

**FRANKLIN SQUARE UNION FREE  
SCHOOL DISTRICT  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
WITH INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2020**

# FRANKLIN SQUARE UNION FREE SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Franklin Square Union Free School District

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the fiduciary fund of the Franklin Square Union Free School District, as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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.

*Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

*Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary fund of the Franklin Square Union Free School District, as of June 30, 2020, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in District's total OPEB liability, schedule of District's proportionate share of the net pension liability, and the schedule of District's contributions on pages 1 through 16 and 57 through 61, respectively, 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.

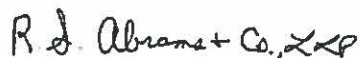
### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Franklin Square Union Free School District's basic financial statements. The other supplementary financial information as listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2020 on our consideration of the Franklin Square Union Free School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Franklin Square Union Free School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Franklin Square Union Free School District's internal control over financial reporting and compliance.



R.S. Abrams & Co., LLP  
Islandia, NY  
October 7, 2020

**FRANKLIN SQUARE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

The following is a discussion and analysis of the Franklin Square Union Free School District's (the "District") financial performance for the fiscal year ended June 30, 2020. This section is a summary of the District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the District-Wide and Fund Financial Statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the school district's financial statements, which immediately follow this section.

**1. FINANCIAL HIGHLIGHTS**

- The 2019-2020 adopted general fund budget of \$39,484,000 represented an increase of \$701,400 over the 2018-2019 year.
- On the District-Wide Financial Statements, the District's net position (deficit) increased \$1,485,796.
- The general fund's total fund balance, as reflected in the Fund Financial Statements, increased \$1,878,449 based on the modified accrual basis of accounting.
- On June 9, 2020, the proposed 2020-2021 budget in the amount of \$40,163,500 was authorized by the District's residents. This budget represents a \$679,100 increase over the prior year's budget. Additionally, the tax levy increase associated with this budget was 2.23% which is an amount within the District's levy limit allowed by law.
- On March 11, 2020, the World Health Organization declared coronavirus (COVID-19) disease as a global pandemic. Schools, along with all but essential businesses, were ordered closed by the State of New York, and remote learning was conducted for the remainder of the school year. The closure of schools resulted in some areas of savings primarily in the area of transportation, but also included unforeseen expenses such as personal protective equipment and cleaning of buildings.

**FRANKLIN SQUARE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**2. OVERVIEW OF THE FINANCIAL STATEMENTS**

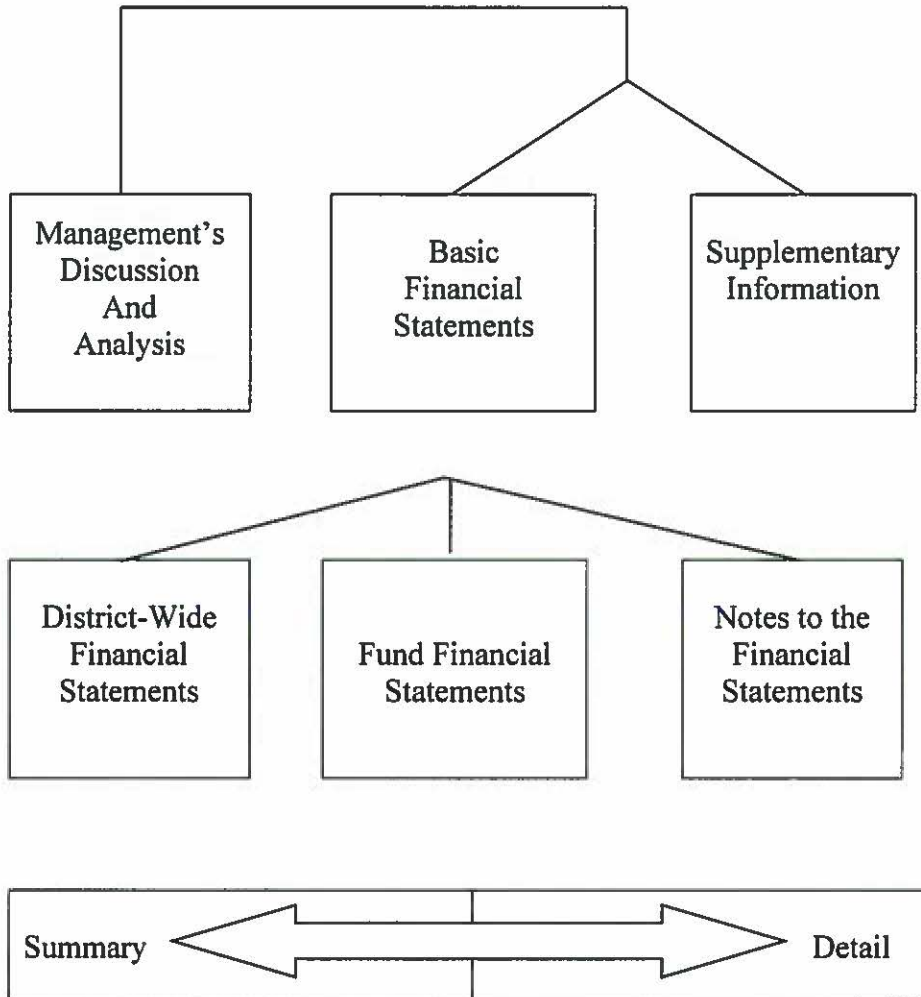
This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information and other supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- 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 operations in *more detail* than the District-Wide Statements.
  - The *Governmental Fund Statements* tell how basic services such as instruction and support functions were financed in the *short term* as well as what remains for future spending.
  - *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, including the employees of the District.

The financial statements also include notes that provide additional information about the financial statements and the balances reported. 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. The following shows how the various parts of this annual report are arranged and related to one another.

**FRANKLIN SQUARE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Organization of the District's Annual Financial Report



**FRANKLIN SQUARE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

The following table summarizes the major features of the District's financial statements, including the portion of the District's activities that they cover and the types of information that they contain. The remainder of this overview section of Management's Discussion and Analysis highlights the structure and contents of each of the statements.

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

	District-Wide Statements	Fund Financial Statements	
		Governmental	Fiduciary
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the District, such as special education and instruction	Instances in which the District administers resources on behalf of others, such as employee benefits
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 Revenues, Expenditures and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources measurement focus	Modified accrual and current financial resources measurement focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources/liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any) both short-term and long-term; funds do not currently contain capital assets although they can
Type of inflow and outflow information	All revenues and expenses during the year; regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid



**FRANKLIN SQUARE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**A) District-Wide Statements**

The District-Wide Financial 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 and deferred outflows of resources, and liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two District-Wide Financial Statements report the District's net position and how they have changed. Net position, the difference between the assets and deferred outflows of resources, and liabilities and deferred inflows of resources, is one way to measure the financial health or position of the District.

- Over time, increases and decreases in net position are an indicator of whether the financial position is improving or deteriorating, respectively.
- For assessment of the overall health of the District, additional non-financial factors such as changes in the District's property tax base and the condition of buildings and other facilities should be considered.

Net position of the governmental activities differ from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources (money) are expended to purchase or build said assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. The principal and interest payments are both considered expenditures when paid. Depreciation is not calculated if it does not provide or reduce current financial resources. Finally, capital assets and long-term debt are both accounted for in account groups and do not affect the fund balances.

District-Wide Financial Statements are reported utilizing an economic resources measurement focus and full accrual basis of accounting that involves the following steps to format the Statement of Net Position:

- Capitalize current outlays for capital assets;
- Report long-term debt as a liability;
- Depreciate capital assets and allocate the depreciation to the proper program/activities;
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting; and
- Allocate net position balances as follows:
  - *Net investment in capital assets*;
  - *Restricted net position* are those with constraints placed on the use of external sources (creditors, grantors, contributors or laws or regulations of governments) or approved by law through constitutional provisions or enabling legislation;
  - *Unrestricted net position* is net position that does not meet any of the above restrictions.

**FRANKLIN SQUARE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**B) Fund Financial Statements**

The Fund Financial Statements provide more detailed information about the District's funds. Funds are accounting devices that the District uses to keep track of specific revenue sources and spending on particular programs. The funds have been established by the laws of the State of New York.

The District has two kinds of funds:

i) Governmental funds

Most of the 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 fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the programs of the District. Because this information does not encompass the additional long-term focus of the District-Wide Statements, an additional schedule explains the relationship (or differences) between them. In summary, the government fund statements focus primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. Included are the general fund, special aid fund, school lunch fund and capital projects fund. Required statements are the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances.

ii) Fiduciary funds

The District is the trustee or *fiduciary* for assets that belong to others, such as payroll, or employee withholding. 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. Fiduciary fund reporting focuses on net position and changes in net position. This report should be used to support the District's own programs and is developed using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities of defined benefit pension plans and certain post-employment healthcare plans.

**3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**A) Net Position**

The District's net deficit increased \$1,485,796 in the fiscal year ended June 30, 2020 as detailed in the table that follows.

**FRANKLIN SQUARE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Condensed Statement of Net Position-Governmental Activities

	Fiscal Year 2020	Fiscal Year 2019*	Increase (Decrease)	Total Percentage Change
Current assets and other assets	\$ 19,681,421	\$ 19,201,588	\$ 479,833	2.50%
Capital assets, net	15,253,151	13,335,748	1,917,403	14.38%
Net pension asset-proportionate share	2,621,562	1,851,425	770,137	41.60%
<b>Total Assets</b>	<b>37,556,134</b>	<b>34,388,761</b>	<b>3,167,373</b>	<b>9.21%</b>
Deferred outflows of resources	13,399,429	10,868,852	2,530,577	23.28%
<b>Total Assets and Deferred Outflows of Resources</b>	<b>50,955,563</b>	<b>45,257,613</b>	<b>5,697,950</b>	<b>12.59%</b>
Other liabilities	3,124,229	2,759,811	364,418	13.20%
Long-term liabilities	54,728,438	48,399,787	6,328,651	13.08%
<b>Total Liabilities</b>	<b>57,852,667</b>	<b>51,159,598</b>	<b>6,693,069</b>	<b>13.08%</b>
Deferred inflows of resources	6,362,851	5,872,174	490,677	8.36%
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>64,215,518</b>	<b>57,031,772</b>	<b>7,183,746</b>	<b>12.60%</b>
<b>Net Position</b>				
Net investment in capital assets	13,170,750	10,268,116	2,902,634	28.27%
Restricted	11,260,537	13,169,094	(1,908,557)	-14.49%
Unrestricted (deficit)	(37,691,242)	(35,211,369)	(2,479,873)	7.04%
<b>Total Net Position</b>	<b>\$ (13,259,955)</b>	<b>\$ (11,774,159)</b>	<b>\$ (1,485,796)</b>	<b>12.62%</b>

\*Reclassifications have been made to the 2019 information to conform to the 2020 reporting.

Current assets and other assets increased \$479,833 from 2019 to 2020 primarily due to an increase in cash and taxes receivable offset by a decrease in state and federal receivable and due from other governments.

Capital assets (net of depreciation) increased by \$1,917,403 due to current year additions offset by depreciation expense.

The net pension asset - proportionate share increased by \$770,137 as a result of the actuarial valuation provided by the state.

The changes in deferred outflows represent amortization of deferred charges on refunding and amortization on pension related items as well as the change in the District's contributions to the plans subsequent to the measurement date, as discussed in Note 13, and total other post-employment benefits obligation, as discussed in Note 15.

Other liabilities increased by \$364,418 due to an increase in accrued liabilities and compensated absences offset by a decrease in accounts payable and due to teachers' retirement system.

**FRANKLIN SQUARE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Long-term liabilities increased by \$6,328,651 due to an increase in total other post-employment benefits and an increase in net pension liability- proportionate share offset by a decrease in bonds payable.

The changes in deferred inflows represent amortization of pension and other post-employment benefits related items, as discussed in Notes 13 and 15, respectively.

The net investment in capital assets relates to the investment in capital assets at cost such as land, construction in progress, buildings & improvements, and furniture & equipment, net of depreciation and related debt. This number increased over the prior year by \$2,902,634 due to current year additions and principal payments on debt exceeding depreciation.

The restricted net position balance in the amount of \$11,260,537 relates to the District's reserves: retirement contribution, capital, employee benefit accrued liability, unemployment insurance, and workers' compensation. The restricted amount decreased by \$1,908,557 as compared to the prior year.

The unrestricted deficit in the amount of \$37,691,242 relates to the balance of the District's net position. This number does not include the District's reserves, which are classified as restricted net position or unspent bond proceeds, which is a component in net investment in capital assets. Additionally, in accordance with state guidelines, the District is only permitted to fund other postemployment benefits (OPEB) on a "pay as you go" basis, and is not permitted to accumulate funds for the total OPEB obligation. This deficit increased by \$2,479,873.

Net position (deficit) overall increased by \$1,485,796.

**B) Changes in Net Position**

The results of operations as a whole are reported in the Statement of Activities. A summary of this statement for the years ended June 30, 2020 and 2019 are as follows:

**FRANKLIN SQUARE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Change in Net Position from Operating Results Governmental Activities Only

	Fiscal Year 2020	Fiscal Year 2019	Increase (Decrease)	Total Percentage Change
Revenues				
Program Revenues				
Charges for services	\$893,958	\$1,305,472	(\$411,514)	-31.52%
Operating grants	914,350	969,079	(54,729)	-5.65%
General Revenues				
Real property taxes & other tax items	29,000,531	28,469,212	531,319	1.87%
State sources	8,392,175	8,043,752	348,423	4.33%
Use of money & property	164,504	160,356	4,148	2.59%
Other	171,249	391,318	(220,069)	-56.24%
Total Revenues	<u>39,536,767</u>	<u>39,339,189</u>	<u>197,578</u>	<u>0.50%</u>
Expenses				
General support	\$4,732,615	\$4,665,358	\$67,257	1.44%
Instruction	33,106,481	30,855,253	2,251,228	7.30%
Pupil transportation	1,885,718	1,761,768	123,950	7.04%
Food service program	493,264	736,417	(243,153)	-33.02%
Community service	734,195	876,220	(142,025)	-16.21%
Debt service - interest	70,290	117,911	(47,621)	-40.39%
Total Expenses	<u>41,022,563</u>	<u>39,012,927</u>	<u>2,009,636</u>	<u>5.15%</u>
Increase (Decrease) in Net Position	<u>(\$1,485,796)</u>	<u>\$326,262</u>	<u>(\$1,812,058)</u>	<u>-555.40%</u>

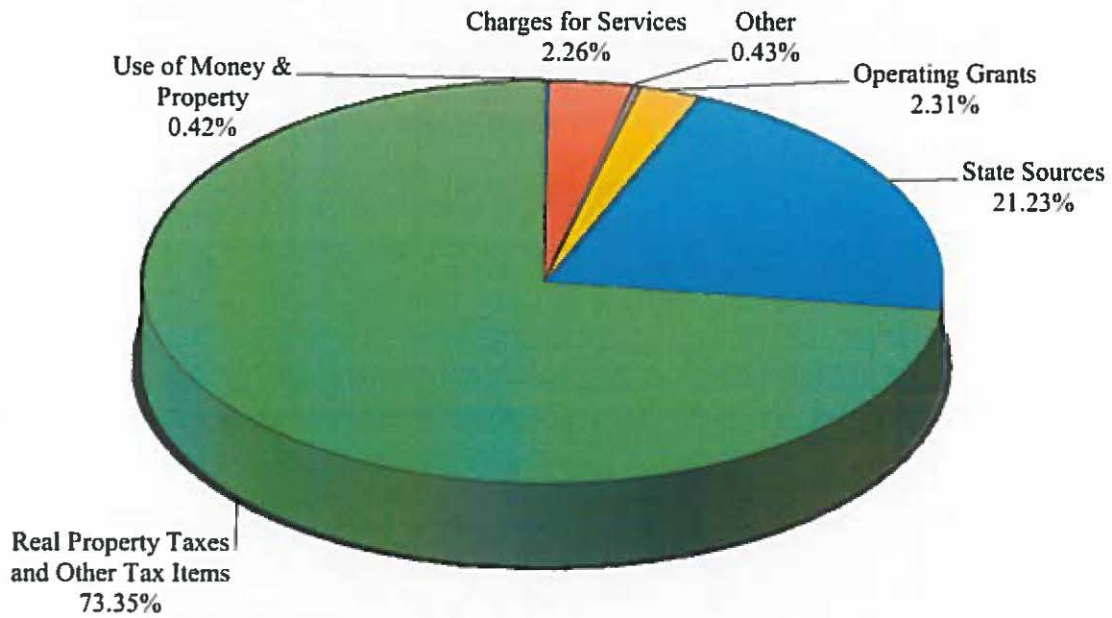
The District's total fiscal year 2020 revenues totaled \$39,536,767. Real property taxes and other tax items and state sources accounted for most of the District's revenue by contributing approximately 73.35% and approximately 21.23%, respectively of total revenue. The remainder came from fees charged for services, operating grants, use of money and property, and other miscellaneous sources. Total revenues increased by \$197,578 or .50%. This was primarily attributable to an increase in real property taxes and other tax items.

The total cost of all programs and services totaled \$41,022,563 for fiscal year 2020. These expenses are predominantly related to general instruction and caring for (pupil services) and transporting students, which account for approximately 85.30% of district expenses. The District's general support activities accounted for approximately 11.54% of total costs. Total expenses increased by \$2,009,636 or 5.15%. This was primarily attributable to increases in general support, instruction and pupil transportation offset by decreases in food service program, community service and debt service - interest.

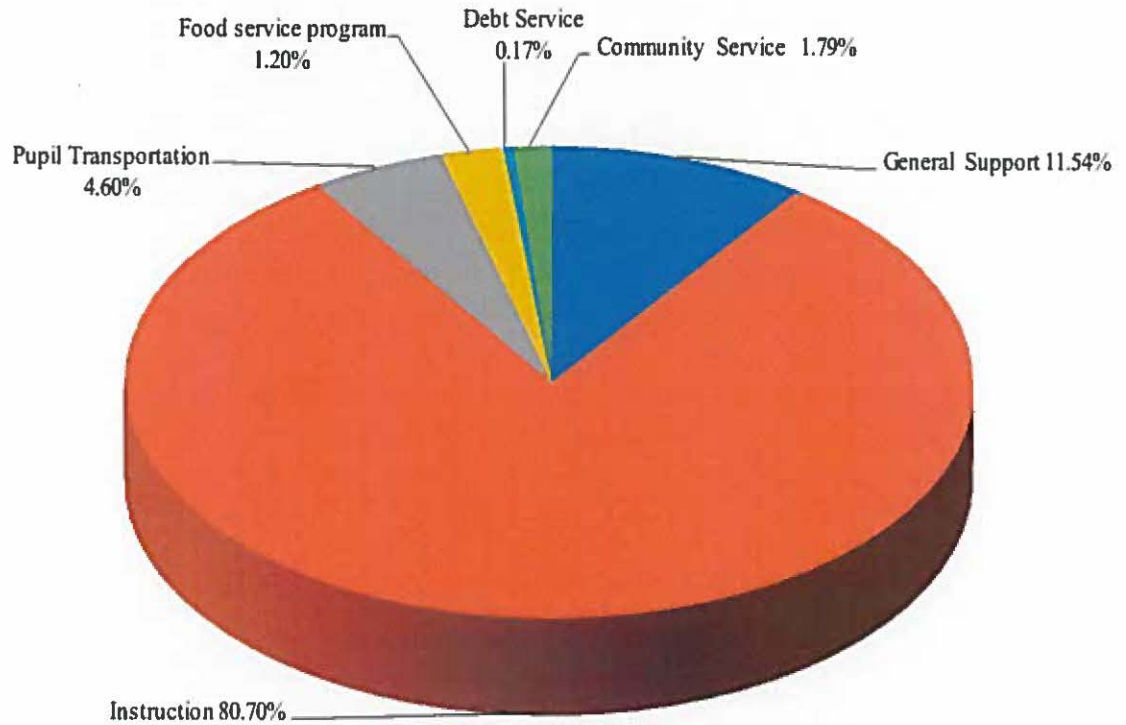
The users of the District's programs financed \$893,958 of the cost. The federal and state governments subsidized certain programs with grants and contributions of \$914,350 which represents a 5.65% decrease from the prior year. Most of the District's net costs of \$39,214,255 were financed by District taxpayers and state sources.

**FRANKLIN SQUARE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Revenues for Fiscal Year 2020



Expenses for Fiscal Year 2020



**FRANKLIN SQUARE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

Variances between years for the governmental Fund Financial Statements are not the same as variances between years for the District-Wide Financial Statements. The District's governmental funds are presented on the **current financial resources measurement focus** and the **modified accrual basis of accounting**. Based on this presentation, governmental funds do not include long-term debt liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt.

As of June 30, 2020, the District's combined governmental funds reported a total fund balance of \$16,508,891 which is an increase of \$160,843 over the prior year.

**FRANKLIN SQUARE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

A summary of the change in the fund balance for all funds are as follows:

	Fiscal Year 2020	Fiscal Year 2019	Change	Percentage Change
<b>General Fund</b>				
Restricted for retirement contribution	\$1,023,367	\$1,018,370	\$4,997	0.49%
Restricted for capital	5,140,650	5,104,409	36,241	0.71%
Restricted for employee benefit accrued liability	2,687,243	3,218,221	(530,978)	(16.50%)
Restricted for unemployment insurance	107,948	107,187	761	0.71%
Restricted for workers' compensation	736,165	730,975	5,190	0.71%
Assigned for general support	212,785	114,393	98,392	86.01%
Assigned for instruction	437,790	227,174	210,616	92.71%
Assigned for pupil transportation	37,758	709	37,049	5225.53%
Assigned for subsequent year's expenditures	1,256,500	1,256,500	-	0.00%
Unassigned	3,587,965	1,571,784	2,016,181	128.27%
<b>Total fund balance - general fund</b>	<u>15,228,171</u>	<u>13,349,722</u>	<u>1,878,449</u>	14.07%
<b>School Lunch Fund</b>				
Assigned	405,325	402,682	2,643	0.66%
Nonspendable -inventory		5,834	(5,834)	(100.00%)
<b>Total fund balance - school lunch fund</b>	<u>405,325</u>	<u>408,516</u>	<u>(3,191)</u>	(0.78%)
<b>Capital Projects Fund</b>				
Restricted- unspent bond proceeds	30,447	30,447	-	0.00%
Restricted- capital	1,565,164	2,989,932	(1,424,768)	(47.65%)
Unassigned	(720,216)	(430,569)	(289,647)	67.27%
<b>Total fund balance - capital projects fund</b>	<u>875,395</u>	<u>2,589,810</u>	<u>(1,714,415)</u>	(66.20%)
<b>Total fund balance - all funds</b>	<u>\$16,508,891</u>	<u>\$16,348,048</u>	<u>\$160,843</u>	0.98%

**A) General Fund**

The net change in the general fund – fund balance is an increase of \$1,878,449 as a result of revenues of \$38,443,499 exceeding expenditures and other financing uses of \$36,565,050. Revenues increased \$309,988 or .81% compared to the prior year, mostly due to the increase in real property taxes and state sources.

Expenditures and other financing uses decreased \$1,184,438 or 3.14% compared to the prior year. This was primarily due to decreases in general support and pupil transportation, as well as a decrease in the interfund transfer to the capital projects fund, offset by the increase in instruction.

**B) School Lunch Fund**

The net change in the school lunch fund – fund balance is a decrease of \$3,191. This decrease is the operating loss for the current year partially offset by an interfund transfer from the general fund.



**FRANKLIN SQUARE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**C) Capital Projects Fund**

The net change in the capital projects fund – fund balance is a decrease of \$1,714,415. This decrease was due to an excess of expenditures over other financing sources. The capital projects fund received \$70,000 in budgetary appropriations from the general fund, as approved by the voters and had \$1,784,415 in capital outlay expenditures.

**5. GENERAL FUND BUDGETARY HIGHLIGHTS**

**A) 2019-2020 Budget**

The District's general fund adopted budget for the year ended June 30, 2020 was \$39,484,400. This amount was increased by encumbrances carried forward from the prior year in the amount of \$342,276, and a budget revision of \$45,600 which resulted in a final budget of \$39,872,276. The majority of the funding was real property taxes and other real property tax items of \$28,852,737.

**B) Change in General Fund's Unassigned Fund Balance (Budget to Actual)**

The general fund's unassigned fund balance is a component to total fund balance that is the residual of prior years' excess revenues over expenditures, net of transfers to reserves and designations to fund prior years' budgets. It is this balance that is commonly referred to as "fund balance". The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget are as follows:

Opening, unassigned fund balance	\$1,571,784
Revenues over budget	215,599
Expenditures and encumbrances under budget	2,618,893
Transfers to reserves	(290,163)
Interest allocated to reserves	(70,039)
Use of reserve	843,991
Budget revision	(45,600)
Assigned for June 30, 2021 budget	<u>(1,256,500)</u>
Closing, unassigned fund balance	<u><u>\$3,587,965</u></u>

The opening unassigned fund balance of \$1,571,784 is the June 30, 2019 unassigned fund balance.

The revenues over budget were \$215,599 and were primarily in real property taxes, use of money and property and miscellaneous revenue (see Supplemental Schedule #1 for detail).

The expenditures and encumbrances under budget of \$2,618,893 were primarily in instruction, pupil transportation and employee benefits (see Supplemental Schedule #1 for detail).

The transfers to reserves from unassigned fund balance were comprised of \$290,163 to the employee benefit accrued liability reserve.

**FRANKLIN SQUARE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Interest of \$70,039 was allocated to the reserves as follows: \$4,997 to the retirement contribution reserve, \$36,241 to the capital reserve, \$22,850 to the employee benefit accrued liability reserve, \$761 to the unemployment insurance reserve and \$5,190 to the workers' compensation reserve.

The District utilized \$843,991 of the employee benefit accrued liability reserve.

The District had a budget revision in the amount of \$45,600 for an emergency repair of the boiler.

The assigned, appropriated fund balance of \$1,256,500 for the June 30, 2021 budget is the amount the District has chosen to use to partially fund its operating budget for 2020-2021.

The closing unassigned fund balance represents the fund balance retained by the District that is not reserved, nonspendable or designated for subsequent year's expenses. This amount is limited to 4% of the 2020-2021 budget, or \$1,606,540. The District is over the allowable limit.

**6. CAPITAL ASSET AND DEBT ADMINISTRATION**

**A) Capital Assets**

The District paid for equipment and various building additions and renovations during fiscal year 2020. A summary of the District's capital assets net of depreciation are as follows:

**Capital Assets (Net of Depreciation)**

Category	Fiscal Year 2020	Fiscal Year 2019	Increase (Decrease)	Percentage Change
Land & land improvements	\$16,382	\$16,382	\$ -	0.00%
Construction in progress	1,013,097	926,569	86,528	9.34%
Buildings & building improvements	26,538,864	23,811,471	2,727,393	11.45%
Furniture and equipment	10,996,451	10,793,652	202,799	1.88%
Vehicles	1,926,244	1,966,158	(39,914)	-2.03%
<b>Subtotal</b>	<b>40,491,038</b>	<b>37,514,232</b>	<b>2,976,806</b>	<b>7.94%</b>
<b>Less: accumulated depreciation</b>	<b>25,237,887</b>	<b>24,178,484</b>	<b>1,059,403</b>	<b>4.38%</b>
<b>Total net capital assets</b>	<b>\$15,253,151</b>	<b>\$13,335,748</b>	<b>\$1,917,403</b>	<b>14.38%</b>

The District had capital asset additions of \$3,418,907, depreciation expense of \$1,435,430 and a loss on disposal of \$66,074.

**FRANKLIN SQUARE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**B) Long-Term Debt**

At June 30, 2020, the District had total bonds payable of \$2,020,000. The bonds were issued for district-wide improvements. The decrease in outstanding serial bond debt represents principal payments. More detailed information about the District's long-term debt is presented in Note 11 to the financial statements.

A summary of outstanding serial bond debt at June 30, 2020 and 2019 is as follows:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>
April 5, 2011	3-5%	\$2,020,000	\$2,945,000	(\$925,000)
April 5, 2011	3-5%	-	165,000	(165,000)
		<u>\$2,020,000</u>	<u>\$3,110,000</u>	<u>(\$1,090,000)</u>

**7. FACTORS BEARING ON THE DISTRICT'S FUTURE**

- A) The District managed the cash flow to preclude the need to issue tax anticipation notes for the 2020-2021 school year.
- B) The general fund budget for the 2020-2021 school year was approved by the voters in the amount of \$40,163,500. This is an increase of \$679,100 or 1.72% over the previous year's budget. The tax cap discussed below, as well as uncertainty in state aid and federal funds, as well as potential operating adjustments that may be needed due to COVID-19 may impact the District's future budgets.
- C) The NYS Legislature has introduced and approved a property tax cap beginning in the 2012-2013 school year, which was made permanent. This bill limits tax levy growth to the lesser of two percent or the annual increase in the CPI. Limited exemptions to exceed the levy cap are provided for taxes needed to pay for voter-approved capital expenditures, pension rate increases, court orders and torts over five percent of the prior year's levy. If the tax levy proposed to the voters is within the district's tax levy cap, then a majority vote would be required for approval. If the proposed tax levy exceeds the district's tax levy cap, the threshold required for approval would be 60 percent of the vote.

**FRANKLIN SQUARE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**8. CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers, and investors and creditors with a general overview of the finances of the District and to demonstrate our accountability with the money we receive. If you have any questions about this report or need additional financial information, contact:

Franklin Square Union Free School District  
Ms. Theresa Hennessy, CPA  
Assistant Superintendent for Finance & Management  
760 Washington Street  
Franklin Square, New York 11010  
(516) 481-4100

**FRANKLIN SQUARE UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

<b>ASSETS</b>	
Current assets	
Cash	
Unrestricted	\$ 5,950,711
Restricted	10,752,508
Receivables	
Accounts receivable	103,008
Taxes receivable	1,748,660
State and federal aid	1,043,229
Due from other governments	33,757
Due from fiduciary fund	49,548
Non-current assets	
Capital assets	
Capital assets, not being depreciated	1,029,479
Capital assets being depreciated, net of accumulated depreciation	14,223,672
Net pension asset-proportionate share - teachers' retirement system	<u>2,621,562</u>
<b>TOTAL ASSETS</b>	<u>37,556,134</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charges on refundings	33,181
Pensions	11,273,760
Other post-employment benefits obligation	<u>2,092,488</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>13,399,429</u>
<b>LIABILITIES</b>	
Payables	
Accounts payable	286,597
Accrued liabilities	348,046
Due to teachers' retirement system	1,630,384
Due to employees' retirement system	172,482
Due to fiduciary funds	4,707
Compensated absences payable	604,353
Accrued interest payable	46,292
Unearned credits	
Collections in advance	31,368
Long-term liabilities	
Due and payable within one year	
Bonds payable (inclusive of unamortized premium)	1,081,751
Due and payable after one year	
Bonds payable (inclusive of unamortized premium)	1,064,278
Compensated absences payable	3,178,482
Total other post-employment benefits obligation	45,447,931
Net pension liability-proportionate share - employees' retirement system	<u>3,955,996</u>
<b>TOTAL LIABILITIES</b>	<u>57,852,667</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pensions	3,594,602
Other post-employment benefits obligation	<u>2,768,249</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>6,362,851</u>
<b>NET POSITION</b>	
Net investment in capital assets	<u>13,170,750</u>
Restricted:	
Retirement contribution	
Employees' retirement system	708,857
Teachers' retirement system	314,510
Capital	6,705,814
Employee benefit accrued liability	2,687,243
Unemployment	107,948
Workers' compensation	736,165
	<u>11,260,537</u>
Unrestricted (deficit)	<u>(37,691,242)</u>
<b>TOTAL NET POSITION (DEFICIT)</b>	<u>\$ (13,259,955)</u>

**FRANKLIN SQUARE UNION FREE SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
<b>FUNCTIONS / PROGRAMS</b>				
General support	\$ (4,732,615)			\$ (4,732,615)
Instruction	(33,106,481)	\$ 646,883	\$ 646,663	(31,812,935)
Pupil transportation	(1,885,718)		20,710	(1,865,008)
Food service program	(493,264)	247,075	246,977	788
Community service	(734,195)			(734,195)
Debt service - interest	(70,290)			(70,290)
<b>TOTAL FUNCTIONS AND PROGRAMS</b>	<u>\$ (41,022,563)</u>	<u>\$ 893,958</u>	<u>\$ 914,350</u>	<u>\$ (39,214,255)</u>
 <b>GENERAL REVENUES</b>				
Real property taxes				25,188,697
Other tax items - including STAR reimbursement				3,811,834
Use of money & property				164,504
Miscellaneous				171,249
State sources				8,392,175
<b>TOTAL GENERAL REVENUES</b>				<u>37,728,459</u>
 <b>CHANGE IN NET POSITION</b>				(1,485,796)
 <b>TOTAL NET POSITION - BEGINNING OF YEAR</b>				<u>(11,774,159)</u>
 <b>TOTAL NET POSITION - END OF YEAR</b>				<u>\$ (13,259,955)</u>

**FRANKLIN SQUARE UNION FREE SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2020**

	General	Special Aid	School Lunch	Capital Projects	Total Governmental Funds
<b>ASSETS</b>					
Cash					
Unrestricted	\$ 4,879,501	\$ 725,728	\$ 345,482		\$ 5,950,711
Restricted	9,695,373			\$ 1,057,135	10,752,508
Receivables					
Accounts receivable	103,008				103,008
Taxes receivable	1,748,660				1,748,660
Due from state and federal aid	571,378	442,100	29,751		1,043,229
Due from other governments	33,757				33,757
Due from other funds	5,741,692	248,707	93,088	81,418	6,164,905
<b>TOTAL ASSETS</b>	<b>\$ 22,773,369</b>	<b>\$ 1,416,535</b>	<b>\$ 468,321</b>	<b>\$ 1,138,553</b>	<b>\$ 25,796,778</b>
<b>LIABILITIES</b>					
Payables					
Accounts payable	\$ 231,499	\$ 877	\$ 30,877	\$ 23,344	\$ 286,597
Accrued liabilities	348,046				348,046
Due to other funds	4,463,841	1,415,658	751	239,814	6,120,064
Due to teachers' retirement system	1,630,384				1,630,384
Due to employees' retirement system	172,482				172,482
Compensated absences	604,353				604,353
Unearned credits					
Collections in advance			31,368		31,368
<b>TOTAL LIABILITIES</b>	<b>7,450,605</b>	<b>1,416,535</b>	<b>62,996</b>	<b>263,158</b>	<b>9,193,294</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
State Aid	94,593	-	-	-	94,593
<b>FUND BALANCES</b>					
Non-spendable: Inventory					
Restricted:					
Retirement contribution					
Employees' retirement system	708,857				708,857
Teachers' retirement system	314,510				314,510
Capital	5,140,650			1,565,164	6,705,814
Employee benefit accrued liability	2,687,243				2,687,243
Unemployment	107,948				107,948
Workers' compensation	736,165				736,165
Unspent bond proceeds				30,447	30,447
Assigned:					
Appropriated fund balance	1,256,500				1,256,500
Unappropriated fund balance	688,333		405,325		1,093,658
Unassigned	3,587,965			(720,216)	2,867,749
<b>TOTAL FUND BALANCES</b>	<b>15,228,171</b>	<b>-</b>	<b>405,325</b>	<b>875,395</b>	<b>16,508,891</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 22,773,369</b>	<b>\$ 1,416,535</b>	<b>\$ 468,321</b>	<b>\$ 1,138,553</b>	<b>\$ 25,796,778</b>

**FRANKLIN SQUARE UNION FREE SCHOOL DISTRICT  
RECONCILIATION OF GOVERNMENTAL FUNDS  
BALANCE SHEET TO STATEMENT OF NET POSITION  
JUNE 30, 2020**

Total Governmental Fund Balances \$ 16,508,891

Amounts reported for governmental activities in the Statement of Net Position are different because:

The cost of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the balance sheet. However, the Statement of Net Position include those capital assets among the assets of the District as a whole, and their original costs are expensed annually over their useful lives.

Original cost of capital assets	\$ 40,491,038	
Accumulated depreciation	<u>(25,237,887)</u>	15,253,151

Deferred inflows of resources - state aid - The Statement of Net Position recognized revenues received under the full accrual method. Governmental funds recognize revenues under the modified accrual. 94,593

Deferred inflows of resources- The Statement of Net Position recognizes revenues and expenditures under the full accrual method. Governmental funds recognize revenues and expenditures under the modified accrual method. These amounts will be amortized in future years.

Deferred inflows related to pensions		(3,594,602)
Deferred inflows related to total other post-employment benefits obligation		(2,768,249)

Payables that are associated with long-term liabilities that are not payable in the current period are not reported as liabilities in the funds. Additional payables relating to long-term liabilities at year end consisted of accrued interest payable of: (46,292)

Deferred outflows of resources - The Statement of Net Position recognizes expenditures incurred under the full accrual method. Governmental funds recognize expenditures under the modified accrual method. Deferred outflows related to pensions that will be recognized as expenditures in future periods amounted to

Deferred outflows related to pensions		11,273,760
Deferred outflows related to total other post-employment benefits obligation		2,092,488

Certain disbursements previously expended in the governmental funds relating to pensions are treated as long term assets and increase net position. The net pension asset-proportionate share for teachers' retirement system was 2,621,562

Deferred charges on the refunding. The Statement of Net Position will amortize the deferred charges on the refunding over the life of the bond. Governmental funds recorded the deferred charges on the refunding as an expenditure in the year of the refunding. 33,181

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consisted of:

Bonds payable (inclusive of unamortized premium)	\$ (2,146,029)	
Compensated absences payable	(3,178,482)	
Total other post-employment benefits obligation	(45,447,931)	
Net pension liability - proportionate share - employees' retirement system	<u>(3,955,996)</u>	<u>(54,728,438)</u>

Total Net Position \$ (13,259,955)



**FRANKLIN SQUARE UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	General	Special Aid	School Lunch	Capital Projects	Total Governmental Funds
<b>REVENUES</b>					
Real property taxes	\$ 25,188,697				\$ 25,188,697
Other tax items - including STAR reimbursement	3,811,834				3,811,834
Charges for services	646,883				646,883
Use of money and property	162,254		\$ 2,250		164,504
Miscellaneous	336,249				336,249
State sources	8,297,582	\$ 110,163	8,761		8,416,506
Federal sources		557,209	168,455		725,664
Surplus food			69,761		69,761
Sales			247,075		247,075
<b>TOTAL REVENUES</b>	<b>38,443,499</b>	<b>667,372</b>	<b>496,302</b>	<b>-</b>	<b>39,607,173</b>
<b>EXPENDITURES</b>					
General support	3,706,297				3,706,297
Instruction	21,521,095	674,203			22,195,298
Pupil transportation	1,253,715	20,710			1,274,425
Community service	475,594				475,594
Employee benefits	8,260,712				8,260,712
Debt service - Principal	1,090,000				1,090,000
Debt service - Interest	155,500				155,500
Cost of sales			504,089		504,089
Capital outlay				\$ 1,784,415	1,784,415
<b>TOTAL EXPENDITURES</b>	<b>36,462,913</b>	<b>694,913</b>	<b>504,089</b>	<b>1,784,415</b>	<b>39,446,330</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>1,980,586</b>	<b>(27,541)</b>	<b>(7,787)</b>	<b>(1,784,415)</b>	<b>160,843</b>
<b>OTHER FINANCING SOURCES AND (USES)</b>					
Operating transfers in		27,541	4,596	70,000	102,137
Operating transfers (out)	(102,137)				(102,137)
<b>TOTAL OTHER FINANCING SOURCES AND (USES)</b>	<b>(102,137)</b>	<b>27,541</b>	<b>4,596</b>	<b>70,000</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>1,878,449</b>	<b>-</b>	<b>(3,191)</b>	<b>(1,714,415)</b>	<b>160,843</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>13,349,722</b>	<b>-</b>	<b>408,516</b>	<b>2,589,810</b>	<b>16,348,048</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 15,228,171</b>	<b>\$ -</b>	<b>\$ 405,325</b>	<b>\$ 875,395</b>	<b>\$ 16,508,891</b>

**FRANKLIN SQUARE UNION FREE SCHOOL DISTRICT  
RECONCILIATION OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND  
CHANGE IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Net Change in Fund Balances		\$ 160,843
Amounts reported for governmental activities in the Statement of Activities are different because:		
Long-Term Revenue and Expense Differences		
<p>In the Statement of Activities, compensated absences are measured by the amounts earned or incurred during the year. In the governmental funds, expenditures for these items are measured by the amount of financial resources used. Compensated absences payable for the year ended June 30, 2020 changed by:</p>		
	272,071	
<p>Deferred inflows of resources - The Statement of Net Position recognized revenue received under the full accrual method. Governmental funds recognize revenue under the modified accrual method.</p>		
	94,593	
<p>Increases/decreases in proportionate share of net pension asset/liability and the total OPEB liability and related deferred inflows and outflows reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.</p>		
Employees' retirement system	\$ (747,788)	
Teachers' retirement system	(1,787,771)	
Other post-employment benefits obligation	<u>(2,405,357)</u>	(4,940,916)
Capital Related Items		
<p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are capitalized and shown in the statement of net position and allocated over their useful lives as annual depreciation expense in the Statement of Activities.</p>		
Capital outlays	\$ 3,418,907	
Disposals	(66,074)	
Depreciation expense	<u>(1,435,430)</u>	1,917,403
Long-Term Debt Transactions		
<p>Repayment of a bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.</p>		
		1,090,000
<p>Interest on long-term debt in the Statement of Activities differs from the amounts reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statements of Activities, however, interest expense is recognized as the interest accrues regardless of when it is due. Accrued interest from June 30, 2019 to June 30, 2020 changed by:</p>		
		85,210
<p>Due from other governments for bonds payable being paid by the Library is not included on the governmental funds balance sheet.</p>		
		<u>(165,000)</u>
Change in Net Position		<u>\$ (1,485,796)</u>

**FRANKLIN SQUARE UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUND**  
**JUNE 30, 2020**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash-restricted	\$ 366,606
Due from governmental funds	4,707
<b>TOTAL ASSETS</b>	<u>\$ 371,313</u>
 <b>LIABILITIES</b>	
Due to governmental funds	\$ 49,548
Other liabilities	321,765
<b>TOTAL LIABILITIES</b>	<u>\$ 371,313</u>

**FRANKLIN SQUARE UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES:**

The financial statements of Franklin Square Union Free School District (the “District”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Certain significant accounting principles and policies utilized by the District are described below:

**A) Reporting entity:**

The District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of 5 members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The reporting entity of the District is based upon criteria set forth by GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-An Amendment of GASB Statements No. 14 and No. 34*. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the District and its component unit and other organizational entities determined to be includable in the District’s financial reporting entity. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District’s reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the District does not have a component unit in the financial reporting entity.

**B) Joint venture:**

The District is a component district in the Nassau Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs, which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

**FRANKLIN SQUARE UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

BOCES are organized under §1950 of the New York State Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of §1950 of the New York State Education Law. All BOCES property is held by the BOCES Board as a corporation (§1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under §119-n(a) of the New York State General Municipal Law.

A BOCES' budget is comprised of separate budgets for administrative, program and capital costs. Each component district's share of administrative and capital cost is determined by resident public school district enrollment, as defined in the New York State Education Law, §1950(4)(b)(7). In addition, component districts pay tuition or a service fee for programs in which its students participate.

**C) Basis of presentation:**

**i) District-Wide Financial Statements:**

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental 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. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital specific grants, if applicable.

The Statement of Activities presents a comparison between program expenses and revenues 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, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**ii) Fund Financial Statements:**

The Fund Financial Statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

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The District reports the following major governmental funds:

**General Fund:** This fund is the District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.

**Special Aid Fund:** This fund accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

**School Lunch Fund:** This fund is used to account for the activities of the District's food service operations.

**Capital Projects Fund:** This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

The District reports the following fiduciary funds:

**Fiduciary Funds:** This fund is used to account for fiduciary activities. Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the District-Wide Financial Statements, because their resources do not belong to the District, and are not available to be used. The District uses the following type of fiduciary funds:

**Agency funds:** These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District as agent for various student groups and for payroll or employee withholding.

**D) Measurement focus and basis of accounting:**

The District-Wide and Fiduciary Fund Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are 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 real property taxes, grants and donations. On an accrual basis, revenue from real property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within six months after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

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Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, net pension liability, and other post-employment benefits obligation, which are recognized as expenditures to the extent they have matured. General 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.

**E) Real property taxes:**

i) Calendar

Real property taxes are levied annually by the Board of Education no later than August 15, and become a lien on October 1 and April 1. Taxes are collected by the Town of Hempstead during the period October 1 through November 10, and April 1 through May 10 without penalty.

ii) Enforcement

Uncollected real property taxes are subsequently enforced by the County in which the District is located. The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the District no later than the following July 1.

**F) Restricted resources:**

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District's policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these Notes.

**G) Interfund transactions:**

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditure and revenues to provide financing or other services.

In the District-Wide Financial Statements, the amounts reported on the Statement of Net Position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables may be netted on the accompanying governmental

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funds balance sheet when it is the District's practice to settle these amounts at a net balance based upon the right of legal offset.

Refer to Note 9 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

**H) Estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflow of resources, liabilities, and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of compensated absences, other post-employment benefits, potential contingent liabilities, net pension liability, and useful lives of capital assets.

**I) Cash and cash equivalents:**

The District's cash and cash equivalents consist of cash on hand and demand deposits.

Certain cash balances are restricted by various legal and contractual obligations, such as legal reserves and debt agreements.

**J) Receivables:**

Receivables are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

**K) Inventories and prepaid items:**

Inventories of food in the school lunch fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food donated by the U.S. Department of Agriculture, at the Government's stated value, which approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

Nonspendable fund balance for these non-liquid assets has been recognized in the school lunch to signify that a portion of fund balance is not available for other subsequent expenditures.

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the District-Wide and Fund Financial Statements. These items are reported as assets on the statement of net assets or balance sheet using the consumption method. A current asset for the prepaid amounts is recorded



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at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed. The District had no prepaid items at June 30, 2020.

**L) Capital assets:**

Capital assets are reflected in the District-Wide Financial Statements. Capital assets are reported at actual cost, when the information is available, or estimated historical cost based on professional third-party information. Donated assets are reported at acquisition value at the time received.

All capital assets, except land and construction in progress, are depreciated on a straight line basis over their estimated useful lives. Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-Wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Building & building improvements	\$5,000	Straight-line	20-50 years
Furniture & equipment	\$5,000	Straight-line	5-25 years
Vehicles	\$5,000	Straight-line	8 years

**M) Collections in advance:**

Collections in advance arise when the District receives resources before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for collections in advance is removed and revenues are recorded. Collections in advance consist of amounts received in advance for meals that have not yet been purchased in the school lunch fund.

**N) Deferred outflows and inflows of resources:**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. The first is the unamortized amount of deferred charges from the refunding of bonds that is being amortized as a component of interest expense on a straight-line basis over the remaining life of the bond. The other amounts are related to pensions and the other post-employment benefits liability reported in the District-Wide Statement of Net Position. All are detailed further in Notes 12, 13 and 15.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not

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be recognized as an inflow of resources (revenue) until that time. These items are related to pensions and other post-employment benefits liability reported in the District-Wide Statement of Net Position, and are detailed further in Notes 13 and 15.

The deferred inflows of resources on the governmental funds balance sheet is unavailable revenues, which is reported when potential revenues do not meet the availability criterion for recognition in the current period. This includes receivables of certain state aid and BOCES aid allocations. In subsequent periods, when the availability criterion is met, the liability for deferred inflows is removed and revenues are recorded. The District-Wide Financial Statements, however, report these deferred inflows of resources as revenues in accordance with the accrual basis of accounting and economic resources measurement focus.

**O) Vested employee benefits:**

**Compensated absences:**

Compensated absences consist of unpaid accumulated annual sick leave, vacation, and sabbatical time.

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave. Certain collectively bargained agreements require these termination payments to be paid in the form of non-elective contributions into the employee's 403(b) plan.

The District employees are granted vacation in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods.

Consistent with GASB Statement No. 16, *Accounting for Compensated Absences*, the liability has been calculated using the vesting method and an accrual for that liability is included in the District-Wide Financial Statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

In the Fund Financial Statements, only the amount of matured liabilities is accrued within the general fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you go basis. The liability is reported only for payments due for unused compensated absences for those employees that have obligated themselves to separate from service with the District by June 30th.

**P) Other benefits:**

District employees participate in the New York State Employees' Retirement System and the New York State Teachers' Retirement System.

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District employees may choose to participate in the District's elective deferred compensation plans established under Internal Revenue Code Sections 403(b).

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits for retired employees and their survivors. Collective bargaining agreements determine if District employees are eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the governmental funds as the liabilities for premiums mature (come due for payment). In the District-Wide Statements, the cost of post-employment health insurance coverage is recognized on the accrual basis of accounting in accordance with GASB Statement No. 75.

**Q) Short-term debt:**

The District may issue Revenue Anticipation Notes (RAN) and Tax Anticipation Notes (TAN), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs and TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund.

The District may issue budget notes up to an amount not to exceed 5% of the amount of the annual budget during any fiscal year for expenditures for which there is an insufficient or no provision made in the annual budget. The budget note must be repaid no later than the close of second fiscal year succeeding the year in which the note was issued.

The District may issue Bond Anticipation Notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue dated.

The District has not issued or retired any short-term debt in the fiscal year ended June 30, 2020.

**R) Accrued liabilities and long-term obligations:**

Payables, accrued liabilities and long-term obligations are reported in the District-Wide Financial Statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Compensated absences, net pension liability, and other post-employment benefit obligations that will be paid from governmental funds, are reported as a liability in the funds financial statements only to the extent that they are due for payment in the current year. Bonds,

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energy performance contract debt, and other long-term obligations that will be paid from governmental funds are recognized as a liability in the Fund Financial Statements when due.

Long-term obligations represent the District's future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the Statement of Net Position.

**S) Equity classifications:**

**i) District-Wide Financial Statements:**

In the District-Wide Financial Statements, there are three classes of net position:

Net investment in capital assets - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets, net of any unexpended proceeds and including any unamortized items (discounts, premiums, and deferred charges).

Restricted net position - reports net position when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - reports all other net position that do not meet the definition of the above two classifications and are deemed to be available for general use by the District.

**ii) Funds Financial Statements:**

There are five classifications of fund balance as detailed below; however, in the Fund Financial Statements there are three classifications of fund balance presented:

(1) **Non-spendable** fund balance – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The District has no non-spendable fund balances as of June 30, 2020.

(2) **Restricted** fund balance – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

The District has classified the following as restricted:

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**Retirement Contribution Reserve**

Retirement Contribution Reserve (GML§6-r), must be used for financing retirement contributions to the New York State and Local Employees' Retirement System. In addition, a subfund of this reserve may also be created to allow for financing retirement contributions to the New York State Teachers' Retirement System. The reserve must be accounted for separate and apart from all other funds, and a detailed report of the operation and condition of the fund must be provided to the Board. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. The Teachers' Retirement System subfund is subject to contribution limits. This reserve is accounted for in the general fund under restricted fund balance.

**Capital**

Capital reserve (GML §3651), is used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term and the source of the funds. Expenditures may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. This reserve is accounted for in the general fund.

Restricted for capital in the capital projects fund includes the fund balance for projects that are funded by the capital reserve.

**Employee Benefit Accrued Liability Reserve**

Employee benefit accrued liability reserve (GML§6-p), must be used for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the general fund under restricted fund balance.

**Unemployment Insurance Reserve**

Unemployment insurance reserve (GML§6-m), must be used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the District elects to convert to tax

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(contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the general fund under restricted fund balance.

Workers' Compensation Reserve

Workers' compensation reserve (GML§6-m), must be used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law and for payment of expenses of administering this self-insurance program. The reserve may be established by Board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to appropriations of the next succeeding fiscal year's budget. This reserve is accounted for in the general fund under restricted fund balance.

Unspent Bond Proceeds

Unspent long-term bond proceeds are recorded as restricted fund balance because they are subject to external constraints contained in the debt agreement. These restricted funds are accounted for in the capital projects fund.

- (3) **Committed** fund balance – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority (i.e., Board of Education). The District has no committed fund balances as of June 30, 2020.
- (4) **Assigned** fund balance – Includes amounts that are subject to a purpose constraint that represents an intended use established by the District's Board of Education. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance includes an amount appropriated to partially fund the subsequent year's budget. Assigned fund balance also includes Board designations and encumbrances not classified as restricted or committed at the end of the fiscal year.
- (5) **Unassigned** fund balance – Includes the residual fund balance for the general fund and includes residual fund balance deficits of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts. Assignments of fund balance cannot cause a negative unassigned fund balance.

The unassigned deficit fund balance in the capital projects fund of (\$720,216) will be eliminated once permanent financing is obtained.

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a District can retain to no more than 4% of the District's budget for the general fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the

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general fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances included in assigned fund balance are also excluded from the 4% limitation. For the fiscal year ended June 30, 2020, the District was not in compliance with the NYS Real Property Tax Law 1318.

**Order of Use of Fund Balance**

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (e.g., expenditures related to reserves) the expenditure is to be spent first from the restricted fund balance to the extent appropriated by either budget vote or board approved budget revision and then from the unrestricted fund balance. Expenditures incurred in the unrestricted fund balances shall be applied first to the assigned fund balance to the extent that there is an assignment and then to the unassigned fund balance.

**T) Future changes in accounting standards:**

GASB has issued Statement No. 84, *Fiduciary Activities*, effective for the year ending June 30, 2021. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

GASB has issued Statement No. 87, *Leases*, effective for the year ending June 30, 2022. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

These are the statements that the District feels may have an impact on these financial statements and are not an all-inclusive list of GASB statements issued.

The District will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

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**NOTE 2 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN FUND FINANCIAL STATEMENTS AND DISTRICT-WIDE FINANCIAL STATEMENTS:**

Due to the differences in the measurement focus and basis of accounting used in the Fund Statements and the District-Wide Statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

**A) Total fund balances of governmental funds vs. net position of governmental activities:**

Total fund balances of the District’s governmental funds differ from “net position” of governmental activities reported in the Statement of Net Position. The difference primarily results from additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheets.

**B) Statement of Revenues, Expenditures and Changes in Fund Balances vs. Statement of Activities:**

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities fall into one of the three broad categories. The amounts shown below represent:

**i) Long-term revenue and expense differences:**

Long-term revenue differences arise because governmental funds report revenues only when they are considered “available”, whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accruals basis, whereas the accrual basis of accounting is used on the Statement of Activities.

**ii) Capital related differences:**

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the fund statements and depreciation expense on those items as recorded in the Statement of Activities.

**iii) Long-term debt transaction differences:**

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.



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**NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:**

**A) Budgets:**

The District administration prepares a proposed budget for approval by the Board of Education for the following governmental funds for which legal (appropriated) budgets are adopted. The voters of the District approved the proposed appropriation budget for the general fund. Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances), which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. Supplemental appropriations that occurred during the fiscal year are shown on the other supplemental information – schedule of change from adopted budget to final budget.

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward.

Budgets are established and used for individual capital project fund expenditures as approved by a special referendum of the District's voters. The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

**B) Encumbrances:**

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as restricted or assigned fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

**NOTE 4 – DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS:**

**A) Cash:**

New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the state. Permissible investments include obligations of the United States Treasury, United States agencies, repurchase agreements and obligations of New York State or its localities.

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Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and districts.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either:

- A) Uncollateralized;
- B) Collateralized with securities held by the pledging financial institution in the District's name; or
- C) Collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

All of the District's aggregate bank balances were covered by depository insurance or collateralized with securities held by the pledging financial institution in the District's name at year end.

**Restricted cash:**

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash at June 30, 2020 included \$10,752,508 within the governmental funds for capital and general reserve purposes and \$366,606 in the fiduciary fund.

**B) Investments:**

The District does not typically purchase investments for long enough duration to cause it to believe that it is exposed to any material interest rate risk. The District also does not typically purchase investments denominated in a foreign currency, and is not exposed to foreign currency risk.

**NOTE 5 – PARTICIPATION IN BOCES:**

During the fiscal year ended June 30, 2020, the District was billed \$967,841 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$321,702. Financial statements for the BOCES are available from the Nassau BOCES administrative office at 71 Clinton Road, Garden City, New York 11530.

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**NOTE 6 – STATE AND FEDERAL AID RECEIVABLE:**

State and federal aid receivable at June 30, 2020 consisted of the following:

General Fund	
Excess cost	\$ 296,314
BOCES aid	275,064
Total	<u>571,378</u>
Special Aid Fund	
Federal aid	223,905
State aid	218,195
Total	<u>442,100</u>
School Lunch Fund	
Federal aid reimbursement	29,353
State aid reimbursement	398
Total	<u>29,751</u>
Total State and Federal Aid Receivable	<u>\$ 1,043,229</u>

The general fund state aid receivables include \$94,593 of unavailable revenues, which are included in deferred inflows of resources on the balance sheet.

District management has deemed these receivables as fully collectible.

**NOTE 7 – DUE FROM OTHER GOVERNMENTS:**

Due from other governments at June 30, 2020 consisted of the following:

General fund	
Miscellaneous	\$ 33,757
Total general fund	<u>33,757</u>
Total governmental activities	<u>\$ 33,757</u>

District management has deemed the amounts to be fully collectible.

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**NOTE 8 - CAPITAL ASSETS:**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals/ Reclassifications</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 16,382			\$ 16,382
Construction in progress	926,569	\$ 86,528		1,013,097
<b>Total capital assets not being depreciated</b>	<u>942,951</u>	<u>86,528</u>	<u>-</u>	<u>1,029,479</u>
<b>Capital assets being depreciated:</b>				
Building & building improvements	23,811,471	2,727,393		26,538,864
Furniture and equipment	10,793,652	546,428	\$ (343,629)	10,996,451
Vehicles	1,966,158	58,558	(98,472)	1,926,244
<b>Total capital assets being depreciated</b>	<u>36,571,281</u>	<u>3,332,379</u>	<u>(442,101)</u>	<u>39,461,559</u>
<b>Less accumulated depreciation:</b>				
Building & building improvements	14,067,612	705,773		14,773,385
Furniture and equipment	8,580,641	628,891	(277,555)	8,931,977
Vehicles	1,530,231	100,766	(98,472)	1,532,525
<b>Total accumulated depreciation</b>	<u>24,178,484</u>	<u>1,435,430</u>	<u>(376,027)</u>	<u>25,237,887</u>
<b>Total capital assets being depreciated, net</b>	<u>12,392,797</u>	<u>1,896,949</u>	<u>(66,074)</u>	<u>14,223,672</u>
<b>Total capital assets, net</b>	<u>\$ 13,335,748</u>	<u>\$ 1,983,477</u>	<u>\$ (66,074)</u>	<u>\$ 15,253,151</u>

Depreciation expense and loss on disposal were charged to governmental functions as follows:

General support	\$19,838
Food service program	68,705
Instruction	1,312,195
Transportation	100,766
<b>Total depreciation expense and loss on disposal</b>	<u>\$1,501,504</u>

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**NOTE 9 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS:**

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General fund	\$5,741,692	\$4,463,841		\$102,137
Special aid fund	248,707	1,415,658	\$27,541	
School lunch fund	93,088	751	4,596	
Capital projects fund	81,418	239,814	70,000	
Total government activities	<u>\$6,164,905</u>	<u>\$6,120,064</u>	<u>\$102,137</u>	<u>102,137</u>
Fiduciary agency fund	4,707	49,548		
Totals	<u><u>\$6,169,612</u></u>	<u><u>\$6,169,612</u></u>	<u><u>\$102,137</u></u>	<u><u>\$102,137</u></u>

The District typically transfers from the general fund to the special aid fund to fund the District's share of summer school handicap expenses required by state law. The District transferred from the general fund to the school lunch fund to cover negative balances on students who owe money to the District for meals. The District transferred from the general fund to the capital projects fund to finance capital projects.

The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues.

All interfund payables are expected to be repaid within one year.

**NOTE 10 - SHORT-TERM DEBT:**

There were no transactions in short-term debt for the year.

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**NOTE 11 – LONG-TERM LIABILITIES:**

Long-term liability balances and activity for the year are summarized below:

	<u>Beginning Balance*</u>	<u>Issued</u>	<u>Redeemed / Reclassed</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Long-term debt:					
Bonds payable:					
Construction serial bonds	\$3,110,000		(\$1,090,000)	\$2,020,000	\$1,000,000
Premium	207,780		(81,751)	126,029	81,751
Total bonds payable	<u>3,317,780</u>	<u>-</u>	<u>(1,171,751)</u>	<u>2,146,029</u>	<u>1,081,751</u>
Other long-term liabilities:					
Compensated absences payable	3,450,553	\$332,282	(604,353)	3,178,482	
Total other post-employment benefits obligation	40,575,845	5,775,959	(903,873)	45,447,931	
Net pension liability - proportionate share	1,055,609	3,523,895	(623,508)	3,955,996	
Total long-term liabilities	<u>\$48,399,787</u>	<u>\$9,632,136</u>	<u>(\$3,303,485)</u>	<u>\$54,728,438</u>	<u>\$1,081,751</u>

\*Reclassification has been made to the 2019 information to conform to the 2020 reporting.

The general fund has typically been used to liquidate long-term liabilities such as bonds payable, compensated absences, net pension liability and total other post-employment benefits obligation.

**A) Bonds Payable:**

Existing serial and statutory bond obligations are comprised of the following:

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at Year End</u>
Refunded Bond- 2011	4/5/2011	1/15/2022	3-5%	\$2,020,000
				<u>\$2,020,000</u>

The following is a summary of debt service requirements for bonds payable:

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$1,000,000	\$101,000	\$1,101,000
2022	1,020,000	51,000	1,071,000
	<u>\$2,020,000</u>	<u>\$152,000</u>	<u>\$2,172,000</u>

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Upon default of the payment of principal or interest on the serial bond holders of the District, the bond holders have the right to litigate and the New York State Comptroller is required, under the conditions and to the extent prescribed by Section 99-b of the New York State Finance Law, to withhold state aid and assistance of the District and apply the amount so withheld to the payment of the defaulted principal or interest with respect to the serial bonds.

**B) Long-term Interest:**

Interest on long-term debt for the year was composed of:

	Total
Interest paid	\$155,500
Less interest accrued in the prior year	(71,271)
Plus interest accrued in the current year	46,292
Less amortization of premium	(81,751)
Plus amortization of deferred charges	21,520
Total expense	\$70,290

**C) Premiums on Bonds:**

Premiums on bonds, net of amortization, reported as a component of bonds payable, amounted to \$126,029 at June 30, 2020. This represents premiums received on the 2011 bond refunding. These premiums are being amortized using the straight-line method over the respective lives of the bonds. Amortization is recorded as a reduction in interest expense on the District-Wide Statement of Activities.

**NOTE 12 – DEFERRED OUTFLOWS OF RESOURCES:**

The deferred charges pertaining to the 2011 refunding as recorded in the District-Wide Financial Statements as deferred outflows of resources at June 30, 2020 consisted of the following:

Deferred Charges	\$226,861
Accumulated Amortization	(193,680)
Balance of Deferred Charges	\$33,181

The deferred charges on the refunding is being amortized on the District-Wide Financial Statements using the straight-line method over 11 years, for the 2011 bond, the time to maturity of the refunded bonds, at the point of refunding, and is recorded as a component of interest expense.

**FRANKLIN SQUARE UNION FREE SCHOOL DISTRICT  
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**NOTE 13 – PENSION PLANS:**

**A) Plan Description and Benefits Provided:**

i) Teachers' Retirement System

The District participates in the New York State Teachers' Retirement System (TRS) (the System). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The System is governed by a 10 member Board of Trustees. System benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors, and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. TRS issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany NY 12211-2395 or by referring to the TRS Comprehensive Annual Financial report which can be found on the System's website at [www.nystrs.org](http://www.nystrs.org).

ii) Employees' Retirement System

The District participates in the New York State and Local Employees' Retirement System (ERS) (the System). This is a cost-sharing multiple –employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all new assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP) which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. . ERS issues a publicly available report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany NY 12244 or by referring to the ERS Comprehensive Annual Report, which can be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php).



**FRANKLIN SQUARE UNION FREE SCHOOL DISTRICT  
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**B) Funding Policies:**

The Systems are noncontributory, except as follows:

1. New York State Teachers' Retirement System:
  - a. Employees who joined the system after July 27, 1976
    - i. Employees contribute 3% of their salary, except that employees in the system more than ten years are no longer required to contribute.
  - b. Employees who joined the system on or after January 1, 2010 before April 1, 2012
    - i. Employees contribute 3.5% of their salary throughout active membership.
  - c. Employees who joined the system on or after April 1, 2012
    - i. Employees contribute between 3% and 6% dependent upon their salary throughout active membership.
  
2. New York State Employees' Retirement System
  - a. Employees who joined the system after July 27, 1976
    - i. Employees contribute 3% of their salary, except that employees in the system more than ten years are no longer required to contribute.
  - b. Employees who joined the system on or after January 1, 2010 before April 1, 2012
    - i. Employees contribute 3% of their salary throughout active membership.
  - c. Employees who joined the system on or after April 1, 2012
    - i. Employees contribute between 3% and 6% dependent upon their salary throughout active membership.

For ERS, the Comptroller annually certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund, for the ERS' fiscal year ended March 31. The District's contribution rate for ERS' fiscal year ended March 31, 2020 for covered payroll was 15.7% for tiers 3&4, 13.10% for tier 5, and 9.20% for tier 6.

Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for TRS. The District contribution rate for the TRS' fiscal year ended June 30, 2020 was 8.86% of covered payroll.

The District contributions made to the Systems were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years based on covered payroll for the District's year end were:

NYSERS	NYSTRS
\$624,852	\$1,529,875
\$633,922	\$1,788,723
\$624,036	\$1,634,412

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**C) Pension Assets, Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions:**

At June 30, 2020, the District reported the following asset (liability) for its proportionate share of the net pension asset (liability) for each of the Systems. The net pension asset (liability) was measured as of March 31, 2020 for ERS and June 30, 2019 for TRS. The total pension asset (liability) used to calculate the net pension asset (liability) was determined by an actuarial valuation. The District's proportion of the net pension asset (liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2020	June 30, 2019
Net pension asset (liability)	\$ (3,955,996)	\$ 2,621,562
District's portion of the Plan's total net pension asset (liability)	0.0149392%	0.100907%
Change in proportion since the prior Measurement date	0.0000406	(0.00148)

For the fiscal year ended June 30, 2020, the District recognized a pension expense of \$3,319,659 for TRS and pension expense of \$1,372,639 for ERS. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>Deferred Outflow of Resources</u>		<u>Deferred Inflow of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experience	\$ 232,826	\$ 1,776,566		\$ 194,944
Changes of assumptions	79,655	4,952,481	\$ 68,781	1,207,555
Net difference between projected and actual earnings on pension plan investments	2,028,036			2,102,357
Changes in proportion and differences between the District's contributions and proportionate share of contributions	86,501	415,338	8,368	12,597
District's contributions subsequent to the measurement date	172,482	1,529,875		
	<u>\$ 2,599,500</u>	<u>\$ 8,674,260</u>	<u>\$ 77,149</u>	<u>\$ 3,517,453</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>ERS</u>	<u>TRS</u>
Plan Year ended:		
2020		\$ 1,263,678
2021	\$ 411,286	152,903
2022	593,966	1,259,379
2023	746,726	866,777
2024	597,891	150,051
Thereafter	-	(65,856)
	<u>\$ 2,349,869</u>	<u>\$ 3,626,932</u>

**Actuarial Assumptions**

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

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	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2020	June 30, 2019
Actuarial valuation date	April 1, 2019	June 30, 2018
Interest rate	6.8%	7.10%
Salary scale	4.20%	4.72% - 1.90%
Cost of living adjustments	1.3% annually	1.3% annually
Decrement tables	April 1, 2010 - March 31, 2015	July 1, 2009 - June 30, 2014
	System's Experience	System's Experience
Inflation rate	2.50%	2.20%

For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2018. For TRS, annuitant mortality rates are based on plan member experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2018, applied on a generational basis.

For ERS, the actuarial assumptions used in the April 1, 2019 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014

The long term rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice ("ASOP") No. 27, *Selections of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of investment expense and inflation) for each major asset class, as well as historical investment data and plan performance. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of the valuation date are summarized below:

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<u>Measurement Date</u>	<u>ERS</u>		<u>TRS</u>	
	<u>March 31, 2020</u>		<u>June 30, 2019</u>	
<u>Asset type</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>
Domestic equity	36%	4.05%	33%	6.3%
International equity	14%	6.15%	16%	7.8%
Private equity	10%	6.75%	8%	9.9%
Real estate equity	10%	4.95%	11%	4.6%
Absolute return strategies	2%	3.25%		
Opportunistic portfolio	3%	4.65%		
Real assets	3%	5.95%		
Bonds and mortgages	17%	0.75%		
Cash and cash equivalents	1%	0.00%	1%	0.3%
Inflation-indexed bonds	4%	0.50%		
Global equities			4%	7.2%
Domestic fixed income securities			16%	1.3%
Private debt			1%	6.5%
Global bonds			2%	0.9%
High yield bonds			1%	3.6%
Real estate debt			7%	2.9%
	<u>100%</u>		<u>100%</u>	

The expected real rate of return is net of the long-term inflation assumptions of 2.5% for ERS, and 2.2% for TRS.

**Discount Rate**

The discount rate used to calculate the total pension liability was 6.8% for ERS and 7.1% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption**

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 6.80% for ERS and 7.10% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentagepoint lower (5.80% for

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ERS and 6.10% for TRS) or 1-percentagepoint higher (7.80% for ERS and 8.10% for TRS) than the current rate:

ERS	1% Decrease (5.80%)	Current Assumption (6.80%)	1% Increase (7.80%)
District's proportionate share of the net pension asset (liability)	<u>(\$7,260,370)</u>	<u>(\$3,955,996)</u>	<u>(\$912,654)</u>
TRS	1% Decrease (6.10%)	Current Assumption (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension asset (liability)	<u>(\$11,833,457)</u>	<u>\$2,621,562</u>	<u>\$14,747,692</u>

**Pension Plan Fiduciary Net Position**

The components of the current-year net pension asset/(liability) of the employers as of the respective measurement dates, were as follows:

	(Dollars in Thousands)	
	<u>ERS</u> March 31, 2020	<u>TRS</u> June 30, 2019
Employers' total pension liability	\$ (194,596,261)	\$ (119,879,474)
Plan Net Position	<u>168,115,682</u>	<u>122,477,481</u>
Employers' net pension asset/(liability)	<u>\$ (26,480,579)</u>	<u>\$ 2,598,007</u>

Ratio of plan net position to the Employers' total pension asset/(liability)	86.39%	102.17%
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**Payables to the Pension Plan**

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31. Accrued retirement contributions as of June 30, 2020 represent the projected employer contribution for the period of April 1, 2020 through June 30, 2020 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2020 amounted to \$172,482.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2020 are paid to the System in September, October and November 2020 through a state aid intercept, with a balance to be paid by the District, if necessary. Accrued retirement

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contributions as of June 30, 2020 represent employee and employer contributions for the fiscal year ended June 30, 2020 based on paid TRS wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2020 amounted to \$1,630,384.

**NOTE 14 – RETIREMENT PLANS-OTHER PLANS:**

**A) Tax Sheltered Annuities:**

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain termination payments based on collectively bargained agreements. Contributions made by the District and employees for the year ended June 30, 2020, totaled \$10,000 and \$1,168,560, respectively.

**NOTE 15 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB):**

**A) General Information about the OPEB Plan:**

**Plan Description**

The District's OPEB Plan (the "Plan"), defined as a single employer defined benefit plan, primarily provides post-employment health insurance coverage to retired employees and their eligible dependents in accordance with the provisions of various employment contracts. Benefits are provided through the New York State Health Insurance Program (NYSHIP), and are administered by Empire BlueCross BlueShield, United Healthcare, GHI/Value Options, and Caremark. Article 37 of the Statutes of the State assigns the authority to establish and amend benefit provisions to the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

**Benefits Provided**

The Plan provides medical and Medicare Part B benefits for retired employees and their eligible dependents. Benefit terms provide for the District to contribute 50% of premiums for retirees, 35% for family coverage, and 0% of the premiums for surviving spouses, depending on the coverage selected and date of retirement. The District recognizes the cost of the Plan annually as expenditures in the fund financial statements as payments are accrued. For fiscal year 2020, the District contributed an estimated \$903,873 to the Plan, including \$903,873 for current premiums and \$0 to prefund benefits. Currently, there is no provision in the law to permit the District to fund OPEB by any other means than the "pay as you go" method.

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Employees Covered by Benefit Terms

At July 1, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	158
Active employees	<u>300</u>
Total members	<u><u>458</u></u>

**B) Total OPEB Liability:**

The District's total OPEB liability of \$45,447,931 was measured as of June 30, 2020, and was determined by an actuarial valuation as of July 1, 2019. Update procedures were used to roll forward the total OPEB liability to the measurement date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.60%
Discount rate	2.21%
Healthcare cost trend rates	6.6% for 2019, decreasing to an ultimate rate of 4.1% over 56 years
Retirees' share of benefit-related costs	50% of health insurance premiums for retirees, 65% of premiums for family coverage, and 100% of surviving spouse coverage

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

Mortality rates were based on the RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to the valuation date with Scale MP-Ultimate.

The actuarial assumptions used in the July 1, 2019 valuation were based on standard tables modified for certain plan features such as eligibility for full and early retirement where applicable. The Plan does not have credible data on which to perform an experience study. As a result, a full actuarial experience study is not applicable.



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**C) Changes in the Total OPEB Liability:**

	<u>Total OPEB Liability</u>
Balance at 6/30/19	\$ 40,575,845
Changes for the fiscal year:	
Service cost	2,002,716
Interest	1,474,568
Changes of benefit terms	2,131
Differences between expected and actual experience	1,849,578
Changes in assumptions or other inputs	446,966
Benefit payments	(903,873)
Net changes	<u>4,872,086</u>
Balance at 6/30/20	<u>\$ 45,447,931</u>

There were no significant plan changes since the last valuation.

Changes in assumptions or other inputs include a change in the discount rate from 3.5% and 2.21%.

Healthcare cost trend rates were updated from an initial rate of 7.50% scaling down to 4.50% over 6 years to an initial rate of 6.60% scaling down to 4.10% over 56 years. Additionally, the salary scale was updated to 2.60% (from 3.00%), and the Medicare Part B cost trend rate was updated to 3.00% (from 4.50%). Lastly, the participation rate was changed to 70% (from 80%) to better reflect anticipated future experience.

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21%) or 1-percentage-point higher (3.21%) than the current discount rate:

	<u>1% Decrease (1.21%)</u>	<u>Discount Rate (2.21%)</u>	<u>1% Increase (3.21%)</u>
Total OPEB liability	<u>\$54,373,103</u>	<u>\$45,447,931</u>	<u>\$38,421,212</u>

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend

**FRANKLIN SQUARE UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

rates that are 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current healthcare cost trend rates:

	1% Decrease (5.6% decreasing to 3.1%)	Healthcare Cost Trend Rates (6.6% decreasing to 4.1%)	1% Increase (7.6% decreasing to 5.1%)
Total OPEB liability	<u>\$38,777,162</u>	<u>\$45,447,931</u>	<u>\$54,399,634</u>

**D) OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:**

For the fiscal year ended June 30, 2020, the District recognized OPEB expense of \$3,309,230. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,694,105	
Changes of assumptions or other inputs	<u>398,383</u>	<u>\$ (2,768,249)</u>
	<u>\$ 2,092,488</u>	<u>\$ (2,768,249)</u>

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

Fiscal Year ended June 30:	
2021	\$ (170,185)
2022	(170,185)
2023	(170,185)
2024	(170,185)
2025	(170,185)
Thereafter	<u>175,164</u>
	<u>\$ (675,761)</u>

**FRANKLIN SQUARE UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 16 – RISK MANAGEMENT:**

**A) General:**

The District is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters, and other risks. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

**B) Public Entity Risk Pool:**

The District participates in the Nassau County Schools Cooperative Self Insured Plan for Workers' Compensation, a risk sharing pool, to insure Workers' Compensation claims. This is a public school entity risk pool created under Article 5 of the Workers' Compensation Law, to finance liability and risks related to Workers' Compensation claims. The Workers' Compensation Plan's total liability for unbilled and open claims at June 30, 2020, discounted at 2%, was \$15,912,826. The Workers' Compensation Plan has plan assets of \$21,721,509 at June 30, 2020 to pay these liabilities. If the District leaves the plan or if the plan is terminated, the District will be liable for the District's open claims at that time.

**NOTE 17- COMMITMENTS AND CONTINGENCIES:**

**A) Encumbrances:**

All encumbrances are classified as restricted or assigned fund balance. At June 30, 2020, the District encumbered the following amounts:

General Fund	
General support	\$212,785
Instruction	437,790
Pupil transportation	37,758
Total General Fund	\$688,333
Federal Fund	\$21,659
School Lunch Fund	\$4,327
Capital Fund	\$809,586

**B) Grants:**

The District has received grants, which are subject to audit by agencies of the state and federal governments. Such audits may result in disallowances and a request for a return of funds. Based on prior audits, the district's administration believes disallowances, if any, will be immaterial.

**FRANKLIN SQUARE UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**C) Litigation:**

As of June 30, 2020, the District is unaware of any pending or threatened litigation or unasserted claims or assessments against the District which require disclosure.

**NOTE 18 – SUBSEQUENT EVENTS:**

The District has evaluated subsequent events through October 7, 2020 which is the date the financial statements were available to be issued. The following significant event was identified:

On March 11, 2020 the World Health Organization declared coronavirus (COVID-19) disease as a global pandemic, due to the rapid increase in global exposure. The full impact of this pandemic is still evolving as of the date of this report; however, COVID-19 has interrupted District operations and financial performance. The future performance both operationally and financially will depend upon the duration and spread of the disease, the effect on students, employees, residents, and vendors, as well as federal and state funding, all of which are uncertain and cannot be estimated at this time.

**SUPPLEMENTARY INFORMATION**

**FRANKLIN SQUARE UNION FREE SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL- GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Final Budget Variance with Budgetary Actual</u>
<b>REVENUES</b>				
<b>Local sources</b>				
Real property taxes	\$ 24,835,213	\$ 24,835,213	\$ 25,188,697	\$ 353,484
Other tax items	4,017,524	4,017,524	3,811,834	(205,690)
Charges for services	877,650	877,650	646,883	(230,767)
Use of money and property	79,000	79,000	162,254	83,254
Miscellaneous	278,250	278,250	336,249	57,999
<b>State sources</b>				
Basic formula	8,137,763	8,137,763	3,926,268	(4,211,495)
Excess cost aid			1,897,558	1,897,558
Lottery aid			1,893,737	1,893,737
BOCES aid			321,702	321,702
Textbook aid			116,267	116,267
Computer software aid			52,410	52,410
Library A/V loan program aid			11,694	11,694
Other state aid			77,946	77,946
Federal sources	2,500	2,500	-	(2,500)
<b>TOTAL REVENUES</b>	<u>\$ 38,227,900</u>	<u>\$ 38,227,900</u>	<u>\$ 38,443,499</u>	<u>\$ 215,599</u>
Appropriated fund balance	1,256,500	1,256,500		
Appropriated reserves	342,276	387,876		
<b>TOTAL REVENUES, OTHER SOURCES &amp; APPROPRIATED FUND BALANCE</b>	<u>\$ 39,826,676</u>	<u>\$ 39,872,276</u>		

**Budget Basis of Accounting**

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

FRANKLIN SQUARE UNION FREE SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL- GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Year-End Encumbrances</u>	<u>Final Budget Variance with Budgetary Actual and Encumbrances</u>
<b>EXPENDITURES</b>					
General support					
Board of education	\$ 39,272	\$ 45,772	\$ 39,452	\$6,101	\$ 219
Central administration	333,900	334,115	328,144	130	5,841
Finance	465,487	459,772	429,853	3,148	26,771
Staff	363,049	367,049	318,398	1,620	47,031
Central services	2,268,703	2,318,829	2,116,765	201,786	278
Special items	505,350	505,350	473,685		31,665
Total General Support	<u>3,975,761</u>	<u>4,030,887</u>	<u>3,706,297</u>	<u>212,785</u>	<u>111,805</u>
Instructional					
Instruction, adm. & imp.	1,571,558	1,594,998	1,525,273	5,719	64,006
Teaching - regular school	13,555,168	13,595,402	13,023,409	101,345	470,648
Programs for children with handicapping conditions	5,030,237	4,933,221	4,737,454	7,402	188,365
Occupational education	283,600	377,220	376,661		559
Instructional media	1,116,535	1,279,336	966,382	312,806	148
Pupil services	976,304	976,304	891,916	10,518	73,870
Total Instructional	<u>22,533,402</u>	<u>22,756,481</u>	<u>21,521,095</u>	<u>437,790</u>	<u>797,596</u>
Pupil transportation	<u>1,696,601</u>	<u>1,536,601</u>	<u>1,253,715</u>	<u>37,758</u>	<u>245,128</u>
Community services	<u>652,234</u>	<u>652,233</u>	<u>475,594</u>		<u>176,639</u>
Employee benefits	<u>9,488,178</u>	<u>9,488,178</u>	<u>8,260,712</u>	-	<u>1,227,466</u>
Debt service					
Debt service principal	1,090,000	1,090,000	1,090,000		-
Debt service interest	290,500	215,696	155,500		60,196
Total Debt Service	<u>1,380,500</u>	<u>1,305,696</u>	<u>1,245,500</u>	-	<u>60,196</u>
<b>TOTAL EXPENDITURES</b>	<b>39,726,676</b>	<b>39,770,076</b>	<b>36,462,913</b>	<b>688,333</b>	<b>2,618,830</b>
Other financing uses					
Transfers to other funds	<u>100,000</u>	<u>102,200</u>	<u>102,137</u>	-	<u>63</u>
<b>TOTAL EXPENDITURES AND OTHER USES</b>	<b>\$ 39,826,676</b>	<b>\$ 39,872,276</b>	<b>36,565,050</b>	<b>\$ 688,333</b>	<b>\$ 2,618,893</b>
Net change in fund balance			1,878,449		
Fund balance - beginning of year			<u>13,349,722</u>		
Fund balance - end of year			<u>\$ 15,228,171</u>		

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

**FRANKLIN SQUARE UNION FREE SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY  
AND RELATED RATIOS  
FOR THE FISCAL YEARS ENDED JUNE 30,**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>			
Service cost	\$ 2,002,716	\$ 2,085,783	\$ 2,025,032
Interest	1,474,568	1,300,905	1,227,387
Changes of benefit terms	2,131		
Differences between expected and actual experience	1,849,578		63,796
Changes of assumptions or other inputs	446,966	(3,620,019)	
Benefit payments	<u>(903,873)</u>	<u>(930,230)</u>	<u>(922,514)</u>
<b>Net change in total OPEB liability</b>	4,872,086	(1,163,561)	2,393,701
<b>Total OPEB liability - beginning</b>	<u>40,575,845</u>	<u>41,739,406</u>	<u>39,345,705</u>
<b>Total OPEB liability - ending</b>	<u><u>\$ 45,447,931</u></u>	<u><u>\$ 40,575,845</u></u>	<u><u>\$ 41,739,406</u></u>
<b>Covered-employee payroll</b>	\$ 20,678,992	\$ 20,096,120	\$ 20,096,120
<b>Total OPEB liability as a percentage of covered-employee payroll</b>	219.78%	201.91%	207.70%

**Notes to Schedule:***Trust Assets*

There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No.75 to pay related benefits.

*Changes of Assumptions*

The discount rate was 3.0% as of June 30, 2018.  
The discount rate was 3.5% as of June 30, 2019.  
The discount rate was 2.21% as of June 30, 2020.

**For Fiscal Year 2020:**

Healthcare cost trend rates were updated from an initial rate of 7.50% scaling down to 4.50% over 6 years to an initial rate of 6.60% scaling down to 4.10% over 56 years.

Mortality rate tables were updated to reflect mortality improvement Scale MP-Ultimate (from MP-2017), the salary scale was updated to 2.60% (from 3.00%), and the Medicare Part B cost trend rate was updated to 3.00% (from 4.50%).

Participation rate was changed to 70% (from 80%) to better reflect anticipated future experience.



**FRANKLIN SQUARE UNION FREE SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION (LIABILITY) ASSET  
FOR THE YEARS ENDED JUNE 30,\***

**NYSERS Pension Plan**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension (liability) asset	0.0149392%	0.0148986%	0.0150983%	0.0148769%	0.0151022%	0.0153819%	0.0153819%
District's proportionate share of the net pension (liability) asset	(\$3,955,996)	(\$1,055,609)	(\$487,289)	(\$1,397,863)	(\$2,423,942)	(\$519,637)	(\$695,084)
District's covered payroll	4,737,684	\$4,491,410	\$4,467,182	\$4,386,271	\$4,186,583	\$3,981,321	\$4,002,627
District's proportionate share of the net pension (liability) asset as a percentage of its covered payroll	83.50%	23.50%	10.91%	31.87%	57.90%	13.05%	17.37%
Plan fiduciary net position as a percentage of the total pension (liability) asset	86.39%	96.27%	98.24%	94.70%	90.70%	97.95%	97.20%

**NYTRS Pension Plan**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension(liability) asset	0.100907%	0.102387%	0.106197%	0.108922%	0.108506%	0.109573%	0.110344%
District's proportionate share of the net pension (liability) asset	\$2,621,562	\$1,851,425	\$807,201	(\$1,166,599)	\$11,270,323	\$12,205,724	\$726,346
District's covered payroll	\$17,022,141	\$16,786,429	\$16,868,496	\$16,866,268	\$16,333,474	\$16,213,903	\$16,179,333
District's proportionate share of the net pension (liability) asset as a percentage of its covered payroll	15.40%	11.03%	4.79%	6.92%	69.00%	75.28%	4.49%
Plan fiduciary net position as a percentage of the total pension(liability) asset	102.17%	101.53%	100.66%	99.01%	110.46%	111.48%	100.70%

\* The amounts presented for each fiscal year were determined as of the measurement dates of the plans.

**FRANKLIN SQUARE UNION FREE SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS  
FOR THE LAST TEN FISCAL YEARS ENDED JUNE 30**

**NYSERS Pension Plan**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 624,852	\$ 633,922	\$ 624,036	\$ 613,653	\$ 658,458	\$ 788,797	\$ 713,453	\$ 785,219	\$ 520,849	\$ 493,626
Contributions in relation to the contractually required contribution	624,852	633,922	624,036	613,653	658,458	788,797	713,453	785,219	520,849	493,626
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 4,769,977	\$4,647,985	\$4,447,932	\$4,328,271	\$4,234,731	\$4,037,037	\$4,124,046	\$ 3,862,253	\$ 3,668,909	\$ 3,558,407
Contributions as a percentage of covered payroll	13.10%	13.64%	14.03%	14.18%	15.55%	19.54%	17.30%	20.33%	14.20%	13.87%

**NYTRS Pension Plan**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 1,529,875	\$ 1,788,723	\$ 1,634,412	\$ 1,972,323	\$ 2,228,707	\$ 2,857,229	\$ 2,630,161	\$ 1,913,707	\$ 1,755,027	\$ 1,303,374
Contributions in relation to the contractually required contribution	1,529,875	1,788,723	1,634,412	1,972,323	2,228,707	2,857,229	2,630,161	1,913,707	1,755,027	1,303,374
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 17,324,995	\$17,022,141	\$16,786,429	\$16,868,496	\$16,866,268	\$16,333,474	\$16,213,903	\$16,197,331	\$15,841,441	\$15,164,049
Contributions as a percentage of covered payroll	8.83%	10.51%	9.74%	11.69%	13.21%	17.49%	16.22%	11.81%	11.08%	8.60%

**FRANKLIN SQUARE UNION FREE SCHOOL DISTRICT  
OTHER SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES FROM ADOPTED BUDGET TO FINAL BUDGET-GENERAL FUND  
AND SECTION 1318 OF THE REAL PROPERTY TAX LAW LIMIT CALCULATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

Adopted Budget		\$ 39,484,400
	Add: Prior year's encumbrances	<u>342,276</u>
Original Budget		39,826,676
	Budget revisions:	
	Emergency Repair of Boilers	<u>45,600</u>
		<u>45,600</u>
Final Budget		<u><u>\$ 39,872,276</u></u>

**SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION**

2020-21 voter-approved expenditure budget		<u><u>\$ 40,163,500</u></u>
Maximum allowed (4% of 2020-21 budget)		<u><u>\$ 1,606,540</u></u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance:	\$ 1,944,833	
Unassigned fund balance	<u>3,587,965</u>	
Total unrestricted fund balance		5,532,798
Less:		
Appropriated fund balance	\$ 1,256,500	
Encumbrances included in assigned fund balance	<u>688,332</u>	
Total adjustments		<u>1,944,832</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		<u><u>\$ 3,587,966</u></u>
Actual percentage		<u><u>8.93%</u></u>

**FRANKLIN SQUARE UNION FREE SCHOOL DISTRICT**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF PROJECT EXPENDITURES- CAPITAL PROJECTS FUND**  
**JUNE 30, 2020**

Project Title	Project #	Original Appropriation	Revised Appropriation	Expenditures and Obligations to Date			Unexpended Balance	Methods of Financing			Fund Balance June 30, 2020	
				Prior Year's	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources		
Library Renovations & Additions	6006-001	\$2,240,000	\$2,240,000	\$2,209,553		\$2,209,553	\$30,447	\$2,240,000		\$2,240,000	\$30,447	
Washington Street Renovations	03-2015	140,000	140,000	140,652		140,652	(652)		\$140,000	140,000	(652) *	
Polk Street Renovations	0004-014	170,000	170,000	146,224		146,224	23,776		170,000	170,000	23,776	
John Street Renovations	003-017	70,000	70,000	38,800		38,800	31,200		70,000	70,000	31,200	
District Wide Site Upgrades		70,000	70,000	7,150		7,150	62,850		70,000	70,000	62,850	
Capital Reserve Project 2016		3,061,000	3,061,000	1,648,334		1,648,334	1,412,666		3,061,000	3,061,000	1,412,666	
Washington Street Bathroom Renovation 2018	3020	600,000	600,000	84,118	\$499,040	583,158	16,842		600,000	600,000	16,842	
John Street Bathroom Renovation 2018	2017	600,000	600,000	52,991	477,555	530,546	69,454		600,000	600,000	69,454	
Polk Street Bathroom Renovation 2018	4018	600,000	600,000	85,625	448,173	533,798	66,202		600,000	600,000	66,202	
John Street Air Conditioning Project 2019	3019	488,000	488,000	325,104	201,804	526,908	(38,908)		70,000	70,000	(456,908) *	
Polk Street Air Conditioning Project 2019	4017	631,000	631,000	292,639	157,843	450,482	180,519		70,000	70,000	(380,482) *	
<b>TOTAL</b>		<b>\$8,670,000</b>	<b>\$8,670,000</b>	<b>\$5,031,190</b>	<b>\$1,784,415</b>	<b>\$6,815,605</b>	<b>\$1,854,395</b>	<b>\$2,240,000</b>	<b>\$ -</b>	<b>\$5,451,000</b>	<b>\$7,691,000</b>	<b>\$875,395</b>

\* The deficit balance will be eliminated once permanent funding is obtained.

**FRANKLIN SQUARE UNION FREE SCHOOL DISTRICT  
OTHER SUPPLEMENTARY INFORMATION  
NET INVESTMENTS IN CAPITAL ASSETS  
JUNE 30, 2020**

<b>Capital assets, net</b>		<b>\$ 15,253,151</b>
<b>Add:</b>	Unamortized deferred charges on refundings	33,181
<b>Deduct:</b>		
	Short-term portion of bonds payable (inclusive of unamortized premium)	\$ 1,081,751
	Long-term portion of bonds payable (inclusive of unamortized premium)	1,064,278
	Less: Unspent bond proceeds	<u>(30,447)</u>
		<u>2,115,582</u>
<b>Net investment in capital assets</b>		<b><u>\$ 13,170,750</u></b>

INDEPENDENT AUDITOR'S 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*

To the Board of Education  
Franklin Square Union Free School District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the fiduciary fund of Franklin Square Union Free School District, as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Franklin Square Union Free School District's basic financial statements, and have issued our report thereon dated October 7, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Franklin Square Union Free School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Franklin Square Union Free School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Franklin Square Union Free School 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*R.S. Abrams & Co., LLP*

R.S. Abrams & Co., LLP  
Islandia, NY  
October 7, 2020