

FRANKLIN TOWNSHIP SCHOOL DISTRICT

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

JUNE 30, 2020

**Responsibility of the Management of
Franklin Township School District
Hunterdon County, New Jersey**



Certified Public Accountants, PC

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2020

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FRANKLIN TOWNSHIP SCHOOL DISTRICT
226 Quakertown Road, Quakertown, New Jersey 08868

January 5, 2021

Honorable President and
Members of the Board of Education
Franklin Township School District
Hunterdon County
Quakertown, NJ 08868

Dear Board Members:

State law requires that school districts publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited by a firm of licensed certified public accountants 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 of the United States. Pursuant to that requirement, we hereby issue the comprehensive annual financial report (CAFR) of the Franklin Township School District for the fiscal year ended June 30, 2020.

Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the District. To the best of our knowledge and belief the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the district. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of management's discussion and analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in connection with it. The District's MD&A can be found immediately following the report of the independent auditors.

The comprehensive annual financial report is presented in four sections:

- ◆ **The Introduction Section:** Introduces the reader to the report and includes this transmittal letter, a list of principal officials, the district's organizational charts, certificate of excellence in financial reporting, and a map of the district.
- ◆ **The Financial Section:** Consists of the independent auditor's report, management's discussion and analysis, the basic financial statements, and combining and individual fund statements and schedules.
- ◆ **The Statistical Section:** Contains selected financial and demographic information, generally presented on a multi-year basis.
- ◆ **The Single Audit:** Includes the auditor's report on the internal control structure, compliance with applicable laws and regulations and findings and recommendations.

The District is required to undergo an annual single audit in conformity with the provisions of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Treasury OMB Circular Letter 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments*. Information related to this single audit, including the auditor’s report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations are included in the single audit section of this report.

REPORTING ENTITY AND ITS SERVICES

Franklin Township School District is an independent reporting entity within the criteria adopted by the GASB as established by Statement No. 14. All funds and account groups of the District are included in this report. The Franklin Township Board of Education and its school constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels preschool through grade eighth. These include regular programs as well as programs for students with special educational needs. The District completed the 2019-2020 Fiscal Year with an enrollment of 278 students. The following details the changes in the average daily student enrollment of the District over the last ten years.

<u>Fiscal Year</u>	<u>Average Daily Enrollment</u> <u>Student Enrollment</u>	<u>Percent Change</u>
2010-2011	309	9.39%
2011-2012	303	1.94%
2012-2013	294	2.97%
2013-2014	295	0.03%
2014-2015	297	0.67%
2015-2016	269	-9.43%
2016-2017	284	5.60%
2017-2018	285	0.30%
2018-2019	278	-2.46%
2019-2020	282	1.35%

ECONOMIC CONDITION AND OUTLOOK

Franklin Township has a solid reputation and vision for farmland preservation. The Township vision for farmland preservation includes securing the agricultural land base, bolstering the industry of agriculture, and preventing sprawl to maintain the small town, rural lifestyle that characterizes an agricultural community. Of the Township’s 14,831 acres of total land mass, 8,294 acres, or 56% is devoted to agricultural use and assessed under farmland assessment. The Township ranks sixth in the total number of acres of land devoted to active agriculture among the 26 municipalities in Hunterdon County. Over the past decades, approximately 2,314 acres of farmland in Franklin are subject to permanent farmland preservation deed restriction. Franklin has established Open Space and Farmland Preservation components in its Master Plan. As per the September 2012 Comprehensive Farmland Preservation Plan, Franklin Township has identified and prioritized 19 farms/farmland tracts the currently meet the criteria for farmland preservation. The goal of the Township is to preserve approximately 200 acres a year of the targeted acreage over a ten-year period. The Townships allows for a minimum of three acres, five acres, or seven acre lots according to the current zoning requirements. The Franklin Township Planning Board and Land Use Boards are currently holding public meetings to update their Master Plan. Franklin

Township currently has one shopping Plaza that includes a Walmart, Shop-Rite, Cracker Barrel Restaurant/Old Country Store, Hampton Inn, and several other retail and food establishments.

MAJOR INITIATIVES

During the 2019-20 school year, the District achieved the following major goals:

1. The District expanded its Multiply Disabled program and is now accepting students from other districts.
2. The District erected a 2-bay pole building for storage.
3. DOE approval was received to replace windows and doors in the original 1934 building and the 1970 building addition. The District continued with its mission to explore shared service opportunities and entered into an agreement with the Union Township Board of Education to share a Business Administrator beginning September 1, 2019.
4. The District continued with its mission to explore shared service opportunities and entered into an agreement with the Union Township Board of Education to share a Supervisor of Child Study beginning September 1, 2019.

INTERNAL ACCOUNTING CONTROLS

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

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

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

BUDGETARY CONTROLS

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2020.

ACCOUNTING SYSTEM AND REPORTS

The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds and account groups. These funds and account groups are explained in Notes to the Financial Statements.

FINANCIAL INFORMATION AT FISCAL YEAR-END

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet responsibility for sound financial management.

DEBT ADMINISTRATION

As a result of the successful passage of the bond referendum in December 2004, and a Bond Refunding in 2013, the District has \$2,885,000 of bonds outstanding. The final payment has a due date of February 15, 2025.

CASH MANAGEMENT

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

RISK MANAGEMENT

The Board carries various forms of insurance, including but not limited to general liability, hazard and theft insurance on property and contents, workers compensation and fidelity bonds. The District has joined with other qualified New Jersey Districts to form the School Alliance Insurance Fund. This joint insurance fund has saved the District an annual premium and provides more control through the involvement in management of the fund.

INDEPENDENT AUDIT

State statutes require an annual audit by independent Certified Public Accountants or Registered Municipal Accountants. BKC, CPAs, PC audited the District's financial statements for Fiscal Year 2020. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2020 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the District's financial statements for the fiscal year ended June 30, 2020 are fairly represented in conformity with GAAP. In addition to meeting the requirements set forth in state statutes, the audit also

was designed to meet the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and New Jersey OMB Circular Letter 15-08.


ACKNOWLEDGMENTS

We would like to express our appreciation to the members of the Franklin Township School Board for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation.

Respectfully submitted,

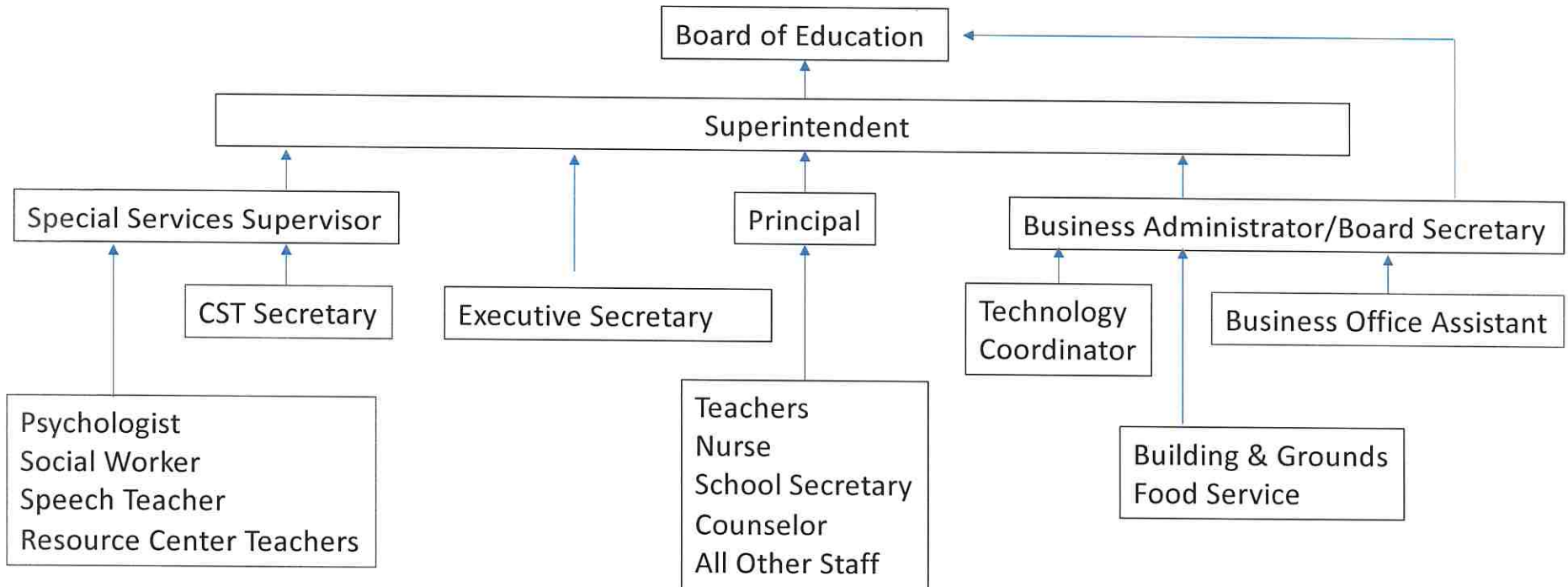


Nicholas Diaz
Superintendent



Patricia Martucci
Business Administrator/Board Secretary

Franklin Township School District Organizational Chart



FRANKLIN TOWNSHIP SCHOOL DISTRICT
Quakertown, New Jersey
Roster of Officials
June 30, 2020

Members of the Board of Education	Title	Term Expires
Cyrus Cama	President	2021
Allison Luciano	Vice-President	2022
Karen Sutton		2020
James Witkowski		2020
Erin Tomasini		2021
Virginia Evans		2022
Frank Yasunas		2022

Other Officials	Title
Nicholas Diaz	Superintendent
Patricia Martucci	Board Secretary/School Business Administrator
Raymond Krov	Treasurer

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Quakertown, New Jersey
Consultants and Advisors
June 30, 2020

AUDIT FIRM

BKC, CPAs, PC
39 State Route 12, Ste 2
Flemington, NJ 08822

ATTORNEY

Isabel Machado
Machado Law Group
1 Cleveland Place
Springfield, NJ 07081

OFFICIAL DEPOSITORY

Investors Bank
Flemington, NJ 08822



Certified Public Accountants, PC
www.bkc-cpa.com

Independent Auditors' Report

Honorable President and
Members of the Board of Education
Franklin Township School District
County of Hunterdon, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Franklin Township School District (the District) in the County of Hunterdon, as of and for the year ended June 30, 2020, and the related Notes to the Financial Statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion 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 and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Franklin Township School District, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the 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 Schedules, Schedules Related to Accounting and Reporting for Pensions, and Schedules Related to Accounting and Reporting for Other Postemployment Employee Benefits listed in the Table of Contents 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 an opinion on the financial statements that collectively comprise the District's Basic Financial Statements. The introduction section, combining and individual fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* and Schedule of Expenditures of State Financial Assistance required by New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* are also not a required part of the basic financial statements.

The combining and individual fund financial statements, Schedule of Expenditures of Federal Awards, and Schedule of Expenditures of State Financial Assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the combining and individual non-major fund financial statements, Schedule of Expenditures of Federal Awards, and Schedule of Expenditures of State Financial Assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introduction and statistical sections have not been subject to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



BKC, CPAs, PC



Michael A. Holk, CPA, PSA
NO. 20CS00265600

January 5, 2021
Flemington, New Jersey

REQUIRED SUPPLEMENTARY INFORMATION - PART I

DISTRICT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities display information about the District. These statements include the financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the District.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
QUAKERTOWN, NEW JERSEY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

The discussion and analysis of the Franklin Township School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the transmittal letter, the basic financial statements and notes to enhance their understanding of the District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in Governmental Accounting Standards Board's (GASB) Statement No. 34 *Basic Financial Statements and Management's Discussion and Analysis*, of comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for 2020 are as follows:

- In total, net position increased \$781,000 which is a 9.47% increase from fiscal year 2019.
- General revenue accounted for \$8,988,920 in revenue or 96.73% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$303,810 or 3.27% of the total revenue of \$9,292,730.
- The School District had \$8,491,892 in expenses; only \$303,810 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily the tax levy) of \$8,988,920 were adequate to provide for these programs.
- Among governmental funds, the general fund had \$7,387,079 in revenues and \$6,791,554 in expenditures. After factoring in other financing sources and uses, the general fund's balance increased by \$545,525 from fiscal year 2019.

Using This Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to these statements. These statements are organized so the reader can understand Franklin Township School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities (changes in net position) provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a long-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The financial statements also look at the District's most significant funds

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
QUAKERTOWN, NEW JERSEY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited**

with all other non-major funds presented in total in one column. In the case of Franklin Township School District, the general fund is by far the most significant fund.

Reporting the District as a Whole

Statement of Net Position and The Statement of Activities

While this document contains the various funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2020?" The Statement of Net Position and the Statement of Activities answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial positions of the School District have improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the School District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the School District reports governmental activities where most of the School District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund's financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the Special Revenue Fund.

Governmental Funds

The School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future years. These funds measure and report the operating results by measuring cash on hand and other assets that can be

FRANKLIN TOWNSHIP SCHOOL DISTRICT
QUAKERTOWN, NEW JERSEY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

easily converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides.

Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

The School District as a Whole

The Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position on June 30, 2020 compared to June 30, 2019.

Table 1
Net Position

	06/30/20	06/30/19	Variance	
			Dollars	Percent
Assets				
Current & other assets	\$ 2,674,215	\$ 2,087,227	\$ 586,988	28.12%
Capital assets	11,398,314	11,977,555	(579,241)	-4.84%
Total assets	<u>14,072,529</u>	<u>14,064,782</u>	<u>7,747</u>	<u>0.06%</u>
Deferred outflow of resources	<u>1,039,876</u>	<u>606,657</u>	<u>433,219</u>	<u>71.41%</u>
Liabilities				
Long-term liabilities	5,325,019	5,703,358	(378,339)	-6.63%
Other liabilities	139,963	96,493	43,470	45.05%
Total liabilities	<u>5,464,982</u>	<u>5,799,851</u>	<u>(334,869)</u>	<u>-5.77%</u>
Deferred inflow of resources	<u>617,036</u>	<u>622,221</u>	<u>(5,185)</u>	<u>-0.83%</u>
Net position				
Net investment in capital assets	7,545,380	7,372,555	172,825	2.34%
Restricted	2,187,967	1,458,689	729,278	50.00%
Unrestricted	(702,960)	(581,877)	(121,083)	-20.81%
Total net position	<u>\$ 9,030,387</u>	<u>\$ 8,249,367</u>	<u>\$ 781,020</u>	<u>9.47%</u>

The negative balance in unrestricted net position is the result of reporting required by GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* which allocates the proportionate share of the State's net pension liability for PERS to each contributing entity throughout the State.

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Table 2 shows the changes in net position for the fiscal year ended June 30, 2020 compared to June 30, 2019.

Table 2		Changes in Net Position		Variance	
	<u>06/30/20</u>	<u>06/30/19</u>	<u>Dollars</u>	<u>Percent</u>	
Revenues					
Program revenues					
Charges for services	\$ 114,268	\$ 154,252	\$ (39,984)		-25.92%
Operating grants and contributions	189,542	230,970	(41,428)		-17.94%
General revenues					
Property taxes	6,505,233	6,305,558	199,675		3.17%
Grants and entitlements	2,380,757	2,676,545	(295,788)		-11.05%
Other	102,930	57,069	45,861		80.36%
Total revenues	<u>9,292,730</u>	<u>9,424,394</u>	<u>(131,664)</u>		-1.40%
Expenses					
Instruction					
Regular	3,759,052	4,530,474	(771,422)		-17.03%
Special	711,896	688,953	22,943		3.33%
Other	326,706	82,005	244,701		298.40%
Support services					
Tuition	197,510	324,918	(127,408)		-39.21%
Student & instructional related services	1,459,329	1,234,490	224,839		18.21%
General & business administration	632,463	634,784	(2,321)		-.037%
School administration	73,689	89,842	(16,153)		-17.98%
Maintenance	815,295	770,890	44,405		5.76%
Transportation	303,148	359,248	(56,100)		-15.62%
Food service	57,500	71,519	(14,019)		-19.60%
Interest on long-term debt	155,304	185,275	(29,971)		-16.18%
Total expenses	<u>8,491,892</u>	<u>8,972,398</u>	<u>(480,506)</u>		-5.36%
Increase (decrease) in net position before special position					
	<u>800,838</u>	<u>451,996</u>	<u>348,842</u>		77.18%
Special items					
Gain on disposal of equipment	(19,818)	830	(20,648)		-2487.71%
Increase (decrease) in net position	<u>\$ 781,020</u>	<u>\$ 452,826</u>	<u>\$ 328,194</u>		72.48%

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Governmental Activities

Property taxes made up 70.00% of operating revenues for governmental activities for the Franklin Township School District for the fiscal year 2020.

Instruction comprises 56.50% of the District's expenses. Support services expenses make up 43.50% of the District's expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state entitlements.

Table 3 provides a summary of the School District's costs of governmental services on June 30, 2020 compared to June 30, 2019.

**Table 3
Cost of Governmental Services**

	Total Cost of Services		Net Cost of Services	
	06/30/20	06/30/19	06/30/20	06/30/19
Instruction	\$ 4,797,654	\$ 5,301,432	\$ 4,688,010	\$ 5,153,040
Support services				
Tuition	197,510	324,918	157,510	250,383
Student & instruction related services	1,459,329	1,234,490	1,377,860	1,152,360
General & business administration	632,463	634,784	632,463	634,784
School administration	73,689	89,842	73,689	89,842
Plant operations & maintenance	815,295	770,890	811,607	768,100
Pupil transportation	303,148	359,248	288,150	351,748
Food services	57,500	71,519	3,489	1,644
Interest on long-term debt	155,304	185,275	155,304	185,275
Total expenses	<u>\$ 8,491,892</u>	<u>\$ 8,972,398</u>	<u>\$ 8,188,082</u>	<u>\$ 8,587,176</u>

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student.

Students and instruction related services include the activities involved with assisting staff with the content and process of teaching to students.

General administration, school administration and business administration include expenses associated with administrative and financial supervision of the District.

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Operation and maintenance of facilities activities involve keeping the school grounds, buildings and equipment in an effective working condition.

Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

General Fund Budgeting Highlights

At the Franklin Township School District, budgets are prepared in December/January with state revenue information being received in February/March and a public vote, if necessary, on the tax levy question in November. The budget year begins in July and runs through June 30. Changes occur over that 18-month period, unanticipated shifts in enrollment, staffing needs, students requiring out-of-district services, weather requiring more or less funding for heating, unexpected repairs to facilities, and mandated programs are often added after a budget is adopted.

The District builds a budget to meet the needs of its students based on the information and projections that are available at the time.

During the course of the 2020 fiscal year, the District amended its general fund budget by transferring funds as needed to prevent over-expenditures in specific line item accounts. The most significant need for changes was custodial services and care and upkeep of grounds.

Capital Assets

At the end of the fiscal year 2020, the School District had \$11,398,314 invested in land, buildings, leased building improvements, furniture and equipment and construction in progress. Table 4 provides a summary of School District's capital assets net of depreciation for June 30, 2020 compared to June 30, 2019.

**Table 4
Capital Assets at Year End (Net of Depreciation)**

	06/30/20	06/30/19	Variance	
			Dollars	Percent
Land	\$ 285,100	\$ 285,100	\$ -	0.00%
Construction in progress	50,178	21,019	29,159	138.00%
Land improvements	89,587	98,356	(8,769)	-8.92%
Buildings & improvements	9,992,487	10,349,806	(357,319)	-3.45%
Leased building improvements	780,000	1,020,000	(240,000)	-23.53%
Furniture & equipment	191,577	176,606	14,971	8.48%
Vehicles	9,385	26,668	(17,283)	-64.81%
	<u>\$ 11,398,314</u>	<u>\$ 11,977,555</u>	<u>\$ (579,241)</u>	<u>-4.84%</u>

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Long Term Liabilities

As of June 30, 2020, the District had \$5,328,019 of long-term liabilities. Table 5 shows June 30, 2020 balances compared to June 30, 2019.

**Table 5
Outstanding Debt at Year End**

	06/30/20	06/30/19	Variance	
			Dollars	Percent
2013 refunding bond issue	\$ 2,885,000	\$ 3,045,000	\$ (520,000)	-15.27%
Bond premium	206,352	243,870	(37,518)	-15.38%
Capital leases	967,934	1,200,000	(232,066)	-19.34%
Compensated absences	36,197	53,429	(17,232)	-32.25%
PERS net pension liability	1,229,536	801,059	428,477	53.49%
	<u>\$ 5,325,019</u>	<u>\$ 5,703,358</u>	<u>\$ (378,339)</u>	-6.63%

For the Future

The Franklin Township School District is in sound financial condition. Continued emphasis will be placed upon efficient and effective management of resources by leveraging indirect and direct savings towards student programs and initiatives. The district has entered into several shared services with the Union Township Board of Education. As of this school year, both districts are sharing:

- Superintendent
- Business Administrator
- Director of Special Education
- Supervisor of Curriculum
- Child Study Team

The following goals are based on the District’s strategic plan entitled “FTS Reimagined”:

- Increased professional development to support teacher’s hybrid instruction
- Purchase of additional Chromebooks/tablets to ensure a 1:1 initiative in grades 2-8.
- Creation of an interventionist position to support student learning
- Creation of a wellness room to support students’ and staff’s mental health

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
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Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited**

Contacting the School District's Financial Management

The financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional information, contact Patricia Martucci, Business Administrator/Board Secretary at Franklin Township School District, 226 Quakertown Rd., P.O. Box 368, Quakertown, NJ 08868 or email at pmartucci@ftschoo.org.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Statement of Net Position
June 30, 2020

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 308,442	\$ 5,696	\$ 314,138
Receivables, net	169,889	675	170,564
Inventory	-	1,546	1,546
Restricted assets			
Capital reserve account - cash	1,780,160	-	1,780,160
Maintenance reserve account - cash	407,807	-	407,807
Capital assets, net			
Land	285,100	-	285,100
Construction in progress	50,178	-	50,178
Other capital assets, net of depreciation and amortization	11,053,445	9,591	11,063,036
Total assets	14,055,021	17,508	14,072,529
Deferred outflows of resources			
Deferred amount on pension activity	870,681	-	870,681
Deferred amount on refunding bond issue	169,195	-	169,195
Total deferred outflows of resources	1,039,876	-	1,039,876
Liabilities			
Accounts payable	60,294	1,230	61,524
Payables to state governments	4,863	-	4,863
Accrued interest	68,167	-	68,167
Unearned revenue	729	4,680	5,409
Long-term liabilities			
Due within one year	803,274	-	803,274
Due beyond one year	4,521,745	-	4,521,745
Total liabilities	5,459,072	5,910	5,464,982
Deferred inflows of resources			
Deferred amount on pension liability	617,036	-	617,036
Net position			
Net investment in capital assets	7,535,789	9,591	7,545,380
Restricted for			
Capital reserve	1,780,160	-	1,780,160
Maintenance reserve	407,807	-	407,807
Unrestricted	(704,967)	2,007	(702,960)
Total net position	\$ 9,018,789	\$ 11,598	\$ 9,030,387

See accompanying notes to financial statements.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2020

Functions/Programs	Direct Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue & Changes in Net Position		
			Charges for Services	Operating Grants & Contribution	Capital Grants & Contribution	Governmental Activities	Business-Type Activities	Total
Governmental activities								
Instruction								
Regular	\$ 2,311,341	\$ 1,447,711	\$ 56,130	\$ 32,330	\$ -	\$ (3,670,592)	\$ -	\$ (3,670,592)
Special education	416,816	295,080	-	-	-	(711,896)	-	(711,896)
Other instruction	60,700	266,006	-	21,184	-	(305,522)	-	(305,522)
Support services								
Tuition	197,510	-	-	40,000	-	(157,510)	-	(157,510)
Students & instruction related services	1,166,081	293,248	-	81,469	-	(1,377,860)	-	(1,377,860)
General & business administration services	479,696	152,767	-	-	-	(632,463)	-	(632,463)
School administration services	60,115	13,574	-	-	-	(73,689)	-	(73,689)
Plant operations & maintenance	813,476	1,819	3,688	-	-	(811,607)	-	(811,607)
Pupil transportation	297,236	5,912	14,998	-	-	(288,150)	-	(288,150)
Interest on long-term debt	155,304	-	-	-	-	(155,304)	-	(155,304)
Total governmental activities	<u>5,958,275</u>	<u>2,476,117</u>	<u>74,816</u>	<u>174,983</u>	<u>-</u>	<u>(8,184,593)</u>	<u>-</u>	<u>(8,184,593)</u>
Business-type activities								
Food service	57,500	-	39,452	14,559	-	-	(3,489)	(3,489)
Total business-type activities	<u>57,500</u>	<u>-</u>	<u>39,452</u>	<u>14,559</u>	<u>-</u>	<u>-</u>	<u>(3,489)</u>	<u>(3,489)</u>
Total primary government	<u>\$ 6,015,775</u>	<u>\$ 2,476,117</u>	<u>\$ 114,268</u>	<u>\$ 189,542</u>	<u>\$ -</u>	<u>(8,184,593)</u>	<u>(3,489)</u>	<u>(8,188,082)</u>
			General revenues, special items and transfers					
						5,859,583	-	5,859,583
						645,650	-	645,650
						2,380,757	-	2,380,757
						38,301	69	38,370
						64,309	251	64,560
						(19,818)	-	(19,818)
						<u>8,968,782</u>	<u>320</u>	<u>8,969,102</u>
						784,189	(3,169)	781,020
						8,234,600	14,767	8,249,367
						<u>\$ 9,018,789</u>	<u>\$ 11,598</u>	<u>\$ 9,030,387</u>

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

The individual fund statements and schedules present more detailed information for the individual fund in a format that segregates information by fund type.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Governmental Funds
Balance Sheet
June 30, 2020

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 304,772	\$ 3,670	\$ -	\$ -	\$ 308,442
Due from other funds	863	-	-	-	863
Receivables from other governments					
State	167,104	-	-	-	167,104
Federal	-	2,179	-	-	2,179
Other accounts receivable	-	606	-	-	606
Restricted cash and cash equivalents	2,187,967	-	-	-	2,187,967
Total assets	\$ 2,660,706	\$ 6,455	\$ -	\$ -	\$ 2,667,161
Liabilities and fund balances					
Liabilities					
Due to other funds	\$ -	\$ 863	\$ -	\$ -	\$ 863
Accounts payable	60,294	-	-	-	60,294
Payables to governments					
State	-	4,863	-	-	4,863
Unearned revenue	-	729	-	-	729
Total liabilities	60,294	6,455	-	-	66,749

See accompanying notes to financial statements.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Governmental Funds
Balance Sheet (continued)
June 30, 2020

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
Liabilities and fund balances (cont'd)					
Fund balances					
Restricted fund balance					
Excess surplus - designated for subsequent year's expenditures	\$ 2,554	\$ -	\$ -	\$ -	\$ 2,554
Capital reserve	1,780,160	-	-	-	1,780,160
Maintenance reserve	407,807	-	-	-	407,807
Committed fund balance					
Encumbrances	172,760	-	-	-	172,760
Assigned fund balance					
Designated for subsequent year's expenditures	1,547	-	-	-	1,547
Unassigned fund balance	235,584	-	-	-	235,584
Total fund balances	2,600,412	-	-	-	2,600,412
 Total liabilities and fund balances	 \$ 2,660,706	 \$ 6,455	 \$ -	 \$ -	

Amounts reported for governmental activities in the Statement of Net Position (A-1) are different because:

Capital assets used in government activities are not financial resources and therefore are not reported in the funds. The cost of the assets are \$17,054,070 and the accumulated depreciation is \$5,665,347.	11,388,723
Deferred outflows and inflows of resources are applicable to future periods and, therefore, are not reported in the funds.	422,840
Long-term liabilities, including bonds payable and compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(5,325,019)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(68,167)
Total net position of governmental activities	\$ 9,018,789

See accompanying notes to financial statements.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2020

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Revenues					
Local sources					
Local tax levy	\$ 5,859,583	\$ -	\$ -	\$ 645,650	\$ 6,505,233
Tuition from individuals	56,130	-	-	-	56,130
Transportation fees	14,998	-	-	-	14,998
Rents and royalties	3,688	-	-	-	3,688
Interest on investments	38,301	-	-	-	38,301
Miscellaneous	64,309	920	-	-	65,229
Total local sources	<u>6,037,009</u>	<u>920</u>	<u>-</u>	<u>645,650</u>	<u>6,683,579</u>
State sources	1,350,070	46,048	-	-	1,396,118
Federal sources	-	128,015	-	-	128,015
Total revenues	<u>7,387,079</u>	<u>174,983</u>	<u>-</u>	<u>645,650</u>	<u>8,207,712</u>
Expenditures					
Current					
Instructional					
Regular instruction	2,284,298	27,043	-	-	2,311,341
Special education instruction	416,816	-	-	-	416,816
Other instruction	39,516	21,184	-	-	60,700
Support service & undistributed costs					
Tuition	157,510	40,000	-	-	197,510
Student & instruction related services	1,084,612	81,469	-	-	1,166,081
General & business administrative services	479,696	-	-	-	479,696
School administrative services	60,115	-	-	-	60,115
Plant operations & maintenance	813,476	-	-	-	813,476
Pupil transportation	297,236	-	-	-	297,236
Unallocated benefits	819,408	-	-	-	819,408

See accompanying notes to financial statements.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances (continued)
For the Fiscal Year Ended June 30, 2020

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Expenditures (cont'd)					
Capital outlay	\$ 302,735	\$ 5,287	\$ -	\$ -	\$ 308,022
Debt service					
Principal	-	-	-	520,000	520,000
Interest & other charges	36,136	-	-	125,650	161,786
Total expenditures	<u>6,791,554</u>	<u>174,983</u>	<u>-</u>	<u>645,650</u>	<u>7,612,187</u>
Excess (deficiency) of revenues over (under) expenditures	595,525	-	-	-	595,525
Other financing sources (uses)					
Transfers out	<u>(50,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(50,000)</u>
Total other financing sources (uses)	<u>(50,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(50,000)</u>
Net change in fund balance	545,525	-	-	-	545,525
Fund balances, July 1	<u>2,054,887</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,054,887</u>
Fund balances, June 30	<u><u>\$ 2,600,412</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,600,412</u></u>

See accompanying notes to financial statements.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2020

Total net changes in fund balances - governmental fund (from B-2) \$ 545,525

Amounts reported for governmental activities in the Statement of Activities (A-2) are different because:

Capital outlays are reported in governmental funds as expenditures.

However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expenses. This is the amount by which depreciation exceeds capital outlays in the period:

Capital outlays	\$ 308,022	
Depreciation and amortization expense	(633,944)	
Loss on disposal of assets	<u>(19,818)</u>	
		(345,740)

Repayment of debt principal and capital leases are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position and are not reported in the Statement of Activities:

Debt principal payments 520,000

Governmental funds report the effect of bond issue premiums when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:

Amortization of bond premium 37,518

Governmental funds report district pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

40,690

In the Statement of Activities, interest on the deferred outflow from a refunding issue is amortized to interest expense over the remaining life of the old or new debt, whichever is shorter.

(30,763)

See accompanying notes to financial statements.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities (continued)
For the Fiscal Year Ended June 30, 2020

In the Statement of Activities, interest on long-term debt is accrued regardless of when due. In the governmental funds, interest is reported when due. The accrued interest is a reconciling item. \$ (273)

In the Statement of Activities, compensated absences and early retirement benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation; when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation. 17,232

Change in net position of governmental activities \$ 784,189

See accompanying notes to financial statements.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Proprietary Funds
Statement of Net Position
June 30, 2020

	<u>Food Service Fund</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 5,696
Receivables from other governments	
State	9
Federal	666
Inventory	1,546
Total current assets	<u>7,917</u>
Noncurrent assets	
Capital assets	18,077
Less: accumulated depreciation	<u>8,486</u>
Total noncurrent assets	<u>9,591</u>
Total assets	<u>17,508</u>
Liabilities	
Current liabilities	
Unearned revenues - commodities	1,227
Unearned revenues - prepaid sales	3,453
Accounts payable	<u>1,230</u>
Total liabilities	<u>5,910</u>
Net position	
Net investment in capital assets	9,591
Unrestricted	<u>2,007</u>
Total net position	<u>\$ 11,598</u>

See accompanying notes to financial statements.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2020

	Food Service Fund
Operating revenues	
Charges for services	
Daily sales - reimbursable programs	\$ 24,742
Daily sales - non-reimbursable programs	14,710
Total operating revenues	39,452
Operating expenses	
Cost of sales - reimbursable programs	16,313
Cost of sales - non-reimbursable programs	9,115
Commodity food costs	5,277
Salaries	11,498
Support services - employee benefits	1,573
Purchased professional/technical services	1,238
Purchased property services	991
Other purchased services	
Insurance	1,749
Management fee	7,343
Supplies and materials (not included in cost of sales)	289
Depreciation	1,435
Miscellaneous	679
Total operating expenses	57,500
Operating income (loss)	(18,048)
Non-operating revenues (expenses)	
State sources	
State school lunch program	473
Federal sources	
National school lunch program	
Cash assistance	8,809
Non cash assistance (commodities)	5,277
Interest earned on investments	69
Miscellaneous	251
Total non-operating revenues (expenses)	14,879
Change in net position	(3,169)
Net position, beginning	14,767
Net position, ending	\$ 11,598

See accompanying notes to financial statements.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2020

	<u>Food Service Fund</u>
Cash flows from operating activities	
Receipts from customers (net)	\$ 41,693
Payments to Food Service Management Company	(46,866)
Payments to vendors and employees (net)	<u>(1,224)</u>
Net cash provided by (used for) operating activities	<u>(6,397)</u>
 Cash flows from non-capital financing activities	
State sources	510
Federal sources	8,840
Miscellaneous	
Operating transfer in (out)	<u>251</u>
Net cash provided by (used for) non-capital financing activities	<u>9,601</u>
 Cash flows from investing activities	
Interest earned on investments	<u>69</u>
 Net increase (decrease) in cash and cash equivalents	3,273
 Cash and cash equivalents, beginning	<u>2,423</u>
Cash and cash equivalents, ending	<u>\$ 5,696</u>
 Reconciliation of operating income (loss) to net cash provided by (used for) operating activities	
Operating income (loss)	\$ (18,048)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities	
Depreciation	1,435
Federal food donation program	5,277
(Increase) decrease in accounts payable	1,230
(Increase) decrease in inventory	1,328
Increase (decrease) in unearned revenue	<u>2,381</u>
Net cash provided by (used for) operating activities	<u>\$ (6,397)</u>

See accompanying notes to financial statements.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Fiduciary Funds
Statement of Net Position
June 30, 2020

	Unemployment Compensation Fund	Student Activity Agency Fund	Payroll Agency Fund
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and cash equivalents	\$ 255,512	\$ 25,492	\$ 3
Total assets	<u>\$ 255,512</u>	<u>\$ 25,492</u>	<u>\$ 3</u>
Liabilities			
Due to student groups	\$ -	\$ 25,492	\$ -
Payroll deductions & withholdings	<u>-</u>	<u>-</u>	<u>3</u>
Total liabilities	<u>-</u>	<u>\$ 25,492</u>	<u>\$ 3</u>
Net position			
Held in trust for unemployment claims & other purposes	<u>\$ 255,512</u>		

See accompanying notes to financial statements.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Fiduciary Funds
Statement of Changes in Net Position
For the Fiscal Year Ended June 30, 2020

	Unemployment Compensation Fund
Additions	
Employee contributions	\$ 4,877
Board contributions	50,000
Investment earnings - interest	1,568
Total additions	56,445
Deductions	
Unemployment claims	-
Change in net position	56,445
Net position, beginning of the year	199,067
Net position, end of the year	\$ 255,512

See accompanying notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies

The financial statements of the Franklin Township School District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local Governmental Units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

The basic financial statements include:

A Management's Discussion and Analysis (MD&A) providing an analysis of the Districts over-all financial position and results of operations.

Basic financial statements prepared using accrual accounting for all of the District's activities.

A. Reporting entity

The District is a Type II District located in the County of Hunterdon, State of New Jersey. As a Type II District, the school district functions independently through a Board of Education. The Board is comprised of nine members elected to three-year-terms. The purpose of the District is to educate students in Grades K-8. The District had an approximate enrollment at June 30, 2020 of 278 students.

The primary criterion for including activities within the District's reporting entity as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is whether:

1. The organization is legally separate (can sue or be sued in their own name).
2. The District holds the corporate powers of the organization.
3. The District appoints a voting majority of the organization's Board.
4. The District is able to impose its will on the organization.
5. The organization has the potential to impose a financial benefit/burden on the District.
6. There is a fiscal dependency by the organization on the District.

Based on the aforementioned criteria, the District has no component units.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The District has elected to treat all of its governmental funds as major funds and they are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, early retirement, arbitrage rebates, and post-employment healthcare benefits, are recorded only when payment is due.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)
C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Property taxes, tuition and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. As under New Jersey State Statute, a municipality is required to remit to its school district the entire property tax balance, in the amount voted upon or certified prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be accounts receivable. All other revenue items are considered to be measurable and available only when the District receives cash.

Amounts reported as program revenues include 1) charges to students for tuition, fees, rental, material, supplies, or services, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes, and unrestricted state aids.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted, as they are needed.

The District reports the following major governmental funds:

General Fund - The general fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment, which are classified in the capital outlay sub-fund.

As required by the New Jersey State Department of Education, the District includes budgeted capital outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current expense by Board Resolution.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)
C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Special Revenue Fund - The District accounts for the proceeds of specific revenue sources from State and Federal Government (other than major capital projects, debt service or the enterprise funds) and local appropriations that are legally restricted to expenditures for specified purposes in the special revenue fund.

Capital Projects Fund - The capital projects fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of principal and interest on bonds issued to finance major property acquisition, construction and improvement programs.

Additionally, the District reports the following fund types:

Proprietary fund types

Proprietary Fund - The focus of proprietary fund measurement is upon determination of net income, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the District:

Enterprise Fund - The enterprise fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges; or, where the District has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The District's enterprise fund is comprised of the food service fund.

All proprietary funds are accounted for on a current financial resource's measurement focus. This means that all assets and liabilities, whether current or noncurrent, associated with their activity are included on their balance sheets. Their reported fund equity (total net position) segregated into contributed capital and unreserved retained earnings, if applicable. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Equipment	12 Years
-----------	----------

Fiduciary Fund Types

Trust and Agency Funds - This fund is used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature and do not involve measurement of results of operations. The following is a description of the trust and agency funds of the District.

Unemployment Compensation Trust Fund - This fund is used to account for the portion of employee deductions for unemployment compensation required to be deposited and accumulated for future unemployment claims under the Benefit Reimbursement Method.

Student Activities Agency Fund - This fund is used to account for funds derived from athletic events or other activities of pupil organizations and accumulated for payment of student group activities.

Payroll Agency Fund - This fund accounts for the withholding and remittance of employee salary deductions.

D. Budgets/budgetary control

Annual appropriated budgets are prepared in the Spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the County office and, if necessary, are voted upon at the annual school election in November. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line-item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum Chart of Accounts referenced in N.J.A.C. 6:23-16.2(f)1. All budget amendments must be approved by School Board Resolution.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

D. Budgets/budgetary control (continued)

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the legally mandated revenue recognition of the last state aid payment for budgetary purposes only and the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year-end.

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

E. Encumbrances

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

Open encumbrances in the special revenue fund for which the District has received advances are reflected in the balance sheet as unearned revenues at fiscal year-end.

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

F. Tuition receivable

Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final costs have been determined.

G. Tuition payable

Tuition charges for the fiscal year 2019-2020 are based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

H. Short-term interfund receivable and payables

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

I. Inventories and prepaid items

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. The commodities inventory value at balance sheet date is reported as unearned revenue as title does not pass to the school district until the commodities are used. Prepaid items in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2020.

J. Capital assets

Capital assets, which include land, land improvements, buildings and improvements, vehicles and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

All reported capital assets, except for land and construction in progress, of the District are depreciated using the straight-line method over the following estimated lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements & portable classroom	50
Land improvements	20
Furniture	20
Maintenance equipment	15
Musical instruments	10
Athletic equipment	10
Audio visual equipment	10
Office equipment	5 - 10
Computer equipment	5 - 10

K. Compensated absences

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

K. Compensated absences (continued)

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

The liability for compensated absences was accrued using the vesting method, whereby the liability is calculated by vesting balances as of the balance sheet date for which a payment is probable. Salary related payments for the employer's share of Social Security and Medicare taxes are included.

For the government-wide statements, the current portion is the amount estimated to be used in the following year. In accordance with GAAP, in the fund financial statements, all of the compensated absences are considered long-term and therefore are not a fund liability. This represents a reconciling item between the fund and government-wide presentations.

L. Unearned revenue

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

Unearned revenue in the enterprise fund includes United States government commodity inventories at year-end. The aid revenue associated with this commodity inventory is deferred until it is used in the operations of the food service fund. Prepaid lunch debit card revenue balances at year end are also included in unearned revenue.

M. Long-term obligations

In the government-wide financial statements and in internal service fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

N. Net position

Net position represents the difference between the sum of assets and deferred outflows of resources, and the sum of liabilities and deferred inflows of resources. Net position is classified into the following three components:

- Net investment in capital assets - This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for the acquisition, construction, or improvement of those assets.
- Restricted - Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the school district or through external restrictions imposed by credits, grantors, or laws or regulations of their governments.
- Unrestricted - Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

The school district applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

O. Fund balances - governmental funds

In the fund financial statements, governmental funds report the following classifications of fund balance:

- Non-spendable - includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.
- Restricted - includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.
- Committed - includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of Education, the District's highest level of decision-making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of Education.
- Assigned - includes amounts that the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the District's policy, amounts may be assigned by the Business Administrator.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

O. Fund balances - governmental funds (continued)

- Unassigned - includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the general fund. The District reports all amounts that meet the unrestricted general fund balance Policy described below as unassigned:

When expenditure is incurred for purposes which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When expenditure is incurred for which committed, assigned, or unassigned fund balance are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

P. Use of 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 amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates.

Q. Allocation of indirect expenses

Certain expenses, which have not been charged to a specific function in the District's fund financial statements, have been allocated to the functions for the government-wide statements. Employee benefits, on-behalf TPAF Pension contributions, reimbursed TPAF Social Security contributions and compensated absences accruals have been allocated based on salaries by function. Depreciation expense which was not specifically identified by function has been allocated based on the current year expenses by function.

R. Deferred outflows/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, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the District has two items that qualify for reporting in this category, deferred amount on pension activity and deferred amount on refunding bond issue. 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, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category, deferred amount on pension activity.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 2 - Tax assessments and property taxes

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income where appropriate. Current assessments are the results of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners.

Upon the filing of certified adopted budgets by the municipality, the municipality's local school districts, and the County, the tax rate is struck by the County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provision for the assessment of property, levying of taxes and the collection thereof are set forth in N.J.S.A. 54:4 et. seq. Special taxing districts are permitted in New Jersey for various special services rendered to the properties located within the special districts.

Tax bills are mailed annually in June. The taxes are due August 1 and November 1 respectively, and are adjusted to reflect the current fiscal year's total tax liability. The preliminary taxes due February 1 and May 1 of the succeeding fiscal year are based upon one-half of the current year's total tax.

Tax installments not paid on or before the due date are subject to interest penalties of eight percent per annum on the first \$1,500 of the delinquency and eighteen percent per annum on any amount in excess of \$1,500. Pursuant to Chapter 75, PL 1991, the governing body may also fix a penalty to be charged to a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the calendar year. The penalty so fixed shall not exceed six percent of the amount of the delinquency. These interest and penalties are the highest permitted under the New Jersey statutes. Delinquent taxes are annually included in a tax sale in accordance with New Jersey statutes.

School taxes are guaranteed, as to amount of collection, by the municipality (the collection agency) and are transmitted to the school district in accordance with the Schedule of Tax Installments as certified by the school district's Board of Education on an annual basis.

Note 3 - Deposits and cash equivalents and investments

Cash and cash equivalents include petty cash, change funds, and cash in banks. As of June 30, 2020, the District had no investments.

New Jersey Governmental Units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey Governmental Units. In addition, other state statutes permit investments in obligations issued by local authorities and other state agencies. The State of New Jersey does not place any limit on the amount that the District may invest with any one issuer.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 3 - Deposits, cash equivalents, and investments (continued)

New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts.

N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of Governmental Units. The statute requires that no Governmental Unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include savings and loan institutions, banks (both state and national banks) and saving banks the deposits of which are federally insured.

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits might not be recovered. The District does not have a policy for custodial credit risk. New Jersey statutes require that cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Unit Deposit Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. Under the act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the District in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds, employee salary withholdings, or funds that may pass to the District relative to the happening of a future condition.

As of June 30, 2020, the District's bank balances were exposed to custodial credit risk as follows:

Insured by the FDIC	\$	250,000
Insured by GUDPA		2,700,807
Total bank balances	\$	2,950,807

Deposits at June 30, 2020 appear in the financial statements as summarized below:

Cash		\$	2,783,112
	<u>Ref.</u>		
Unrestricted cash			
Governmental funds, Balance Sheet	B-1	\$	308,442
Enterprise funds, Statement of Net Position	B-4		5,696
Fiduciary funds, Statement of Net Position	B-7		281,007
Restricted cash			
Governmental funds, Balance Sheet	B-1		2,187,967
Total cash		\$	2,783,112

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 4 - Capital assets
Capital asset activity for the fiscal year ended June 30, 2020 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 285,100	\$ -	\$ -	\$ 285,100
Construction in progress	21,019	29,159	-	50,178
Total	<u>306,119</u>	<u>29,159</u>	<u>-</u>	<u>335,278</u>
Capital assets, being depreciated				
Land improvements	241,049	-	-	241,049
Building & improvements	14,740,920	-	-	14,740,920
Leased building improvements (intangible asset)	1,200,000	-	-	1,200,000
Furniture & equipment	472,443	46,797	32,471	486,769
Vehicles	50,054	-	-	50,054
Total	<u>16,704,466</u>	<u>46,797</u>	<u>32,471</u>	<u>16,718,792</u>
Accumulated depreciation and accumulated amortization				
Land improvements	142,693	8,769	-	151,462
Building & improvements	4,391,114	357,319	-	4,748,433
Leased building improvements	180,000	240,000	-	420,000
Furniture & equipment	295,837	21,599	12,653	304,783
Vehicles	34,412	6,257	-	40,669
Total	<u>5,044,056</u>	<u>633,944</u>	<u>12,653</u>	<u>5,665,347</u>
Total capital assets, being depreciated, net	<u>11,660,410</u>	<u>(587,147)</u>	<u>19,818</u>	<u>11,053,445</u>
Governmental activities capital assets, net	<u>\$ 11,966,529</u>	<u>\$ (557,988)</u>	<u>\$ 19,818</u>	<u>\$ 11,388,723</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business type activities				
Furniture & equipment	\$ 18,077	\$ -	\$ -	\$ 18,077
Less: accumulated depreciation	7,051	1,435	-	8,486
Business type activities capital assets, net	<u>\$ 11,026</u>	<u>\$ (1,435)</u>	<u>\$ -</u>	<u>\$ 9,591</u>

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 4 - Capital assets (continued)
 Depreciation and amortization expense were charged to governmental functions in the current year as follows:

Instruction		
Regular	\$	320,564
Special education		57,809
Other instruction		8,419
Support services		
Student & instruction		161,726
General & business administration		66,530
School administration		8,337
Plant maintenance		4,302
Transportation		6,257
Total depreciation expense, governmental activities	\$	633,944

Note 5 - Long-term debt
 Long-term liability activity for the fiscal year ended June 30, 2020 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds payable	\$ 3,405,000	\$ -	\$ 520,000	\$ 2,885,000	\$ 535,000
Bond premium	243,870	-	37,518	206,352	37,518
Capital leases payable	1,200,000	-	232,066	967,934	230,756
Compensated absences payable	53,429	-	17,232	36,197	-
PERS net pension liability	801,059	428,477	-	1,229,536	-
Total governmental activities long-term liabilities	\$ 5,703,358	\$ 428,477	\$ 806,816	\$ 5,325,019	\$ 803,274

Payments on the general obligation bonds are made in the debt service fund from property taxes and state aid. The other long-term debts are paid in the current expenditures budget of the District's general fund.

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2020, including interest payments are listed as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2021	\$ 535,000	\$ 110,050	\$ 645,050
2022	555,000	94,000	649,000
2023	575,000	71,800	646,800
2024	600,000	48,840	648,840
2025	620,000	24,800	644,800
Total	\$ 2,885,000	\$ 349,490	\$ 3,234,490

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 5 - Long-term debt (continued)

General Obligation Bonds - General obligation school building bonds payable at June 30, 2020, with their outstanding balances are comprised of the following individual issues:

\$5,380,000 - 2013 general obligation school building bonds, interest at 2.00% to 4.00% due in annual installments beginning Feb. 15, 2015 through Feb. 15, 2025. \$ 2,885,000

The general obligation bonded debt of the District is limited by state law to 3% of the average equalized assessed values of the total taxable property in the District for the past three years. The legal debt limit at June 30, 2019 is \$17,013,504. General obligation debt at June 30, 2020 is \$2,885,000, resulting in a legal debt margin of \$14,128,504.

Capital lease payable

Commencing November 7, 2018, the District entered into a \$1,200,000 capital lease financing contract with TD Equipment Finance, Inc. for capital projects involving all-purpose room and theater water infiltration repairs, roof replacement, security updates, masonry repairs and improvements. The financing is due in five annual installments of \$262,306, including interest at 3.175%, beginning August 15, 2019 through August 15, 2023.

The annual requirements for the capital lease payable as of June 30, 2020, including interest payments are listed as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 230,756	\$ 30,740	\$ 261,496
2022	238,085	23,411	261,496
2023	245,646	15,850	261,496
2024	253,447	8,049	261,496
Total	<u>\$ 967,934</u>	<u>\$ 78,050</u>	<u>\$ 1,045,984</u>

Note 6 - Pension plans

Description of systems

Substantially all of the Board's employees participate in one of the following defined benefit public employee retirement systems which have been established by State statute: The Teachers' Pension and Annuity Fund (TPAF), Public Employees' Retirement System (PERS) and the Defined Contribution Retirement Program (DCRP). The PERS and TPAF systems are sponsored and administered by the State of New Jersey. The DCRP system is administered by Prudential Financial for the Division of Pensions and Benefits. The TPAF retirement system is considered a multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Board and the system's other related non-contributing employers.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)

A. Public employees' retirement systems (PERS)

Plan description

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

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after 10 years of service.

The following represents the membership tiers for PERS:

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

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

Allocation methodology and reconciliation to financial statements

Although the Division administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense excluding that attributable to employer-paid member contributions are determined separately for each individual employer of the state and local groups of the plan.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)

A. Public employees' retirement systems (PERS) (continued)

Allocation methodology and reconciliation to financial statements (continued)

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer and nonemployer allocations are applied to amounts presented in the schedule of pension amounts by employer and nonemployer. The allocation percentages for each group as of June 30, 2019 measurement date are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal year ended June 30, 2019 measurement date.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective pension expense. The employer and nonemployer allocation percentages presented in the schedule of employer and nonemployer allocations and applied to amounts presented in the schedule of pension amounts by employer and nonemployer are based on the ratio of the contributions of an individual employer to the total contributions to PERS during the measurement period July 1, 2018 through June 30, 2019. Employer and nonemployer allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the schedule of pension amounts by employer and nonemployer may result in immaterial differences. Contributions from employers are recognized when due, based on statutory requirements.

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For state fiscal year 2019, the State's pension contribution was less than the actuarial determined amount.

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, PL 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The Actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)

A. Public employees' retirement systems (PERS) (continued)

Contributions (continued)

The District's contractually required contribution rate for the year ended June 30, 2020 was 12.68% of the District's covered payroll. This amount was actuarially determined as the amount that, when combined with employee contributions is expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

The contribution rate was 7.50% of base salary effective July 1, 2018.

Collective net pension liability and actuarial information

The District's proportionate share of the net pension liability for PERS as of the measurement date of June 30, 2019:

Net pension liability	\$ 1,229,536
Proportionate share	0.0068237513%
 Plan fiduciary net position as a percentage of the total pension liability	 56.27%

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

Inflation rate	
Price	2.75%
Wage	3.25%
Salary increases (based on years of service)	
Through 2026	2.00 - 6.00%
Thereafter	3.00 - 7.00%
Investment rate of return	7.00%

Preretirement mortality rates were based on the Pub-10 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 generational basis. Mortality improvement is based on Scale MP-2019.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)

A. Public employees' retirement systems (PERS) (continued)

Collective net pension liability and actuarial information (continued)

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

Long-term expected rate of return

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

<u>Asset Class</u>	<u>Target Allocations</u>	<u>Long-Term Expected Rate of Return</u>
Risk mitigation strategies	3.00%	4.67%
Cash equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment grade credit	10.00%	4.25%
High yield	2.00%	5.37%
Private credit	6.00%	7.92%
Real assets	2.50%	9.31%
Real estate	7.50%	8.33%
U.S. equity	28.00%	8.26%
Non-U.S. developed markets equity	12.50%	9.00%
Emerging markets equity	6.50%	11.37%
Private equity	12.00%	10.85%

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

A. Public employees' retirement systems (PERS) (continued)

Discount rate

The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.50% as of June 30, 2019, based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the collective net pension liability to changes in the discount rate

The following presents the collective net pension liability of the District as of June 30, 2019 measurement date, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

District's Proportionate Share of the Net Pension Liability

At current discount rate (6.28%)	\$ 1,229,536
At a 1% lower rate (5.28%)	1,563,909
At a 1% higher rate (7.28%)	963,541

Collective deferred outflows of resources and deferred inflows of resources

At the June 30, 2019 measurement date, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 22,069	\$ 5,432
Changes of assumptions	122,774	426,768
Net difference between projected and actual earnings on pension plan investments	-	19,409
Changes in proportion and differences between District contributions and proportionate share of contributions	659,463	165,427
District contributions subsequent to the measurement date	66,375	-
Total	<u>\$ 870,681</u>	<u>\$ 617,036</u>

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

A. Public employees' retirement systems (PERS) (continued)

Collective deferred outflows of resources and deferred inflows of resources (continued)

The amount reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (i.e., for the school year ended June 30, 2020, the plan measurement date is June 30, 2019) of \$66,375 will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

The following presents a summary of changes in the collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the fiscal year ended June 30, 2019 measurement date:

	<u>Beginning Balance</u>	<u>Net change in Activity</u>	<u>Ending Balance</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 15,276	\$ 6,793	\$ 22,069
Changes of assumptions	132,001	(9,227)	122,774
Deferred Inflows of Resources			
Differences between expected and actual experience	(4,131)	(1,301)	(5,432)
Changes of assumptions	(256,136)	(170,632)	(426,768)
Differences between projected and actual investment earnings on pension plan investments	(7,514)	(11,895)	(19,409)
Net of deferred outflows	<u>\$ (120,504)</u>	<u>\$ (186,262)</u>	<u>\$ (306,766)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding employer specific amounts, deferrals from District contributions subsequent to the measurement date, and deferrals from change on proportion) will be recognized in pension expense as follows:

<u>Fiscal Year Ended June 30,</u>	
2020	\$ (35,503)
2021	(115,172)
2022	(102,842)
2023	(48,290)
2024	(4,959)
Total	<u>\$ (306,766)</u>

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

A. Public employees' retirement systems (PERS) (continued)

Pension expense

For the fiscal year ended June 30, 2020, the District recognized net pension expense of 25,688 which represents the District's proportionate share of allocable plan pension expense of \$57,004, less the net amortization of deferred amounts from changes in proportion of \$5,409, and less other adjustments to the net pension liability of \$25,907. The components of allocable pension expense, which exclude amounts attributable to employer paid member contributions and pension expense related to specific liabilities of individual employers, for the District for the fiscal year ended June 30, 2019 measurement date are as follows:

Service cost	\$	47,353
Interest on total pension liability		140,354
Member contributions		(32,616)
Administrative expense		864
Expected investment return net of investment expense		(87,088)
Pension expense related to specific liabilities of individual employers		(408)
Recognition of deferred inflows/outflows of resources		
Amortization of assumption changes or inputs		10,567
Amortization of expected versus actual experience		(32,296)
Amortization of projected versus actual investment earnings on pension plan investments		10,274
Pension expense	\$	57,004

B. Teacher's pension and annuity fund (TPAF)

Plan description

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

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)
B. Teacher's pension and annuity fund (TPAF) (continued)
Plan description (continued)

The following represents the membership tiers for TPAF:

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

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

Contributions

The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For the State fiscal year 2019, the State's pension contribution was less than the actuarial determined amount.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

B. Teacher’s pension and annuity fund (TPAF) (continued)

Special funding situation

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers. However, the Notes to the Financial Statements of the local participating employers must disclose the portion of the non-employer contributing entities’ total proportionate share of the net pension liability that is associated with the local participating employer. In addition, each local participating employer must recognize pension expense associated with the employer as well as revenue in an amount equal to the non-employer contributing entities’ total proportionate share of the collective pension expense associated with the local participating employer.

During the State fiscal year ended June 30, 2019, the State of New Jersey contributed \$488,571 to the TPAF for normal pension benefits on behalf of the District.

The contribution rate was 7.50% of base salary effective July 1, 2018.

Collective net pension liability and actuarial information

The District’s proportionate share of the net pension liability for TPAF for fiscal year ended June 30, 2019 measurement date is as follows:

District proportionate share of net pension liability	\$ 20,414,517
Less: State proportionate share of net pension liability	5,501,849
Net pension liability	\$ 14,912,668
Plan fiduciary net position as a percentage of the total pension liability	26.95%

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)
B. Teacher’s pension and annuity fund (TPAF) (continued)

Actuarial assumptions

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

Inflation rate	
Price	2.75%
Wage	3.25%
Salary increases (based on years of service)	
Through 2026	1.55 - 4.45%
Thereafter	2.75 – 5.65%
Investment rate of return	7.00%

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

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

B. Teacher’s pension and annuity fund (TPAF) (continued)

Long-term expected rate of return

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

<u>Asset Class</u>	<u>Target Allocations</u>	<u>Long-Term Expected Rate of Return</u>
Risk mitigation strategies	3.00%	4.67%
Cash equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment grade credit	10.00%	4.25%
High yield	2.00%	5.37%
Private credit	6.00%	7.92%
Real assets	2.50%	9.31%
Real estate	7.50%	8.33%
U.S. equity	28.00%	8.26%
Non-U.S. developed markets equity	12.50%	9.00%
Emerging markets equity	6.50%	11.37%
Private equity	12.00%	10.85%

Discount rate

The discount rate used to measure the total pension liability was 5.60% as of June 30, 2019. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.50% as of June 30, 2019 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 70% of the actuarially determined contributions for the State. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2054. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2054 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

B. Teacher's pension and annuity fund (TPAF) (continued)

Sensitivity of the collective net pension liability to changes in the discount rate

The following presents the collective net pension liability of the District as of June 30, 2019 measurement date, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

District's Proportionate Share of the Net Pension Liability

At current discount rate (5.60%)	\$ 14,912,668
At a 1% lower rate (4.60%)	17,585,337
At a 1% higher rate (6.60%)	12,695,198

Pension Expense

The components of allocable pension expense, which exclude pension expense related to specific liabilities of individual employers, for the District for the year ended June 30, 2019 measurement date are as follows:

Service cost	\$ 456,230
Interest on total pension liability	1,018,515
Member contributions	(205,117)
Administrative expense	3,375
Expected investment return net of investment expense	(374,006)
Pension expense related to specific liabilities of individual employers	(73)
Recognition of deferred inflows/outflows of resources	
Amortization of assumption changes or inputs	43,204
Amortization of expected versus actual experience	(144,637)
Amortization of projected versus actual investment earnings on pension plan investments	82,098
Pension expense	<u>\$ 879,589</u>

C. Defined contribution retirement program

The Defined Contribution Retirement Program (DCRP) was established under the provisions Ch. 92, PL 2007 and expanded under the provisions of Ch. 89, PL 2008 and Ch. 1, PL 2010 to provide eligible members with a tax sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Employees eligible to enroll in the program include the following: First, employees enrolled in the Public Employees Retirement System (PERS) or Teachers Pension and Annuity Fund (TPAF) on or after July 1, 2007 who earn salary in excess of maximum compensation limits. Also, employees otherwise eligible to enroll in the TPAF and PERS who do not earn the minimum salary (\$8,400 in 2020) but who earn salary of at least \$5,000 annually are eligible to participate. The Program Administrator, Prudential Financial, makes information regarding the program available on its New Jersey Defined Contribution Program Web Site: www.prudential.com/njdcrp.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

C. Defined contribution retirement program (continued)

Contribution rates for DCRP provide for employee contributions of 5.50% of annual contractual compensation as defined. The District's net contribution to the DCRP for fiscal year ending 2020 was \$1,011.

D. Other pension plan information

During the fiscal year ended June 30, 2020, the State of New Jersey contributed \$177,224 to the TPAF for postretirement medical benefits, \$8,412 for non-contributory insurance premiums, \$507 for long-term disability insurance, and \$469,304 for normal costs and accrued liability costs on behalf of the Board. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$163,961 during the fiscal year ended June 30, 2020 for the employer's share of Social Security contributions for TPAF members calculated on their base salaries. These amounts have been included in the financial statements and the combining and individual fund and account group statements and schedules as revenues and expenditures in accordance with GASB Statement 68.

Note 7 - Postretirement benefits

The State of New Jersey provides employer-paid coverage to members of the TPAF who retire from a board of education or county college with 25 years of service or on a disability retirement. Under the provision of Chapter 126, P.L. 1992, the State also provides employer-paid coverage to members of PERS and Alternative Benefits Program (ABP) who retire from a board of education or county college with 25 years of service or on a disability retirement if the member's employer does not provide this coverage. Certain local participating employers also provide post-retirement medical coverage to their employees. Retirees who are not eligible for employer paid health coverage at retirement can continue in the program if their employer participates in this program or if they are participating in the health benefits plan of their former employer and are enrolled in Medicare Parts A and B by paying the cost of the insurance for themselves and their covered dependents. In fiscal year 2019, the State paid PRM benefits for 153,893 State and local retirees.

The State funds postretirement medical benefits on a pay-as-you-go basis, which means that the State does not pre-fund, or otherwise establish a reserve or other pool of assets against the PRM expenses that the State may incur in future years. For fiscal year 2019, the State contributed \$1.908 billion to pay for pay-as-you-go PRM benefit costs incurred by covered retirees. The State's pay-as-you-go contributions have remained consistent with fiscal year 2019 amounts. The State has appropriated 1.612 billion in fiscal year 2020 as the State's contribution to fund pay-as-you-go PRM costs.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 7 - Postretirement benefits (continued)

In accordance with the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the State is required to quantify and disclose its obligations to pay Other Postemployment Benefits (OPEB) to retired plan members. This new standard supersedes the previously issued guidance, GASB Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for fiscal year 2018. The State is now required to accrue a liability in all instances where statutory language names the State as the legal obligor for benefit payments. The fiscal year 2019 total State OPEB liability to provide these benefits is \$76.0 billion, a decrease of \$14.5 billion or 16 percent from the \$90.5 billion liability recorded in fiscal year 2018.

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et. seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Total OPEB liability

The State, a non-employer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. The District's proportionate share percentage determined under Paragraphs 193 and 203 through 205 of GASB Statement No. 75 is zero percent. Accordingly, the District did not recognize any portion of the collective net OPEB liability on the Statement of Net Position. Accordingly, the following OPEB liability note information is reported at the State's level and is not specific to the District. Note that actual numbers will be published in the NJ State CAFR at <https://www.nj.gov/treasury/omb/cafr.shtml>.

Under a special funding situation, the State, a non-employer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. Accordingly, the District did not recognize any portion of the collective net OPEB liability on the Statement of Net Position. Therefore, the following OPEB liability note information is reported at the State's level and is not accrued by the District.

For purposes of reporting required GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the District's proportionate share of allocable OPEB liability and employer OPEB expense and related revenue as of June 30, 2019 measurement date is as follows:

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 7 - Postretirement benefits (continued)

<u>Total OPEB liability (continued)</u>	
State's proportionate share of the OPEB liability	\$ 41,729,081,045
District's proportionate share of the State's OPEB liability	8,614,080
Employer OPEB expense and related revenue	151,098
Allocable proportionate percentage	0.0206428701%

Changes in the total OPEB liability

	<u>Total OPEB Liability</u>
Total OPEB liability at June 30, 2018	\$ 9,419,302
Service cost	313,112
Interest cost	371,727
Change of benefit terms	-
Differences between expected and actual experiences	(1,361,909)
Changes of assumptions	128,437
Member contributions	7,838
Gross benefit payments	(264,427)
Total OPEB liability at June 30, 2019	\$ 8,614,080

There were no changes of the benefit terms from June 30, 2018 to June 30, 2019.

Changes of assumptions and other inputs reflect a change in the discount rate from 3.87% as of June 30, 2018 to 3.50% as of June 30, 2019.

The total non-employer OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	2.50%	
	TPAF	PERS
	(based on years of service)	(based on years of service)
Salary increases		
Through 2026	1.55% - 3.05%	2.00% - 6.00%
Thereafter	1.55% - 3.05%	3.00% - 7.00%

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 7 - Postretirement benefits (continued)

Changes in the total OPEB liability

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

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

Health care trend assumptions

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

Discount rate

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

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the total non-employer OPEB liability as of June 30, 2019 measurement date, using the District’s allocable proportionate percentage, calculated using the discount rate as disclosed above as well as what the total non-employer OPEB liability would be if it was calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

Total OPEB Liability (school retirees)

At current discount rate (3.50%)	\$ 8,614,080
At a 1% lower rate (2.50%)	10,176,633
At a 1% higher rate (4.50%)	7,372,874

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 7 - Postretirement benefits (continued)

Total OPEB Liability (school retirees)

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the total non-employer OPEB liability, as well as what the total non-employer OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Total OPEB Liability (school retirees)

Healthcare cost trend rate	\$ 8,614,080
At a 1% lower rate (1% decrease)	7,097,618
At a 1% higher rate (1% increase)	10,621,564

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

For the fiscal year ended June 30, 2019, the District recognized OPEB expense of \$151,098 determined by the State as the total OPEB liability for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 and in which there is a special funding situation.

In accordance with GASB Statement No. 75, the District's proportionate share of school retirees OPEB is zero. There is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources.

Note 8 - Deferred compensation

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

Siracusa Benefits	Lincoln Investment Planning
Variable Annuity Life Insurance Co.	AIG/Valic
AXA Equitable	

Note 9 - Interfund receivable and payables

As of June 30, 2020, the general fund has an interfund receivable for \$863 due from the special revenue fund for a loan as a result of cash flow issues relating to the delayed receipt of grant revenues.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 10 - Inventory

Inventory in the food service fund as of June 30, 2020 consisted of the following:

Food	\$	788
Supplies		758
Total	\$	1,546

Note 11 - Contingent liabilities

Amounts received, or receivables, from grantor agencies could be subject to audit and adjusted by grantor agencies. Any disallowed claims, including amounts already collected, may result in a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amount, if any, to be immaterial.

Note 12 - Risk management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Property and Liability Insurance - The District maintains commercial insurance coverage for property, liability, and student accident and surety bonds. There was no significant reduction in insurance coverage from coverage of the prior year. The District did not have any insurance settlements which exceeded insurance coverage for the past three years. A complete Schedule of Insurance Coverage can be found in the Statistical Section of the Comprehensive Annual Financial Report.

New Jersey Unemployment Compensation Insurance - The District has elected to fund its NJ Unemployment Compensation Insurance under the Benefit Reimbursement Method. Under this plan, the District is required to reimburse the NJ unemployment trust fund for benefits paid to its former employees and charged to its account with the state. The District is billed quarterly for amounts due to the state. The following is a summary of District contributions, and interest earnings, employee contributions, reimbursements to the state for benefits paid and the ending balance of the District's unemployment trust fund for the current and previous two years:

	Board Contrib.	Interest Earnings	Employee Contrib.	Amount Reimbursed	Ending Balance
2019 - 2020	\$ 50,000	\$ 1,568	\$ 4,877	\$ -	\$ 255,512
2018 - 2019	100,000	1,251	5,132	5,766	199,067
2017 - 2018	50,000	559	5,219	28,066	98,450

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 13 - Reserve accounts

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

Funds placed in the capital reserve account are restricted to capital projects in the District's approved The Long-Range Facilities Plan (LRFP) and updated annually in the Quality Single Accountability Continuum (QSAC). Upon submission of the LRFP to the Department of Education, a District may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes. A District may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6A:26-9.1(d)1, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

Districts are allowed as per N.J.S.A. 18A:7F-41(a) & 41(b) to deposit to the reserves by Board resolution during the month of June for any unanticipated revenue and/or unexpended line-item appropriation amounts. Pursuant to this State statute, the District deposited \$720,850 to their capital reserve by Board resolution in June 2020 as summarized in the following schedule. The following schedule is a summarization of the reserve accounts for the current year:

Reserve Type	Beginning Balance	District Contrib.	Interest Earnings	Return Unused Withdrawal	Withdrawal	Ending Balance
Capital	\$ 1,050,882	\$ 720,850	\$ 8,428	\$ -	\$ -	\$ 1,780,160
Maintenance	407,807	-	-	-	-	407,807
Total	<u>\$ 1,458,689</u>	<u>\$ 720,850</u>	<u>\$ 8,428</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,187,967</u>

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 14 - Fund balance
As described in Note 1 (O), fund balance may be restricted, committed or assigned. An analysis of the general fund balance on June 30, 2020 is as follows:

Restricted	
Excess surplus - Designated for subsequent year's expenditures. Amount appropriated in the succeeding year's budget to reduce tax requirements.	\$ 2,554
Capital reserve account - Represents funds restricted to capital projects in the Districts long range facilities plan.	1,780,160
Maintenance reserve account - Represents funds accumulated for the required maintenance of a facility in accordance with the EFCFA (N.J.S.A.18A:76-9).	407,807
Committed	
Year-end encumbrance - Represents fund balance committed for purchase orders that have been issued but goods or services were not received as of June 30.	172,760
Assigned	
Designated surplus - Designated for Subsequent Year's Expenditures - Represents amount appropriated in the succeeding year's budget to reduce tax requirements.	1,547
Unassigned	
Undesignated - Represents fund balance which has not been restricted or designated.	267,104
Total fund balance - Budgetary basis (Exhibit C-1)	2,631,932
Last state aid payments not recognized on GAAP basis	(31,520)
Total fund balance - GAAP basis (B-1)	<u>\$ 2,600,412</u>

Note 15 - Calculation of excess surplus
In accordance with N.J.S.A. 18A:7F-7, as amended by PL 2004, Ch. 73 (S1701), the designation for Reserved Fund Balance - Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve general fund balance at the fiscal year-end of June 30, if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2020 is \$0.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 16 - Recent accounting pronouncements not yet effective
The following is of recent accounting pronouncements which are not yet effective as of the year-end date of this report.

In January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84, *Fiduciary Activities*. This statement is effective for reporting periods beginning after December 15, 2019 as amended by GASB Statement No. 95. The District is evaluating the effect of the pronouncement on financial reporting.

In May 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement is effective for reporting periods beginning after June 15, 2022. The District is evaluating the effect of the pronouncement on financial reporting.

Note 17 - Deficit balance in unrestricted net position
The District is reporting a deficit balance in unrestricted net position for governmental activities as of June 30, 2020 of (\$704,967) on Schedule A-1, Statement of Net Position. The deficit balance is not a negative reflection on the District's financial condition but is the result of reporting required by GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* which allocates the proportionate share of the State's net pension liability for PERS to each contributing entity throughout the state.

Note 18 - Risks and uncertainties
On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (The "COVID-19 outbreak") and the risks to the international community as a virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the District's financial condition, liquidity, and future results of operations.

Note 19 - Subsequent events
The District has evaluated subsequent events through January 5, 2021, which is the date the financial statements were available to be issued and no additional items were noted for disclosure.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

FRANKLIN TOWNSHIP SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2020

	Unaudited			Actual	Variance Final to Actual
	Original Budget	Budget Transfers	Final Budget		
Revenues					
Local sources					
Local tax levy	\$ 5,859,583	\$ -	\$ 5,859,583	\$ 5,859,583	\$ -
Tuition from individuals	80,000	-	80,000	56,130	(23,870)
Transportation fees from other LEAs	15,000	-	15,000	14,998	(2)
Rents and royalties	2,500	-	2,500	3,688	1,188
Unrestricted miscellaneous revenues	50,000	-	50,000	94,182	44,182
Interest earned on maintenance reserve	1,200	-	1,200	-	(1,200)
Interest earned on capital reserve funds	6,000	-	6,000	8,428	2,428
Total	6,014,283	-	6,014,283	6,037,009	22,726
State sources					
School choice aid	89,466	-	89,466	89,466	-
Categorical transportation aid	49,027	-	49,027	49,027	-
Extraordinary aid	150,000	-	150,000	167,104	17,104
Categorical special education aid	209,050	-	209,050	209,050	-
Categorical security aid	16,949	-	16,949	16,949	-
Adjustment Aid	2,057	-	2,057	2,057	-
Other state aid	2,250	-	2,250	-	(2,250)
TPAF Pension (on-behalf)	-	-	-	477,716	477,716
TPAF Social Security (reimbursed)	-	-	-	163,961	163,961
TPAF Postretirement benefits	-	-	-	177,224	177,224
TPAF Long-term disability insurance	-	-	-	507	507
Total	518,799	-	518,799	1,353,061	834,262
Total revenues	\$ 6,533,082	\$ -	\$ 6,533,082	\$ 7,390,070	\$ 856,988
Expenditures					
Current					
Instruction - regular program					
Salaries of teachers					
Preschool	\$ 67,388	\$ (1)	\$ 67,387	\$ 66,037	\$ 1,350
Kindergarten	203,443	-	203,443	194,311	9,132
Grades 1-5	807,122	(33,725)	773,397	747,276	26,121
Grades 6-8	603,792	24,519	628,311	618,619	9,692
Home instruction					
Purchased professional - educational services	2,500	-	2,500	-	2,500
Regular programs - undistributed instruction					
Other salaries for instruction	10,019	481	10,500	4,500	6,000
Purchased professional - educational services	30,225	-	30,225	19,680	10,545
Purchased technical services	55,770	-	55,770	47,347	8,423
Other purchased services	30,875	-	30,875	20,519	10,356
General supplies	148,941	5,486	154,427	133,354	21,073
Textbooks	82,825	(19,000)	63,825	46,499	17,326
Other objects	17,536	(5,536)	12,000	-	12,000
Total	2,060,436	(27,776)	2,032,660	1,898,142	134,518

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2020

	Unaudited			Actual	Variance Final to Actual
	Original Budget	Budget Transfers	Final Budget		
Expenditures (cont'd)					
Special education					
Multiple disabilities					
Salaries of teachers	\$ -	\$ 62,666	\$ 62,666	\$ 62,666	\$ -
General supplies	-	435	435	435	-
Total	-	63,101	63,101	63,101	-
Resource room/resource center					
Salaries of teachers	295,194	(69,484)	225,710	225,710	-
General supplies	4,146	(500)	3,646	3,442	204
Total	299,340	(69,984)	229,356	229,152	204
Preschool disabilities - full-time					
Salaries of teachers	64,886	-	64,886	64,886	-
Purchased professional - educational services	51,500	(5,000)	46,500	18,482	28,018
General supplies	500	-	500	72	428
Total	116,886	(5,000)	111,886	83,440	28,446
Total special education	416,226	(11,883)	404,343	375,693	28,650
Basic skills/remedial					
Salaries of teachers	18,825	-	18,825	-	18,825
Total	18,825	-	18,825	-	18,825
School-sponsored co/extra curricular activities - instruction					
Salaries	10,713	10	10,723	10,723	-
Total	10,713	10	10,723	10,723	-
School-sponsored athletics - instruction					
Salaries	16,099	6,917	23,016	16,569	6,447
Purchased services	10,000	(1,280)	8,720	8,710	10
Supplies and materials	8,500	(4,647)	3,853	3,264	589
Total	34,599	990	35,589	28,543	7,046
Summer school - instruction					
Salaries of teacher tutors	2,500	(2,500)	-	-	-
General supplies	250	(250)	-	-	-
Total	2,750	(2,750)	-	-	-
Total summer school	2,750	(2,750)	-	-	-
Instructional alternative ed program - instruction					
Salaries of teacher tutors	-	1,500	1,500	-	1,500
General supplies	-	250	250	-	250
Total	-	1,750	1,750	-	1,750
Total instruction regular	\$ 2,543,549	\$ (39,659)	\$ 2,503,890	\$ 2,313,101	\$ 190,789

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2020

	Unaudited			Actual	Variance Final to Actual
	Original Budget	Budget Transfers	Final Budget		
Expenditures (cont'd)					
Undistributed expenditures					
Undistributed expenditures - instruction					
Tuition to other LEAs within the state - special	\$ 237,100	\$ -	\$ 237,100	\$ 91,840	\$ 145,260
Tuition to priv. school for the disabled w/i state	73,093	-	73,093	65,670	7,423
Total	310,193	-	310,193	157,510	152,683
Undistributed expenditures - attendance & social work					
Salaries	30,638	(2,000)	28,638	28,638	-
Total	30,638	(2,000)	28,638	28,638	-
Undistributed expenditures - health services					
Salaries	64,740	(2,101)	62,639	62,639	-
Purchased professional and technical services	2,600	(968)	1,632	1,588	44
Supplies and materials	3,000	(291)	2,709	2,619	90
Other objects	250	(75)	175	175	-
Total	70,590	(3,435)	67,155	67,021	134
Undistributed expenditures - speech, ot, pt & related services					
Purchased professional - educational services	130,000	4,003	134,003	134,003	-
Supplies and materials	1,000	(365)	635	635	-
Other objects	-	3,400	3,400	3,400	-
Total	131,000	7,038	138,038	138,038	-
Undistributed expenditures - other supp. service stds. - extra service					
Salaries	13,070	50,587	63,657	63,657	-
Purchased professional - educational services	322,500	(84,188)	238,312	181,906	56,406
Supplies and materials	-	1,500	1,500	1,373	127
Total	335,570	(32,101)	303,469	246,936	56,533
Undistributed expenditures - guidance					
Salaries of other professional staff	62,666	-	62,666	62,666	-
Supplies and materials	500	-	500	500	-
Total	63,166	-	63,166	63,166	-
Undistributed expenditures - child study teams					
Salaries of other professional staff	21,200	(16,146)	5,054	5,054	-
Salaries of secretarial and clerical assistants	35,875	75	35,950	35,950	-
Other salaries	1,500	21,000	22,500	1,500	21,000
Purchased professional - educational services	160,250	27,690	187,940	187,940	-
Other purchased services	1,750	(374)	1,376	1,055	321
Supplies and materials	6,698	(2,315)	4,383	4,383	-
Total	227,273	29,930	257,203	235,882	21,321
Undistributed expenditures - improvement of inst. service					
Salaries of supervisor of instruction	3,000	-	3,000	420	2,580
Salaries of other professional staff	71,114	25,464	96,578	96,578	-
Supplies and materials	1,075	-	1,075	1,075	-
Total	75,189	25,464	100,653	98,073	2,580

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2020

	Unaudited			Actual	Variance Final to Actual
	Original Budget	Budget Transfers	Final Budget		
Expenditures (cont'd)					
Undistributed expenditures - edu. media service/sch. library					
Salaries	\$ 38,070	\$ (25,000)	\$ 13,070	\$ 13,070	\$ -
Salaries of technology coordinators	58,500	-	58,500	58,500	-
Purchased professional and technical services	3,000	-	3,000	907	2,093
Supplies and materials	2,539	-	2,539	1,086	1,453
Total	102,109	(25,000)	77,109	73,563	3,546
Undistributed expenditures - instructional staff training services					
Other purchased services	2,905	-	2,905	1,185	1,720
Other objects	500	-	500	500	-
Total	3,405	-	3,405	1,685	1,720
Undistributed expend. - support service - general admin.					
Salaries	71,425	-	71,425	71,425	-
Legal services	10,000	-	10,000	9,794	206
Audit fees	18,000	-	18,000	18,000	-
Architectural/engineering services	5,000	-	5,000	1,822	3,178
Other purchased professional services	106,100	(1,500)	104,600	91,532	13,068
Communications/telephone	8,000	-	8,000	6,898	1,102
BOE other purchased services	350	-	350	-	350
Miscellaneous purchased services	5,007	(1,349)	3,658	2,328	1,330
General supplies	1,209	1,300	2,509	2,507	2
BOE in-house training/meeting supplies	300	-	300	-	300
Miscellaneous expenditures	8,095	49	8,144	3,054	5,090
BOE membership dues and fees	5,800	-	5,800	3,592	2,208
Total	239,286	(1,500)	237,786	210,952	26,834
Undistributed expend. - support service - school admin.					
Salaries of principals/assistant principals	10,000	-	10,000	10,000	-
Salaries of secretarial and clerical assistants	29,638	-	29,638	29,638	-
Supplies and materials	1,674	-	1,674	1,674	-
Other objects	250	-	250	237	13
Total	41,562	-	41,562	41,549	13
Undistributed expenditures - central services					
Salaries	168,728	-	168,728	168,728	-
Purchased professional services	15,900	-	15,900	15,562	338
Miscellaneous purchased services	700	-	700	458	242
Supplies and materials	1,000	-	1,000	1,000	-
Other objects	2,075	-	2,075	1,897	178
Total	188,403	-	188,403	187,645	758
Undistributed expend. - required maint. for school facilities					
Salaries	67,000	(3,742)	63,258	63,258	-
Cleaning, repair, and maintenance services	173,450	12,523	185,973	183,658	2,315
General supplies	15,000	(9,134)	5,866	4,993	873
Other objects	4,250	(2,386)	1,864	1,864	-
Total	259,700	(2,739)	256,961	253,773	3,188

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2020

	Unaudited			Actual	Variance Final to Actual
	Original Budget	Budget Transfers	Final Budget		
Expenditures (cont'd)					
Undistributed expenditures - custodial services					
Salaries	\$ 184,975	\$ -	\$ 184,975	\$ 161,882	\$ 23,093
Purchased professional and technical services	225	-	225	-	225
Cleaning, repair, and maintenance service	36,750	(14,210)	22,540	22,540	-
Rental of land & bldg. other than lease purch agreement	33,240	(3,000)	30,240	29,429	811
Insurance	56,500	(4,190)	52,310	44,599	7,711
Miscellaneous purchased services	500	-	500	-	500
General supplies	25,100	(2,805)	22,295	16,565	5,730
Energy (natural gas)	1,000	-	1,000	844	156
Energy (electricity)	121,500	(20,000)	101,500	76,349	25,151
Energy (oil)	40,000	2,805	42,805	42,755	50
Total	499,790	(41,400)	458,390	394,963	63,427
Undistributed expenditures - care and upkeep of grounds					
Cleaning, repair, and maintenance service	39,749	(12,561)	27,188	21,772	5,416
Total	39,749	(12,561)	27,188	21,772	5,416
Undistributed expenditures - security					
Purchased professional and technical services	1,100	11	1,111	1,111	-
General supplies	250	2,743	2,993	1,963	1,030
Total	1,350	2,754	4,104	3,074	1,030
Undistributed expenditures - student transportation service					
Salaries for pupil trans. (between home & school) - sp. ed.	29,500	-	29,500	24,975	4,525
Management fee - esc & ctsa trans. program	5,000	-	5,000	5,000	-
Cleaning, repair, & maint. services	1,500	-	1,500	1,500	-
Contract serv. - aid in lieu pymts - non-public schools	19,000	-	19,000	11,358	7,642
Contract serv. - aid in lieu pymts - choice school students	6,200	-	6,200	-	6,200
Contract serv. (oth. than between home & school) - vend.	7,500	10,000	17,500	8,270	9,230
Contract serv. (between home & school) - joint agreements	46,750	(35,672)	11,078	-	11,078
Contract serv. (reg. students) - escs & ctsas	160,000	-	160,000	146,017	13,983
Contract serv. (spl. ed. students) - escs & ctsas	142,000	(10,270)	131,730	94,773	36,957
Transportation supplies	8,500	(6,133)	2,367	2,367	-
Total	425,950	(42,075)	383,875	294,260	89,615
Allocated benefits - employee benefits					
Regular programs - instruction					
Social Security contributions	7,500	2,552	10,052	10,000	52
Workmen's compensation	20,500	-	20,500	20,500	-
Health benefits	350,131	-	350,131	344,219	5,912
Tuition reimbursement	10,000	-	10,000	1,610	8,390
Other employee benefits	1,500	-	1,500	1,352	148
Unused sick payment to terminated/retired staff	10,000	-	10,000	8,475	1,525
Total	399,631	2,552	402,183	386,156	16,027

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2020

	Unaudited			Actual	Variance Final to Actual
	Original Budget	Budget Transfers	Final Budget		
Expenditures (cont'd)					
Special programs - instruction					
Health benefits	\$ 40,723	\$ -	\$ 40,723	\$ 40,723	\$ -
Other employee benefits	400	-	400	400	-
Total	41,123	-	41,123	41,123	-
Other instructional programs - instruction					
Social Security contributions	250	-	250	250	-
Total	250	-	250	250	-
Attendance and social work services					
Social Security contributions	2,350	(19)	2,331	2,331	-
Other retirement contributions - PERS	4,450	-	4,450	4,450	-
Workmen's compensation	375	-	375	375	-
Health benefits	11,389	-	11,389	11,389	-
Other employee benefits	100	-	100	100	-
Total	18,664	(19)	18,645	18,645	-
Health services					
Social Security contributions	100	-	100	100	-
Workmen's compensation	750	-	750	750	-
Health benefits	2,700	-	2,700	2,700	-
Other employee benefits	100	-	100	100	-
Total	3,650	-	3,650	3,650	-
Other supp services- students - extraordinary					
Social Security contributions	-	4,000	4,000	4,000	-
Other retirement contributions - PERS	-	1,125	1,125	1,125	-
Total	-	5,125	5,125	5,125	-
Other supp services - guidance					
Workmen's compensation	750	-	750	750	-
Health benefits	9,084	-	9,084	9,084	-
Other employee benefits	100	-	100	100	-
Total	9,934	-	9,934	9,934	-
Other supp services - child study teams					
Social Security contributions	3,000	2,029	5,029	2,955	2,074
Other retirement contributions - PERS	5,200	-	5,200	5,200	-
Workmen's compensation	1,500	-	1,500	1,500	-
Health benefits	25,523	-	25,523	25,523	-
Other employee benefits	100	-	100	100	-
Total	35,323	2,029	37,352	35,278	2,074
Improvement of instruction services					
Social Security contributions	250	-	250	250	-
Workmen's compensation	750	-	750	750	-
Health benefits	19,211	-	19,211	19,211	-
Other employee benefits	500	-	500	500	-
Total	20,711	-	20,711	20,711	-

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2020

	Unaudited			Actual	Variance Final to Actual
	Original Budget	Budget Transfers	Final Budget		
Expenditures (cont'd)					
Educational media services - sch. library					
Social Security contributions	\$ 5,500	\$ -	\$ 5,500	\$ 5,366	\$ 134
Other retirement contributions - PERS	10,500	-	10,500	10,500	-
Health benefits	22,101	-	22,101	22,101	-
Other employee benefits	300	-	300	300	-
Total	<u>38,401</u>	<u>-</u>	<u>38,401</u>	<u>38,267</u>	<u>134</u>
Support Services - general administration					
Social Security contributions	5,450	-	5,450	5,450	-
Other retirement contributions - PERS	9,750	-	9,750	9,750	-
Workmen's compensation	500	-	500	500	-
Health benefits	21,132	-	21,132	21,132	-
Other employee benefits	350	-	350	350	-
Total	<u>37,182</u>	<u>-</u>	<u>37,182</u>	<u>37,182</u>	<u>-</u>
Support services - school administration					
Social Security contributions	2,400	-	2,400	2,352	48
Other retirement contributions - PERS	2,200	-	2,200	2,200	-
Workmen's compensation	1,125	-	1,125	1,125	-
Health benefits	11,389	-	11,389	11,389	-
Other employee benefits	-	1,500	1,500	1,500	-
Total	<u>17,114</u>	<u>1,500</u>	<u>18,614</u>	<u>18,566</u>	<u>48</u>
Support Services - central services					
Social Security contributions	3,825	-	3,825	3,750	75
Other retirement contributions - PERS	7,000	-	7,000	7,000	-
Workmen's compensation	1,500	-	1,500	1,500	-
Health benefits	30,867	-	30,867	30,867	-
Other employee benefits	800	-	800	800	-
Total	<u>43,992</u>	<u>-</u>	<u>43,992</u>	<u>43,917</u>	<u>75</u>
Required maintenance for school facilities					
Social Security contributions	5,000	(711)	4,289	4,289	-
Other retirement contributions - PERS	8,500	-	8,500	8,500	-
Workmen's compensation	750	-	750	750	-
Health benefits	27,895	-	27,895	27,895	-
Other employee benefits	300	-	300	300	-
Total	<u>42,445</u>	<u>(711)</u>	<u>41,734</u>	<u>41,734</u>	<u>-</u>
Custodial services					
Social Security contributions	15,000	-	15,000	13,585	1,415
Other retirement contributions - PERS	22,500	-	22,500	20,223	2,277
Health benefits	63,962	-	63,962	63,692	270
Other employee benefits	660	-	660	660	-
Total	<u>102,122</u>	<u>-</u>	<u>102,122</u>	<u>98,160</u>	<u>3,962</u>

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2020

	Unaudited			Actual	Variance Final to Actual
	Original Budget	Budget Transfers	Final Budget		
Expenditures (cont'd)					
Student transportation services					
Social Security contributions	\$ 2,500	\$ -	\$ 2,500	\$ 1,965	\$ 535
Other retirement contributions - regular	1,100	(89)	1,011	1,011	-
Total	<u>3,600</u>	<u>(89)</u>	<u>3,511</u>	<u>2,976</u>	<u>535</u>
Total allocated benefits - employees	<u>\$ 814,142</u>	<u>\$ 10,387</u>	<u>\$ 824,529</u>	<u>\$ 801,674</u>	<u>\$ 22,855</u>
On-behalf TPAF Pension contribution	\$ -	\$ -	\$ -	\$ 477,716	\$ (477,716)
On-behalf TPAF Postretirement medical benefits	-	-	-	177,224	(177,224)
On-behalf TPAF Long-term disability insurance	-	-	-	507	(507)
Reimbursed TPAF Social Security contribution	-	-	-	163,961	(163,961)
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>819,408</u>	<u>(819,408)</u>
Total undistributed expenditures	<u>\$ 3,859,065</u>	<u>\$ (87,238)</u>	<u>\$ 3,771,827</u>	<u>\$ 4,139,582</u>	<u>\$ (367,755)</u>
Total current	<u>\$ 6,402,614</u>	<u>\$ (126,897)</u>	<u>\$ 6,275,717</u>	<u>\$ 6,452,683</u>	<u>\$ (176,966)</u>
Capital outlay					
Equipment					
Grades 1-5	\$ 8,467	\$ -	\$ 8,467	\$ 8,467	\$ -
Undistributed					
Undistributed expenditures - instruction	28,181	(7,962)	20,219	20,219	-
Undistributed expend. - required maint. for school facilities	5,000	(5,000)	-	-	-
Undistributed expenditures - care and upkeep of grounds	-	12,824	12,824	12,824	-
Undistributed expenditures - security	22,940	-	22,940	22,940	-
Total equipment	<u>64,588</u>	<u>(138)</u>	<u>64,450</u>	<u>64,450</u>	<u>-</u>
Facilities acquisition and construction service					
Architectural/engineering services	311	23,242	23,553	6,219	17,334
Construction services	-	1,372,017	1,372,017	-	1,372,017
Lease purchase agreements – principal	229,067	3,000	232,067	232,066	1
Assessment for debt service on SDA funding	36,136	-	36,136	36,136	-
Total facilities acquisition and construction service	<u>265,514</u>	<u>1,398,259</u>	<u>1,663,773</u>	<u>274,421</u>	<u>1,389,352</u>
Assets acquired under capital leases (non-budgeted)					
Undistributed					
Undistributed expend. - required maint. for school facilities	-	1,200,000	1,200,000	-	1,200,000
Total assets acquired under capital leases	<u>-</u>	<u>1,200,000</u>	<u>1,200,000</u>	<u>-</u>	<u>1,200,000</u>
Total capital outlay	<u>\$ 330,102</u>	<u>\$ 2,598,121</u>	<u>\$ 2,928,223</u>	<u>\$ 338,871</u>	<u>\$ 2,589,352</u>
Total expenditures	<u>\$ 6,732,716</u>	<u>\$ 2,471,224</u>	<u>\$ 9,203,940</u>	<u>\$ 6,791,554</u>	<u>\$ 2,412,386</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (199,634)</u>	<u>\$ (2,471,224)</u>	<u>\$ (2,670,858)</u>	<u>\$ 598,516</u>	<u>\$ 3,269,374</u>

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2020

	Unaudited				Variance
	Original	Budget	Final		Final
	Budget	Transfers	Budget	Actual	to Actual
Other financing sources (uses)					
Operating transfer out					-
Transfer to fiduciary fund - board contribution	\$ -	\$ (50,000)	\$ (50,000)	\$ (50,000)	\$ -
Total other financing sources (uses)	-	(50,000)	(50,000)	(50,000)	-
Excess (deficiency) of revenues & other financing sources over (under) expenditures & other financing uses	(199,634)	(2,521,224)	(2,720,858)	548,516	3,269,374
Fund balances, July 1	2,083,416	-	2,083,416	2,083,416	-
Fund balances, June 30	\$ 1,883,782	\$ (2,521,224)	\$ (637,442)	\$ 2,631,932	\$ 3,269,374
Recapitulation of excess (deficiency) of revenues over (under) expenditures					
Adjustment for prior year encumbrances	\$ (115,086)	\$ -	\$ (115,086)	\$ (115,086)	\$ -
Increase in capital reserve	-	720,850	720,850	720,850	-
Interest deposit to capital reserve	6,000	-	6,000	8,428	2,428
Interest earned on maintenance reserve	1,200	-	1,200	-	(1,200)
Withdrawal from maintenance reserve	(1,200)	1,200	-	-	-
Budgeted fund balance	(90,548)	(3,243,274)	(3,333,822)	(65,676)	3,268,146
Total	\$ (199,634)	\$ (2,521,224)	\$ (2,720,858)	\$ 548,516	\$ 3,269,374
Recapitulation of fund balance					
Restricted fund balance					
Excess surplus - designated for subsequent year's expenditures				\$ 2,554	
Capital reserve				1,780,160	
Maintenance reserve				407,807	
Committed fund balance					
Year-end encumbrances				172,760	
Assigned fund balance					
Designated for subsequent year's expenditures				1,547	
Unassigned fund balance				267,104	
Fund balance per budgetary basis				2,631,932	
Reconciliation to governmental statements (GAAP)					
Last state aid payments not recognized on GAAP basis				(31,520)	
Fund balance per governmental funds (GAAP)				\$ 2,600,412	

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Special Revenue Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2020

	Unaudited			Actual	Variance Final to Actual
	Original Budget	Budget Transfers	Final Budget		
Revenues					
Local sources	\$ 920	\$ -	\$ 920	\$ 920	\$ -
State sources	50,911	-	50,911	46,048	(4,863)
Federal sources	123,366	-	123,366	123,366	-
Total revenues	<u>\$ 175,197</u>	<u>\$ -</u>	<u>\$ 175,197</u>	<u>\$ 170,334</u>	<u>\$ (4,863)</u>
Expenditures					
Instruction					
Purchased professional & technical services	\$ 395	\$ -	\$ 395	\$ 395	\$ -
General supplies	24,658	18,694	43,352	43,141	211
Textbooks	4,691	-	4,691	4,691	-
Total	<u>29,744</u>	<u>18,694</u>	<u>48,438</u>	<u>48,227</u>	<u>211</u>
Support services					
Tuition	40,000	-	40,000	40,000	-
Purchased professional & technical services	71,258	15,501	86,759	82,107	4,652
Other purchased services	8,072	(8,072)	-	-	-
Total	<u>119,330</u>	<u>7,429</u>	<u>126,759</u>	<u>122,107</u>	<u>4,652</u>
Capital outlay					
Instructional equipment	26,123	(26,123)	-	-	-
Total expenditures	<u>\$ 175,197</u>	<u>\$ -</u>	<u>\$ 175,197</u>	<u>\$ 170,334</u>	<u>\$ 4,863</u>

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to Required Supplementary Information
Budget-to-GAAP Reconciliation
For the Fiscal Year Ended June 30, 2020

Explanation of Differences Between Budgetary Inflows and
Outflows and GAAP Revenues and Expenditures

Sources/Inflows of Resources	General Fund	Special Revenue Fund
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	\$ 7,390,070	\$ 170,334
Difference - Budget to GAAP		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures and the related revenue is recognized:		
Outstanding encumbrances - prior year	-	5,287
Outstanding encumbrances - current year	-	(638)
Differences - Budget to GAAP		
The last state aid payment is recognized as revenue for budgetary purposes, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expenses (GASB 33):		
State aid receivable - prior year	28,529	-
State aid receivable - current year	(31,520)	-
Total revenues (GAAP basis)	\$ 7,387,079	\$ 174,983
Uses/Outflows of Resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 6,791,554	\$ 170,334
Differences - Budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes:		
Outstanding encumbrances - prior year	-	5,287
Outstanding encumbrances - current year	-	(638)
Total expenditures (GAAP basis)	\$ 6,791,554	\$ 174,983

See independent auditors' report.

REQUIRED SUPPLEMENTARY INFORMATION - PART III

**SCHEDULES RELATED TO ACCOUNTING AND
REPORTING FOR PENSIONS (GASB 68) (UNAUDITED)**

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Liability - Public Employees Retirement System
Last Ten Fiscal Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
District's proportion of the net pension liability (asset) - percentage	N/A	0.0068237513%	0.0040684600%	0.0033631508%	0.0037821410%	0.0028656611%	0.0079867967%	0.0078899285%	N/A	N/A
District's proportion of the net pension liability (asset) - value	\$ -	\$ 1,229,536	\$ 801,059	\$ 782,888	\$ 1,120,162	\$ 643,283	\$ 1,495,347	\$ 1,507,922	N/A	N/A
District's covered employee payroll	523,262	467,754	313,395	269,526	245,198	256,430	239,690	549,155	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	N/A	262.86%	255.61%	290.47%	456.84%	250.86%	623.87%	274.59%	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	56.27%	53.60%	48.10%	40.14%	47.93%	52.08%	48.72%	N/A	N/A

N/A - Not Available

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Schedule of District's Contributions - Public Employees Retirement System
Last Ten Fiscal Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 66,375	\$ 40,468	\$ 31,156	\$ 33,600	\$ 24,637	\$ 65,845	\$ 59,449	\$ 58,511	\$ 55,025	\$ 18,497
Contributions in relation to the contractually required contribution	(66,375)	(40,468)	(31,156)	(33,600)	(24,637)	(65,845)	(59,449)	(58,511)	(55,025)	(18,497)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 523,262	\$ 467,754	\$ 313,395	\$ 269,526	\$ 245,198	\$ 256,430	\$ 239,690	\$ 549,155	\$ 553,475	\$ 495,256
Contributions as a percentage of covered employee payroll	12.68%	8.65%	9.94%	12.47%	10.05%	25.68%	24.80%	10.65%	9.94%	3.73%

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability - Teacher's Pension and Annuity Fund
Last Ten Fiscal Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
District's proportion of the net pension liability (asset) - percentage	N/A	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	N/A	N/A
District's proportion of the net pension liability (asset) - value	N/A	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	N/A	N/A
State's proportionate share of the net pension liability (asset) associated with the District	\$ -	14,912,668	16,217,588	15,497,015	17,984,152	12,689,567	10,200,574	11,273,116	\$ -	\$ -
Total	\$ -	\$ 14,912,668	\$ 16,217,588	\$ 15,497,015	\$ 17,984,152	\$ 12,689,567	\$ 10,200,574	\$ 11,273,116	\$ -	\$ -
District's covered employee payroll	\$ 2,289,101	\$ 2,376,730	\$ 2,270,414	\$ 2,506,048	\$ 2,447,015	\$ 2,286,558	\$ 2,267,805	\$ 2,024,616	\$ -	\$ -
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	N/A	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	26.95%	26.49%	25.41%	22.33%	28.71%	33.64%	33.76%	N/A	N/A

N/A - Not Available

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Schedule of District's Contributions - Teacher's Pension and Annuity Fund
Last Ten Fiscal Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 488,571	\$ 385,353	\$ 384,520	\$ 258,531	\$ 183,036	\$ 108,544	\$ 80,740	\$ 144,128	\$ 87,092	\$ 7,477
Contributions in relation to the contractually required contribution	<u>(488,571)</u>	<u>(385,353)</u>	<u>(384,520)</u>	<u>(258,531)</u>	<u>(183,036)</u>	<u>(108,544)</u>	<u>(80,740)</u>	<u>(144,128)</u>	<u>(87,092)</u>	<u>(7,477)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 2,289,101	\$ 2,376,730	\$ 2,270,414	\$ 2,506,048	\$ 2,447,015	\$ 2,286,558	\$ 2,267,805	\$ 2,024,616	\$ 1,912,015	\$ 2,224,022
Contributions as a percentage of covered employee payroll	21.34%	16.21%	16.94%	10.32%	7.48%	4.75%	3.56%	7.12%	4.55%	0.34%

See independent auditors' report.

**SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR
OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS (GASB 75) (UNAUDITED)**

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Other
Postemployment Employee Benefits Liability
Last Ten Fiscal Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
District's proportionate share of the other postemployment employee benefits liability (asset) - percentage	N/A	0.00%	0.00%	0.00%	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the other postemployment employee benefits liability (asset) - value	N/A	\$ -	\$ -	\$ -	N/A	N/A	N/A	N/A	N/A	N/A
State's proportionate share of the other postemployment employee benefits liability (asset) associated with the District	N/A	8,614,080	9,419,302	11,232,661	N/A	N/A	N/A	N/A	N/A	N/A
Total	\$ -	\$ 8,614,080	\$ 9,419,302	\$ 11,232,661	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	N/A	\$ 2,844,484	\$ 2,583,809	\$ 2,775,574	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	N/A	0.00%	0.00%	0.00%	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	0.00%	0.00%	0.00%	N/A	N/A	N/A	N/A	N/A	N/A

N/A - Not Available

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Required Supplementary Information - Part III
(Unaudited)
June 30, 2020

- Note 1 - Special funding situation - TPAF and other postretirement benefits
The participating employer allocations included in the supplemental Schedule of Employer Special Funding Allocations and the supplemental Schedule of Special Funding Amounts by Employer for each local employer are provided as each local employer is required to record in their financial statements, as an expense and corresponding revenue, their proportionate share of the pension expense and other postretirement benefits (OPEB) expense allocated to the State of New Jersey (the State) under the special-funding situation and include their proportionate share of the net pension liability and OPEB liability in their respective notes to their financial statements. For this purpose, the proportionate share was developed based on actual contributions made to the Teachers' Pension and Annuity Fund and for OPEB allocated to employers based upon covered payroll and adjusted by expected State Early Retirement Incentive contributions for the respective fiscal year.
- Note 2 - Changes in assumptions - TPAF
The discount rate was 4.86% in State fiscal year 2018 and 5.60% in State fiscal year 2019. The inflation rate was 2.25% for State fiscal years 2018 and 2.75% in State fiscal year 2019.
- Note 3 - Changes in assumptions - PERS
The discount rate was 5.66% in State fiscal year 2018 and 6.28% in State fiscal year 2019. The inflation rate was 2.25% for State fiscal year 2018 and 2.75% for State fiscal year 2019.
- Note 4 - Changes in assumptions - other postretirement employee benefits
The other postretirement employee benefits discount rate decreased from 3.87% in State fiscal year 2018 to 3.50% in State fiscal year 2019. The inflation rate was 2.50% for State fiscal year 2018 and 2019.
- Note 5 - Changes in healthcare trend assumptions - other postretirement employee benefits
For Pre-Medicare medical benefits, the trend rate is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully insured Medicare Advantage trend rate for fiscal year 2020 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%.
- Note 6 - Changes in benefit term assumptions - other postretirement employee benefits
There were no changes of the benefit terms from June 30, 2018 to June 30, 2019.

SPECIAL REVENUE FUND

The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted expenditures for specific purposes.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Special Revenue Fund
Combining Schedule of Program Revenues And Expenditures
Budgetary Basis
For the Fiscal Year Ended June 30, 2020

	ESSA Title IIA	ESSA Title IVA	IDEA Basic	IDEA Preschool	REAP	Non-public Grants	Local Grants	Total
Revenues								
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 920	\$ 920
State sources	-	-	-	-	-	46,048	-	46,048
Federal sources	5,501	10,000	77,215	4,527	26,123	-	-	123,366
Total revenues	\$ 5,501	\$ 10,000	\$ 77,215	\$ 4,527	\$ 26,123	\$ 46,048	\$ 920	\$ 170,334
Expenditures								
Instruction								
Purchased professional & technical services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 395	\$ 395
General supplies	-	-	-	-	26,123	16,493	525	43,141
Textbooks	-	-	-	-	-	4,691	-	4,691
Total	-	-	-	-	26,123	21,184	920	48,227
Support services								
Tuition	-	-	40,000	-	-	-	-	40,000
Purchased professional & technical services	5,501	10,000	37,215	4,527	-	24,864	-	82,107
Other objects	-	-	-	-	-	-	-	-
Total	5,501	10,000	77,215	4,527	-	24,864	-	122,107
Total expenditures	\$ 5,501	\$ 10,000	\$ 77,215	\$ 4,527	\$ 26,123	\$ 46,048	\$ 920	\$ 170,334

See independent auditors' report.

CAPITAL PROJECTS FUND

The Capital Projects Fund is used to account for the acquisition and construction of major capital facilities and equipment purchases other than those financed by proprietary funds.

(NOT APPLICABLE TO THIS REPORT)

PROPRIETARY FUND

Proprietary Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the District's Board is that the costs of providing goods or services be financed through user charges.

See Statements B-4, B-5, and B-6

FIDUCIARY FUNDS

Fiduciary Funds are used to account for funds received by the School District as an agent for individuals, private organizations, other government and/or other funds.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Fiduciary Funds
Combining Statement of Net Position
June 30, 2020

	Unemployment Compensation Fund	Student Activity Agency Fund	Payroll Agency Fund	Total
Assets				
Cash and cash equivalents	\$ 255,512	\$ 25,492	\$ 3	\$ 281,007
Total assets	<u>\$ 255,512</u>	<u>\$ 25,492</u>	<u>\$ 3</u>	<u>\$ 281,007</u>
Liabilities				
Due to students groups	\$ -	\$ 25,492	\$ -	\$ 25,492
Payroll deductions & withholdings	-	-	3	3
Total liabilities	<u>-</u>	<u>25,492</u>	<u>3</u>	<u>25,495</u>
Net position				
Held in trust for unemployment claims & other purposes	<u>\$ 255,512</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 255,512</u>

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Fiduciary Fund
Unemployment Compensation Fund
Statement of Changes in Net Position
For the Fiscal Year Ended June 30, 2020

Additions	
Employee contributions	\$ 4,877
Board contribution	50,000
Investment earnings - interest	<u>1,568</u>
Total additions	56,445
Deductions	
Unemployment claims	<u>-</u>
Change in net position	56,445
Net position - beginning of the year	<u>199,067</u>
Net position - end of the year	<u><u>\$ 255,512</u></u>

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Student Activity Agency Fund
Schedule of Receipts and Disbursements
For the Fiscal Year Ended June 30, 2020

	Balance 07/01/19	Additions	Reductions	Balance 06/30/20
Assets				
Cash and cash equivalents	\$ 25,076	\$ 17,936	\$ 17,520	\$ 25,492
Total assets	\$ 25,076	\$ 17,936	\$ 17,520	\$ 25,492
Liabilities				
Due to student groups	\$ 25,076	\$ 17,936	\$ 17,520	\$ 25,492
Total liabilities	\$ 25,076	\$ 17,936	\$ 17,520	\$ 25,492

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Payroll Agency Fund
Schedule of Receipts and Disbursements
For the Fiscal Year Ended June 30, 2020

	<u>Balance</u> <u>07/01/19</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/20</u>
Assets				
Cash and cash equivalents	\$ 100,700	\$ 3,323,916	\$ 3,424,613	\$ 3
Total assets	<u>\$ 100,700</u>	<u>\$ 3,323,916</u>	<u>\$ 3,424,613</u>	<u>\$ 3</u>
Liabilities				
Due to other funds	\$ -	\$ 4,877	\$ 4,877	\$ -
Summer pay	100,699	99,256 2	199,955	-
Payroll deductions & withholdings	1	1,379,750	1,379,748	3
Net payroll	-	1,840,033	1,840,033	-
Total liabilities	<u>\$ 100,700</u>	<u>\$ 3,323,916</u>	<u>\$ 3,424,613</u>	<u>\$ 3</u>

See independent auditors' report.

LONG-TERM DEBT SCHEDULES

The Long-term Debt Schedules are used to reflect the outstanding principal balances of the general long-term liabilities of the School District. This includes serial bonds outstanding, obligations under capital leases, and early retirement program.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Long-Term Debt
Schedule of Serial Bonds
For the Fiscal Year Ended June 30, 2020

Issue	Date of Issue	Amount of Issue	Annual Maturities		Interest Rate	Balance 07/01/19	Issued	Retired	Balance 06/30/20
			Date	Amount					
2012 Refunding issue of 2005 series	03/17/13	\$ 5,380,000	02/15/21	\$ 535,000	3.00%	\$ 3,405,000	\$ -	\$ 520,000	\$ 2,885,000
			02/15/22	555,000	4.00%	-	-	-	-
			02/15/23	575,000	4.00%	-	-	-	-
			02/15/24	600,000	4.00%	-	-	-	-
			02/15/25	620,000	4.00%	-	-	-	-
					<u>\$ 3,405,000</u>	<u>\$ -</u>	<u>\$ 520,000</u>	<u>\$ 2,885,000</u>	

See independent auditor's report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Long-Term Debt
Schedule of Obligations Under Capital Leases
For the Fiscal Year Ended June 30, 2020

Description	Interest Rate	Amount of Original Issue	Balance 07/01/19	Issued	Retired	Balance 06/30/20
Security improvements, roofing replacement, exterior concrete stair replacement, and basement water infiltrations	2.87%	\$ 1,200,000	\$ 1,200,000	\$ -	\$ 232,066	\$ 967,934
			<u>\$ 1,200,000</u>	<u>\$ -</u>	<u>\$ 232,066</u>	<u>\$ 967,934</u>

See independent auditor's report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Debt Service Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2020

	Unaudited			Actual	Variance Final to Actual
	Original Budget	Budget Transfers	Final Budget		
Revenues					
Local sources					
Local tax levy	\$ 645,650	\$ -	\$ 645,650	\$ 645,650	\$ -
Total revenues	<u>645,650</u>	<u>-</u>	<u>645,650</u>	<u>645,650</u>	<u>-</u>
Expenditures					
Regular debt service					
Redemption of principal	520,000	-	520,000	520,000	-
Interest on bonds	125,650	-	125,650	125,650	-
Total expenditures	<u>645,650</u>	<u>-</u>	<u>645,650</u>	<u>645,650</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	-
Fund balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.

STATISTICAL SECTION

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Statistical Section J Series

Contents	Page
FINANCIAL TRENDS	
These schedules contain trend information to help the reader understand how the District's financial performance and well being have changed over time.	J-1 to J-5
REVENUE CAPACITY	
These schedules contain trend information to help the reader assess the District's most significant local revenue sources, the property tax.	J-6 to J-9
DEBT CAPACITY	
These schedules contain trend information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	J-10 to J-13
DEMOGRAPHIC AND ECONOMIC INFORMATION	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	J-14 to J-15
OPERATING INFORMATION	
These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	J-16 to J-20
Sources: Unless otherwise noted, the information in these schedules are derived from the Comprehensive Annual Financial Reports (CAFR) for the relevant year.	

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Net Position by Component
Last Ten Fiscal Years (Accrual Basis of Accounting)

	Fiscal Year Ended June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Government activities										
Net investment in capital assets	\$ 5,214,736	\$ 6,342,655	\$ 6,561,217	\$ 6,667,919	\$ 6,709,605	\$ 6,963,838	\$ 7,155,687	\$ 7,343,926	\$ 7,361,529	\$ 7,535,789
Restricted	219,945	216,808	105,550	161,623	254,246	414,577	574,340	1,052,110	1,458,689	2,187,967
Unrestricted	212,350	364,836	242,654	(1,334,360)	(959,799)	(874,319)	(931,629)	(646,379)	(585,618)	(704,967)
Total governmental activities	<u>\$ 5,647,031</u>	<u>\$ 6,924,299</u>	<u>\$ 6,909,421</u>	<u>\$ 5,495,182</u>	<u>\$ 6,004,052</u>	<u>\$ 6,504,096</u>	<u>\$ 6,798,398</u>	<u>\$ 7,749,657</u>	<u>\$ 8,234,600</u>	<u>\$ 9,018,789</u>
Business-type activities										
Net investment in capital assets	\$ 5,721	\$ 4,687	\$ 10,541	\$ 9,407	\$ 8,273	\$ 7,139	\$ 13,188	\$ 11,402	\$ 11,026	\$ 9,591
Unrestricted	30,599	47,786	43,579	70,836	80,880	67,869	29,489	35,482	3,741	2,007
Total business-type activities	<u>\$ 36,320</u>	<u>\$ 52,473</u>	<u>\$ 54,120</u>	<u>\$ 80,243</u>	<u>\$ 89,153</u>	<u>\$ 75,008</u>	<u>\$ 42,677</u>	<u>\$ 46,884</u>	<u>\$ 14,767</u>	<u>\$ 11,598</u>
District-wide										
Net investment in capital assets	\$ 5,220,457	\$ 6,347,342	\$ 6,571,758	\$ 6,677,326	\$ 6,717,878	\$ 6,970,977	\$ 7,168,875	\$ 7,355,328	\$ 7,372,555	\$ 7,545,380
Restricted	219,945	216,808	105,550	161,623	254,246	414,577	574,340	1,052,110	1,458,689	2,187,967
Unrestricted	242,949	412,622	286,233	(1,263,524)	(878,919)	(806,450)	(902,140)	(610,897)	(581,877)	(702,960)
Total district-wide	<u>\$ 5,683,351</u>	<u>\$ 6,976,772</u>	<u>\$ 6,963,541</u>	<u>\$ 5,575,425</u>	<u>\$ 6,093,205</u>	<u>\$ 6,579,104</u>	<u>\$ 6,841,075</u>	<u>\$ 7,796,541</u>	<u>\$ 8,249,367</u>	<u>\$ 9,030,387</u>

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Changes in Net Position
Last Ten Fiscal Years (Accrual Basis of Accounting)

	Fiscal Year Ended June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Governmental activities										
Instruction										
Regular	\$ 2,090,352	\$ 2,218,651	\$ 2,849,071	\$ 2,861,410	\$ 3,089,186	\$ 3,989,038	\$ 4,153,428	\$ 4,464,813	\$ 4,530,474	\$ 3,759,052
Special education	870,187	824,142	842,105	881,283	898,844	657,463	837,329	437,254	688,953	711,896
Other special education	73,642	70,895	76,299	61,467	75,775	123,932	98,611	193,872	3,878	-
Other instruction	-	-	2,487	12,874	25,385	37,681	46,678	47,347	78,127	326,706
Support services										
Tuition	299,914	277,380	306,290	326,465	297,520	331,905	210,704	323,119	324,918	197,510
Student & instruction related services	668,054	622,515	685,155	717,766	757,493	798,516	995,930	1,123,937	1,234,490	1,459,329
General & business administrative services	506,821	513,941	643,084	595,459	627,610	643,343	712,448	661,909	634,784	632,463
School administration	95,215	76,015	76,598	82,020	109,434	91,214	138,232	86,456	89,842	73,689
Plant operations & maintenance	458,022	547,556	570,862	474,002	472,717	478,728	663,211	628,220	770,890	815,295
Pupil transportation	347,574	370,143	312,120	312,307	300,046	110,350	458,737	310,738	359,248	303,148
Interest on long-term debt	288,743	273,307	248,144	275,787	225,236	248,948	192,159	177,688	185,275	155,304
Total governmental activities expenses	<u>5,698,524</u>	<u>5,794,545</u>	<u>6,612,215</u>	<u>6,600,840</u>	<u>6,879,246</u>	<u>7,511,118</u>	<u>8,507,467</u>	<u>8,455,353</u>	<u>8,900,879</u>	<u>8,434,392</u>
Business-type activities										
Food services	55,693	95,733	67,922	66,830	62,861	67,225	71,754	73,548	71,519	57,500
Pre K & K wrap program	12,121	16,013	21,941	20,275	48,709	65,014	61,000	15,750	-	-
Total business-type activities	<u>67,814</u>	<u>111,746</u>	<u>89,863</u>	<u>87,105</u>	<u>111,570</u>	<u>132,239</u>	<u>132,754</u>	<u>89,298</u>	<u>71,519</u>	<u>57,500</u>
Total district expenses	<u>\$ 5,766,338</u>	<u>\$ 5,906,291</u>	<u>\$ 6,702,078</u>	<u>\$ 6,687,945</u>	<u>\$ 6,990,816</u>	<u>\$ 7,643,357</u>	<u>\$ 8,640,221</u>	<u>\$ 8,544,651</u>	<u>\$ 8,972,398</u>	<u>\$ 8,491,892</u>

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Changes in Net Position (continued)
Last Ten Fiscal Years (Accrual Basis of Accounting)

	Fiscal Year Ended June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Program revenues										
Governmental activities										
Charges for services										
Instruction	\$ -	\$ -	\$ -	\$ 1,147	\$ 11,511	\$ 16,672	\$ 11,314	\$ -	\$ 90,567	\$ 56,130
General & business administration services	-	-	-	-	-	-	13,750	31,400	-	-
Plant operations & maintenance	-	-	-	7,702	250	472	3,800	3,245	2,790	3,688
Pupil transportation	-	-	-	195	-	-	-	-	7,500	14,998
Operating grants & contributions	86,341	198,325	156,464	147,083	142,654	126,913	147,159	165,753	214,490	174,983
Total governmental activities program revenues	<u>86,341</u>	<u>198,325</u>	<u>156,464</u>	<u>156,127</u>	<u>154,415</u>	<u>144,057</u>	<u>176,023</u>	<u>200,398</u>	<u>315,347</u>	<u>249,799</u>
Business-type activities										
Charges for services										
Food service	42,869	63,578	56,307	54,649	49,919	55,939	50,332	57,260	53,395	39,452
Pre K & K wrap program	17,945	46,481	22,465	43,975	56,813	46,834	36,293	41,594	-	-
Operating grants & contributions	9,767	18,278	12,709	14,581	13,714	15,260	13,723	14,383	16,480	14,559
Total business - type activities program revenues	<u>70,581</u>	<u>128,337</u>	<u>91,481</u>	<u>113,205</u>	<u>120,446</u>	<u>118,033</u>	<u>100,348</u>	<u>113,237</u>	<u>69,875</u>	<u>54,011</u>
Total district - program revenues	<u>\$ 156,922</u>	<u>\$ 326,662</u>	<u>\$ 247,945</u>	<u>\$ 269,332</u>	<u>\$ 274,861</u>	<u>\$ 262,090</u>	<u>\$ 276,371</u>	<u>\$ 313,635</u>	<u>\$ 385,222</u>	<u>\$ 303,810</u>
Net (expense) revenues										
Governmental activities	\$ (5,612,183)	\$ (5,596,220)	\$ (6,455,751)	\$ (6,444,713)	\$ (6,724,831)	\$ (7,367,061)	\$ (8,331,444)	\$ (8,254,955)	\$ (8,585,532)	\$ (8,184,593)
Business-type activities	2,767	16,591	1,618	26,100	8,876	(14,206)	(32,406)	23,939	(1,644)	(3,489)
Total district-wide net expenses	<u>\$ (5,609,416)</u>	<u>\$ (5,579,629)</u>	<u>\$ (6,454,133)</u>	<u>\$ (6,418,613)</u>	<u>\$ (6,715,955)</u>	<u>\$ (7,381,267)</u>	<u>\$ (8,363,850)</u>	<u>\$ (8,231,016)</u>	<u>\$ (8,587,176)</u>	<u>\$ (8,188,082)</u>

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Changes in Net Position (continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year Ended June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General revenues & other changes in net position										
Governmental activities										
Property taxes levied for general purposes, net	\$ 4,807,114	\$ 4,903,256	\$ 5,027,551	\$ 5,128,102	\$ 5,230,664	\$ 5,335,277	\$ 5,439,982	\$ 5,548,782	\$ 5,659,758	\$ 5,859,583
Taxes levied for debt service	657,060	658,185	658,747	640,774	639,875	643,550	634,698	645,500	645,800	645,650
Unrestricted grants & contributions	568,415	714,120	753,265	737,015	1,349,588	1,805,503	2,502,994	2,941,300	2,676,545	2,380,757
State capital grant not restricted	1,985,254	553,049	-	-	-	-	-	-	-	-
Tuition income	-	6,073	-	-	-	-	-	-	-	-
Investment earnings	3,337	8,743	5,416	4,607	4,886	5,317	6,651	14,936	27,024	38,301
Miscellaneous income	3,467	26,423	5,666	64,755	8,688	77,458	41,424	35,696	29,771	64,309
Special item-insurance claim proceeds for storm damage	-	-	18,228	-	-	-	-	-	-	-
Operating transfer	-	3,639	(28,000)	(96,306)	-	-	-	20,000	31,577	-
Gain (loss) on disposal of assets	-	-	-	-	-	-	-	-	-	(19,818)
Prior year adjustment	-	-	-	-	-	-	(3)	-	-	-
Total governmental activities	8,024,647	6,873,488	6,440,873	6,478,947	7,233,701	7,867,105	8,625,746	9,206,214	9,070,475	8,968,782
Business-type activities										
Investment earnings	-	144	29	23	34	61	75	58	74	69
Miscellaneous income	-	3,057	-	-	-	-	-	210	200	251
Gain on disposal of assets	-	-	-	-	-	-	-	-	830	-
Operating transfer	-	(3,639)	-	-	-	-	-	(20,000)	(31,577)	-
Total business-type activities	-	(438)	29	23	34	61	75	(19,732)	(30,473)	320
Total district-wide	\$ 8,024,647	\$ 6,873,050	\$ 6,440,902	\$ 6,478,970	\$ 7,233,735	\$ 7,867,166	\$ 8,625,821	\$ 9,186,482	\$ 9,040,002	\$ 8,969,102
Change in net position										
Governmental activities	\$ 2,412,464	\$ 1,277,268	\$ (14,878)	\$ 34,234	\$ 508,870	\$ 500,044	\$ 294,302	\$ 951,259	\$ 484,943	\$ 784,189
Business-type activities	2,767	16,153	1,647	26,123	8,910	(14,145)	(32,331)	4,207	(32,117)	(3,169)
Total district	\$ 2,415,231	\$ 1,293,421	\$ (13,231)	\$ 60,357	\$ 517,780	\$ 485,899	\$ 261,971	\$ 955,466	\$ 452,826	\$ 781,020

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Fund Balances - Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ended June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General fund										
Restricted	\$ 1	\$ 272,168	\$ 221,570	\$ 223,702	\$ 289,261	\$ 500,143	\$ 704,023	\$ 1,121,260	\$ 1,465,344	\$ 2,190,521
Committed	8,547	71,504	145,081	106,423	329,387	393,057	99,877	234,210	115,086	172,760
Assigned	-	56,147	728	-	7,417	-	-	-	181,754	1,547
Unassigned	337,762	332,415	299,663	235,073	235,310	294,474	345,955	341,220	292,703	235,584
Total general fund	<u>\$ 346,310</u>	<u>\$ 732,234</u>	<u>\$ 667,042</u>	<u>\$ 565,198</u>	<u>\$ 861,375</u>	<u>\$ 1,187,674</u>	<u>\$ 1,149,855</u>	<u>\$ 1,696,690</u>	<u>\$ 2,054,887</u>	<u>\$ 2,600,412</u>
All other governmental funds										
Restricted, reported in										
Capital projects fund	\$ 216,612	\$ 3,475	\$ -	\$ 3	\$ 6	\$ -	\$ -	\$ -	\$ -	\$ -
Assigned, reported in										
Capital projects fund	3,332	950	866	-	-	-	-	-	-	-
Debt service fund	-	3,332	3,332	10,052	10,052	10,058	-	-	-	-
Total all other governmental funds	<u>\$ 219,944</u>	<u>\$ 7,757</u>	<u>\$ 4,198</u>	<u>\$ 10,055</u>	<u>\$ 10,058</u>	<u>\$ 10,058</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Changes in Fund Balances - Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ended June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues										
Tax levy	\$ 5,464,174	\$ 5,561,441	\$ 5,686,298	\$ 5,768,876	\$ 5,870,539	\$ 5,978,827	\$ 6,074,680	\$ 6,194,282	\$ 6,305,558	\$ 6,505,233
Tuition charges	-	6,073	-	-	11,511	16,672	11,314	-	90,567	56,130
Transportation fees	-	-	-	-	-	-	-	-	7,500	14,998
Rents and royalties	-	-	-	-	-	-	3,800	3,245	2,790	3,688
Interest earnings	3,337	8,743	5,416	4,607	4,886	5,317	6,651	14,936	27,024	38,301
Miscellaneous	3,511	26,468	5,724	27,963	8,938	40,412	55,540	67,096	31,759	65,229
State sources	2,582,609	1,271,308	768,898	764,613	830,410	1,048,292	1,179,856	1,325,422	1,462,048	1,396,118
Federal sources	57,357	194,141	140,773	118,759	112,945	109,312	118,672	131,813	170,676	128,015
Total revenues	8,110,988	7,068,174	6,607,109	6,684,818	6,839,229	7,198,832	7,450,513	7,736,794	8,097,922	8,207,712
Expenditures										
Instruction										
Regular instruction	1,529,447	1,508,190	1,785,923	2,019,154	1,900,067	2,471,583	2,159,749	2,025,138	2,139,465	1,898,142
Special education instruction	557,104	585,297	579,101	654,723	549,939	448,868	507,122	223,801	352,489	375,693
Other special instruction	46,409	46,643	46,930	49,567	49,313	79,251	90,570	91,691	-	-
Other instruction	-	-	2,250	10,504	23,360	31,878	42,872	43,529	46,176	39,266
Support services										
Tuition	265,820	189,108	241,337	242,446	222,436	255,220	148,673	257,033	250,383	157,510
Student & istr. related services	497,188	430,488	468,239	511,373	483,340	503,288	592,148	705,980	698,931	953,002
General administration	244,670	267,257	279,314	262,144	245,585	263,879	286,011	269,412	247,007	210,952
School administration services	55,574	61,567	56,675	56,249	68,111	64,257	71,273	79,842	71,947	41,549
Central services	136,457	117,415	220,052	155,364	158,052	167,526	170,175	173,241	177,728	187,645
Admin information technology	6,967	-	-	-	-	-	-	-	-	-
Plant operations & maintenance	456,597	546,029	567,218	463,225	469,402	479,944	660,124	621,757	720,182	673,582
Pupil transportation	347,574	370,143	312,120	308,916	293,789	135,893	479,708	329,895	354,202	294,260
Employee benefits	775,132	695,983	723,532	726,017	740,667	664,802	661,874	624,106	780,267	801,674
On-behalf TPAF Pension & Social Security contribution	334,228	420,217	454,245	390,098	444,433	586,349	654,951	798,870	880,728	819,408
Capital outlay		35,165	333,053	130,887	52,430	61,256	120,089	68,275	1,255,371	302,735
Capital projects	7,379,974	766,186	3,672	-	-	-	-	-	-	-
Special revenue funds	86,341	198,325	156,464	147,083	142,654	126,913	147,159	165,753	214,490	174,983
Debt service										
Principal	370,000	385,000	400,000	450,000	440,000	460,000	475,000	490,000	505,000	520,000
Interest & other charges	290,288	275,063	282,183	230,242	236,011	219,686	205,886	191,636	176,936	161,786
Total expenditures	13,379,770	6,898,076	6,912,308	6,807,992	6,519,589	7,020,593	7,473,384	7,159,959	8,871,302	7,612,187

See independent auditors' report.

Changes in Fund Balances - Governmental Funds (continued)
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ended June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Excess (deficiency) of revenues over (under) expenditures	\$ (5,268,782)	\$ 170,098	\$ (305,199)	\$ (123,174)	\$ 319,640	\$ 178,239	\$ (22,871)	\$ 576,835	\$ (773,380)	\$ 595,525
Other financing sources (uses)										
Capital leases (non-budgeted)	-	-	167,400	123,493	-	148,060	-	-	1,200,000	-
Proceeds from bond issue	-	-	5,380,000	-	-	-	-	-	-	-
Payment to refunding bond escrow :	-	-	(5,788,917)	-	-	-	-	-	-	-
Premium on bond issue	-	-	487,737	-	-	-	-	-	-	-
Special item-insurance claim proceeds for storm damage	-	-	18,228	-	-	-	-	-	-	-
Transfers in (out)	-	3,639	(28,000)	(96,306)	(23,460)	-	(25,006)	(30,000)	(68,423)	(50,000)
Total other financing sources (uses)	-	3,639	236,448	27,187	(23,460)	148,060	(25,006)	(30,000)	1,131,577	(50,000)
Net change in fund balances	<u>\$ (5,268,782)</u>	<u>\$ 173,737</u>	<u>\$ (68,751)</u>	<u>\$ (95,987)</u>	<u>\$ 296,180</u>	<u>\$ 326,299</u>	<u>\$ (47,877)</u>	<u>\$ 546,835</u>	<u>\$ 358,197</u>	<u>\$ 545,525</u>
Debt service as a percentage of non-capital expenditures	12.37%	12.14%	11.58%	11.34%	11.67%	10.82%	10.20%	10.63%	9.83%	10.29%

Source: District Records

Note: Non-capital expenditures are total expenditures less capital outlay.

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
General Fund - Other Local Revenues by Source
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ended June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Interest income	\$ 5	\$ 7,793	\$ 5,416	\$ 4,604	\$ 4,883	\$ 5,317	\$ 6,651	\$ 14,936	\$ 27,024	\$ 38,301
Tuition	-	6,073	-	-	11,511	16,672	11,314	-	90,567	56,130
Transportation fees	-	-	-	-	-	-	-	-	7,500	14,998
Building use fees/land rent	1,200	800	-	-	250	472	3,800	3,245	2,790	3,688
Prior year refunds	1,160	878	-	-	-	9,007	20,389	557	839	12,046
Student fees - pay to play	-	-	-	-	-	-	-	11,500	10,100	10,300
Outstanding checks voided	-	-	-	-	-	-	400	20	-	-
Book fines	180	18	-	-	-	-	106	4	15	-
Accounts payable canceled	-	530	5,313	-	4,210	-	-	2,695	-	-
Donations	900	300	-	-	-	-	-	-	-	-
Miscellaneous other	13	19	353	18,051	-	-	9,472	16,296	640	622
Miscellaneous refunds	-	160	-	-	-	-	-	-	-	-
Copy fees	14	8	-	-	-	-	-	-	-	-
Sale of scrap metal	-	321	-	-	-	-	-	-	-	-
Fund 20 adjustment	-	23,389	-	-	-	-	-	-	-	-
Return of excess funds	-	-	-	-	2,635	-	8,068	74	-	-
Sale of assets	-	-	-	-	1,843	30,933	578	-	4,836	300
Shared services	-	-	-	-	-	-	13,750	31,400	-	41,041
E-rate	-	-	-	-	-	-	1,997	2,996	12,095	-
Chromebook repairs	-	-	-	-	-	-	414	1,554	1,246	-
Annual totals	\$ 3,472	\$ 40,289	\$ 11,082	\$ 22,655	\$ 25,332	\$ 62,401	\$ 76,939	\$ 85,277	\$ 157,652	\$ 177,426

Source: District Records

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years

	Fiscal Year Ended June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Vacant land	\$ 5,265,200	\$ 5,138,600	\$ 4,176,400	\$ 3,902,400	\$ 3,667,800	\$ 3,383,900	\$ 2,752,600	\$ 2,684,100	\$ 3,889,500	\$ 4,068,000
Residential	389,984,000	383,115,900	383,146,300	385,013,700	386,011,200	387,268,600	386,549,700	385,884,700	387,381,900	388,128,300
Farm regular	113,262,700	105,795,900	107,188,300	104,069,500	104,457,900	105,564,300	108,880,800	108,837,900	108,271,500	108,355,500
Q farm	4,106,718	4,108,204	4,096,225	4,400,974	4,134,477	4,139,397	4,111,735	4,556,876	4,517,300	4,433,600
Commercial	38,189,100	38,119,400	37,179,300	37,219,300	36,719,300	36,411,900	36,421,500	36,367,400	36,367,400	36,064,100
Industrial	2,340,800	2,328,900	2,328,900	2,328,900	2,328,900	2,328,900	2,028,900	2,028,900	2,028,900	2,028,900
Apartment	1,086,500	1,000,800	1,000,800	1,029,000	1,037,400	1,037,400	1,037,400	1,037,400	1,037,400	1,037,400
Total assessed value	554,235,018	539,607,704	539,116,225	537,963,774	538,356,977	540,134,397	541,782,635	541,397,276	543,493,900	544,115,800
Public utilities (a)	2,488,136	2,520,284	2,523,005	1,403,600	1,403,600	1,403,600	1,403,600	1,403,600	1,403,600	1,403,600
Net valuation taxable	\$ 556,723,154	\$ 542,127,988	\$ 541,639,230	\$ 539,367,374	\$ 539,760,577	\$ 541,537,997	\$ 543,186,235	\$ 542,800,876	\$ 544,897,500	\$ 545,519,400
Estimated actual county equalized value	\$ 579,859,550	\$ 578,269,854	\$ 555,641,393	\$ 579,840,222	\$ 553,451,361	\$ 555,651,547	\$ 552,917,585	\$ 573,906,615	\$ 569,321,387	\$ 564,953,811
Percentage of net valuation to estimated actual equalized value	96.01%	93.75%	97.48%	93.02%	97.53%	97.46%	98.24%	94.58%	95.71%	96.56%
Total direct school tax rate (b)	\$ 0.98	\$ 1.04	\$ 1.04	\$ 1.08	\$ 1.10	\$ 1.11	\$ 1.17	\$ 1.15	\$ 1.18	\$ 1.20

Source: Municipal Tax Assessor

Note: Real property is required to be assessed at some percentage of true value (fair or market value) established by each County Board of Taxation. Reassessment occurs when the County Board of Taxation requests Treasury to order a reassessment.

- (a) Taxable value of machinery, implements and equipment of telephone and messenger system companies
- (b) Tax rates are per \$100

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(Rate Per \$100 of Assessed Value)

Assessment Year	School District Direct Rate			Regional School Rate	Overlapping Rates			Total Direct & Overlapping Tax Rate
	Basic Rate (a)	General Obligation Debt Service (b)	(From J-6) Total Direct School Tax Rate		Municipality	County	Fire District	
	2011	\$ 0.860	\$ 0.120		\$ 0.980	\$ 0.600	\$ 0.310	
2012	0.920	0.120	1.040	0.640	0.310	0.380	0.050	2.420
2013	0.940	0.100	1.040	0.630	0.310	0.380	0.060	2.420
2014	0.960	0.120	1.080	0.670	0.320	0.400	0.060	2.530
2015	0.970	0.130	1.100	0.610	0.330	0.380	0.060	2.480
2016	0.994	0.116	1.110	0.597	0.335	0.381	0.062	2.485
2017	1.050	0.122	1.172	0.602	0.344	0.378	0.063	2.559
2018	1.033	0.120	1.153	0.643	0.352	0.398	0.063	2.609
2019	1.056	0.121	1.177	0.667	0.360	0.395	0.063	2.662
2020	1.084	0.119	1.203	0.668	0.404	0.391	0.070	2.736

Sources: Municipal Tax Collector

Note: N.J.S.A. 18A:7F-5d limits the amount that the District can submit for a general fund tax levy. The levy when added to other components of the District's net budget may not exceed the pre-budget by more than the spending growth limitation calculated as follows: the pre-budget year net budget increased by the cost of living or 2.5 percent, whichever is greater, plus any spending growth adjustments.

- (a) The District's basic tax rate is calculated from the A4F Form which is submitted with the budget and the net valuation taxable.
- (b) Rates for debt service are based on each year's requirements.

See independent auditors' report.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
Principal Property Taxpayers
Current Year and Nine Years Ago**

	2020			2011		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
National Project Resources LP	\$ 20,000,000	1	3.67%	\$ 20,000,000	1	3.59%
IHM Clinton LLC	6,500,000	2	1.19%	-		0.00%
AT&T Communications	2,631,200	3	0.48%	3,125,000	3	0.56%
Individual Property Owner	2,361,200	4	0.43%	2,558,100	4	0.46%
Individual Property Owner	1,854,800	5	0.48%	1,960,227	5	0.35%
Individual Property Owner	1,845,500	6	0.43%	1,945,127	6	0.35%
Individual Property Owner	1,630,600	7	0.34%	1,729,134	7	0.31%
Individual Property Owner	1,364,300	8	0.34%	1,573,600	8	0.28%
Individual Property Owner	1,358,500	9	0.30%	1,482,600	9	0.27%
Individual Property Owner	1,250,000	10	0.23%	1,416,335	10	0.25%
Franklin Hotel Associates	-		0.00%	7,000,000	2	1.26%
	<u>\$ 40,796,100</u>		<u>7.89%</u>	<u>\$ 42,790,123</u>		<u>7.69%</u>

Source: Municipal Tax Assessor

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Property Tax Levies and Collections
Last Ten Years

Year Ended June 30,	Taxes Levied for the Year	Collected within the Year of the Levy (a)	
		Amount	Percentage of Levy
2011	\$ 5,464,174	\$ 5,464,174	100.00%
2012	5,561,441	5,561,441	100.00%
2013	5,686,298	5,686,298	100.00%
2014	5,768,876	5,768,876	100.00%
2015	5,870,539	5,870,539	100.00%
2016	5,978,827	5,978,827	100.00%
2017	6,074,680	6,074,680	100.00%
2018	6,194,282	6,194,282	100.00%
2019	6,305,558	6,305,558	100.00%
2020	6,505,233	6,505,233	100.00%

Source: District records including the Certificate and Report of School Taxes (A4F Form).

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

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Governmental Activities			Business-Type Activities		Total District	% of Personal Income (a)	Per Capita (a)
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases			
2011	\$ 7,019,000	\$ -	\$ -	\$ -	\$ -	\$ 7,019,000	3.13%	\$ 2,193
2012	6,634,000	-	-	-	-	6,634,000	2.81%	2,019
2013	6,225,000	-	110,837	-	-	6,335,837	2.58%	1,944
2014	5,775,000	-	153,724	-	-	5,928,724	2.43%	1,822
2015	5,335,000	-	74,424	-	-	5,409,424	2.13%	1,676
2016	4,875,000	-	150,319	-	-	5,025,319	1.92%	1,553
2017	4,400,000	-	76,143	-	-	4,476,143	1.66%	1,385
2018	3,910,000	-	-	-	-	3,910,000	1.42%	1,208
2019	3,405,000	-	1,200,000	-	-	4,605,000	1.45%	1,303
2020	2,885,000	-	967,933	-	-	3,852,933	N/A	1,095

Notes: Details regarding the District's outstanding debt can be found in the Notes to the Financial Statements.

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

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			% of Actual Taxable Value of Property (a)	Per Capita (b)
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2011	\$ 7,019,000	\$ -	\$ 7,019,000	1.26%	2,193
2012	6,634,000	-	6,634,000	1.22%	2,019
2013	6,225,000	-	6,225,000	1.15%	1,910
2014	5,775,000	-	5,775,000	1.00%	1,775
2015	5,335,000	-	5,335,000	0.99%	1,653
2016	4,875,000	-	4,875,000	0.90%	1,506
2017	4,400,000	-	4,400,000	0.81%	1,362
2018	3,910,000	-	3,910,000	0.72%	1,208
2019	3,405,000	-	3,405,000	0.62%	964
2020	2,885,000	-	2,885,000	0.53%	820

Notes: Details regarding the district's outstanding debt can be found in the Notes to the Financial Statements.

- (a) See Exhibit J-6 for property tax data.
- (b) Population data can be found in Exhibit J-14.

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Direct and Overlapping Governmental Activities Debt
As of December 31, 2019

Governmental Unit	<u>Debt Outstanding</u>	<u>Estimated % Applicable (a)</u>	<u>Estimated Share of Debt</u>
Debt repaid with property taxes			
Municipality	\$ 450,034	100.00%	\$ 450,034
Regional High School	8,665,000	6.84%	592,328
County general obligation debt	85,870,478	2.62%	<u>2,251,094</u>
Subtotal, overlapping debt			3,293,457
School District direct debt			<u>3,405,000</u>
Total direct and overlapping debt			<u><u>\$ 6,698,457</u></u>

Sources: Assessed value data used to estimate applicable percentages provided by the county Board of Taxation. Debt outstanding data provided by each Governmental Unit.

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

(a) For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another Governmental Unit's taxable value that is within the District's boundaries and dividing it by each unit's total taxable value.

See independent auditors' report.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
Legal Debt Margin Information
Last Ten Fiscal Years**

Legal Debt Margin Calculation for Fiscal Year 2020

	Equalized Valuation Basis	
	2019	\$ 562,856,152
	2018	565,664,273
	2017	572,830,022
		<u>\$ 1,701,350,447</u>
Average equalized valuation of taxable property		<u>\$ 567,116,816</u>
Debt limit (3.0% of average equalization value)	(a)	\$ 17,013,504
Total net debt applicable to limit		<u>2,885,000</u>
Legal debt margin		<u>\$ 14,128,504</u>

	Fiscal Year				
	2016	2017	2018	2019	2020
Debt limit	<u>\$ 16,836,026</u>	<u>\$ 16,538,433</u>	<u>\$ 16,750,287</u>	<u>\$ 16,883,054</u>	<u>\$ 17,013,504</u>
Total net debt applicable	<u>4,875,000</u>	<u>4,400,000</u>	<u>3,910,000</u>	<u>3,405,000</u>	<u>2,885,000</u>
Legal debt margin	<u>\$ 11,961,026</u>	<u>\$ 12,138,433</u>	<u>\$ 12,840,287</u>	<u>\$ 13,478,054</u>	<u>\$ 14,128,504</u>
Total net debt applicable to the limit as a percentage of debt limit	28.96%	26.60%	23.34%	20.17%	16.96%

	Fiscal Year				
	2011	2012	2013	2014	2015
Debt limit	<u>\$ 18,146,421</u>	<u>\$ 17,697,304</u>	<u>\$ 17,252,866</u>	<u>\$ 17,243,116</u>	<u>\$ 16,847,721</u>
Total net debt applicable	<u>7,572,162</u>	<u>6,761,747</u>	<u>6,225,000</u>	<u>5,775,000</u>	<u>5,335,000</u>
Legal debt margin	<u>\$ 10,574,259</u>	<u>\$ 10,935,557</u>	<u>\$ 11,027,866</u>	<u>\$ 11,468,116</u>	<u>\$ 11,512,721</u>
Total net debt applicable to the limit as a percentage of debt limit	41.73%	38.21%	36.08%	33.49%	31.67%

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

(a) Limit Set by N.J.S.A. 18A:24-19

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Population (a)	Personal Income (b)	Per Capita Personal Income (c)	Unemployment Rate (d)
2011	3,286	\$ 236,411,270	\$ 71,945	6.5%
2012	3,260	245,275,880	75,238	6.7%
2013	3,254	244,268,018	75,067	6.7%
2014	3,227	253,810,004	78,652	5.2%
2015	3,236	262,300,452	81,057	3.3%
2016	3,231	270,256,995	83,645	3.0%
2017	3,236	274,924,088	84,958	2.9%
2018	3,533	316,592,130	89,610	3.0%
2019	3,518	N/A	N/A	2.4%
2020	N/A	N/A	N/A	N/A

Sources:

- (a) Population information provided by the NJ Dept of Labor and Workforce Development
- (b) Personal income has been estimated based upon the municipal population and per capita personal income presented
- (c) Per capita personal income by County estimated based upon the 2010 census published by the U.S. Bureau of Economic Analysis.
- (d) Unemployment data provided by the NJ Dept of Labor and Workforce Development

See independent auditors' report.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
Principal Employers
Current Year and Nine Years Ago**

2020

Employer	Employees	Rank	Percentage of Total Municipal Employment
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INFORMATION IS NOT AVAILABLE FOR THIS SCHOOL DISTRICT

2011

Employer	Employees	Rank	Percentage of Total Municipal Employment
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INFORMATION IS NOT AVAILABLE FOR THIS SCHOOL DISTRICT

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Full Time Equivalent District Employees by Function/Program
Last Ten Fiscal Years

Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Instruction										
Regular	19.6	19.2	20.8	22.4	25.0	26.0	24.0	24.0	24.0	23.0
Special education	5.6	6.8	5.6	5.6	3.0	3.0	3.0	4.5	4.0	5.0
Other special education	7.8	8.5	11.7	-	-	1.4	2.0	1.0	-	0.2
Other instruction - aides	-	-	3.0	1.5	1.1	-	-	1.0	0.4	1.7
Support services										
Student and instruction related services	7.1	3.4	3.4	3.0	3.0	2.0	2.0	2.5	3.0	2.0
General administration	1.9	1.7	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.0
School administration services	0.7	1.0	1.0	1.0	1.0	1.0	1.0	2.0	2.0	2.0
Central services	2.0	1.0	1.1	1.1	1.1	2.0	2.0	2.0	2.0	2.0
Other support services	-	-	2.0	2.0	2.0	4.0	4.0	2.5	6.0	5.6
Food service	-	-	0.3	-	-	-	-	-	-	-
Child care	-	0.5	0.5	0.5	0.5	-	-	-	-	-
Total	<u>44.7</u>	<u>42.1</u>	<u>51.4</u>	<u>39.1</u>	<u>38.7</u>	<u>41.4</u>	<u>40.0</u>	<u>41.5</u>	<u>43.4</u>	<u>42.5</u>

Source: District Personnel Records

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Operating Statistics
Last Ten Fiscal Years

Fiscal Year	June 30 Enrollment	Operating Expenditures (a)	Cost Per Pupil	Percentage Change	Teaching Staff (b)	Teacher Ratio	Average Daily Enrollment (ADE) (c)	Average Daily Attendance (ADA) (c)	% Change in Average Daily Enrollment	Student Attendance Percentage
2011	309	\$ 5,339,508	\$ 17,280	-4.33%	27.0	1 to 11.44	304.2	291.0	-10.71%	95.66%
2012	305	5,436,662	17,825	3.15%	27.5	1 to 11.09	296.9	286.1	-2.40%	96.36%
2013	293	5,893,400	20,114	12.84%	26.4	1 to 11.10	283.8	272.7	-4.41%	96.09%
2014	295	5,996,863	20,328	1.07%	28.0	1 to 10.54	294.9	284.0	3.91%	96.30%
2015	306	5,791,148	18,925	-6.90%	28.6	1 to 10.70	294.7	284.2	-0.07%	96.44%
2016	296	6,279,651	21,215	12.10%	26.0	1 to 11.38	292.7	281.9	-0.68%	96.32%
2017	296	6,672,409	22,542	6.25%	27.0	1 to 10.96	283.9	273.4	-3.01%	96.30%
2018	298	6,410,048	21,510	-4.58%	28.5	1 to 10.46	284.8	274.3	0.30%	96.31%
2019	283	6,933,995	24,502	13.91%	28.0	1 to 10.11	278.2	268.1	-2.30%	96.37%
2020	278	6,627,666	23,841	-2.70%	28.0	1 to 9.93	282.0	274.2	1.35%	97.25%

Source: District Records

- (a) Operating expenditures equal total expenditures less debt service and capital outlay.
- (b) Teaching staff includes only full-time equivalents or certificated staff.
- (c) Average Daily Enrollment and Average Daily Attendance are obtained from the School Register Summary.

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
School Building Information
Last Ten Fiscal Years

<u>District Building</u>	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<u>Elementary (1925)</u>										
Square feet	52,142	52,142	71,296	71,296	71,296	71,296	71,296	71,296	71,296	71,296
Capacity (students)	346	346	446	448	448	448	448	448	448	448
Enrollment	341	309	305	293	295	306	294	285	282	282
<u>Number of schools at June 30, 2020</u>										
Elementary	1									

Source: District Facilities Office

Note: Year of original construction is shown in parentheses. Increase in square footage and capacity are the result of renovations and additions. Enrollment is based on the annual October District count.

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Schedule of Required Maintenance Expenditures by School Facility
Last Ten Fiscal Years

Undistributed expenditures - Required maintenance for school facilities

<u>Fiscal Year Ended</u>	<u>Amount</u>	<u>Total</u>
2011	\$ 38,025	\$ 38,025
2012	68,662	68,662
2013	53,294	53,294
2014	89,143	89,143
2015	88,228	88,228
2016	63,276	63,276
2017	209,497	209,497
2018	206,382	206,382
2019	254,199	254,199
2020	253,773	253,773
Total school facilities	<u>\$ 1,324,479</u>	<u>\$ 1,324,479</u>

* School Facilities As Defined Under EFCFA.
(N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3)

Source: District Records

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Insurance Schedule
June 30, 2020
(Unaudited)

	Coverage	Deductible
Commercial Package Policy - School Alliance Insurance Fund		
Property Section		
Blanket Building and Contents (Fund Limit)	\$ 500,000,000	\$ 2,500
Accounts Receivable	2,500,000	2,500
Automobile Physical Damage	In Blanket Limit	1,000
Builders Risk	25,000,000	2,500
Electronic Data Processing Equipment	In Blanket Limit	2,500
Liability Section		
Comprehensive General Liability	5,000,000	-
Automobile Liability	5,000,000	-
Employee Benefit Liability	5,000,000	1,000
Excess Liability		
Includes General/Auto Liability/School Board Legal Liability	5,000,000	-
Crime		
Blanket Employee Dishonesty	500,000	1,000
Forgery	50,000	1,000
Theft/Disappearance/Destruction:		
Inside	50,000	1,000
Outside	50,000	1,000
Computer Fraud	50,000	1,000
Funds Transfer Fraud	50,000	1,000
 School Board Legal Liability	 5,000,000	 5,000
 Environmental Impairment Liability (ACE)		
Incident	1,000,000	10,000
Fund Annual Aggregate	25,000,000	-
 Workers' Compensation (SAW)		
(A) Statutory Benefits	Included	-
(A) Employer's Liability	5,000,000	-
Supplemental coverage (optional)	Included	-
 Public Employees' Faithful Performance Blanket Position Bond - Selective Insurance Co.		
Business Administrator - P Martucci	200,000	-
 Adult Volunteer Accident - Markel Insurance Co.		
Excess of Primary Medical	1,000,000	-

Source: District records

See independent auditors' report.

SINGLE AUDIT SECTION



Certified Public Accountants, PC
www.bkc-cpa.com

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

Honorable President and
Members of the Board of Education
Franklin Township School District
County of Hunterdon, New Jersey

We have audited, in accordance with the 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 and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Franklin Township School District, County of Hunterdon, the State of New Jersey, (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 5, 2021.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

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* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



BKC, CPAs, PC



Michael A. Holk, CPA, PSA
NO. 20CS00265600

January 5, 2021
Flemington, New Jersey



Certified Public Accountants, PC
www.bkc-cpa.com

**Independent Auditors' Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by the Uniform
Guidance and New Jersey OMB Circular 15-08-OMB**

Honorable President and
Members of the Board of Education
Franklin Township School District
County of Hunterdon, New Jersey

Report on Compliance for Each Major Federal and State Program

We have audited the Franklin Township School District's, (the District), compliance with the types of compliance requirements described in the New Jersey OMB Circular 15-08 *State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the District's major state programs for the year ended June 30, 2020. The District's major state programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal and State Program

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

Report on Internal Control Over Compliance

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

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

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

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



BKC, CPAs, PC



Michael A. Holk, CPA, PSA
NO. 20CS00265600

January 5, 2021
Flemington, New Jersey

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards, Schedule A
For the Fiscal Year Ended June 30, 2020

Grantor/Program Title	Federal CFDA Number	FAIN Number	Project Number	Program or Award Amount	Grant Period		Balance 06/30/19	Carryover Amount	Cash Received	Budgetary Expenditure	Adjustment/ Repayment of Prior Year Balance	Balance June 30, 2020			
					From	To						Accounts Receivable	Deferred Revenue	Due to Grantor	
U.S. Department of Education passed through State Department of Education															
Special Revenue Fund															
Title II A	84.367A	S367A190029	ESSA-1600-20	\$ 3,510	07/01/19	06/30/20	\$ -	\$ -	\$ 3,510	\$ 3,510	\$ -	\$ -	\$ -	\$ -	
Title II A	84.367A	S367A180029	ESSA-1600-19	9,102	07/01/18	06/30/19	(874)	-	2,865	1,991	-	-	-	-	
Title IV	84.424	S424A190031	ESSA-1600-20	10,000	07/01/19	06/30/20	-	-	10,000	10,000	-	-	-	-	
Title IV	84.424	S424A180031	ESSA-1600-19	10,000	07/01/18	06/30/19	(5,287)	-	5,287	-	-	-	-	-	
Rural Education Achievement Program	84.358A	S358B190030	S358A-190135	26,123	07/01/19	06/30/20	-	-	26,123	26,123	-	-	-	-	
IDEA Basic	84.027	H027A190100	IDEA-1600-20	77,215	07/01/19	06/30/20	-	-	76,577	77,215	-	(638)	-	-	
IDEA Basic	84.027	H027A180100	IDEA-1600-19	111,110	07/01/18	06/30/19	(18,474)	-	18,559	-	-	-	85	-	
IDEA Preschool	84.173	H173S190114	IDEA-1600-20	4,527	07/01/19	06/30/20	-	-	4,527	4,527	-	-	-	-	
IDEA Preschool	84.173	H173S180114	IDEA-1600-19	4,958	07/01/18	06/30/19	(158)	-	158	-	-	-	-	-	
IDEA Preschool	84.173	H173S170114	IDEA-1600-18	4,425	07/01/17	06/30/18	6	-	-	-	-	-	6	-	
Total Special Revenue Fund							<u>(24,787)</u>	<u>-</u>	<u>147,606</u>	<u>123,366</u>	<u>-</u>	<u>(638)</u>	<u>91</u>	<u>-</u>	
U.S. Department of Agriculture passed through State Department of Agriculture															
Enterprise Fund															
Child Nutrition Center															
National School Lunch Program															
Non-Cash Assistance (Commodities)	10.555	20NJ304N1099	N/A	5,418	10/01/19	09/30/20	-	-	5,418	4,191	-	-	1,227	-	
National School Lunch Program															
Non-Cash Assistance (Commodities)	10.555	19NJ304N1099	N/A	6,112	10/01/18	09/30/19	1,086	-	-	1,086	-	-	-	-	
National School Lunch Program															
Cash Assistance	10.555	20NJ304N1099	N/A	8,809	10/01/19	09/30/20	-	-	8,143	8,809	-	(666)	-	-	
National School Lunch Program															
Cash Assistance	10.555	19NJ304N1099	N/A	9,119	10/01/18	09/30/19	(697)	-	697	-	-	-	-	-	
Total Enterprise Fund							<u>389</u>	<u>-</u>	<u>14,258</u>	<u>14,086</u>	<u>-</u>	<u>(666)</u>	<u>1,227</u>	<u>-</u>	
Total Federal Awards							<u>\$ (24,398)</u>	<u>\$ -</u>	<u>\$ 161,864</u>	<u>\$ 137,452</u>	<u>\$ -</u>	<u>\$ (1,304)</u>	<u>\$ 1,318</u>	<u>\$ -</u>	

See independent auditors' report

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Schedule of Expenditures of State Financial Assistance, Schedule B
For the Fiscal Year Ended June 30, 2020

Grantor/Program Title	Project Number	Program or Award Amount	Grant Period From	Grant Period To	Balance June 30, 2019		Cash Received	Budgetary Expenditure	Adjustment	Balance June 30, 2020			Memo	
					Deferred Rev. (Accts. Rec)	Due to Grantor				Accounts Receivable	Deferred Revenue	Due to Grantor	Budgetary Receivable	Cumulative Expenditure
State Department of Education														
General Fund														
Special Education Categorical Aid	20-495-034-5120-089	\$ 209,050	07/01/19	06/30/20	\$ -	\$ -	\$ 191,074	\$ 209,050	\$ -	\$ -	\$ -	\$ -	\$ 17,976	\$ 209,050
School Choice Aid	20-495-034-5120-068	89,466	07/01/19	06/30/20	-	-	81,773	89,466	-	-	-	-	7,693	89,466
Security Aid	20-495-034-5120-084	16,949	07/01/19	06/30/20	-	-	15,491	16,949	-	-	-	-	1,458	16,949
Transportation Aid	20-495-034-5120-014	49,027	07/01/19	06/30/20	-	-	44,811	49,027	-	-	-	-	4,216	49,027
Adjustment Aid	20-495-034-5120-085	2,057	07/01/19	06/30/20	-	-	1,880	2,057	-	-	-	-	177	2,057
Extraordinary Aid	19-495-034-5120-044	194,133	07/01/18	06/30/19	(194,133)	-	194,133	-	-	-	-	-	-	194,133
Extraordinary Aid	20-495-034-5120-044	167,104	07/01/19	06/30/20	-	-	-	167,104	-	(167,104)	-	-	-	167,104
Non-Public Transportation Aid	19-495-034-5120-014	4,350	07/01/18	06/30/19	(4,350)	-	4,350	-	-	-	-	-	-	4,350
On-Behalf TPAF Pension Contribution - Postretirement Medical	20-495-034-5094-001	177,224	07/01/19	06/30/20	-	-	177,224	177,224	-	-	-	-	-	177,224
On-Behalf TPAF Pension Contribution - Non-Contributory Insurance	20-495-034-5094-004	8,412	07/01/19	06/30/20	-	-	8,412	8,412	-	-	-	-	-	8,412
On-Behalf TPAF Pension Contribution - Teachers' Pension & Annuity Fund	20-495-034-5094-002	469,304	07/01/19	06/30/20	-	-	469,304	469,304	-	-	-	-	-	469,304
On-Behalf TPAF Pension Contribution - Long-Term Disability Insurance	20-495-034-5094-004	507	07/01/19	06/30/20	-	-	507	507	-	-	-	-	-	507
Reimbursed TPAF Social Security Contribution	20-495-034-5094-003	163,961	07/01/19	06/30/20	-	-	163,961	163,961	-	-	-	-	-	163,961
Total General Fund					(198,483)	-	1,352,920	1,353,061	-	(167,104)	-	-	31,520	1,551,544
Special Revenue Fund														
Non-Public Technology Initiative Aid	19-100-034-5120-373	3,456	07/01/18	06/30/19	-	15	-	-	15	-	-	-	-	3,441
Non-Public Technology Initiative Aid	20-100-034-5120-373	3,204	07/01/19	06/30/20	-	-	3,204	2,993	-	-	211	-	-	2,993
Non-Public Textbook Aid	20-100-034-5120-064	4,691	07/01/19	06/30/20	-	-	4,691	4,691	-	-	-	-	-	4,691
Non-Public Textbook Aid	19-100-034-5120-064	5,126	07/01/18	06/30/19	-	1,786	-	-	1,786	-	-	-	-	3,340
Non-Public Nursing Services	20-100-034-5120-070	8,730	07/01/19	06/30/20	-	-	8,730	8,730	-	-	-	-	-	8,730
Non-Public Nursing Services	19-100-034-5120-070	9,506	07/01/18	06/30/19	-	5,677	-	-	5,677	-	-	-	-	3,829
Non-Public Security Aid	20-100-034-5120-509	13,500	07/01/19	06/30/20	-	-	13,500	13,500	-	-	-	-	-	13,500
Non-Public Security Aid	19-100-034-5120-509	14,700	07/01/18	06/30/19	-	104	-	-	104	-	-	-	-	14,596
Non-Public Auxiliary Services Aid														
English as a Second Language	19-100-034-5120-067	863	07/01/18	06/30/19	-	863	-	-	863	-	-	-	-	-
Compensatory Education	20-100-034-5120-067	8,923	07/01/19	06/30/20	-	-	8,031	6,490	-	(892)	2,433	-	-	6,490
Non-Public Handicapped Aid														
Examination and Classification	20-100-034-5120-066	10,405	07/01/19	06/30/20	-	-	9,133	8,733	-	(1,272)	1,672	-	-	8,733
Corrective Speech	20-100-034-5120-066	1,458	07/01/19	06/30/20	-	-	1,443	911	-	(15)	547	-	-	911
Total Special Revenue Fund					-	8,445	48,732	46,048	8,445	(2,179)	4,863	-	-	71,254

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Schedule of Expenditures of State Financial Assistance, Schedule B (continued)
For the Fiscal Year Ended June 30, 2020

Grantor/Program Title	Project Number	Program or Award Amount	Grant Period		Balance June 30, 2019			Budgetary Expenditure	Adjustment	Balance June 30, 2020			Memo	
			From	To	Deferred Rev. (Accts. Rec)	Due to Grantor	Cash Received			Accounts Receivable	Deferred Revenue	Due to Grantor	Budgetary Receivable	Cumulative Expenditure
State Department of Agriculture														
Enterprise Fund														
State School Lunch Program	19-100-010-3350-023	\$ 599	07/01/18	06/30/19	\$ (46)	\$ -	\$ 46	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 599
State School Lunch Program	20-100-010-3350-023	473	07/01/19	06/30/20	-	-	464	473	-	(9)	-	-	-	473
Total Enterprise Fund					<u>(46)</u>	<u>-</u>	<u>510</u>	<u>473</u>	<u>-</u>	<u>(9)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,072</u>
Total State Financial Assistance					<u>\$ (198,529)</u>	<u>\$ 8,445</u>	<u>\$ 1,402,162</u>	1,399,582	<u>\$ 8,445</u>	<u>\$ (169,292)</u>	<u>\$ -</u>	<u>\$ 4,863</u>	<u>\$ 31,520</u>	<u>\$ 1,623,870</u>
Less: On-Behalf TPAF Pension System Contributions														
On-Behalf TPAF Pension Contribution - Teachers' Pension & Annuity Fund	20-495-034-5094-002							469,304						
On-Behalf TPAF Pension Contribution - Non-Contributory Insurance	20-495-034-5094-004							8,412						
On-Behalf TPAF Pension Contribution - Postretirement Medical	20-495-034-5094-001							177,224						
On-Behalf TPAF Pension Contribution - Long-Term Disability Insurance	20-495-034-5094-004							507						
Total for State Financial Assistance - Major Program Determination								<u>\$ 744,135</u>						

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2020

Note 1 - General

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance present the activity of all federal awards and state financial assistance programs of the Franklin Township School District. The District is defined in Note 1 (A) to the District's basic financial statements. All federal awards and state financial assistance received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies, is included on the Schedule of Expenditures of Federal Awards and State Financial Assistance.

Note 2 - Basis of accounting

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance are presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Notes 1 (C) and 1 (D) to the District's basic financial statements.

Note 3 - Relationship of financial statements

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the one or more deferred June state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes payments are not recognized until the subsequent budget year due to the state deferral and recording of the one or more June state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$2,991) for the general fund and \$4,649 for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2020

Note 3 - Relationship of financial statements (continued)

Financial assistance revenues are reported in the District's basic financial statements on a GAAP basis as follows:

	Federal	State	Local	Total
General fund	\$ -	\$ 1,350,070	\$ -	\$ 1,350,070
Special revenue fund	128,015	46,048	920	174,983
Food service fund	14,086	473	-	14,559
Total awards and financial assistance	<u>\$ 142,101</u>	<u>\$ 1,396,591</u>	<u>\$ 920</u>	<u>\$ 1,539,612</u>

Note 4 - Relationship to federal and state financial reports

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

Note 5 - Other

Revenues and expenditures reported under the USDA Commodities Program represent current year distributions, respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the District for the year ended June 30, 2020. TPAF Social Security Contribution represents the amount reimbursed by the state for the employer's share of Social Security Contributions for TPAF members for the fiscal year ended June 30, 2020.

Note 6 - Indirect Costs

The District has elected not to utilize the 10% de minimis indirect cost rate.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
Schedule of Findings and Questioned Costs - Section I
For the Fiscal Year Ended June 30, 2020**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal Control Over Financial Reporting:

1. Were material weakness(es) identified? Yes No

2. Were significant deficiencies identified? Yes No

Noncompliance material to basic financial statements noted?

Yes No

Federal Awards

Not Applicable

Internal Control Over Major Programs:

1. Were material weakness(es) identified? Yes No

2. Were significant deficiencies identified? Yes None reported

What was the type of auditor's report issued on compliance for major programs?

Unmodified

Were any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 Section .516(a)?

Yes No

Identification of Major Programs:

CFDA Number(s)	FEIN Number(s)	Name of Federal Program or Cluster
<u>Not Applicable</u>	<u>Not Applicable</u>	<u>Not Applicable</u>

What was the dollar threshold used to distinguish between Type A and Type B programs?

Did the auditee qualify as a low-risk auditee?

Yes No

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
Schedule of Findings and Questioned Costs - Section I
For the Fiscal Year Ended June 30, 2020**

Section I - Summary of Auditor's Results (continued)

State Awards

What was the dollar threshold used to distinguish between Type A and Type B programs? \$750,000

Did the auditee qualify as a low-risk auditee? Yes No

Internal Control Over Major Programs:

- 1. Were material weakness(es) identified? Yes No
- 2. Were there significant deficiencies identified that are not considered to be material weaknesses? Yes None reported

What was the type of auditor's report issued on compliance for major programs? Unmodified

Were any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular Letter 15-08 as applicable? Yes No

Identification of Major Programs:

<u>State Grant/Project Numbers</u>	<u>Name of State Program</u>
	<i>State Aid Public Cluster:</i>
<u>20-495-034-5120-089</u>	<u>Special Education Categorical Aid</u>
<u>20-495-034-5120-084</u>	<u>Security Aid</u>
<u>20-495-034-5120-068</u>	<u>School Choice Aid</u>
<u>20-495-034-5120-085</u>	<u>Adjustment Aid</u>

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Schedule of Findings and Questioned Costs - Sections II and III
For the Fiscal Year Ended June 30, 2020

Section II - Financial Statement Findings

There were no findings or questioned costs for the fiscal year ended June 30, 2020.

Section III - Federal Awards and State Financial Assistance Findings and Questioned Costs

There were no findings or questioned costs for the fiscal year ended June 30, 2020.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
Summary Schedule of Prior Year Audit Findings
and Questioned Costs as Prepared by Management
For the Fiscal Year Ended June 30, 2020**

Status of Prior Year Findings

There were no prior year findings or questioned costs.