**Management’s Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
(Unaudited)**

This section of Franklin Borough School District’s annual financial report presents its discussion and analysis of the District’s financial performance during the fiscal year ending June 30, 2015. Please read it in conjunction with the transmittal letter at the front of this report and the District’s financial statements, which immediately follow this section.

**Financial Highlights**

- Overall revenue was \$10,513,218.
- Overall expenses were \$10,230,286.
- The District’s financial position increased \$282,932 on a district-wide basis over the course of the year.

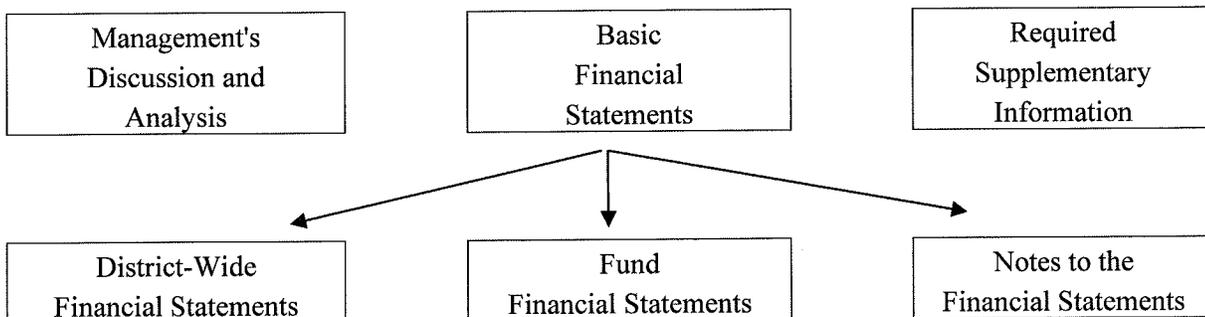
**Overview of the Financial Statements**

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

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

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

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



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

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
(Unaudited)**

Figure A-2

*Major Features of the District-Wide and Fund Financial Statements*

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

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

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
(Unaudited)**

**District-wide Statements**

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

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

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

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

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

**Fund Financial Statements**

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

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

The District has three kinds of funds:

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

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

**Management's Discussion and Analysis  
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**Fund Financial Statements**

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

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

**Financial Analysis of the District as a Whole**

*Net Position.* The District's combined net position increased by \$282,932 – from (\$39,460) at June 30, 2014 to \$243,472 at June 30, 2015. Net position from governmental activities increased by \$293,107 and net position from business activities decreased by \$10,175. Net investment in capital assets increased by \$144,038, restricted net position increased by \$169,083, and unrestricted net position decreased by \$30,189.

**Figure A-3**

**Condensed Statement of Net Position**

	Government Activities		Business-Type Activities		Total School District	
	2014/2015	2013/2014*	2014/2015	2013/2014	2014/2015	2013/2014
Current and Other Assets	\$ 1,707,302	\$ 1,468,173	\$ 41,882	\$ 62,246	\$ 1,749,184	\$ 1,530,419
Capital Assets	1,088,306	945,150	22,859	21,977	1,111,165	967,127
Total Assets	<u>2,795,608</u>	<u>2,413,323</u>	<u>64,741</u>	<u>84,223</u>	<u>2,860,349</u>	<u>2,497,546</u>
Deferred Outflows of Resources	<u>62,428</u>				<u>62,428</u>	
Long-Term Debt Outstanding	2,299,899	2,392,111			2,299,899	2,392,111
Other Liabilities	220,490	128,059	7,529	16,836	228,019	144,895
Total Liabilities	<u>2,520,389</u>	<u>2,520,170</u>	<u>7,529</u>	<u>16,836</u>	<u>2,527,918</u>	<u>2,537,006</u>
Deferred Inflows of Resources	<u>151,387</u>					
Net Position:						
Net Investment in Capital Assets	1,088,306	945,150	22,859	21,977	1,111,165	967,127
Restricted	1,425,446	1,256,363			1,425,446	1,256,363
Unrestricted/(Deficit)	<u>(2,327,492)</u>	<u>(2,308,360)</u>	<u>34,353</u>	<u>45,410</u>	<u>(2,293,139)</u>	<u>(2,262,950)</u>
Total Net Position	<u>\$ 186,260</u>	<u>\$ (106,847)</u>	<u>\$ 57,212</u>	<u>\$ 67,387</u>	<u>\$ 243,472</u>	<u>\$ (39,460)</u>

\* Restated

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

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
(Unaudited)**

**Financial Analysis of the District as a Whole**

*Changes in Net Position.* The District's combined net position was \$243,472 at June 30, 2015, or \$282,932 more than it was the year before. Net investment in capital assets increased by \$144,038 as a result of \$84,586 in current year depreciation expense offset by \$228,624 of current year capital additions. Restricted net position increased by \$169,083 due to a \$26,820 decrease in the capital reserve account combined with an increase in Excess Surplus of \$195,903. Unrestricted net position increased by \$30,189 due to the \$22,385 decrease in the assigned fund balance and the \$11,057 decrease in the unrestricted food service net position, offset by the \$11,783 decrease in the liability for compensated absences and decrease in the net pension liability of \$80,429. (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
	2014/2015	2013/2014	2014/2015	2013/2014	2014/2015	2013/2014	
Revenue:							
Program Revenue:							
Charges for Services	\$ 46,043	\$ 86,715	\$ 56,561	\$ 62,019	\$ 102,604	\$ 148,734	-31.02%
Operating Grants & Contributions	2,483,155	1,420,590	110,473	103,402	2,593,628	1,523,992	70.19%
General Revenue:							
Property Taxes	4,806,638	4,586,239			4,806,638	4,586,239	4.81%
Unrestricted Federal and State Aid	2,968,021	2,936,990			2,968,021	2,936,990	1.06%
Other	42,256	48,208	71	98	42,327	48,306	-12.38%
Total Revenue	<u>10,346,113</u>	<u>9,078,742</u>	<u>167,105</u>	<u>165,519</u>	<u>10,513,218</u>	<u>9,244,261</u>	13.73%
Expenses:							
Instruction	6,183,521	5,207,786			6,183,521	5,207,786	18.74%
Pupil and Instruction Services	1,448,466	1,367,536			1,448,466	1,367,536	5.92%
Administrative and Business	956,002	948,730			956,002	948,730	0.77%
Maintenance and Operations	999,695	1,051,540			999,695	1,051,540	-4.93%
Transportation	293,369	235,386			293,369	235,386	24.63%
Capital Outlay	23,733	4,133			23,733	4,133	474.23%
Other	148,220	177,160	177,280	171,026	325,500	348,186	-6.52%
Total Expenses	<u>10,053,006</u>	<u>8,992,271</u>	<u>177,280</u>	<u>171,026</u>	<u>10,230,286</u>	<u>9,163,297</u>	11.64%
Increase/(Decrease) in Net Position	<u>\$ 293,107</u>	<u>\$ 86,471</u>	<u>\$ (10,175)</u>	<u>\$ (5,507)</u>	<u>\$ 282,932</u>	<u>\$ 80,964</u>	249.45%

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

**Management's Discussion and Analysis  
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*Revenue Sources.* The District's total revenue for the 2014/2015 school year was \$10,513,218, (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$4,806,638 of the total, or 45.62%. (See Figure A-5). Another 53% came from state and federal aid, .98% came from charges for services and the remaining 0.40% came from miscellaneous sources.

**Figure A-5  
Sources of Revenue for Fiscal Years 2015 and 2014**

	<u>2015</u>	<u>Percentage</u>	<u>2014</u>	<u>Percentage</u>
Sources of Income:				
State Formula Aid	\$ 3,249,166	30.90%	\$ 3,233,124	34.98%
Property Taxes	4,806,638	45.62%	4,586,239	49.61%
Federal and State Categorical Grants	2,312,483	22.10%	1,227,858	13.28%
Charges for Services	102,604	0.98%	148,734	1.61%
Other	42,327	0.40%	48,306	0.52%
	<u>\$ 10,513,218</u>	<u>100.00%</u>	<u>\$ 9,244,261</u>	<u>100.00%</u>

The total cost of all programs and services was \$10,230,286. The District's expenses are predominantly related to instructing, caring for (pupil and instruction services) and transporting students (77.47 percent). (See Figure A-6). The District's administrative and business expenses represented 9.34% and maintenance and operations activities accounted for 9.77 % of total costs. It is important to remember that \$84,586 in unallocated depreciation expense is included in the \$325,500 of other expenses for the fiscal year.

**Figure A-6  
Sources of Expenses for Fiscal Years 2015 and 2014**

	<u>2015</u>	<u>Percentage</u>	<u>2014</u>	<u>Percentage</u>
Expense Category:				
Instruction	\$ 6,183,521	60.44%	\$ 5,207,786	56.83%
Pupil and Instruction Services	1,448,466	14.16%	1,367,536	14.92%
Administrative and Business	956,002	9.34%	948,730	10.35%
Maintenance and Operations	999,695	9.77%	1,051,540	11.48%
Transportation	293,369	2.87%	235,386	2.57%
Capital Outlay	23,733	0.23%	4,133	0.05%
Other	325,500	3.18%	348,186	3.80%
	<u>\$ 10,230,286</u>	<u>100.00%</u>	<u>\$ 9,163,297</u>	<u>100.00%</u>

**FRANKLIN BOROUGH SCHOOL DISTRICT  
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Figure A-7 presents the cost of seven major District activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation, capital outlay and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial obligation placed on the District's taxpayers by each of these functions:

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

	Total Costs of Services		Net Cost of Services	
	2014/2015	2013/2014	2014/2015	2013/2014
Instruction	\$ 6,183,521	\$ 5,207,786	\$ 4,010,488	\$ 3,988,472
Pupil and Instruction Services	1,448,466	1,367,536	1,219,509	1,161,482
Administrative and Business	956,002	948,730	874,939	911,327
Maintenance and Operations	999,695	1,051,540	999,695	1,051,540
Transportation	293,369	235,386	247,224	190,852
Capital Outlay	23,733	4,133	23,733	4,133
Other	148,220	177,160	148,220	177,160
	<u>\$ 10,053,006</u>	<u>\$ 8,992,271</u>	<u>\$ 7,523,808</u>	<u>\$ 7,484,966</u>

- The cost of all governmental activities this year was \$10,053,006.
- The federal and state governments subsidized certain programs with grants and contributions of \$4,529,920.
- Approximately \$4,806,638 of the District's costs were financed by District taxpayers.
- The remainder of the funding came from tuition charges, miscellaneous revenue and investment earnings.

**Business-Type Activities**

Net position from the District's Business-type activity decreased by \$10,175 (Refer to Figure A-4). Factors contributing to these results included:

- The decrease in net position is due primarily to a decrease in sales combined with increases in operating expenses and state and federal subsidies.

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

**Management's Discussion and Analysis  
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**Financial Analysis of the District's Funds**

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

A continued increase in enrollment of disabled students has also forced the District to expand its classroom resources. The increased cost has largely been offset by salary reductions realized from the retirement and/or reduction of staff. Fringe benefit costs for all staff have increased dramatically in the past several years. Special transportation costs have been offset by a reduction of regular bussing through consolidation of routes.

These factors are likely to continue for the next several years. To maintain a stable financial position, the District must continue to practice sound fiscal management.

**General Fund Budgetary Highlights**

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

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

**Capital Asset and Debt Administration**

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

	Government Activities		Business-Type Activities		Total School District		Total Percentage Change
	2014/2015	2013/2014	2014/2015	2013/2014	2014/2015	2013/2014	
Land	\$ 229,166	\$ 229,166			\$ 229,166	\$ 229,166	0.00%
Construction in Progress	186,840				186,840		100.00%
Site Improvements	12,606	15,602			12,606	15,602	-19.20%
Buildings and							
Building Improvements	288,273	311,630			288,273	311,630	-7.50%
Machinery and Equipment	371,421	388,752	\$ 22,859	\$ 21,977	394,280	410,729	-4.00%
Total Capital Assets, Net	<u>\$ 1,088,306</u>	<u>\$ 945,150</u>	<u>\$ 22,859</u>	<u>\$ 21,977</u>	<u>\$ 1,111,165</u>	<u>\$ 967,127</u>	14.89%

Current year capital additions were \$228,624 and annual depreciation was \$84,586 (\$78,728 from governmental activities and \$5,858 from business-type activities). (More information on the District's capital assets is presented in Note 5 to the financial statements.)

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

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
(Unaudited)**

**Long-term Debt**

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

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

	Total School District		Percentage Change
	2014/2015	2013/2014*	
Other Long-Term Liabilities	\$ 314,605	\$ 326,388	-3.61%
Net Pension Liability	1,985,294	2,065,723	-3.89%
	<u>\$ 2,299,899</u>	<u>\$ 2,392,111</u>	-3.85%

\*Restated

- Compensated absences payable decreased by a net amount of \$11,783 due to the accrual of sick days for all employees offset by the retirement of three employees, and net decrease of \$80,429.
- The District had a net decrease in the Net Pension Liability of \$80,429.

**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.

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

**Contacting the District's Financial Management**

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

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

Exhibit A-1

FRANKLIN BOROUGH SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2015

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,156,002	\$ 30,665	\$ 1,186,667
Receivable from State Government	24,482	166	24,648
Receivable from Federal Government	40,749	8,216	48,965
Receivables from Other Governments	5,438		5,438
Inventories		2,835	2,835
Restricted Assets:			
Capital Reserve Account - Cash and Cash Equivalents	480,631		480,631
Capital Assets:			
Site (Land) and Construction in Progress	416,006		416,006
Depreciable Site Improvements, Building and Building Improvements, and Machinery and Equipment	672,300	22,859	695,159
Total Assets	<u>2,795,608</u>	<u>64,741</u>	<u>2,860,349</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Changes in Assumptions - Pensions	62,428		62,428
Total Deferred Outflows of Resources	<u>62,428</u>		<u>62,428</u>
<b>LIABILITIES</b>			
Accounts Payable	186,691	6,740	193,431
Payable to State Government	33,799		33,799
Unearned Revenue		789	789
Noncurrent Liabilities:			
Due Beyond One Year	2,299,899		2,299,899
Total Liabilities	<u>2,520,389</u>	<u>7,529</u>	<u>2,527,918</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Investment Gains - Pensions	118,313		118,313
Changes in Proportions - Pensions	33,074		33,074
Total Deferred Inflows of Resources	<u>151,387</u>		<u>151,387</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	1,088,306	22,859	1,111,165
Restricted for:			
Capital Projects	480,631		480,631
Other Purposes	944,815		944,815
Unrestricted (Deficit)	<u>(2,327,492)</u>	<u>34,353</u>	<u>(2,293,139)</u>
Total Net Position	<u>\$ 186,260</u>	<u>\$ 57,212</u>	<u>\$ 243,472</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, 2015

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 3,968,504		\$ 1,140,115		\$ (2,828,389)		\$ (2,828,389)
Special Education	1,945,012		960,496		(984,516)		(984,516)
Other Special Instruction	149,879		44,500		(105,379)		(105,379)
School-Sponsored/Other Instruction	120,126		27,922		(92,204)		(92,204)
Support Services:							
Tuition	240,643	\$ 46,043	97,775		(96,825)		(96,825)
Student & Instruction Related Services	1,207,823		85,139		(1,122,684)		(1,122,684)
General Administrative Services	424,057				(424,057)		(424,057)
School Administrative Services	269,481		81,063		(188,418)		(188,418)
Central Services	262,464				(262,464)		(262,464)
Plant Operations and Maintenance	999,695				(999,695)		(999,695)
Pupil Transportation	293,369		46,145		(247,224)		(247,224)
Capital Outlay	23,733				(23,733)		(23,733)
Unallocated Depreciation	66,132				(66,132)		(66,132)
Transfer to Charter School	82,088				(82,088)		(82,088)
<b>Total Governmental Activities</b>	<b>10,053,006</b>	<b>46,043</b>	<b>2,483,155</b>		<b>(7,523,808)</b>		<b>(7,523,808)</b>

FRANKLIN BOROUGH SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Business-Type Activities:							
Food Service	\$ 177,280	\$ 56,561	\$ 110,473			\$ (10,246)	\$ (10,246)
Total Business-Type Activities	177,280	56,561	110,473			(10,246)	(10,246)
Total Primary Government	<u>\$ 10,230,286</u>	<u>\$ 102,604</u>	<u>\$ 2,593,628</u>	<u>\$ - 0 -</u>	<u>\$ (7,523,808)</u>	<u>(10,246)</u>	<u>(7,534,054)</u>
General Revenue:							
Taxes:							
Property Taxes, Levied for General Purposes, Net					4,806,638		4,806,638
Federal and State Aid not Restricted					2,968,021		2,968,021
Interest					4,379	71	4,450
Miscellaneous Income					37,877		37,877
Total General Revenue					<u>7,816,915</u>	<u>71</u>	<u>7,816,986</u>
Change in Net Position					293,107	(10,175)	282,932
Net Position - Beginning - Restated					<u>(106,847)</u>	<u>67,387</u>	<u>(39,460)</u>
Net Position - Ending					<u>\$ 186,260</u>	<u>\$ 57,212</u>	<u>\$ 243,472</u>

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

FUND FINANCIAL STATEMENTS

FRANKLIN BOROUGH SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 1,156,002		\$ 1,156,002
Interfund Receivable	6,950		6,950
Receivables From Federal Government		\$ 40,749	40,749
Receivables From State Government	24,482		24,482
Receivables From Other Governments	5,438		5,438
Restricted Cash and Cash Equivalents	480,631		480,631
Total Assets	<u>\$ 1,673,503</u>	<u>\$ 40,749</u>	<u>\$ 1,714,252</u>
<b>LIABILITIES AND FUND BALANCES:</b>			
<b>Liabilities:</b>			
Accounts Payable - Vendors	\$ 186,691		\$ 186,691
Interfund Payable		\$ 6,950	6,950
Payable to State Government		33,799	33,799
Total Liabilities	<u>186,691</u>	<u>40,749</u>	<u>227,440</u>
<b>Fund Balances:</b>			
<b>Restricted:</b>			
Capital Reserve Account	480,631		480,631
Excess Surplus	538,488		538,488
Excess Surplus - For Subsequent Year's Expenditures	406,327		406,327
<b>Assigned:</b>			
For Subsequent Year's Expenditures	47,695		47,695
For Subsequent Year's Expenditures-SEMI/ARRA	13,671		13,671
Total Fund Balances	<u>1,486,812</u>		<u>1,486,812</u>
Total Liabilities and Fund Balances	<u>\$ 1,673,503</u>	<u>\$ 40,749</u>	<u>\$ 1,714,252</u>

FRANKLIN BOROUGH SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015  
(Continued)

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

Total Fund Balances - Governmental Funds (Above)	\$ 1,486,812
Capital assets used in Governmental Activities are not financial resources and are not reported in the Funds. The cost of the assets is \$5,145,266 and the accumulated depreciation is \$4,056,960.	1,088,306
Long-Term Liabilities are not due and payable in the current period and therefore are not reported as liabilities in the Funds.	(314,605)
The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.	(1,985,294)
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.	
Changes in Assumptions - Pensions	62,428
Investments in Gains - Pensions	(118,313)
Changes in Proportions - Pensions	(33,074)
Net Position of Governmental Activities	<u>\$ 186,260</u>

Exhibit B-2

FRANKLIN BOROUGH SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUE:			
Local Sources:			
Local Tax Levy	\$ 4,806,638		\$ 4,806,638
Tuition - Other LEA's Within the State	46,043		46,043
Interest Earned on Investments	3,596		3,596
Interest Earned on Capital Reserve Funds	783		783
Miscellaneous	37,877	\$ 7,403	45,280
Total - Local Sources	4,894,937	7,403	4,902,340
State Sources	4,087,664	68,309	4,155,973
Federal Sources	36,804	329,740	366,544
Total Revenue	9,019,405	405,452	9,424,857
EXPENDITURES:			
Current:			
Regular Instruction	2,186,873	113,895	2,300,768
Special Education Instruction	979,880	160,928	1,140,808
Other Special Instruction	77,340		77,340
School Sponsored/Other Instruction	82,426		82,426
Support Services and Undistributed Costs:			
Tuition	142,868	97,775	240,643
Student & Instruction Related Services	888,571	32,854	921,425
General Administrative Services	326,451		326,451
School Administrative Services	160,539		160,539
Central Services	207,915		207,915
Plant Operations and Maintenance	858,763		858,763
Pupil Transportation	279,449		279,449
Unallocated Benefits	2,353,927		2,353,927
Capital Outlay	245,617		245,617
Transfer of Funds to Charter Schools	82,088		82,088
Total Expenditures	8,872,707	405,452	9,278,159
Net Change in Fund Balances	146,698		146,698
Fund Balance - July 1	1,340,114		1,340,114
Fund Balance - June 30	\$ 1,486,812	\$ - 0 -	\$ 1,486,812

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, 2015

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2) \$ 146,698

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	\$ (78,728)	
	Capital Outlays	<u>221,884</u>	
			143,156

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	80,429	
Deferred Outflows:		
Changes in Assumptions	62,428	
Deferred Inflows:		
Net Difference between projected and actual investment earnings on Pension Plan Investments	(118,313)	
Changes in Proportions	<u>(33,074)</u>	
		(8,530)

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

11,783

Change in Net Position (Exhibit A-2)

\$ 293,107

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

Exhibit B-4

FRANKLIN BOROUGH SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2015

	Business-type Activities - <u>Enterprise Funds</u> <u>Food Service</u>
<b>ASSETS:</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 30,665
Intergovernmental Accounts Receivable:	
Federal	8,216
State	166
Inventories	<u>2,835</u>
Total Current Assets	<u>41,882</u>
Non-Current Assets:	
Capital Assets	148,675
Less: Accumulated Depreciation	<u>(125,816)</u>
Total Non-Current Assets	<u>22,859</u>
Total Assets	<u>64,741</u>
 <b>LIABILITIES:</b>	
Current Liabilities:	
Accounts Payable - Vendors	6,740
Unearned Revenue	<u>789</u>
Total Current Liabilities	<u>7,529</u>
 <b>NET POSITION:</b>	
Net Investment in Capital Assets	22,859
Unrestricted	<u>34,353</u>
Total Net Position	<u>\$ 57,212</u>

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

Exhibit B-5

FRANKLIN BOROUGH SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Business-type Activities - Enterprise Funds <u>Food Service</u>
Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 36,450
Daily Sales - Non-Reimbursable Programs	13,482
Special Events	<u>6,629</u>
Total Operating Revenue	<u>56,561</u>
Operating Expenses:	
Cost of Sales	91,326
Salaries, Benefits and Payroll Taxes	54,274
Supplies and Other Costs	9,423
Management Fee	16,399
Depreciation Expense	<u>5,858</u>
Total Operating Expenses	<u>177,280</u>
Operating Loss	<u>(120,719)</u>
Non-Operating Income:	
Local Sources:	
Interest Income	71
State Sources:	
State School Lunch Program	2,079
Federal Sources:	
School Breakfast Program	13,647
National School Lunch Program	85,052
Food Distribution Program	<u>9,695</u>
Total Non-Operating Income	<u>110,544</u>
Change in Net Position	(10,175)
Net Position - Beginning of Year	<u>67,387</u>
Net Position - End of Year	<u>\$ 57,212</u>

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

Exhibit B-6

FRANKLIN BOROUGH SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Business-type Activities - Enterprise Funds Food Service
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 49,932
Other Receipts	6,629
Payments to Food Service Vendor	(161,661)
Payments to Suppliers	(9,423)
Net Cash Used for Operating Activities	(114,523)
Cash Flows from Capital and Related Financing Activities:	
Purchases of Capital Assets	(6,740)
Net Cash Used for Capital and Related Financing Activities	(6,740)
Cash Flows from Noncapital Financing Activities:	
Local Sources:	
Interest Income	71
State Sources:	
State School Lunch Program	2,082
Federal Sources:	
School Breakfast Program	13,524
National School Lunch Program	84,628
Net Cash Provided by Noncapital Financing Activities	100,305
Net Decrease in Cash and Cash Equivalents	(20,958)
Cash and Cash Equivalents, July 1	51,623
Cash and Cash Equivalents, June 30	\$ 30,665
Reconciliation of Operating Loss to Net Cash Provided by (Used for) Operating Activities:	
Operating Loss	\$ (120,719)
Adjustment to Reconcile Operating Loss to Cash Provided by (Used for) Operating Activities:	
Depreciation	5,858
Food Distribution Program	9,695
Changes in Assets and Liabilities:	
(Increase)/Decrease in Inventories	(50)
Increase/(Decrease) in Unearned Revenue	44
Increase/(Decrease) in Accounts Payable	(9,351)
Net Cash Provided by (Used for) Operating Activities	\$ (114,523)

Noncash Investing and Financing Activities:

The Food Service Enterprise Fund received commodities valued at \$9,739 and utilized commodities valued at \$9,695 from the Federal Food Distribution Program for the fiscal year ended June 30, 2015.

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

Exhibit B-7

FRANKLIN BOROUGH SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2015

	<u>Agency</u>	<u>Flexible Spending Trust</u>
ASSETS:		
Cash and Cash Equivalents	<u>\$ 200</u>	<u>\$ 8,079</u>
Total Assets	<u>200</u>	<u>8,079</u>
LIABILITIES:		
Due to Student Groups	<u>200</u>	<u></u>
Total Liabilities	<u>200</u>	<u></u>
NET POSITION:		
Held in Trust for Flex Spending Claims	<u></u>	<u>8,079</u>
Total Net Position	<u>\$ - 0 -</u>	<u>\$ 8,079</u>

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

Exhibit B-8

FRANKLIN BOROUGH SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Flexible Spending Trust</u>
Additions:	
Contributions:	
Plan Contributions	\$ 26,170
Total Contributions	<u>26,170</u>
Investment Earnings:	
Interest	<u>38</u>
Net Investment Earnings	<u>38</u>
Total Additions	<u>26,208</u>
Deductions:	
Flex Spending Claims	<u>22,775</u>
Total Deductions	<u>22,775</u>
Change in Net Position	3,433
Net Position - Beginning of the Year	<u>4,646</u>
Net Position - End of the Year	<u><u>\$ 8,079</u></u>

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, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

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

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency and a resulting financial benefit or burden relationship, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources, and significances) should be included in the financial reporting entity. The combined financial statements include all funds of the District over which the Board exercises operating control. The operations of the District include one elementary school located in the Franklin Borough School District. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation:

District-Wide Financial Statements:

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

The statement of activities presents a comparison between direct expenses and program revenue for business-type activities and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements. Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue. The comparison of direct expenses with program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the District.

FRANKLIN BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

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

B. Basis of Presentation: (Cont'd)

Fund Financial Statements:

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

The District reports the following governmental funds:

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

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

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

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

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

FRANKLIN BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

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

B. Basis of Presentation: (Cont'd)

The District reports the following proprietary fund:

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

Additionally, the District reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

FRANKLIN BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

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

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the General and Special Revenue Funds. The budget for the fiscal year ended June 30, 2015 was submitted to the County office and approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be made by school board resolution. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budget during the year).

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

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

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

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 9,020,285	\$ 405,452
Differences - Budget to GAAP:		
Prior Year State Aid Payments Recognized for GAAP Basis	324,023	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(324,903)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures & Changes in Fund Balances - Governmental Funds.	<u>\$ 9,019,405</u>	<u>\$ 405,452</u>

FRANKLIN BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

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

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	<u>\$ 8,872,707</u>	<u>\$ 405,452</u>
Total Expenditures as Reported on the Statement of Revenue, Expenditures, & Changes in Fund Balances - Governmental Funds	<u>\$ 8,872,707</u>	<u>\$ 405,452</u>

E. Cash and Cash Equivalents:

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

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

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

F. Interfund Transactions:

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

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

FRANKLIN BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

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

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

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

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

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2015.

K. Capital Assets:

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

FRANKLIN BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

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

K. Capital Assets: (Cont'd)

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

	<u>Estimated Useful Life</u>
Buildings	50 years
Site Improvements	20 years
Furniture and Equipment	10 to 15 years
Computer and Related Technology	5 years
Vehicles	8 years

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures in the governmental fund upon acquisition. 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 government 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, 2015.

N. Compensated Absences:

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

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

FRANKLIN BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

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

N. Compensated Absences: (Cont'd)

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

O. Unearned Revenue:

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

P. Fund Balance Appropriated:

General Fund: Of the \$1,486,812 General Fund balance at June 30, 2015, \$480,631 is restricted in the capital reserve account; \$406,327 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, 2016; \$538,488 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, 2017; \$61,366 of assigned fund balance has been appropriated and included as anticipated revenue for the fiscal year ending June 30, 2016. The assigned fund balance is \$50,421 less than the actual assigned fund balance due to the final two state aid payments, which are not recognized on a GAAP Basis until the fiscal year ended June 30, 2016. Additionally, there is \$274,482 of unassigned fund balance which is not reported on a GAAP basis due to the final two state aid payments.

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

The District's fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$324,903 (\$274,482 in unassigned fund balance and \$50,421 in fund balance assigned for subsequent year's expenditures), as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the related state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district cannot recognize the last two state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the final two state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments.

FRANKLIN BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

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

Q. Net Position:

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

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had deferred outflows of resources at June 30, 2015 for the deferred amount changes in assumptions in pensions. The District had deferred inflows of resources at June 30, 2015 for the changes in proportion in pension and the net difference between projected and actual investment earnings in pension plan investments.

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:

The District has a \$2,327,492 deficit in Unrestricted Net Position in the Governmental activities at June 30, 2015 due to the assigned fund balance for subsequent year's expenditures of \$61,366 in the General Fund offset by compensated absences payable of \$314,605, and net pension liability of \$2,074,253 as of June 30, 2015 as reported in the fund financial statements (modified accrual basis). This deficit is not an indication that the District is facing financial difficulties and is a permitted practice by generally accepted accounting principles.

FRANKLIN BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

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

S. Fund Balance Restrictions, Commitments and Assignments:

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

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

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has no committed resources at June 30, 2015.

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 \$61,366 of assigned resources in the General Fund at June 30, 2015 for amounts designated for subsequent year's expenditures.

T. Revenue - Exchange and Nonexchange Transactions:

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

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

FRANKLIN BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

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

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

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

U. Operating Revenue and Expenses:

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

V. Management Estimates:

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

W. Pensions

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

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

Investments are stated at cost, which approximates market. The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB Statement No. 40, *Governmental Accounting Standards Board Deposit and Investment Risk Disclosures*, requires disclosure of the level of custodial credit risk assumed by the District in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

FRANKLIN BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

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

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

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

Deposits:

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

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

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

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

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

Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (5) Local government investment pools;

FRANKLIN BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
 (Continued)

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

Investments (Cont'd):

- (6) Deposits with the State of New Jersey Cash Management Fund; or
- (7) Agreements for the repurchase of fully collateralized securities if:
  - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
  - (b) the custody of collateral is transferred to a third party;
  - (c) the maturity of the agreement is not more than 30 days;
  - (d) the underlying securities are purchased through a public depository as defined in statute; and
  - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of June 30, 2015, cash and cash equivalents of the District consisted of the following:

	Cash and Cash Equivalents	Capital Reserve Account	Total
Checking Accounts	\$ 1,194,946	\$ 480,631	\$ 1,675,577

The carrying amount of the Board's cash and cash equivalents at June 30, 2015, was \$1,675,577 and the bank balance was \$1,928,101. During the fiscal year ended June 30, 2015, the District did not hold any investments.

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by Board resolution on October 10, 2000 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

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

FRANKLIN BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT (Cont'd)

The activity of the capital reserve for the July 1, 2014 to June 30, 2015 fiscal year is as follows:

Beginning Balance, July 1, 2014		\$ 507,451
Interest Earnings	\$ 783	
Deposit by Board Resolution - June 2015	200,000	
Unexpended Balance from Capital Outlay	<u>59,361</u>	
		<u>260,144</u>
Withdrawn by Board Resolution - Water Supply Upgrades	(36,964)	
Budget Withdrawal	<u>(250,000)</u>	
		<u>(286,964)</u>
Ending Balance, June 30, 2015		<u>\$ 480,631</u>

The balance in the capital reserve account at June 30, 2015 does not exceed the balance of local support costs of uncompleted capital projects in the District's Long Range Facilities Plan ("LRFP"). The withdrawal from the capital reserve was for use in a DOE approved facilities project consistent with the District's LRFP.

NOTE 5. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2015 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 229,166			\$ 229,166
Construction in Progress		\$ 186,840		186,840
Total Capital Assets Not Being Depreciated	<u>229,166</u>	<u>186,840</u>		<u>416,006</u>
Capital Assets Being Depreciated:				
Site Improvements	432,777			432,777
Buildings and Building Improvements	2,124,252			2,124,252
Machinery and Equipment	2,149,507	35,044	\$ (12,320)	2,172,231
Total Capital Assets Being Depreciated	<u>4,706,536</u>	<u>35,044</u>	<u>(12,320)</u>	<u>4,729,260</u>
Governmental Activities Capital Assets	<u>4,935,702</u>	<u>221,884</u>	<u>(12,320)</u>	<u>5,145,266</u>

FRANKLIN BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 5. CAPITAL ASSETS: (Cont'd)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balance</u>
Less Accumulated Depreciation for:				
Site Improvements	\$ (417,175)	\$ (2,996)		\$ (420,171)
Buildings and Building Improvements	(1,812,622)	(23,357)		(1,835,979)
Machinery and Equipment	(1,760,755)	(52,375)	\$ 12,320	(1,800,810)
	<u>(4,023,746)</u>	<u>(78,728)</u>	<u>12,320</u>	<u>(4,056,960)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 945,150</u>	<u>\$ 143,156</u>	<u>\$ -0-</u>	<u>\$ 1,088,306</u>
Business Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 141,935	\$ 6,740		\$ 148,675
Less Accumulated Depreciation	(119,958)	(5,858)		(125,816)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 21,977</u>	<u>\$ 882</u>	<u>\$ -0-</u>	<u>\$ 22,859</u>

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 4,723
School Administrative Services	2,362
Plant Operations and Maintenance	5,511
Unallocated	66,132
	<u>\$ 78,728</u>

NOTE 6. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2015, the following changes occurred in liabilities reported in the District-wide financial statements:

	<u>Restated Beginning Balance</u>	<u>Accrued</u>	<u>Retired</u>	<u>Ending Balance</u>
Compensated Absences Payable	\$ 326,388	\$ 7,546	\$ 19,329	\$ 314,605
Net Pension Liability	2,065,723		80,429	1,985,294
Total Long Term Liabilities	<u>\$ 2,392,111</u>	<u>\$ 7,546</u>	<u>\$ 99,758</u>	<u>\$ 2,299,899</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, 2015.

FRANKLIN BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

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

B. Bonds Authorized But Not Issued:

As of June 30, 2015, the Board had no bonds authorized but not issued.

C. Capital Leases Payable:

As of June 30, 2015, 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 \$314,605.

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, 2015, no liability existed for compensated absences in the Food Service Fund.

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

E. Net Pension Liability:

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2015 is \$-0- and the long-term portion is \$1,985,294. See Note 8 for further information on the PERS.

NOTE 7. TRANSFERS TO CAPITAL OUTLAY

During the fiscal year ended June 30, 2015, the District transferred \$14,500 to the Capital Outlay accounts for equipment which did not require County Superintendent approval, the remaining transfers in the capital outlay were under the 10 percent threshold and did not require approval of the County Superintendent.

NOTE 8. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey; or the Defined Contribution Retirement Program (DCRP).

A. Public Employees' Retirement System (PERS)

Plan Description

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

FRANKLIN BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The following represents the membership tiers for PERS:

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

Benefits Provided (Cont'd)

Service retirement benefits of 1/55<sup>th</sup> 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 1/60<sup>th</sup> 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 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a members 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 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for PERS is set by N.J.S.A. 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 \$88,127 for fiscal year 2015.

FRANKLIN BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

The employee contribution rate was 6.92% effective July 1, 2014. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1<sup>st</sup> to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

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

At June 30, 2015, the District reported a liability of \$1,985,294 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2014. 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, 2014, the District's proportion was 0.0106%, which was a decrease of 0.0002% from its proportion measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the District recognized pension expense of \$97,548. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	\$ 62,428	
Changes in Proportion		\$ 33,074
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		<u>118,313</u>
	<u>\$ 62,428</u>	<u>\$ 151,387</u>

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

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>
2015	\$ (18,102)
2016	(18,102)
2017	(18,102)
2018	(18,102)
2019	11,476
Thereafter	<u>5,047</u>
	<u>\$ (55,885)</u>

FRANKLIN BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Actuarial Assumptions

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	3.01%
Salary Increases:	
2012-2021	2.15 – 4.40% based on age
Thereafter	3.15 – 5.40% based on age
Investment Rate of Return	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA.

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments 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. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	6.00%	0.80%
Core Bonds	1.00%	2.49%
Intermediate-Term Bonds	11.20%	2.26%
Mortgages	2.50%	2.17%
High Yield Bonds	5.50%	4.82%
Inflation-Indexed Bonds	2.50%	3.51%
Broad U.S. Equities	25.90%	8.22%
Developed Foreign Equities	12.70%	8.12%
Emerging Market Equities	6.50%	9.91%
Private Equity	8.25%	13.02%
Hedge Funds/Absolute Return	12.25%	4.92%
Real Estate (Property)	3.20%	5.80%
Commodities	2.50%	5.35%

FRANKLIN BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Discount Rate

The discount rate used to measure the total pension liability was 5.39% as of June 30, 2014. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9% and a municipal bond rate of 4.29% as of June 30, 2014 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 upon the average of the last five years of contributions made in relation to the last five years of recommended contributions. 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 2033. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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, 2014 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:

	Fiscal Year Ended June 30, 2014		
	1% Decrease (4.39%)	Current Discount Rate (5.39%)	1% Increase (6.39%)
District's proportionate share of the Net Pension Liability	\$ 2,497,568	\$ 1,985,294	\$ 1,555,115

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 Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/annrpts.shtml](http://www.state.nj.us/treasury/pensions/annrpts.shtml).

FRANKLIN BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts. The following represents the membership tiers for TPAF:

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

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. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2014, the State's pension contribution was less than the actuarially determined amount.

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 2015, the State of New Jersey contributed \$206,334 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$1,127,590.

The employee contribution rate was 6.92% effective July 1, 2014. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1<sup>st</sup> to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

FRANKLIN BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(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

At June 30, 2015, the State's proportionate share of the net pension liability associated with the District was \$20,955,257. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2014. 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, 2014, the District's proportion was 0.0392%, which was a decrease of 0.0006% from its proportion measured as of June 30, 2013.

District's Proportionate Share of the Net Pension Liability	\$ -0-
State's Proportionate Share of the Net Pension Liability Associated with the District	<u>20,955,257</u>
Total	<u><u>\$ 20,955,257</u></u>

For the fiscal year ended June 30, 2014, the State recognized pension expense on behalf of the District in the amount of \$1,127,590 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2015 financial statements.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	\$ 2,306,623,861	
Difference Between Expected and Actual Experience		\$ 21,969,019
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		<u>1,741,236,574</u>
	<u><u>\$ 2,306,623,861</u></u>	<u><u>\$ 1,763,205,593</u></u>

The \$2,306,623,861 reported as deferred outflows of resources related to pensions resulting from changes in assumptions will be amortized over a period of 8.5 years. The \$21,969,019 reported as reported as deferred outflows of resources related to pensions resulting from changes in assumptions will be amortized over a period of 8.5 years. The \$1,741,236,574 reported as a deferred inflow of resources resulting from the difference between projected and actual investment earnings on pension plan investments will be amortized over 5 years.

FRANKLIN BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

Fiscal Year Ending June 30,	Total
2016	\$ (130,688,498)
2017	(130,688,498)
2018	(130,688,498)
2019	(130,688,496)
2020	304,620,646
Thereafter	761,551,612
	\$ 543,418,268

Actuarial Assumptions

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.90%

Mortality rates were based on the RP-2000 Health Annuitant Mortality Tables for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments 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. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2014 is summarized in the following table:

FRANKLIN BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	6.00%	0.50%
Core Fixed Income	0.00%	2.19%
Core Bonds	1.00%	1.38%
Short-Term Bonds	0.00%	1.00%
Intermediate-Term Bonds	11.20%	2.60%
Long-Term Bonds	0.00%	3.23%
Mortgages	2.50%	2.84%
High Yield Bonds	5.50%	4.15%
Non-U.S. Fixed Income	0.00%	1.41%
Inflation-Indexed Bonds	2.50%	1.30%
Broad U.S. Equities	25.90%	5.88%
Large CAP U.S. Equities	0.00%	5.62%
Mid CAP U.S. Equities	0.00%	6.39%
Small CAP U.S. Equities	0.00%	7.39%
Developed Foreign Equities	12.70%	6.05%
Emerging Market Equities	6.50%	8.90%
Private Equity	8.25%	9.15%
Hedge Funds/Absolute Return	12.25%	3.85%
Real Estate (Property)	3.20%	4.43%
Real Estate (REITS)	0.00%	5.58%
Commodities	2.50%	3.60%
Long Credit Bonds	0.00%	3.74%

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 4.68% as of June 30, 2014. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9% and a municipal bond rate of 4.29% as of June 30, 2014 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 upon the average of the last five years. 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 2027. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2027, 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, 2015  
(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, 2014 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:

	Fiscal Year Ended June 30, 2014		
	1% Decrease (3.68%)	Current Discount Rate (4.68%)	1% Increase (5.68%)
Total Net Pension Liability	\$ 64,722,984,539	\$53,813,067,539	\$44,738,870,539

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 \$9,078 for the fiscal year ended June 30, 2015. Employee contributions to DCRP amounted to \$17,548 for the fiscal year ended June 30, 2015.

FRANKLIN BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 9. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. Chapter 103 of Public Laws 2007 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2014, there were 103,432 retirees receiving post-retirement medical benefits, and the State contributed \$1.04 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c. 126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$165.8 million toward Chapter 126 benefits for 18,122 eligible retired members in Fiscal Year 2014.

The State's on behalf Post-Retirement Medical Contributions to TPAF for the District amounted to \$327,556, \$271,956 and \$291,191, for 2015, 2014, and 2013, respectively.

NOTE 10. RISK MANAGEMENT

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

Property and Liability Insurance

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

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

FRANKLIN BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 10. RISK MANAGEMENT (Cont'd)

The June 30, 2015 audit was not available as of the date of this report; however, selected, summarized financial information for the Fund as of June 30, 2014 is as follows:

	<u>School Alliance Insurance Fund</u>
Total Assets	<u>\$ 33,508,569</u>
Net Position	<u>\$ 5,114,269</u>
Total Revenue	<u>\$ 34,091,773</u>
Total Expenses	<u>\$ 37,253,827</u>
Change in Net Position	<u>\$ (3,162,054)</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.

NOTE 11. ECONOMIC DEPENDENCY

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

NOTE 12. DEFERRED COMPENSATION

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

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

FRANKLIN BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 13. CONTINGENT LIABILITIES

Grant Programs

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

Litigation

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

NOTE 14. TAX CALENDAR

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

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

NOTE 15. INTERFUND RECEIVABLE AND PAYABLE

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 6,950	
Special Revenue Fund		\$ 6,950
	\$ 6,950	\$ 6,950

The interfund receivable in the General Fund from the Special Revenue Fund is the amount of the cash expenditures paid by the General Fund on-behalf of the Special Revenue Fund.

FRANKLIN BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 16. ACCOUNTS PAYABLE

Payables as of June 30, 2015 were as follows:

	<u>Governmental Funds</u>	<u>Business-Type Activities</u>
	<u>General Fund</u>	<u>Enterprise Funds</u>
Salaries and Wages	\$ 19,329	
Vendors	167,362	\$ 6,740
	<u>\$ 186,691</u>	<u>\$ 6,740</u>

NOTE 17. PRIOR PERIOD ADJUSTMENTS

The District made a prior year adjustment in the District Wide Financial Statements to record the net pension liability as of June 30, 2014 as a result of implementing Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment to GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

	<u>Balance 6/30/14 as Previously Reported</u>	<u>Retroactive Adjustments</u>	<u>Balance 6/30/14 as Restated</u>
<u>Statement of Net Assets:</u>			
<u>Governmental Activities:</u>			
<u>Statement of Net Position:</u>			
<u>Liabilities:</u>			
Non-Current Liabilities	\$ 326,388	\$ 2,065,723	\$ 2,392,111
Total Liabilities	454,447	2,065,723	2,520,170
<u>Net Position:</u>			
Unrestricted/(Deficit)	(242,637)	(2,065,723)	(2,308,360)
Total Net Position	1,958,876	(2,065,723)	(106,847)

SCHEDULES OF REQUIRED  
SUPPLEMENTARY INFORMATION

L-1

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

	<u>Fiscal Year Ending June 30,</u>	
	<u>2014</u>	<u>2015</u>
District's proportion of the net pension liability	0.0108085213%	0.0106036547%
District's proportionate share of the net pension liability	\$ 2,065,723	\$ 1,985,294
District's covered employee payroll	\$ 630,487	\$ 629,695
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	327.64%	315.28%
Plan fiduciary net position as a percentage of the total pension liability	48.72%	52.08%

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 TWO FISCAL YEARS  
UNAUDITED

	Fiscal Year Ending June 30,	
	2014	2015
Contractually required contribution	\$ 81,440	\$ 87,415
Contributions in relation to the contractually required contribution	<u>(81,440)</u>	<u>(87,415)</u>
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered employee payroll	\$ 630,487	\$ 629,695
Contributions as a percentage of covered employee payroll	12.92%	13.88%

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'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHERS' PENSION AND ANNUITY FUND  
LAST TWO FISCAL YEARS  
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2014</u>	<u>2015</u>
State's proportion of the net pension liability attributable to the District	0.0398547200%	0.0392077322%
State's proportionate share of the net pension liability attributable to the District	\$ 20,142,036	\$ 20,955,257
District's covered employee payroll	\$ 3,902,796	\$ 3,805,905
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	516.09%	550.60%
Plan fiduciary net position as a percentage of the total pension liability	33.76%	33.64%

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  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 5.55% as of June 30, 2013 to 5.39% as of June 30, 2014 in accordance with Paragraph 44 of GASB Statement No. 67.

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.95% as of June 30, 2013 to 4.68% as of June 30, 2014 in accordance with Paragraph 44 of GASB Statement No. 67.

BUDGETARY COMPARISON SCHEDULES

FRANKLIN BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenue:					
Local Sources:					
Local Tax Levy	\$ 4,806,638		\$ 4,806,638	\$ 4,806,638	
Tuition - Other LEA's Within the State				46,043	\$ 46,043
Unrestricted Miscellaneous	36,000		36,000	38,473	2,473
Interest Earned on Capital Reserve Funds	1,000		1,000	783	(217)
Restricted Miscellaneous	1,000		1,000	3,000	2,000
Total - Local Sources	<u>4,844,638</u>		<u>4,844,638</u>	<u>4,894,937</u>	<u>50,299</u>
State Sources:					
Transportation Aid	44,622		44,622	44,622	
Special Education Aid	277,326		277,326	277,326	
Equalization Aid	2,646,715		2,646,715	2,646,715	
Categorical Security Aid	78,236		78,236	78,236	
Adjustment Aid	206,245		206,245	206,245	
Extraordinary Aid				22,959	22,959
Other State Aid	9,060		9,060	9,060	
Non-Public Transportation				1,523	1,523
TPAF Pension Contribution (On-Behalf - Non-Budgeted)				206,334	206,334
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				327,556	327,556
TPAF Social Security (Reimbursed - Non-Budgeted)				267,968	267,968
Total State Sources	<u>3,262,204</u>		<u>3,262,204</u>	<u>4,088,544</u>	<u>826,340</u>
Federal Sources:					
Medicaid Assistance Program	16,032		16,032	23,133	7,101
Medicaid Assistance Program-SEMI/ARRA				13,671	13,671
Total Federal Sources	<u>16,032</u>		<u>16,032</u>	<u>36,804</u>	<u>20,772</u>
Total Revenue	<u>8,122,874</u>		<u>8,122,874</u>	<u>9,020,285</u>	<u>897,411</u>

FRANKLIN BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Expenditures:					
Current Expense:					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 203,038		\$ 203,038	\$ 196,711	\$ 6,327
Grades 1-5 - Salaries of Teachers	1,138,277	\$ 20,000	1,158,277	1,137,588	20,689
Grades 6-8 - Salaries of Teachers	707,011	(65,000)	642,011	636,694	5,317
Regular Programs - Home Instruction:					
Salaries of Teachers	1,000		1,000	291	709
Purchased Professional-Educational Services	1,000		1,000		1,000
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	2,000		2,000	310	1,690
Purchased Professional-Educational Services		1,000	1,000	488	512
Other Purchased Services	34,930	5,500	40,430	28,850	11,580
General Supplies	86,500	83,500	170,000	165,636	4,364
Textbooks	11,000	10,000	21,000	19,365	1,635
Other Objects	3,000		3,000	940	2,060
Total Regular Programs - Instruction	<u>2,187,756</u>	<u>55,000</u>	<u>2,242,756</u>	<u>2,186,873</u>	<u>55,883</u>
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	273,210	45,000	318,210	303,654	14,556
Other Salaries for Instruction	60,764	29,000	89,764	77,666	12,098
General Supplies	6,600	(2,000)	4,600	2,001	2,599
Total Learning and/or Language Disabilities	<u>340,574</u>	<u>72,000</u>	<u>412,574</u>	<u>383,321</u>	<u>29,253</u>
Behavioral Disabilities:					
Salaries of Teachers	54,335	2,000	56,335	53,418	2,917
Other Salaries for Instruction	23,958	7,000	30,958	17,183	13,775
General Supplies	2,261		2,261	400	1,861
Total Behavioral Disabilities	<u>80,554</u>	<u>9,000</u>	<u>89,554</u>	<u>71,001</u>	<u>18,553</u>

FRANKLIN BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Expenditures:					
Resource Room/Resource Center:					
Salaries of Teachers	\$ 429,670	\$ (67,000)	\$ 362,670	\$ 359,705	\$ 2,965
Other Salaries for Instruction	70,843	(3,000)	67,843	67,054	789
General Supplies	3,000		3,000	1,422	1,578
Total Resource Room/Resource Center	<u>503,513</u>	<u>(70,000)</u>	<u>433,513</u>	<u>428,181</u>	<u>5,332</u>
Preschool Disabilities - Part Time:					
Salaries of Teachers	76,070		76,070	75,940	130
Other Salaries for Instruction	18,710	(4,200)	14,510	13,801	709
General Supplies	1,300	1,600	2,900	2,348	552
Other Objects	500	500	1,000	708	292
Total Preschool Disabilities - Part Time	<u>96,580</u>	<u>(2,100)</u>	<u>94,480</u>	<u>92,797</u>	<u>1,683</u>
Home Instruction - Special Education					
Salaries of Teachers	2,500	600	3,100	3,068	32
Purchased Professional-Educational Services	700	1,500	2,200	1,512	688
Total Home Instruction - Special Education	<u>3,200</u>	<u>2,100</u>	<u>5,300</u>	<u>4,580</u>	<u>720</u>
Total Special Education - Instruction	<u>1,024,421</u>	<u>11,000</u>	<u>1,035,421</u>	<u>979,880</u>	<u>55,541</u>
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	49,612		49,612	43,133	6,479
Total Basic Skills/Remedial - Instruction	<u>49,612</u>		<u>49,612</u>	<u>43,133</u>	<u>6,479</u>
Bilingual Education - Instruction:					
Salaries of Teachers	34,207		34,207	34,207	
General Supplies	1,000		1,000		1,000
Total Bilingual Education - Instruction	<u>35,207</u>		<u>35,207</u>	<u>34,207</u>	<u>1,000</u>

FRANKLIN BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Expenditures:					
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	\$ 26,943		\$ 26,943	\$ 23,466	\$ 3,477
Supplies and Materials	1,500		1,500	1,402	98
Other Objects	1,000		1,000	478	522
Transfers to Cover Deficit (Agency Funds)	15,000	\$ 9,000	24,000	13,152	10,848
<b>Total School-Sponsored Cocurricular Activities - Instruction</b>	<b>44,443</b>	<b>9,000</b>	<b>53,443</b>	<b>38,498</b>	<b>14,945</b>
School-Sponsored Cocurricular Activities - Athletics - Instruction:					
Salaries	30,541	300	30,841	30,692	149
Supplies and Materials	3,300	(900)	2,400	834	1,566
Other Objects		600	600	516	84
Transfers to Cover Deficit (Agency Funds)	3,900		3,900	2,912	988
<b>Total School-Sponsored Cocurricular Activities - Athletics - Instruction</b>	<b>37,741</b>		<b>37,741</b>	<b>34,954</b>	<b>2,787</b>
Other Instructional Programs - Summer School - Instruction					
Salaries of Teachers	12,000		12,000	8,974	3,026
Other Salaries of Instruction	1,000		1,000		1,000
General Supplies	500		500		500
<b>Total Other Instructional Programs -Summer School - Instruction</b>	<b>13,500</b>		<b>13,500</b>	<b>8,974</b>	<b>4,526</b>
<b>Total Instruction</b>	<b>3,392,680</b>	<b>75,000</b>	<b>3,467,680</b>	<b>3,326,519</b>	<b>141,161</b>
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Special	232,338	(55,000)	177,338	87,911	89,427
Tuition to Private School for the Disabled - Within the State	26,726	36,000	62,726	54,957	7,769
<b>Total Undistributed Expenditures - Instruction</b>	<b>259,064</b>	<b>(19,000)</b>	<b>240,064</b>	<b>142,868</b>	<b>97,196</b>

FRANKLIN BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Expenditures:					
Attendance & Social Work:					
Salaries	\$ 27,231		\$ 27,231	\$ 24,431	\$ 2,800
Total Attendance & Social Work	<u>27,231</u>		<u>27,231</u>	<u>24,431</u>	<u>2,800</u>
Health Services:					
Salaries	73,965	\$ 4,000	77,965	77,715	250
Purchased Professional and Technical Services	5,500		5,500	5,000	500
Other Purchased Services (400-500 series)	1,000		1,000	285	715
Supplies and Materials	5,800		5,800	3,265	2,535
Other Objects	300		300	50	250
Total Health Services	<u>86,565</u>	<u>4,000</u>	<u>90,565</u>	<u>86,315</u>	<u>4,250</u>
Other Support Services - Speech, OT, PT and Related Services:					
Salaries	82,405		82,405	81,167	1,238
Purchased Professional - Educational Services	87,000	9,000	96,000	90,056	5,944
Supplies and Materials	1,500	1,000	2,500	2,079	421
Total Other Support Services - Speech, OT, PT and Related Services	<u>170,905</u>	<u>10,000</u>	<u>180,905</u>	<u>173,302</u>	<u>7,603</u>
Other Support Services - Guidance:					
Salaries of Other Professional Staff	88,005	1,000	89,005	87,727	1,278
Salaries of Secretarial and Clerical Assistants	32,909	1,000	33,909	33,236	673
Other Purchased Services (400-500 series)	625		625	81	544
Supplies and Materials	1,500		1,500	1,145	355
Total Other Support Services - Guidance	<u>123,039</u>	<u>2,000</u>	<u>125,039</u>	<u>122,189</u>	<u>2,850</u>

FRANKLIN BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Other Support Services - Child Study Teams:					
Salaries of Other Professional Staff	\$ 280,204		\$ 280,204	\$ 280,204	
Salaries of Secretarial and Clerical Assistants	44,382		44,382	43,381	\$ 1,001
Other Purchased Professional and Technical Services	500		500		500
Miscellaneous Purchased Services (400-500 series)	2,100		2,100	567	1,533
Supplies and Materials	7,300		7,300	4,288	3,012
Other Objects	200		200	100	100
<b>Total Other Support Services - Child Study Teams</b>	<b>334,686</b>		<b>334,686</b>	<b>328,540</b>	<b>6,146</b>
Educational Media Services - School Library:					
Salaries	28,845		28,845	28,845	
Other Purchased Services (400-500 series)	500		500		500
Supplies and Materials	4,700		4,700	4,583	117
Other Objects	400		400		400
<b>Total Educational Media Services - School Library</b>	<b>34,445</b>		<b>34,445</b>	<b>33,428</b>	<b>1,017</b>
Improvement of Instructional Services:					
Salaries of Supervisors of Instruction	68,809	\$ 6,900	75,709	72,569	3,140
Salaries of Secretarial and Clerical Assistants	29,558	100	29,658	28,559	1,099
Supplies and Materials	1,500		1,500	98	1,402
Other Objects	900		900	120	780
<b>Total Improvement of Instructional Services</b>	<b>100,767</b>	<b>7,000</b>	<b>107,767</b>	<b>101,346</b>	<b>6,421</b>
Instructional Staff Training Services:					
Purchased Professional - Educational Services	3,000	1,000	4,000	3,890	110
Other Purchased Services (400-500 series)	14,000	4,000	18,000	15,130	2,870
<b>Total Instructional Staff Training Services</b>	<b>17,000</b>	<b>5,000</b>	<b>22,000</b>	<b>19,020</b>	<b>2,980</b>

FRANKLIN BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Expenditures:					
General Administration:					
Salaries	\$ 220,612		\$ 220,612	\$ 220,612	
Legal Services	5,000	\$ 14,000	19,000	11,512	\$ 7,488
Audit Fees	22,000	(2,000)	20,000	19,245	755
Architectural / Engineering Services		5,000	5,000	3,642	1,358
Other Purchased Professional Services	7,000	5,000	12,000	8,709	3,291
Purchased Technical Services	1,500	2,000	3,500	2,983	517
Communications/Telephone	13,200	7,000	20,200	11,961	8,239
BOE Other Purchased Services	8,000	(2,000)	6,000	4,019	1,981
Miscellaneous Purchased Services (400-500 series)	28,800	3,000	31,800	25,388	6,412
General Supplies	7,000		7,000	6,319	681
BOE In-House Training and Meeting Supplies	1,000		1,000	103	897
Judgements Against the School District		500	500	500	
Miscellaneous Expenditures	8,100		8,100	6,732	1,368
BOE Membership Dues and Fees	6,500	(500)	6,000	4,726	1,274
<b>Total General Administration</b>	<b>328,712</b>	<b>32,000</b>	<b>360,712</b>	<b>326,451</b>	<b>34,261</b>
School Administration:					
Salaries of Principals/Assistant Principals	151,967	1,600	153,567	153,467	100
Salaries of Secretarial and Clerical Assistants	4,490		4,490	3,766	724
Other Purchased Services (400-500 series)	2,900		2,900	632	2,268
Supplies and Materials	5,000	2,400	7,400	1,410	5,990
Other Objects	2,500		2,500	1,264	1,236
<b>Total School Administration</b>	<b>166,857</b>	<b>4,000</b>	<b>170,857</b>	<b>160,539</b>	<b>10,318</b>

FRANKLIN BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Expenditures:					
Central Services:					
Salaries	\$ 170,124		\$ 170,124	\$ 169,926	\$ 198
Purchased Technical Services	14,900	\$ 15,000	29,900	29,480	420
Miscellaneous Purchased Services (400-500 series)	2,000		2,000	1,186	814
Supplies and Materials	5,000	4,000	9,000	4,559	4,441
Other Objects	3,000		3,000	2,764	236
Total Central Services	<u>195,024</u>	<u>19,000</u>	<u>214,024</u>	<u>207,915</u>	<u>6,109</u>
Required Maintenance for School Facilities:					
Cleaning, Repair and Maintenance Services	90,000		90,000	67,261	22,739
Total Required Maintenance for School Facilities	<u>90,000</u>		<u>90,000</u>	<u>67,261</u>	<u>22,739</u>
Custodial Services:					
Salaries	320,499		320,499	310,019	10,480
Cleaning, Repair and Maintenance Services	26,000		26,000	21,984	4,016
Other Purchased Property Services	52,000	10,000	62,000	29,521	32,479
Insurance	63,800		63,800	60,462	3,338
Miscellaneous Purchased Services	1,000		1,000	824	176
General Supplies	60,000	12,000	72,000	71,457	543
Energy (Gasoline)	3,000		3,000	1,743	1,257
Energy (Electricity)	87,000		87,000	82,706	4,294
Energy (Natural Gas)	11,000		11,000	6,820	4,180
Energy (Oil)	140,000	(23,000)	117,000	89,003	27,997
Other Objects	1,000	3,000	4,000	2,299	1,701
Total Custodial Services	<u>765,299</u>	<u>2,000</u>	<u>767,299</u>	<u>676,838</u>	<u>90,461</u>

FRANKLIN BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Care and Upkeep of Grounds:					
Salaries	\$ 43,380		\$ 43,380	\$ 43,380	
Cleaning, Repair and Maintenance Services	17,000	\$ 34,000	51,000	49,970	\$ 1,030
General Supplies	10,500	9,000	19,500	18,662	838
Other Objects	1,000		1,000		1,000
Total Care and Upkeep of Grounds	<u>71,880</u>	<u>43,000</u>	<u>114,880</u>	<u>112,012</u>	<u>2,868</u>
Security:					
Cleaning, Repair and Maintenance Services	4,000		4,000	2,652	1,348
General Supplies	4,000		4,000		4,000
Total Security	<u>8,000</u>		<u>8,000</u>	<u>2,652</u>	<u>5,348</u>
Student Transportation Services:					
Salaries for Pupil Trans (Other than Between Home & School)	22,825		22,825	22,825	
Salaries for Pupil Trans (Between Home & School) - Nonpublic	20,535		20,535	20,535	
Management Fee - ESC & CTSA Transportation Program	8,000	500	8,500	8,160	340
Aid in Lieu Payments - Non Public Students	13,000	(9,500)	3,500	1,768	1,732
Aid in Lieu Payments - Non Public Students- School Choice		14,000	14,000	12,920	1,080
Contracted Services (Other than Between Home and School)- Vendors	27,000	(3,000)	24,000	19,933	4,067
Contracted Services (Regular Students) - ESC's & CTSA's	50,000	(4,000)	46,000	39,740	6,260
Contracted Services (Special Education Students) - ESC's & CTSA's	150,000	7,000	157,000	153,568	3,432
Total Student Transportation Services	<u>291,360</u>	<u>5,000</u>	<u>296,360</u>	<u>279,449</u>	<u>16,911</u>
Unallocated Benefits:					
Group Insurance	5,000		5,000	3,244	1,756
Social Security Contributions	105,000		105,000	100,412	4,588
Other Retirement Contributions - Regular	7,000	5,000	12,000	9,078	2,922
Other Retirement Contributions - PERS	100,000	(5,000)	95,000	88,127	6,873

FRANKLIN BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Unallocated Benefits (Cont'd):					
Unemployment Compensation	\$ 22,000		\$ 22,000	\$ 19,315	\$ 2,685
Workmen's Compensation	80,000		80,000	77,883	2,117
Health Benefits	1,559,166	\$ (199,500)	1,359,666	1,153,792	205,874
Tuition Reimbursement	36,700		36,700	11,794	24,906
Other Employee Benefits	84,604	9,000	93,604	88,424	5,180
Total Unallocated Benefits	<u>1,999,470</u>	<u>(190,500)</u>	<u>1,808,970</u>	<u>1,552,069</u>	<u>256,901</u>
On-Behalf Contributions:					
TPAF Pension Contribution (On-Behalf - Non-Budgeted)				206,334	(206,334)
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				327,556	(327,556)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				267,968	(267,968)
Total On-Behalf Contributions				<u>801,858</u>	<u>(801,858)</u>
Total Personal Services - Employee Benefits	<u>1,999,470</u>	<u>(190,500)</u>	<u>1,808,970</u>	<u>2,353,927</u>	<u>(544,957)</u>
Total Undistributed Expenditures	<u>5,070,304</u>	<u>(76,500)</u>	<u>4,993,804</u>	<u>5,218,483</u>	<u>(224,679)</u>
Total Current Expense	<u>8,462,984</u>	<u>(1,500)</u>	<u>8,461,484</u>	<u>8,545,002</u>	<u>(83,518)</u>
Capital Outlay:					
Equipment:					
School-Sponsored Cocurricular Activities - Athletics		2,500	2,500	2,059	441
Other Support Services - General Administration		12,000	12,000	11,822	178
Total Equipment		<u>14,500</u>	<u>14,500</u>	<u>13,881</u>	<u>619</u>
Facilities Acquisition and Construction Services:					
Legal		1,185	1,185	1,185	
Architectural/Engineering Services	50,000	1,615	51,615	12,410	39,205

FRANKLIN BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Capital Outlay:					
Facilities Acquisition and Construction Services (Cont'd):					
Construction Services	\$ 200,000	\$ 27,168	\$ 227,168	\$ 214,008	\$ 13,160
Assessment for Debt Service on SDA Funding	4,133		4,133	4,133	
Total Facilities Acquisition and Construction Services	<u>254,133</u>	<u>29,968</u>	<u>284,101</u>	<u>231,736</u>	<u>52,365</u>
Total Capital Outlay	<u>254,133</u>	<u>44,468</u>	<u>298,601</u>	<u>245,617</u>	<u>52,984</u>
Transfer of Funds to Charter Schools	<u>132,000</u>	<u>(13,000)</u>	<u>119,000</u>	<u>82,088</u>	<u>36,912</u>
Total Expenditures	<u>8,849,117</u>	<u>29,968</u>	<u>8,879,085</u>	<u>8,872,707</u>	<u>6,378</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>(726,243)</u>	<u>(29,968)</u>	<u>(756,211)</u>	<u>147,578</u>	<u>903,789</u>
Fund Balance, July 1	<u>1,664,137</u>		<u>1,664,137</u>	<u>1,664,137</u>	
Fund Balance, June 30	<u>\$ 937,894</u>	<u>\$ (29,968)</u>	<u>\$ 907,926</u>	<u>\$ 1,811,715</u>	<u>\$ 903,789</u>
<u>Recapitulation:</u>					
Restricted Fund Balances:					
Capital Reserve				\$ 480,631	
Excess Surplus				538,488	
Excess Surplus - For Subsequent Year's Expenditures				406,327	
Assigned Fund Balance:					
For Subsequent Year's Expenditures				98,116	
For Subsequent Year's Expenditures-SEMI/ARRA				13,671	
Unassigned Fund Balance				<u>274,482</u>	
				1,811,715	
Reconciliation to Governmental Funds Statements (GAAP):					
Last State Aid Payment not Recognized on GAAP Basis				<u>(324,903)</u>	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 1,486,812</u>	

FRANKLIN BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources		\$ 7,403	\$ 7,403	\$ 7,403	
State Sources	\$ 127,034	(24,925)	102,109	68,309	\$ (33,800)
Federal Sources	249,500	118,549	368,049	329,740	(38,309)
Total Revenues	<u>376,534</u>	<u>101,027</u>	<u>477,561</u>	<u>405,452</u>	<u>(72,109)</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers	82,500	4,161	86,661	86,661	
Other Salaries for Instruction	5,000	67,258	72,258	72,258	
Purchased Professional and Educational Services	89,657	(21,203)	68,454	42,038	26,416
General Supplies	2,820	7,499	10,319	5,903	4,416
Tuition	162,000	(64,225)	97,775	97,775	
Textbooks	7,734	488	8,222	7,331	891
Total Instruction	<u>349,711</u>	<u>(6,022)</u>	<u>343,689</u>	<u>311,966</u>	<u>31,723</u>
Support Services:					
Purchased Professional/Technical Services	10,895	3,997	14,892	12,833	2,059
Purchased Professional - Educational Services	15,928	81,531	97,459	59,132	38,327
Personal Services - Employee Benefits		18,719	18,719	18,719	
Other Purchased Services		1,302	1,302	1,302	
Supplies and Materials		1,500	1,500	1,500	
Total Support Services	<u>26,823</u>	<u>107,049</u>	<u>133,872</u>	<u>93,486</u>	<u>40,386</u>
Total Expenditures	<u>\$ 376,534</u>	<u>\$ 101,027</u>	<u>\$ 477,561</u>	<u>\$ 405,452</u>	<u>\$ 72,109</u>

Exhibit C-3

FRANKLIN BOROUGH SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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	\$ 9,020,285	\$ 405,452
Differences - Budget to GAAP:		
Prior Year State Aid Payments Recognized for GAAP Statements	324,023	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(324,903)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 9,019,405</u>	<u>\$ 405,452</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	<u>\$ 8,872,707</u>	<u>\$ 405,452</u>
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 8,872,707</u>	<u>\$ 405,452</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, 2015 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)l. Transfers of appropriations may be made by school board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

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

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

SCHOOL LEVEL SCHEDULES  
(NOT APPLICABLE)

SPECIAL REVENUE FUND

FRANKLIN BOROUGH SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>No Child Left Behind</u>			<u>IDEA Part B</u>	
	<u>Title I</u>	<u>Title II Part A</u>	<u>Title II Part A - Carryover</u>	<u>Basic</u>	<u>Basic - Carryover</u>
<b>REVENUE:</b>					
Local Sources					
State Sources					
Federal Sources	\$ 93,369	\$ 24,407	\$ 304	\$ 173,280	\$ 27,320
<b>Total Revenue</b>	<u>93,369</u>	<u>24,407</u>	<u>304</u>	<u>173,280</u>	<u>27,320</u>
<b>EXPENDITURES:</b>					
<b>Instruction:</b>					
Salaries of Teachers	66,504	20,071	86		
Other Salaries for Instruction	12,500			50,000	
Purchased Professional/Educational Services					
General Supplies					
Tuition				73,280	24,495
Textbooks					
<b>Total Instruction</b>	<u>79,004</u>	<u>20,071</u>	<u>86</u>	<u>123,280</u>	<u>24,495</u>
<b>Support Services:</b>					
Purchased Professional/Technical Services			200		
Purchased Professional/Educational Services				50,000	2,825
Personal Services - Employee Benefits	14,365	4,336	18		
Other Purchased Services					
Supplies					
<b>Total Support Services</b>	<u>14,365</u>	<u>4,336</u>	<u>218</u>	<u>50,000</u>	<u>2,825</u>
<b>Total Expenditures</b>	<u>\$ 93,369</u>	<u>\$ 24,407</u>	<u>\$ 304</u>	<u>\$ 173,280</u>	<u>\$ 27,320</u>

FRANKLIN BOROUGH SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>IDEA Part B</u> <u>Preschool</u>	<u>Race to</u> <u>the Top</u>	<u>Nonpublic</u> <u>Textbooks</u>	<u>Nonpublic</u> <u>Nursing</u>	<u>Nonpublic</u> <u>Auxiliary Services</u> <u>Compensatory</u> <u>Education</u>
<b>REVENUE:</b>					
Local Sources					
State Sources			\$ 7,331	\$ 12,633	\$ 34,220
Federal Sources	\$ 9,758	\$ 1,302			
<b>Total Revenue</b>	<u>9,758</u>	<u>1,302</u>	<u>7,331</u>	<u>12,633</u>	<u>34,220</u>
<b>EXPENDITURES:</b>					
Instruction:					
Salaries of Teachers					
Other Salaries for Instruction	9,758				
Purchased Professional/Educational Services					34,220
General Supplies					
Tuition					
Textbooks			7,331		
<b>Total Instruction</b>	<u>9,758</u>		<u>7,331</u>		<u>34,220</u>
Support Services:					
Purchased Professional/Technical Services				12,633	
Purchased Professional/Educational Services					
Personal Services - Employee Benefits					
Other Purchased Services		1,302			
Supplies					
<b>Total Support Services</b>		<u>1,302</u>		<u>12,633</u>	
<b>Total Expenditures</b>	<u>\$ 9,758</u>	<u>\$ 1,302</u>	<u>\$ 7,331</u>	<u>\$ 12,633</u>	<u>\$ 34,220</u>

FRANKLIN BOROUGH SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Nonpublic Handicapped Services			Local Grants	Totals
	Examination & Classification	Corrective Speech	Supplemental Instruction		
REVENUE:					
Local Sources				\$ 7,403	\$ 7,403
State Sources	\$ 6,307	\$ 3,267	\$ 4,551		68,309
Federal Sources					329,740
Total Revenue	<u>6,307</u>	<u>3,267</u>	<u>4,551</u>	<u>7,403</u>	<u>405,452</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers					86,661
Other Salaries for Instruction					72,258
Purchased Professional/Educational Services		3,267	4,551		42,038
General Supplies				5,903	5,903
Tuition					97,775
Textbooks					7,331
Total Instruction		<u>3,267</u>	<u>4,551</u>	<u>5,903</u>	<u>311,966</u>
Support Services:					
Purchased Professional/Technical Services					12,833
Purchased Professional/Educational Services	6,307				59,132
Personal Services - Employee Benefits					18,719
Other Purchased Services					1,302
Supplies				1,500	1,500
Total Support Services	<u>6,307</u>			<u>1,500</u>	<u>93,486</u>
Total Expenditures	<u>\$ 6,307</u>	<u>\$ 3,267</u>	<u>\$ 4,551</u>	<u>\$ 7,403</u>	<u>\$ 405,452</u>

CAPITAL PROJECTS FUND  
(NOT APPLICABLE)

PROPRIETARY FUNDS

Exhibit G-1

FRANKLIN BOROUGH SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF NET POSITION  
JUNE 30, 2015

## ASSETS:

Current Assets:	
Cash and Cash Equivalents	\$ 30,665
Intergovernmental Accounts Receivable:	
Federal	8,216
State	166
Inventories	2,835
Total Current Assets	41,882
Non-Current Assets:	
Capital Assets	148,675
Less: Accumulated Depreciation	(125,816)
Total Non-Current Assets	22,859
Total Assets	64,741
LIABILITIES:	
Current Liabilities:	
Accounts Payable - Vendors	6,740
Unearned Revenue	789
Total Current Liabilities	7,529
NET POSITION:	
Net Investment in Capital Assets	22,859
Unrestricted	34,353
Total Net Postion	\$ 57,212

## Exhibit G-2

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, 2015

Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 36,450
Daily Sales - Non-Reimbursable Programs	13,482
Special Functions	6,629
	<hr/>
Total Operating Revenue	56,561
	<hr/>
Operating Expenses:	
Cost of Sales	91,326
Salaries, Benefits and Payroll Taxes	54,274
Supplies and Other Costs	9,423
Management Fee	16,399
Depreciation Expense	5,858
	<hr/>
Total Operating Expenses	177,280
	<hr/>
Operating Loss	(120,719)
	<hr/>
Non-Operating Income:	
Local Sources:	
Interest Income	71
State Sources:	
State School Lunch Program	2,079
Federal Sources:	
School Breakfast Program	13,647
National School Lunch Program	85,052
Food Distribution Program	9,695
	<hr/>
Total Non-Operating Income	110,544
	<hr/>
Change in Net Position	(10,175)
	<hr/>
Net Position - Beginning of Year	67,387
	<hr/>
Net Position - End of Year	\$ 57,212
	<hr/> <hr/>

Exhibit G-3

FRANKLIN BOROUGH SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 49,932
Other Receipts	6,629
Payments to Food Service Vendor	(161,661)
Payments to Suppliers	(9,423)
Net Cash Used for Operating Activities	<u>(114,523)</u>
 Cash Flows from Capital and Related Financing Activities:	
Purchases of Capital Assets	<u>(6,740)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(6,740)</u>
 Cash Flows from Noncapital Financing Activities:	
Local Sources:	
Interest Income	71
State Sources:	
State School Lunch Program	2,082
Federal Sources:	
School Breakfast Program	13,524
National School Lunch Program	84,628
Net Cash Provided by Noncapital Financing Activities	<u>100,305</u>
 Net Decrease in Cash and Cash Equivalents	(20,958)
 Cash and Cash Equivalents, July 1	<u>51,623</u>
 Cash and Cash Equivalents, June 30	<u>\$ 30,665</u>
 Reconciliation of Operating Loss to Net Cash Provided by (Used for) Operating Activities:	
Operating Loss	\$ (120,719)
Adjustment to Reconcile Operating Loss to Cash Provided by (Used for) Operating Activities:	
Depreciation	5,858
Food Distribution Program	9,695
Changes in Assets and Liabilities:	
(Increase)/Decrease in Inventories	(50)
Increase/(Decrease) in Unearned Revenue	44
Increase/(Decrease) in Accounts Payable	(9,351)
Net Cash Used for Operating Activities	<u>\$ (114,523)</u>

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received commodities valued at \$9,739 and utilized commodities valued at \$9,695 from the Federal Food Distribution Program for the fiscal year ended June 30, 2015.

FIDUCIARY FUNDS

FRANKLIN BOROUGH SCHOOL DISTRICT  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2015

	Student Activities Agency Fund	Flexible Spending Trust	Totals
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 200	\$ 8,079	\$ 8,279
Total Assets	200	8,079	8,279
<b>LIABILITIES:</b>			
Due to Student Groups	200		200
Total Liabilities	200		200
<b>NET POSITION:</b>			
Held in Trust for Flex Spending Claims		8,079	8,079
Total Net Position	\$ - 0 -	\$ 8,079	\$ 8,079

## Exhibit H-2

FRANKLIN BOROUGH SCHOOL DISTRICT  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Flexible Spending Trust</u>
Additions:	
Contributions:	
Plan Contributions	\$ 26,170
Total Contributions	<u>26,170</u>
Investment Earnings:	
Interest	<u>38</u>
Net Investment Earnings	<u>38</u>
Total Additions	<u>26,208</u>
 Deductions:	
Flex Spending Claims	<u>22,775</u>
Total Deductions	<u>22,775</u>
Change in Net Position	3,433
Net Position - Beginning of the Year	<u>4,646</u>
Net Position - End of the Year	<u><u>\$ 8,079</u></u>

Exhibit H-3

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

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 200	\$ 36,728	\$ 36,728	\$ 200
Total Assets	\$ 200	\$ 36,728	\$ 36,728	\$ 200
 <u>LIABILITIES:</u>				
Due to Student Groups	\$ 200	\$ 36,728	\$ 36,728	\$ 200
Total Liabilities	\$ 200	\$ 36,728	\$ 36,728	\$ 200

Exhibit H-4

FRANKLIN BOROUGH SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
STATEMENT OF ACTIVITY

	<u>Balance</u> <u>July 1, 2014</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2015</u>
Franklin Elementary School	<u>\$ 200</u>	<u>\$ 36,728</u>	<u>\$ 36,728</u>	<u>\$ 200</u>
Total All Schools	<u><u>\$ 200</u></u>	<u><u>\$ 36,728</u></u>	<u><u>\$ 36,728</u></u>	<u><u>\$ 200</u></u>

Exhibit H-5

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

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ -0-	\$ 2,477,002	\$ 2,477,002	\$ -0-
Total Assets	<u>\$ -0-</u>	<u>\$ 2,477,002</u>	<u>\$ 2,477,002</u>	<u>\$ -0-</u>
<u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	\$ -0-	\$ 2,477,002	\$ 2,477,002	\$ -0-
Total Liabilities	<u>\$ -0-</u>	<u>\$ 2,477,002</u>	<u>\$ 2,477,002</u>	<u>\$ -0-</u>

LONG-TERM DEBT  
(NOT APPLICABLE)

STATISTICAL SECTION

**STATISTICAL SECTION**  
(UNAUDITED)

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

**Contents**

**Exhibit**

**Financial Trends**

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

J-1 thru J-5

**Revenue Capacity**

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

J-6 thru J-9

**Debt Capacity**

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

J-10 thru J-13

**Demographic and Economic Information**

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

J-14 thru J-15

**Operating Information**

These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the 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,				
	2006	2007	2008	2009	2010
Governmental Activities:					
Net Investment in Capital Assets	\$ 1,246,182	\$ 1,172,036	\$ 1,069,154	\$ 704,625	\$ 627,994
Restricted	386,357	616,716	562,149	612,258	740,616
Unrestricted (Deficit)	<u>(232,707)</u>	<u>(255,116)</u>	<u>(212,837)</u>	<u>(276,556)</u>	<u>(458,905)</u>
Total Governmental Activities Net Position	<u>\$ 1,399,832</u>	<u>\$ 1,533,636</u>	<u>\$ 1,418,466</u>	<u>\$ 1,040,327</u>	<u>\$ 909,705</u>
Business-Type Activities:					
Net Investment in Capital Assets	\$ 22,150	\$ 20,009	\$ 17,868	\$ 32,381	\$ 33,250
Unrestricted	<u>31,975</u>	<u>42,104</u>	<u>47,769</u>	<u>25,149</u>	<u>30,283</u>
Total Business-Type Activities Net Position	<u>\$ 54,125</u>	<u>\$ 62,113</u>	<u>\$ 65,637</u>	<u>\$ 57,530</u>	<u>\$ 63,533</u>
District-Wide:					
Net Investment in Capital Assets	\$ 1,268,332	\$ 1,192,045	\$ 1,087,022	\$ 737,006	\$ 661,244
Restricted	386,357	616,716	562,149	612,258	740,616
Unrestricted (Deficit)	<u>(200,732)</u>	<u>(213,011)</u>	<u>(165,068)</u>	<u>(251,407)</u>	<u>(428,622)</u>
Total District Net Position	<u>\$ 1,453,957</u>	<u>\$ 1,595,750</u>	<u>\$ 1,484,103</u>	<u>\$ 1,097,857</u>	<u>\$ 973,238</u>

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

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

\* Restated

Source: Franklin Borough School District Financial Reports.

FRANKLIN BOROUGH SCHOOL DISTRICTCHANGES IN NET POSITIONLAST TEN FISCAL YEARSUNAUDITED*(Accrual Basis of Accounting)*

	Fiscal Year Ending June 30,				
	2006	2007	2008	2009	2010
Expenses:					
Governmental Activities					
Instruction:					
Regular	\$ 3,263,431	\$ 3,663,672	\$ 3,608,723	\$ 3,374,985	\$ 3,349,066
Special Education	1,353,091	1,247,748	1,475,135	1,579,089	1,934,292
Other Special Instruction	36,468	142,523	130,941	69,412	40,110
School-Sponsored/Other Instruction	72,906			98,114	89,831
Support Services:					
Tuition	11,833	15,238	64,761	83,798	42,099
Student & Instruction Related Services	990,090	1,023,438	1,223,371	1,086,659	1,043,264
School Administrative Services	282,008	270,550	199,635	460,309	230,039
General Administrative Services	412,224	654,837	402,653	211,741	389,916
Central Services	244,433		270,615	272,892	280,445
Plant Operations and Maintenance	960,089	1,165,752	1,052,540	951,174	943,438
Pupil Transportation	177,711	143,485	167,418	162,668	191,968
Unallocated Depreciation	95,871	91,855	101,065	306,207	76,131
Capital Outlay					3,390
Charter Schools	8,638		24,597	54,608	61,336
Total Governmental Activities Expenses	7,908,793	8,419,098	8,721,453	8,711,656	8,675,325
Business-Type Activities:					
Food Service	143,328	136,170	142,731	184,532	191,947
Total Business-type Activities Expense	143,328	136,170	142,731	184,532	191,947
Total District Expenses	\$ 8,052,121	\$ 8,555,268	\$ 8,864,184	\$ 8,896,188	\$ 8,867,272

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

	Fiscal Year Ending June 30,				
	2006	2007	2008	2009	2010
Program Revenues					
Governmental Activities:					
Charges for Services:					
Tuition	\$ 42,151	\$ 28,081	\$ 11,038	\$ 10,634	\$ 38,586
Plant Operations and Maintenance	4,200				
Operating Grants and Contributions		434,058	433,852	1,275,574	1,489,754
Total Governmental Activities Program Revenues	<u>46,351</u>	<u>462,139</u>	<u>444,890</u>	<u>1,286,208</u>	<u>1,528,340</u>
Business-Type Activities:					
Charges for Services:					
Food Service	\$ 84,737	\$ 80,480	\$ 91,055	\$ 93,689	\$ 102,756
Operating Grants and Contributions	51,497	48,688	54,436	64,531	81,335
Total Business-type Activities Program Revenues	<u>136,234</u>	<u>129,167</u>	<u>145,490</u>	<u>158,220</u>	<u>184,091</u>
Total District Program Revenues	<u>\$ 182,585</u>	<u>\$ 591,306</u>	<u>\$ 590,380</u>	<u>\$ 1,444,428</u>	<u>\$ 1,712,431</u>
Net (Expense)/Revenue					
Governmental Activities	\$ (7,862,442)	\$ (7,956,960)	\$ (8,276,563)	\$ (7,425,448)	\$ (7,146,985)
Business-type Activities	(7,094)	(7,002)	2,759	(26,312)	(7,856)
Total District-wide Net Expense	<u>\$ (7,869,536)</u>	<u>\$ (7,963,962)</u>	<u>\$ (8,273,804)</u>	<u>\$ (7,451,760)</u>	<u>\$ (7,154,841)</u>

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

	Fiscal Year Ending June 30,				
	2006	2007	2008	2009	2010
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Property Taxes Levied for General Purposes, Net	\$ 3,677,456	\$ 3,852,608	\$ 3,906,712	\$ 4,062,980	\$ 4,155,498
Unrestricted Grants and Contributions	4,135,833	4,112,363	4,221,129	2,953,706	2,791,040
Investment Earnings	31,442	42,708	26,338	33,610	43,404
Prior Period Adjustment		72,822			
Miscellaneous Income	1,557	23,764	7,212	13,964	39,921
Transfers	(24,275)	(13,500)		(16,950)	(13,500)
Total Governmental Activities	<u>7,822,013</u>	<u>8,090,764</u>	<u>8,161,392</u>	<u>7,047,310</u>	<u>7,016,363</u>
Business-Type Activities:					
Investment Earnings	1,021	1,490	765	1,255	1,219
Transfers/Other	13,500	13,500		16,950	12,640
Total Business-Type Activities	<u>14,521</u>	<u>14,990</u>	<u>765</u>	<u>18,205</u>	<u>13,859</u>
Total District-Wide	<u>\$ 7,836,534</u>	<u>\$ 8,105,754</u>	<u>\$ 8,162,157</u>	<u>\$ 7,065,515</u>	<u>\$ 7,030,222</u>
Change in Net Position:					
Governmental Activities	\$ (40,429)	\$ 133,804	\$ (115,171)	\$ (378,138)	\$ (130,622)
Business-type Activities	7,427	7,988	3,524	(8,107)	6,003
Total District	<u>\$ (33,002)</u>	<u>\$ 141,792</u>	<u>\$ (111,647)</u>	<u>\$ (386,245)</u>	<u>\$ (124,619)</u>

FRANKLIN BOROUGH SCHOOL DISTRICTCHANGES IN NET POSITIONLAST TEN FISCAL YEARSUNAUDITED*(Accrual Basis of Accounting)*

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

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

	Fiscal Year Ending June 30,				
	2011	2012	2013	2014	2015
Program Revenues					
Governmental Activities:					
Charges for Services:					
Tuition	\$ 41,574	\$ 30,000	\$ 89,992	\$ 86,715	\$ 46,043
Plant Operations and Maintenance					
Operating Grants and Contributions	1,327,145	1,417,527	1,598,952	1,420,590	2,483,155
Total Governmental Activities Program Revenues	<u>1,368,719</u>	<u>1,447,527</u>	<u>1,688,944</u>	<u>1,507,305</u>	<u>2,529,198</u>
Business-Type Activities:					
Charges for Services:					
Food Service	\$ 72,485	\$ 66,775	\$ 64,821	\$ 62,019	\$ 56,561
Operating Grants and Contributions	89,884	88,760	101,215	103,402	110,473
Total Business-type Activities Program Revenues	<u>162,369</u>	<u>155,535</u>	<u>166,036</u>	<u>165,421</u>	<u>167,034</u>
Total District Program Revenues	<u>\$ 1,531,088</u>	<u>\$ 1,603,062</u>	<u>\$ 1,854,980</u>	<u>\$ 1,672,726</u>	<u>\$ 2,696,232</u>
Net (Expense)/Revenue					
Governmental Activities	\$ (6,887,562)	\$ (7,247,212)	\$ (7,397,070)	\$ (7,484,966)	\$ (7,523,808)
Business-type Activities	1,178	(5,896)	(3,172)	(5,605)	(10,246)
Total District-wide Net Expense	<u>\$ (6,886,384)</u>	<u>\$ (7,253,108)</u>	<u>\$ (7,400,242)</u>	<u>\$ (7,490,571)</u>	<u>\$ (7,534,054)</u>

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

	Fiscal Year Ending June 30,				
	2011	2012	2013	2014	2015
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Property Taxes Levied for General Purposes, Net	\$ 4,321,716	\$ 4,408,150	\$ 4,496,313	\$ 4,586,239	\$ 4,806,638
Unrestricted Grants and Contributions	2,747,901	3,072,474	2,823,561	2,936,990	2,968,021
Investment Earnings	40,331	19,767	3,663	3,872	4,379
Prior Period Adjustment					
Miscellaneous Income	33,000	33,000	85,084	44,336	37,877
Transfers	(13,500)		5,000		
Total Governmental Activities	<u>7,129,448</u>	<u>7,533,391</u>	<u>7,413,621</u>	<u>7,571,437</u>	<u>7,816,915</u>
Business-Type Activities:					
Investment Earnings	1,263	108	92	98	71
Transfers/Other	16,765		(5,000)		
Total Business-Type Activities	<u>18,028</u>	<u>108</u>	<u>(4,908)</u>	<u>98</u>	<u>71</u>
Total District-Wide	<u>\$ 7,147,476</u>	<u>\$ 7,533,499</u>	<u>\$ 7,408,713</u>	<u>\$ 7,571,535</u>	<u>\$ 7,816,986</u>
Change in Net Position:					
Governmental Activities	\$ 241,886	\$ 286,179	\$ 16,551	\$ 86,471	\$ 293,107
Business-type Activities	19,206	(5,788)	(8,080)	(5,507)	(10,175)
Total District	<u>\$ 261,092</u>	<u>\$ 280,391</u>	<u>\$ 8,471</u>	<u>\$ 80,964</u>	<u>\$ 282,932</u>

Source: Franklin Borough School District Financial Reports.

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

	June 30,				
	2006	2007	2008	2009	2010
General Fund:					
Reserved	\$ 386,357	\$ 616,716	\$ 457,148	\$ 612,258	\$ 740,616
Restricted					
Assigned					
Unreserved	162,381	93,775	191,940	93,838	(80,289)
Total General Fund	<u>\$ 548,738</u>	<u>\$ 710,491</u>	<u>\$ 649,088</u>	<u>\$ 706,096</u>	<u>\$ 660,327</u>
All Other Governmental Funds:					
Unassigned (Deficit)					
Unreserved (Deficit)			\$ (2,129)		
Total All Other Governmental Funds	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ (2,129)</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>

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

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

Source: Franklin Borough School District Financial Reports.

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

	Fiscal Year Ending June 30,				
	2006	2007	2008	2009	2010
Revenues:					
Tax Levy	\$ 3,677,456	\$ 3,852,608	\$ 3,906,712	\$ 4,062,980	\$ 4,155,498
Tuition Charges	42,151	28,081	11,038	10,634	38,586
Interest Earnings	31,442	42,708	26,338	33,610	43,404
Miscellaneous	5,757	23,764	7,212	13,964	39,921
State Sources	3,889,579	4,169,003	4,376,185	3,895,106	3,289,446
Federal Sources	246,254	377,417	278,796	334,174	991,349
Total Revenue	<u>7,892,639</u>	<u>8,493,581</u>	<u>8,606,281</u>	<u>8,350,468</u>	<u>8,558,204</u>
Expenditures					
Instruction:					
Regular Instruction	2,372,212	2,608,889	2,606,850	2,514,183	2,523,947
Special Education Instruction	991,168	921,081	987,049	1,181,824	1,398,665
Other Special Education	26,656	98,968	100,937	49,989	26,330
Co-Curricular Activities & Athletics	48,707			80,168	72,157
Other Instruction	5,864				
Support Services:					
Tuition	11,833	15,238	64,761	83,798	42,099
Student & Instruction Related Services	772,334	758,702	871,814	797,449	798,512
General Administrative Services	344,292	478,346	300,284	315,170	305,181
School Administrative Services	208,491	204,083	146,485	153,949	162,713
Central Services	183,139		185,635	207,710	210,775
Plant Operations and Maintenance	830,548	852,923	890,995	833,376	835,073
Student Transportation	177,711	143,485	167,418	162,668	191,968

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,				
	2006	2007	2008	2009	2010
Expenditures					
Support Services:					
Unallocated Benefits	\$ 1,794,615	\$ 2,177,786	\$ 2,316,598	\$ 1,839,489	\$ 1,944,327
Charter Schools	8,638		6,390	54,608	61,336
Capital Outlay	6,270	58,828	24,597		17,390
Total Expenditures	<u>7,782,478</u>	<u>8,318,328</u>	<u>8,669,812</u>	<u>8,274,381</u>	<u>8,590,473</u>
Excess/(Deficiency) of Revenue					
Over/(Under) Expenditures	<u>110,161</u>	<u>175,253</u>	<u>(63,531)</u>	<u>76,087</u>	<u>(32,269)</u>
Other Financing Sources/(Uses):					
Transfers In					
Transfers Out	<u>(24,275)</u>	<u>(13,500)</u>		<u>(16,950)</u>	<u>(13,500)</u>
Total Other Financing Sources/(Uses)	<u>(24,275)</u>	<u>(13,500)</u>		<u>(16,950)</u>	<u>(13,500)</u>
Net Change in Fund Balances	<u>\$ 85,886</u>	<u>\$ 161,753</u>	<u>\$ (63,531)</u>	<u>\$ 59,137</u>	<u>\$ (45,769)</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,				
	2011	2012	2013	2014	2015
Revenues:					
Tax Levy	\$ 4,321,716	\$ 4,408,150	\$ 4,496,313	\$ 4,586,239	\$ 4,806,638
Tuition Charges	41,574	30,000	89,992	86,715	46,043
Interest Earnings	39,795	3,414	3,663	3,872	4,379
Miscellaneous	36,536	49,353	85,084	46,336	45,280
State Sources	3,733,405	4,033,257	4,077,746	4,041,782	4,155,973
Federal Sources	338,641	456,511	344,767	313,798	366,544
Total Revenue	<u>8,511,667</u>	<u>8,980,685</u>	<u>9,097,565</u>	<u>9,078,742</u>	<u>9,424,857</u>
Expenditures					
Instruction:					
Regular Instruction	2,248,877	2,166,716	2,159,809	2,260,337	2,300,768
Special Education Instruction	1,083,647	1,175,235	1,273,651	1,153,575	1,140,808
Other Special Education	52,303	38,977	66,141	66,966	77,340
Co-Curricular Activities & Athletics	69,267	84,897	87,628	85,297	82,426
Other Instruction					
Support Services:					
Tuition	184,306	257,292	289,976	280,636	240,643
Student & Instruction Related Services	874,448	895,599	822,296	839,398	921,425
General Administrative Services	310,120	322,937	331,587	315,652	326,451
School Administrative Services	169,418	174,390	177,628	182,600	160,539
Central Services	215,500	219,154	223,158	219,411	207,915
Plant Operations and Maintenance	865,200	825,748	839,624	932,194	858,763
Student Transportation	164,792	174,420	212,738	232,714	279,449

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

	Fiscal Year Ending June 30,				
	2011	2012	2013	2014	2015
Expenditures					
Support Services:					
Unallocated Benefits	\$ 1,924,520	\$ 2,083,513	\$ 2,372,178	\$ 2,231,685	\$ 2,353,927
Charter Schools	82,924	49,489	72,557	91,239	82,088
Capital Outlay	367,885	1,864	35,915	40,344	245,617
Total Expenditures	<u>8,613,207</u>	<u>8,470,231</u>	<u>8,964,886</u>	<u>8,932,048</u>	<u>9,278,159</u>
Excess/(Deficiency) of Revenue					
Over/(Under) Expenditures	<u>(101,540)</u>	<u>510,454</u>	<u>132,679</u>	<u>146,694</u>	<u>146,698</u>
Other Financing Sources/(Uses):					
Transfers In		72,285	5,000		
Transfers Out	<u>(13,500)</u>	<u>(72,285)</u>			
Total Other Financing Sources/(Uses)	<u>(13,500)</u>		<u>5,000</u>		
Net Change in Fund Balances	<u>\$ (115,040)</u>	<u>\$ 510,454</u>	<u>\$ 137,679</u>	<u>\$ 146,694</u>	<u>\$ 146,698</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.

Exhibit J-5

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

<u>Fiscal Year Ending June 30,</u>	<u>Interest on Investments</u>	<u>Tuition</u>	<u>Rentals - Use of Facilities</u>	<u>Prior Year Refunds</u>	<u>Other</u>	<u>Total</u>
2006	\$ 31,442	\$ 42,151	\$ 4,200	\$ 501	\$ 1,056	\$ 79,350
2007	42,708	28,081			23,764	94,553
2008	26,338	11,038			7,212	44,588
2009	33,610	10,634			13,964	58,208
2010	43,404	38,586			39,921	121,911
2011	40,331	41,574	1,500		31,500	114,905
2012	3,414	30,000	1,500	16,353	31,500	82,767
2013	3,663	89,992	1,500	51,454	32,130	178,739
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

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 <sup>a</sup>	Net Valuation Taxable	Tax-Exempt Property	Total Assessed Value	Total Direct School Tax Rate <sup>b</sup>	Actual (County Equalized Value)
2005	\$ 5,889,700	\$ 162,777,200	\$ 2,225,900	\$ 143,300	\$ 58,002,400	\$ 6,966,000	\$ 4,994,300	\$ 2,331,278	\$ 243,330,078	\$ 25,724,100	\$ 269,054,178	1.48	\$ 438,179,636
2006	5,341,000	164,173,400	2,225,900	150,700	56,260,000	7,200,700	4,759,700	2,382,655	242,494,055	26,081,500	268,575,555	1.55	490,624,029
2007	5,977,900	165,345,500	2,519,000	155,700	56,514,700	6,506,000	3,588,200	2,410,024	243,017,024	25,376,200	268,393,224	1.60	519,220,975
2008	5,669,800	166,086,500	2,519,000	155,700	57,469,500	6,506,000	3,433,500	1,759,787	243,599,787	25,136,100	268,735,887	1.60	507,321,166
2009	6,183,400	166,411,300	2,351,500	156,000	57,876,100	6,506,000	3,433,500	1,697,057	244,614,857	26,152,000	270,766,857	1.68	530,387,808
2010 <sup>^</sup>	19,202,000	319,440,600	4,444,100	152,800	123,398,300	13,167,700	7,466,200	2,626,313	489,898,013	58,078,400	547,976,413	0.87	513,304,708
2011	15,165,600	309,750,900	4,849,900	210,600	121,699,700	12,949,100	7,253,800	2,032,665	473,912,265	58,078,400	531,990,665	0.92	499,383,129
2012	14,345,200	309,071,200	5,238,000	226,100	114,519,600	12,949,100	7,207,500	1,634,573	465,191,273	57,677,700	522,868,973	0.96	494,108,058
2013	14,492,100	308,457,400	5,104,600	226,100	111,148,900	12,949,100	7,213,800	1,397,027	460,989,027	57,681,000	518,670,027	0.99	447,347,266
2014 <sup>^</sup>	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

<sup>^</sup> - Reassessment of property was effective in 2010.

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

<sup>a</sup> Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies.

<sup>b</sup> Tax rates are per \$100 of Assessed Valuation.

Source: Franklin Borough Tax Assessor.

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

Year Ended December 31,	Direct SchoolRate			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic School Rate <sup>a</sup>	School Debt Service <sup>b</sup>	Total Direct School Rate	Municipality	County	Regional High School	
2005	1.480		1.480	1.015	0.690	0.795	3.980
2006	1.553		1.553	1.086	0.773	0.818	4.230
2007	1.597		1.597	1.220	0.836	0.857	4.510
2008	1.601		1.601	1.342	0.830	0.860	4.633
2009	1.680		1.680	1.471	0.801	0.737	4.689
2010	0.865 <sup>^</sup>		0.865 <sup>^</sup>	0.860 <sup>^</sup>	0.443 <sup>^</sup>	0.372 <sup>^</sup>	2.540
2011	0.921		0.921	0.901	0.456	0.396	2.674
2012	0.957		0.957	0.932	0.493	0.457	2.839
2013	0.985		0.985	0.972	0.476	0.485	2.918
2014	1.197		1.197	1.183	0.536	0.565	3.481

<sup>^</sup> - Reassessment of property was effective in 2010.

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

<sup>a</sup> The District's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net Valuation Tazable.

<sup>b</sup> Rates for debt service are based on each year's requirements.

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

Taxpayer	2015			2006		
	Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Wal-Mart	\$ 11,988,700	1	2.60%	Information is not Available		
Franklin 23	9,000,000	2	1.95%			
Weis Markets, Inc.	7,278,400	3	1.58%			
Transbanc International Corp	5,933,500	4	1.29%			
Wurtsboro Associates	5,782,900	5	1.25%			
Braen Aggregates, LLC	4,619,100	6	1.00%			
Hillside Estates at Franklin	4,588,800	7	1.00%			
Sterling Plaza, Inc	3,866,700	8	0.84%			
KAJ Franklin, LLC	3,276,500	9	0.71%			
Sante Bus LLC	2,814,200	10	0.61%			
Total	<u>\$ 59,148,800</u>		<u>12.83%</u>			

Source: Franklin Borough Tax Assessor.

Exhibit J-9

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

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Taxes Levied</u> <u>for the</u> <u>Fiscal Year</u>	<u>Collected within the Fiscal</u> <u>Year of the Levy</u> <sup>a</sup>		<u>Collections in</u> <u>Subsequent</u> <u>Years</u>
		<u>Amount</u>	<u>Percentage</u> <u>of Levy</u>	
2006	\$ 3,677,456	\$ 3,677,456	100.00%	- 0 -
2007	3,852,608	3,852,608	100.00%	- 0 -
2008	3,906,712	3,906,712	100.00%	- 0 -
2009	4,062,980	4,062,980	100.00%	- 0 -
2010	4,155,498	4,155,498	100.00%	- 0 -
2011	4,321,716	4,321,716	100.00%	- 0 -
2012	4,408,150	4,408,150	100.00%	- 0 -
2013	4,496,313	4,496,313	100.00%	- 0 -
2014	4,586,239	4,586,239	100.00%	- 0 -
2015	4,806,638	4,806,638	100.00%	- 0 -

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

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

## Exhibit J-10

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

Fiscal Year Ended June 30,	Governmental Activities			Business- Type Activities	Total District	Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
	General Obligation Bonds	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases			
2006	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
2007	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
2008	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
2009	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
2010	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
2011	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
2012	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
2013	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
2014	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
2015	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -

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

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

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 <sup>a</sup> of Property	Per Capita <sup>b</sup>
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2006	- 0 -	- 0 -	- 0 -	0.00%	- 0 -
2007	- 0 -	- 0 -	- 0 -	0.00%	- 0 -
2008	- 0 -	- 0 -	- 0 -	0.00%	- 0 -
2009	- 0 -	- 0 -	- 0 -	0.00%	- 0 -
2010	- 0 -	- 0 -	- 0 -	0.00%	- 0 -
2011	- 0 -	- 0 -	- 0 -	0.00%	- 0 -
2012	- 0 -	- 0 -	- 0 -	0.00%	- 0 -
2013	- 0 -	- 0 -	- 0 -	0.00%	- 0 -
2014	- 0 -	- 0 -	- 0 -	0.00%	- 0 -
2015	- 0 -	- 0 -	- 0 -	0.00%	- 0 -

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

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

<sup>b</sup> See Exhibit J-14 for population data. This ratio is calculated using population for the prior calendar year.

Source: Franklin Borough School District Financial Reports.

Exhibit J-12

FRANKLIN BOROUGH SCHOOL DISTRICT  
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF DECEMBER 31, 2014  
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	\$ 2,119,085	100.000%	\$ 2,119,085
Sussex County General Obligation Debt	68,100,067	2.576%	1,754,038
Wallkill Valley Regional High School Debt	3,775,000	20.413%	<u>770,608</u>
Subtotal, Overlapping Debt as of December 31, 2014			4,643,731
Franklin Borough School District Direct Debt			<u>- 0 -</u>
Total Direct And Overlapping Debt			<u>\$ 4,643,731</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.

<sup>a</sup> 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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt Limit	\$9,661,174	\$11,169,600	\$12,907,171	\$14,480,246	\$15,171,662	\$15,532,503	\$15,358,659	\$14,563,904	\$ 13,535,302	\$ 12,703,824
Total Net Debt Applicable to Limit	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
Legal Debt Margin	<u>\$9,661,174</u>	<u>\$11,169,600</u>	<u>\$12,907,171</u>	<u>\$14,480,246</u>	<u>\$15,171,662</u>	<u>\$15,532,503</u>	<u>\$15,358,659</u>	<u>\$14,563,904</u>	<u>\$ 13,535,302</u>	<u>\$ 12,703,824</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Legal Debt Margin Calculation for Fiscal Year 2015

Year	Equalized Valuation Basis
2012	\$ 447,232,706
2013	407,692,717
2014	415,456,942
	<u>\$ 1,270,382,365</u>
Average Equalized Valuation of Taxable Property	<u>\$ 423,460,788</u>
Debt Limit (3% of average equalization value) <sup>a</sup>	\$ 12,703,824
Net Bonded School Debt as of June 30, 2015	- 0 -
Legal Debt Margin	<u>\$ 12,703,824</u>

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

Exhibit J-14

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

Year	Population <sup>a</sup>	Per Capita Personal Income <sup>b</sup>	Personal Income <sup>c</sup>	Unemployment Rate <sup>d</sup>
2006	5,126	\$ 46,200	\$ 236,821,200	4.90%
2007	5,122	48,898	250,455,556	4.90%
2008	5,045	49,750	250,988,750	6.30%
2009	5,066	48,261	244,490,226	10.30%
2010	5,061	49,042	248,201,562	11.00%
2011	5,034	50,800	255,727,200	10.70%
2012	4,988	52,592	262,328,896	10.60%
2013	4,935	52,958	261,347,730	10.60%
2014	4,906	52,958 **	259,811,948	8.20%
2015	4,906 *	52,958 **	259,811,948	N/A

\* - Latest Sussex County population available (2014) was used for calculation purposes.

\*\* - Latest Sussex County per capita income available (2013) was used for calculation purposes.

N/A - Information is not currently available.

Sources:

<sup>a</sup> Population information provided by the NJ Dept of Labor and Workforce Development.

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

<sup>c</sup> Personal income has been estimated based upon the municipal population and per capita personal income presented.

<sup>d</sup> Unemployment data provided by the NJ Dept of Labor and Workforce Development.

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

<u>2014</u>			<u>2005</u>		
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>	<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>
Crystal Springs Gold & Spa Resort	2,000	2.71%	Selective Insurance	975	N/A
Newton Memorial Hospital	1,200	1.63%	Andover Subacute & Rehab Center	900	N/A
Selective Insurance	900	1.22%	County of Sussex	825	N/A
County of Sussex	830	1.13%	Mountain Creek Resort	775	N/A
Mountain Creek Resort	800	1.08%	Newton Memorial Hospital	711	N/A
Ames Rubber Corp.	445	0.60%	Ronetco Supermarkets	629	N/A
Shop Rite Supermarkets	301	0.41%	Vernon Township Board of Education	600	N/A
Andover Subacute & Rehab Center	300	0.41%	F.O. Phoenix, Inc.	474	N/A
Sussex County Community College	300	0.41%	Hopatcong Board of Education	450	N/A
SCARC, Inc.	287	0.39%	Wal-Mart	380	N/A
<b>Total</b>	<b><u>7,363</u></b>		<b>Total</b>	<b><u>6,719</u></b>	<b><u>N/A</u></b>

N/A - Not Available

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>	Fiscal Year Ending June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Instruction:</b>										
Regular	45.2	46.9	46.7	46.7	46.7	37.3	37.3	35.3	35.3	35.3
Special Education	15.0	16.0	16.0	16.0	16.0	17.0	17.0	17.0	17.0	17.0
Other	1.8	1.7	2.2	2.2	2.2	2.4	2.4	2.2	2.2	2.2
<b>Support Services:</b>										
Student & Instruction Related Services	11.1	7.7	8.7	8.7	7.7	12.6	12.6	12.4	13.0	18.2
School Administrative Services	2.8	3.8	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
General Administrative Services	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
Central Services	3.1	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Plant Operations and Maintenance	7.8	7.5	7.5	7.5	7.5	6.5	6.5	6.9	6.9	6.9
	<u>88.9</u>	<u>88.7</u>	<u>89.2</u>	<u>89.2</u>	<u>88.2</u>	<u>83.9</u>	<u>83.9</u>	<u>81.9</u>	<u>82.5</u>	<u>87.7</u>

Source: Franklin Borough School District Financial Reports.

FRANKLIN BOROUGH SCHOOL DISTRICT  
OPERATING STATISTICS  
LAST TEN FISCAL YEARS  
UNAUDITED

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures<sup>a</sup></u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff<sup>b</sup></u>	<u>Pupil/Teacher Ratio Elementary Schools</u>	<u>Average Daily Enrollment (ADE)<sup>c</sup></u>	<u>Average Daily Attendance (ADA)<sup>c</sup></u>	<u>% Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2006	532	\$ 7,677,200	\$ 14,431	9.23%	52.8	1:10	550	524	-1.17%	95.27%
2007	494	7,776,208	15,741	9.08%	52.9	1:9.5	535	509	-2.64%	95.16%
2008	491	7,810,526	15,907	1.06%	53.3	1:11	490	466	-8.43%	95.12%
2009	517	8,274,381	16,005	0.61%	51.3	1:10.1	517	485	5.57%	93.80%
2010	523	8,573,083	16,392	2.42%	51.9	1:10.1	520	495	0.50%	95.19%
2011	522	8,245,322	15,796	-3.64%	44.0	1:11.5	509	479	-2.12%	94.11%
2012	504	8,468,367	16,802	6.37%	44.0	1:11.5	499	475	-1.96%	95.19%
2013	492	8,928,971	18,148	8.01%	44.0	1:11.2	492	467	-1.40%	94.92%
2014	464	8,891,704	19,163	5.59%	44.0	1:10.6	464	446	-5.69%	96.12%
2015	471	9,032,542	19,177	0.07%	44.0	1:10.7	471	454	1.51%	96.39%

Note: Enrollment based on annual October District count.

<sup>a</sup> Operating expenditures equal total expenditures less debt service and capital outlay.

<sup>b</sup> Teaching staff includes only full-time equivalents of certificated staff.

<sup>c</sup> Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

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

Sources: Franklin Borough School District Records.

Exhibit J-18

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

District BuildingFranklin Elementary School:

<u>Fiscal Year</u>	<u>Square Feet</u>	<u>Capacity (Students)</u>	<u>Enrollment</u>
2006	114,480	810	532
2007	114,480	810	494
2008	114,480	810	491
2009	114,480	810	517
2010	114,480	810	523
2011	114,480	810	522
2012	114,480	810	504
2013	114,480	810	492
2014	114,480	810	464
2015	114,480	810	471

Number of Schools at June 30, 2015:

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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<u>School Facilities:</u>											
Franklin Elementary	N/A	<u>\$ 88,320</u>	<u>\$ 151,484</u>	<u>\$ 132,662</u>	<u>\$ 99,612</u>	<u>\$ 60,413</u>	<u>\$ 78,244</u>	<u>\$ 91,936</u>	<u>\$ 92,891</u>	<u>\$ 89,840</u>	<u>\$ 67,261</u>

N/A - Not Applicable

Source: Franklin Borough School District Records.

FRANKLIN BOROUGH SCHOOL DISTRICT  
INSURANCE SCHEDULE  
JUNE 30, 2015  
UNAUDITED

	<u>Coverage</u>		<u>Deductible</u>
School Alliance Insurance Fund:			
School Package Policy:	\$ 250,000,000	Fund Limit	\$ 2,500
Building & Personal Property			
Inland Marine - Auto Physical Damage			
General Liability including Auto, Employee Benefits:			
Per Occurrence	5,000,000		
General Aggregate	100,000,000		
Product/Completed Ops	(Included)		
Personal Injury	(Included)		
Fire Damage	2,500,000		
Medical Expenses			
(excluding students taking part in athletics)	10,000		
Automobile Coverage	(Included)		
Environmental Impairment Liability	1,000,000	Per Occurrence	5,000
	25,000,000	Fund Aggregate	
Crime Coverage	50,000	Inside/Outside	1,000
Blanket Dishonesty Bond	500,000		1,000
Boiler and Machinery	100,000,000		1,000
Excess Liability	5,000,000		
School Board Legal Liability	5,000,000		5,000
Workers' Compensation:			
Employer's Liability	Statutory		
Supplemental Indemnity	5,000,000		
Student Accident Insurance	1,000,000		
Selective Insurance:			
Public Official Bond - School Business Administrator	185,000		
Public Official Bond - Treasurer	185,000		

Source: Franklin Borough School District Records.

SINGLE AUDIT SECTION



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

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

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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 25, 2015.

**Internal Control Over Financial Reporting**

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

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

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

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

### **Compliance and Other Matters**

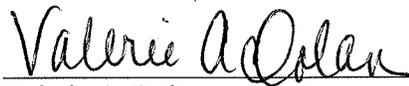
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

### **Purpose of this Report**

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

November 25, 2015  
Mount Arlington, New Jersey

NISIVOCCA LLP



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



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

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

Report on Compliance For Each Major State Program;  
 Report on Internal Control Over Compliance Required by OMB Circular A-133  
 and New Jersey's OMB Circulars 04-04 and 15-08

Independent Auditors' Report

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

**Report on Compliance for Each Major State Program**

We have audited the Board of Education of the Franklin Borough School District's (the "District's") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on each of the District's major state programs for the fiscal year ended June 30, 2015. The District's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey's OMB Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, OMB Circular A-133 and New Jersey's OMB Circulars 04-04 and 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

### ***Opinion on Each Major State Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2015.

### **Report on Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and NJOMB 04-04 and 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.

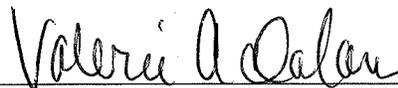
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 that the testing based on the requirements of OMB Circular A-133 or NJOMB 04-04 and 15-08. Accordingly, this report is not suitable for any other purpose.

November 25, 2015  
Mount Arlington, New Jersey

NISIVOCCIA LLP



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

FRANKLIN BOROUGH SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass Through Grantor/ Program Title/ Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2014			Cash Received	Budgetary Expenditures	Balance at June 30, 2015			
					Budgetary Accounts Receivable	Budgetary Unearned Revenue	Due to Grantor			Budgetary Accounts Receivable	Budgetary Unearned Revenue	Due to Grantor	
U.S. Department of Education Passed-through State Department of Education:													
Special Revenue Fund:													
Special Education Cluster:													
IDEA Combined Grant:													
I.D.E.A. Part B, Basic	84.027	IDEA157015	7/1/14-6/30/15	\$ 188,348			\$ 164,858	\$ (173,280)	\$ 8,422				
I.D.E.A. Part B, Basic - Carryover	84.027	IDEA157014	7/1/13-6/30/14	187,551	\$ 25,003		52,323	(27,320)					
I.D.E.A. Part B, Preschool	84.173	IDEA157015	7/1/14-6/30/15	9,758			8,783	(9,758)	975				
I.D.E.A. Part B, Preschool	84.173	IDEA157014	7/1/13-6/30/14	9,822		1,961	1,961						
Total Special Education Cluster						26,964	227,925	(210,358)	9,397				
No Child Left Behind Consolidated Grant:													
Title I	84.010A	NCLB157015	7/1/14-6/30/15	93,369			69,013	(93,369)	24,356				
Title I- Carryover	84.010A	NCLB157014	7/1/13-6/30/14	98,518	24,197		24,197						
Title II, Part A	84.367A	NCLB157015	7/1/14-6/30/15	25,326			17,411	(24,407)	6,996				
Title II, Part A- Carryover	84.367A	NCLB157014	7/1/13-6/30/14	25,285	6,545		6,849	(304)					
State Fiscal Stabilization Fund (SFSF)													
ARRA - Race-to-the-Top	84.395	N/A	9/1/12-11/30/16	7,372	6,070		7,372	(1,302)					
Total Special Revenue Fund						63,776	352,767	(329,740)	40,749				
Total U.S. Department of Education						63,776	352,767	(329,740)	40,749				
U.S. Department of Agriculture:													
Passed-through State Department of Agriculture:													
Child Nutrition Cluster:													
U.S.D.A Commodities Program	10.555	N/A	7/1/14-6/30/15	9,740			9,740	(8,951)		\$ 789			
U.S.D.A Commodities Program	10.555	N/A	7/1/13-6/30/14	8,980		\$ 745		(745)					
National School Lunch Program	10.555	N/A	7/1/14-6/30/15	85,053			78,047	(85,053)	7,006				
National School Lunch Program	10.555	N/A	7/1/13-6/30/14	79,755	6,581		6,581						
School Breakfast Program	10.553	N/A	7/1/14-6/30/15	13,647			12,437	(13,647)	1,210				
School Breakfast Program	10.553	N/A	7/1/13-6/30/14	11,383	1,087		1,087						
Total U.S. Department of Agriculture/Child Nutrition Cluster						7,668	745	(108,396)	8,216	789			
U.S. Department of Health and Human Services:													
Medicaid Assistance Program	93.778	N/A	7/1/14-6/30/15	23,133			23,133	(23,133)					
Medicaid Assistance Program-SEMI/ARRA	93.778	N/A	10/01/08-12/31/10	13,671			13,671	(13,671)					
Total Federal Awards						\$ 71,444	\$ 745	\$ - 0 -	\$ 474,330	\$ (474,940)	\$ 48,965	\$ 789	\$ - 0 -

N/A - Not Applicable / Available

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

FRANKLIN BOROUGH SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2014			Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2015		MEMO	
				Budgetary Accounts Receivable	Budgetary Unearned Revenue	Due to Grantor				GAAP Accounts Receivable	Due to Grantor	Budgetary Accounts Receivable	Cumulative Total Expenditures
New Jersey Department of Education													
General Fund:													
Equalization Aid	14-495-034-5120-078	7/1/13 - 6/30/14	\$ 2,646,715	\$ 263,621			\$ 263,621						\$ 2,646,715
Transportation Aid	14-495-034-5120-014	7/1/13 - 6/30/14	44,622	4,444			4,444						44,622
Special Ed. Categorical Aid	14-495-034-5120-089	7/1/13 - 6/30/14	277,326	27,622			27,622						277,326
Security Aid	14-495-034-5120-084	7/1/13 - 6/30/14	78,236	7,793			7,793						78,236
Adjustment Aid	14-495-034-5120-085	7/1/13 - 6/30/14	206,245	20,543			20,543						206,245
Extraordinary Aid	14-100-034-5120-473	7/1/13 - 6/30/14	22,776	22,776			22,776						22,776
Nonpublic Transportation	14-495-035-5120-014	7/1/13 - 6/30/14	340	340			340						340
Reimbursed TPAF Social													
Security Contributions	14-495-034-5095-002	7/1/13 - 6/30/14	279,367	14,069			14,069						279,367
Homeless Tuition Reimbursement	N/A	7/1/13 - 6/30/14	15,977	15,977			15,977						15,977
Equalization Aid	15-495-034-5120-078	7/1/14 - 6/30/15	2,646,715				2,383,112	\$ (2,646,715)				\$ 263,603	2,646,715
Transportation Aid	15-495-034-5120-014	7/1/14 - 6/30/15	44,622				40,178	(44,622)				4,444	44,622
Special Ed. Categorical Aid	15-495-034-5120-089	7/1/14 - 6/30/15	277,326				249,705	(277,326)				27,621	277,326
Security Aid	15-495-034-5120-084	7/1/14 - 6/30/15	78,236				70,444	(78,236)				7,792	78,236
Adjustment Aid	15-495-034-5120-085	7/1/14 - 6/30/15	206,245				185,704	(206,245)				20,541	206,245
PARCC Readiness Aid	15-495-034-5120-098	7/1/14 - 6/30/15	4,530				4,079	(4,530)				451	4,530
Per Pupil Growth Aid	15-495-034-5120-097	7/1/14 - 6/30/15	4,530				4,079	(4,530)				451	4,530
Extraordinary Aid	15-100-034-5120-473	7/1/14 - 6/30/15	22,959					(22,959)		\$ 22,959		22,959	22,959
Nonpublic Transportation	15-495-035-5120-014	7/1/14 - 6/30/15	1,523					(1,523)		1,523		1,523	1,523
Reimbursed TPAF Social													
Security Contributions	15-495-034-5095-002	7/1/14 - 6/30/15	267,968				267,968	(267,968)					267,968
Total General Fund State Aid				377,185			3,582,454	(3,554,654)		24,482		349,385	7,126,258
Special Revenue Fund:													
New Jersey Nonpublic Aid:													
Textbooks	14-100-034-5120-064	9/1/13 - 6/30/14	7,734			\$ 373			\$ 373				7,361
Textbooks	15-100-034-5120-064	9/1/14 - 6/30/15	8,221				8,221	(7,331)			\$ 890		7,331
Nursing Services	15-100-034-5120-070	9/1/14 - 6/30/15	13,089				13,089	(12,633)			456		12,633
Technology Initiative	14-100-034-5120-373	9/1/13 - 6/30/14	2,820			112			112				
Technology Initiative	15-100-034-5120-373	9/1/14 - 6/30/15	4,416				4,416				4,416		
Handicapped Services:													
Examination & Classification	14-100-034-5120-066	9/1/13 - 6/30/14	15,928			8,599			8,599				7,329
Examination & Classification	15-100-034-5120-066	9/1/14 - 6/30/15	7,928				7,928	(6,307)			1,621		6,307
Supplementary Instruction	14-100-034-5120-066	9/1/13 - 6/30/14	13,183			11,032			11,032				2,151
Supplementary Instruction	15-100-034-5120-066	9/1/14 - 6/30/15	8,632				8,632	(4,551)			4,081		4,551
Corrective Speech	14-100-034-5120-066	9/1/13 - 6/30/14	14,843			9,844			9,844				4,999
Corrective Speech	15-100-034-5120-066	9/1/14 - 6/30/15	14,136				14,136	(3,267)			10,869		3,267

FRANKLIN BOROUGH SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2014			Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2015		MEMO		
				Budgetary Accounts Receivable	Budgetary Unearned Revenue	Due to Grantor				GAAP Accounts Receivable	Due to Grantor	Budgetary Accounts Receivable	Cumulative Total Expenditures	
Special Revenue Fund:														
Auxiliary Services:														
Compensatory Education	14-100-034-5120-067	9/1/13 - 6/30/14	\$ 61,631			\$ 44,597			\$ 44,597				\$ 17,034	
Compensatory Education	15-100-034-5120-067	9/1/14 - 6/30/15	45,686				\$ 45,686	\$ (34,220)		\$ 11,466			34,220	
Total Special Revenue Fund						74,557	102,108	(68,309)	74,557		33,799		107,183	
Enterprise Fund:														
State School Lunch Program	14-100-010-3350-023	9/1/13 - 6/30/14	2,109	\$ 169			169						2,109	
State School Lunch Program	15-100-010-3350-023	9/1/14 - 6/30/15	2,079				1,913	(2,079)		\$ 166		\$ 166	2,079	
Total Enterprise Fund					169		2,082	(2,079)		166		166	4,188	
Total Awards					\$ 377,354	\$ - 0 -	\$ 74,557	\$ 3,686,644	\$ (3,625,042)	\$ 74,557	\$ 24,648	\$ 33,799	\$349,551	\$ 7,237,629

N/A - Not Available

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

FRANKLIN BOROUGH SCHOOL DISTRICT  
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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, 2015. The information in these schedules is presented in accordance with the Federal Office of Management and Budget (OMB), *Audits of States and Local Governments and Non-Profit Organizations* and New Jersey's OMB Circulars 04-04 and 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 Board's basic financial statements. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements. Such expenditures are recognized following the cost principles contained in Federal OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governmental Units*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through identifying numbers are presented where available.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$880) for the General Fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the General and Special Revenue Funds, respectively. The schedule of expenditures of state awards does not include the on-behalf TPAF Pension Contributions and Post Retirement Contributions revenue of \$206,334 and \$327,556 respectively.

FRANKLIN BOROUGH SCHOOL DISTRICT  
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (Cont'd)

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 36,804	\$ 4,087,664	\$ 4,124,468
Special Revenue Fund	329,740	68,309	398,049
Food Service Fund	108,394	2,079	110,473
Total Awards	<u>\$ 474,938</u>	<u>\$ 4,158,052</u>	<u>\$ 4,632,990</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

Revenue and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2015.

FRANKLIN BOROUGH SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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 Required by OMB Circular A-133 and New Jersey's OMB Circulars 04-04 and 15-08*.
- The auditor's report on compliance for the major state programs for the District expresses an unmodified opinion on all major state programs.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circulars 04-04 and 15-08 or Section 510(a) of Federal OMB Circular A-133.
- The District was not subject to the single audit provisions of Federal OMB Circular A-133 for the fiscal year end June 30, 2015 as federal grant expenditures were less than the single audit threshold of \$500,000 identified in the Circular.
- 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	15-495-034-5120-078	7/1/14 - 6/30/15	\$ 2,646,715	\$ 2,646,715
Special Education Categorical Aid	15-495-034-5120-089	7/1/14 - 6/30/15	277,326	277,326
Security Aid	15-495-034-5120-084	7/1/14 - 6/30/15	78,236	78,236
Adjustment Aid	15-495-034-5120-085	7/1/14 - 6/30/15	206,245	206,245
PARCC Readiness Aid	15-495-034-5120-098	7/1/14 - 6/30/15	4,530	4,530
Per Pupil Growth Aid	15-495-034-5120-097	7/1/14 - 6/30/15	4,530	4,530

- The threshold for distinguishing Type A and Type B state programs was \$300,000.
- 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, 2015  
(Continued)

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

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

Findings and Questioned Costs for Federal Awards:

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

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in section 510(a) of the federal circular and New Jersey's OMB Circulars 04-04 and 15-08.

FRANKLIN BOROUGH SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Status of Prior Year Findings:

There were no prior year audit findings.