

**FRANKLIN TOWNSHIP
SCHOOL DISTRICT**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

JUNE 30, 2020

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



**FRANKLIN TOWNSHIP
SCHOOL DISTRICT**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2020

TABLE OF CONTENTS

	<u>Page</u>
Introduction Section	
Letter of Transmittal	1 - 5
Organizational Chart	6
Roster of Officials	7
Consultants and Advisors	8
Financial Section	
Independent Auditors' Report	9 - 11
Required Supplementary Information - Part I	
Management's Discussion and Analysis	12 - 20
Basic Financial Statements	
A. District-Wide Financial Statements	
A-1 Statement of Net Position	21
A-2 Statement of Activities	22
B. Fund Financial Statements	
Governmental Funds	
B-1 Balance Sheet	23 - 24
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balances	25 - 26
B-3 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	27 - 28
Proprietary Funds	
B-4 Combining Statement of Net Position	29
B-5 Combining Statement of Revenues, Expenses, and Changes in Net Position	30
B-6 Combining Statement of Cash Flows	31
Fiduciary Funds	
B-7 Statement of Net Position	32
B-8 Statement of Changes in Net Position	N/A
Notes to the Financial Statements	33 - 68

**FRANKLIN TOWNSHIP
SCHOOL DISTRICT**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2020

TABLE OF CONTENTS

	<u>Page</u>
Required Supplementary Information - Part II	
C. Budgetary Comparison Schedules	
C-1 General Fund - Budgetary Comparison Schedule	69 - 74
C-1a Combining Schedule of Program Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	N/A
C-1b Community Development Block Grant - Budget and Actual	N/A
C-2 Special Revenue Fund - Budgetary Comparison Schedule	75
Notes to the Required Supplementary Information - Part II	
C-3 Budget-to-GAAP Reconciliation	76
Required Supplementary Information - Part III	
L. Schedules Related to Accounting and Reporting for Pensions (GASB 68)	
L-1 Schedule of the District's Proportionate Share of the Net Pension Liability - Public Employees Retirement System	77
L-2 Schedule of District's Contributions - Public Employees Retirement System	78
L-3 Schedule of the District's Proportionate Share of the Net Pension Liability - Teacher's Pension and Annuity Fund	79
L-4 Schedule of District's Contributions - Teacher's Pension and Annuity Fund	80
M. Schedules Related to Accounting and Reporting for Other Postemployment Employee Benefits (GASB 75)	
M-1 Schedule of the District's Proportionate Share of the Net Other Postemployment Employee Benefits Liability	81
Notes to the Required Supplementary Information - Part III	
	82

**FRANKLIN TOWNSHIP
SCHOOL DISTRICT**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2020

TABLE OF CONTENTS

	<u>Page</u>
Other Supplementary Information	
D. School Based Budget Schedules	N/A
Combining and Individual Non-Major Fund Financial Statements	
E. Special Revenue Fund	
E-1 Combining Schedule of Program Revenue and Expenditures - Budgetary Basis	83
E-2 Schedule of Preschool Education Aid Expenditure	N/A
F. Capital Projects Fund	
F-1 Summary Schedule of Project Expenditures	N/A
F-2 Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis	N/A
F-2a Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis	N/A
G. Proprietary Funds	
Enterprise Fund	
G-1 Combining Statement of Net Position	N/A
G-2 Combining Statement of Revenues, Expenses and Changes in Net Position	N/A
G-3 Combining Statement of Cash Flows	N/A
H. Fiduciary Funds	
H-1 Combining Statement of Net Position	84
H-2 Unemployment Compensation Fund Statement of Changes in Net Position	N/A
H-3 Student Activity Agency Fund - Schedule of Receipts and Disbursements	85
H-4 Payroll Agency Fund - Schedule of Receipts and Disbursements	N/A
I. Long-Term Debt	
I-1 Schedule of Serial Bonds	86
I-2 Schedule of Obligations Under Capital Leases	N/A
I-3 Debt Service Fund - Budgetary Comparison Schedule	87
Statistical Section	
J. Statistical Section	
J-1 Net Position by Component	88
J-2 Changes in Net Position	89 - 91

**FRANKLIN TOWNSHIP
SCHOOL DISTRICT**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2020

TABLE OF CONTENTS

	<u>Page</u>
J. Statistical Section (continued)	
J-3 Fund Balances - Governmental Funds	92
J-4 Changes in Fund Balances - Governmental Funds	93 - 94
J-5 General Fund - Other Local Revenues by Source	95
J-6 Assessed Value and Actual Value of Taxable Property	96
J-7 Direct and Overlapping Property Tax Rates	97
J-8 Principal Property Taxpayers	98
J-9 Property Tax Levies and Collections	99
J-10 Ratios of Outstanding Debt by Type	100
J-11 Ratios of Net General Bonded Debt Outstanding	101
J-12 Direct and Overlapping Governmental Activities Debt	102
J-13 Legal Debt Margin Information	103
J-14 Demographic and Economic Statistics	104
J-15 Principal Employers	105
J-16 Full Time Equivalent District Employees by Function/Program	106
J-17 Operating Statistics	107
J-18 School Building Information	108
J-19 Schedule of Required Maintenance Expenditures by School Facility	109
J-20 Insurance Schedule	110
Single Audit Section	
K. Single Audit Section	
K-1 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	111 - 112
K-2 Independent Auditors' Report on Compliance for Each Major State Program and on Internal Control Over Compliance Required by the New Jersey OMB Circular Letter 15-08	113 - 115
K-3 Schedule of Expenditures of Federal Awards, Schedule A	116
K-4 Schedule of Expenditures of State Financial Assistance, Schedule B	117
K-5 Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance	118 - 119
K-6 Schedule of Findings and Questioned Costs - Section I	120 - 121
K-7 Schedule of Findings and Questioned Costs - Section II and III	122
K-8 Summary Schedule of Prior Year Audit Findings and Questioned Costs as Prepared by Management	122



January 8, 2021

Honorable President and Members of the Board of Education
Franklin Township School District
52 Asbury Broadway Road,
Washington, New Jersey 07882

Dear Board Members:

The comprehensive annual financial report of the Franklin Township School District for the fiscal year ended June 30, 2020 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education. 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.

The comprehensive annual financial report is presented in four sections: Introductory, Financial, Statistical and Single Audit. The Introductory Section includes this transmittal letter, the District's organizational chart and a list of principal officials. The Financial Section includes the general-purpose financial statements and schedules, as well as the auditor's report thereon. The Statistical Section includes selected financial and demographic information, generally presented on a multi-year basis. 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 New Jersey OMB's Circular 15-08, *Single Audit Policy for recipients of Federal Grants, State Grants, and State Aid*. Information related to this single audit, including the auditor's reports 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.

1. REPORTING ENTITY AND ITS SERVICES: Franklin Township School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB) 14. All funds and account groups of the District are included in this report. The Franklin Township Board of Education constitutes the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre-K through 6 as well as special education. The District completed the 2019/2020 fiscal year with an enrollment of 210 students, which is a 5.0% increase over the previous year's enrollment. The following details the changes in the student enrollment of the District over the last ten years.

Average Daily Enrollment		
Fiscal Year	Student Enrollment	Percent Change
2010/2011	294.3	-7.50%
2011/2012	287.2	-2.40%
2012/2013	271.3	-5.50%
2013/2014	250.9	-7.50%
2014/2015	233.1	-7.10%
2015/2016	227.8	-2.30%
2016/2017	220.4	-3.27 %
2017/2018	216.0	-2.00%
2018/2019	205.2	-5.00%
2019/2020	207.5	1.12%

2. ECONOMIC CONDITION AND OUTLOOK: The Franklin Township had experienced a period of decline in enrollment that started in 2007. This decline is a result of many factors, including but not limited to: 1) a sagging real estate market, resulting in the aging-out of the elementary school, 2) abnormally high percentage of preservation acreage, 3) development restrictions placed on the District through the Highlands Act, 4) five-acre municipal zoning requirements and 5) a trend of smaller family sizes for millennials. We have begun to see a movement in the real estate market that should have a positive impact on enrollment. Two years ago, the school district completed a demographic study which forecasted that the school would see modest growth over the next five years. As anticipated, the study's projections were visible in the enrollment figures for the 2019-2020 school year, with Average Daily Enrollment increasing by 1.12% over the prior year. The Township of Franklin has benefited financially from the decline in enrollment, as staffing needs have declined with the decline in enrollment. Even with the small upturn in enrollment, we do not see a need for an increase in staffing in the near future.

Under normal circumstances, we would anticipate the growth in enrollment to continue, however, given the fallout from the COVID-19 pandemic, it would not be unreasonable to assume that the district will see a temporary dip in enrollments for the 2020-2021 school year. This will be particularly true in our preschool program, as the program will be limited to 2 days per week.

For the last two years, the district has been addressing a reduction in State School Aid, as a result of changes to the school funding formula. These reductions will continue for several more years, but the damage may be tempered should the district see continued increase in enrollment, and should the State continue their practice of incorporating inflationary factors into the base amounts determined for a thorough and efficient education. Increasing enrollment will also result in the district receiving a relatively proportional increase in federal grants such as IDEA, Title I, Title II, and the Rural Educational Assistance Program. Fortunately, the district entered this era of State School Aid reductions from a very strong financial position. The administration is confident that with the proper management of funds and creative planning that the district will be able to minimize the impact of this reduction in aid to our taxpayers, while still maintaining the educational programs that parents recognize are an important part of the experience that their children have at the Franklin Township School.

3. MAJOR INITIATIVES: Given the effect of the COVID-19 pandemic on the operation of school districts in the State of New Jersey, it will be no surprise that our greatest area of focus at the present time is the re-mastering of our instructional and operational model to address this threat. The district has been engaged with national, state, and local agencies in the formulation of procedures and protocols that will provide a safe and functional environment for students and staff.

Building security is always a major initiative for the Franklin Township School. The summer of 2020 will see upgrades to our fire monitoring system and our lock/control entry system. We have also completed the certification submissions for the districts panic button notification system, as required by Alyssa's Law. The District has constant interaction with law enforcement and relies heavily upon them to assist us in the evaluation of our security environment.

On the academic side of our operations, the District has invested time and funds to address the State's STEAM initiatives. During the 2017-2018 and 2018-2019 school years, classroom teachers were trained in best practices in STEAM instruction, via a multi-session after-school professional development experience. In addition, the District received input from the consultants that provided the professional development series on how to design a dedicated STEAM classroom that would be appropriate for elementary school children. The classroom premiered in September 2018, when students returned to school from the summer break and has been a tremendous success with teachers and students, as it is used for both instruction and as a professional development environment.

4. INTERNAL ACCOUNT 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 is 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 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 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.

5. 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, the special revenue fund, and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital project fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

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

6. 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 the Notes to the Financial Statements.

7. 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 meeting its responsibilities for sound financial management.

8. DEBT ADMINISTRATION: At June 30, 2020, the District's outstanding debt issue was \$185,000 issued in February 2010 for the refunding of the 2001 bond issue. The last payment on this bond will be made in February of 2021, eliminating the need for future budgeting for this bond issue.

9. CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in the Notes to the Financial Statements. The District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under 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.

10. RISK MANAGEMENT: The Board carries various forms of insurance, including but not limited to, general liability, workers compensation, automobile liability and comprehensive/collision, environmental, hazard and theft insurance on property and contents and fidelity bonds.

11. OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The Board's audit committee selected the accounting firm of BKC, CPAs, PC. In addition to meeting the requirements set forth in statute, the audit was also 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 the State Treasury OMB Circular Letter 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments*. The auditor's report on the general-purpose financial statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

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

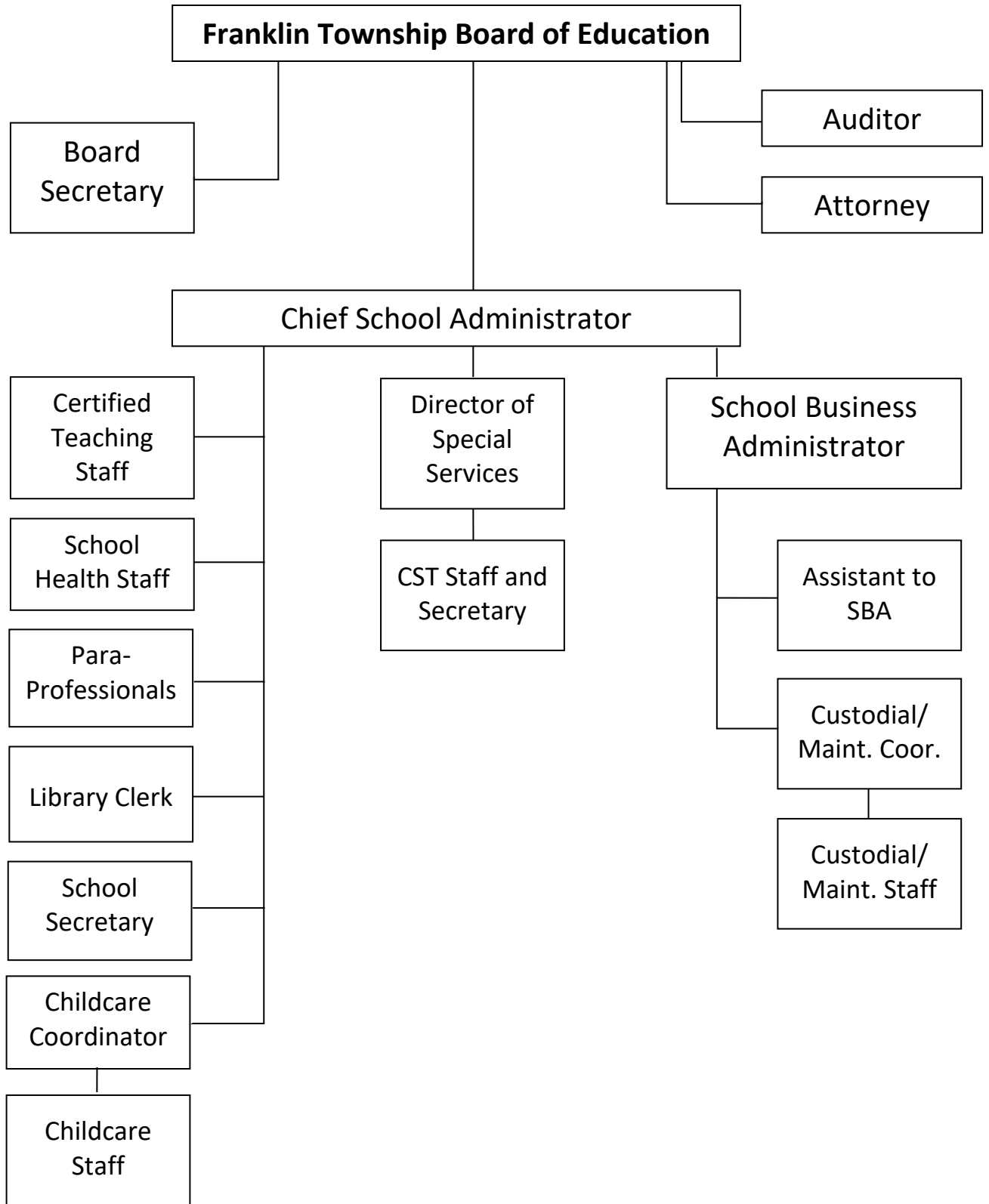
Respectfully Submitted,



Matthew Eagleburger
Chief School Administrator



Tim Duryea
School Business Administrator/Board Secretary



FRANKLIN TOWNSHIP SCHOOL DISTRICT
Washington, NJ
Roster of Officials
June 30, 2020

Members of the Board of Education	Title	Term Expires
Jean Hansen	President	2020
Rudy DiGilio	Vice-President	2021
Pamela Fitzsimmons		2020
Renee Hart		2020
Jeanne Butler		2021
Donna Sbriscia		2021
Elizabeth Ames		2022
Scott Hansen		2022
Kevin Klus		2022

Other Officials	Title
Matthew Eagleburger	Chief School Administrator
Timothy Duryea	School Business Administrator/Board Secretary
Nathanya Simon / Scarinci Hollenbeck Attorneys at Law	Solicitor

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Washington, NJ
Consultants and Advisors
June 30, 2020

AUDIT FIRM

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

ATTORNEY

Nathanya Simon / Scarinci Hollenbeck Attorneys at Law
1100 Valley Brook Avenue
P.O. Box 790
Lyndhurst, NJ 07071

OFFICIAL DEPOSITORY

Investors Bank
101 JFK Parkway
Short Hills, NJ 07078



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 Warren, Washington, 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 Warren, 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, long-term debt schedules 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 non-major 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 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 8, 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 8, 2021
Flemington, New Jersey

REQUIRED SUPPLEMENTARY INFORMATION - PART I

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

The discussion and analysis of 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 notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2020 are as follows:

- In total, net position increased \$403,307 which represents a 13.93% increase from 2019.
- General revenues accounted for \$6,550,082 revenue or 96.52% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$236,460 or 3.48% to total revenues of \$6,786,542.
- Total assets of governmental activities increased by \$160,819 as cash and cash equivalents increased by \$225,984, receivables and other assets increased by \$17,558 and capital assets decreased by \$82,723.
- The School District had \$6,383,235 in expenses; only \$236,460 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$6,550,082 were adequate to provide for these programs.
- Among major funds, the general fund had \$5,357,387 in revenues and \$5,093,850 in expenditures. The general fund's balance decreased \$11,104 over 2019.

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those 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 provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-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 fund financial statements also look at the School District's most significant funds 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.

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole look at all financial transactions and asks the question, "How did we do financially during 2020?" The Statement of Net Position and the Statement of Activities answer 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 has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. No 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. Governmental activities are the activities where most of the School District's programs and services are reported including, but no 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 financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund, special revenue fund, capital projects fund and debt service 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 the future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be 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 provided. 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

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

(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

Recall that 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 for the fiscal year ended 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	\$ 2,109,443	\$ 1,864,238	\$ 245,205	13.15%
Capital assets	3,235,196	3,318,000	(82,804)	-2.50%
Total assets	<u>5,344,639</u>	<u>5,182,238</u>	<u>162,401</u>	<u>3.13%</u>
Deferred outflows of resources				
Deferred amount of pension liability	<u>322,595</u>	<u>526,347</u>	<u>(203,752)</u>	<u>-38.71%</u>
Liabilities				
Long term liabilities	1,552,846	1,969,179	(416,333)	-21.14%
Other liabilities	<u>26,615</u>	<u>37,071</u>	<u>(10,456)</u>	<u>-28.21%</u>
Total liabilities	<u>1,579,461</u>	<u>2,006,250</u>	<u>(426,789)</u>	<u>-21.27%</u>
Deferred inflows of resources				
Deferred amount of pension liability	<u>790,022</u>	<u>807,891</u>	<u>(17,869)</u>	<u>-2.21%</u>
Net position				
Invested in capital assets, net of related debt	3,050,196	2,948,000	102,196	3.47%
Restricted	1,084,693	974,800	109,893	11.27%
Unrestricted	<u>(837,138)</u>	<u>(1,028,356)</u>	<u>191,218</u>	<u>18.59%</u>
Total net position	<u>\$ 3,297,751</u>	<u>\$ 2,894,444</u>	<u>\$ 403,307</u>	<u>13.93%</u>

Total assets increased \$162,401. Cash and cash equivalents increased by \$229,908, receivables and other assets increased by \$15,297 and capital assets decreased by \$82,804. Unrestricted net position of the School District increased by \$191,218. These are the part of net position that can be used to finance day to day activities without constraints established by grants or legal requirements.

The negative balance in unrestricted net position 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

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

Reporting for Pensions which allocates the proportionate share of the State's net pension liability for PERS to each contributing entity throughout the State.

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

	06/30/20	06/30/19	Variance	
			Dollars	Percent
Revenues				
Program revenues				
Charges for services	\$ 119,575	\$ 119,403	\$ 172	0.14%
Operating grants & contributions	116,885	147,112	(30,227)	-20.55%
General revenues				
Property taxes	3,972,966	3,884,482	88,484	2.28%
Unrestricted grants	2,553,922	3,025,418	(471,496)	-15.58%
Other	23,194	32,448	(9,254)	-28.52%
Total revenues	<u>6,786,542</u>	<u>7,208,863</u>	<u>(422,321)</u>	<u>-5.86%</u>
Program expenses				
Instruction				
Regular	2,724,758	3,164,264	(439,506)	-13.89%
Special	909,937	758,014	151,923	20.04%
Other	258,747	542,359	(283,612)	-52.29%
Support services				
Tuition	2,860	600	2,260	376.67%
Student & instructional staff	1,127,965	1,116,582	11,383	1.02%
General & business administration	591,171	554,610	36,561	6.59%
School administration	61,573	58,495	3,078	5.26%
Maintenance	432,829	468,469	(35,640)	-7.61%
Transportation	146,087	119,527	26,560	22.22%
Food service	58,277	61,608	(3,331)	-5.41%
Child care service	51,024	56,921	(5,897)	-10.36%
Interest on long term debt	18,007	29,569	(11,562)	-39.10%
Total expenses	<u>6,383,235</u>	<u>6,931,018</u>	<u>(547,783)</u>	<u>-7.90%</u>
Change in net position	<u>\$ 403,307</u>	<u>\$ 277,845</u>	<u>\$ 125,462</u>	<u>45.16%</u>

Governmental Activities

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. Property taxes made up 70.24% of revenues for governmental activities for the Franklin Township School District for fiscal year 2020.

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

Instruction comprises 60.99% of district expenses. Support services expenses make up 39.01% of the 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 for the fiscal year ended June 30, 2020 compared to June 30, 2019. That is, it identifies the cost of these services supported by tax revenue and unrestricted State Entitlements.

**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	\$ 3,893,442	\$ 4,464,637	\$ 3,812,129	\$ 4,368,441
Support services				
Tuition	2,860	600	2,860	600
Student & instructional staff	1,127,965	1,116,582	1,069,756	1,060,390
General & business administration	591,171	554,610	591,171	554,610
School administration	61,573	58,495	61,573	58,495
Plant operations & maintenance	432,829	468,469	432,829	468,469
Pupil transportation	146,087	119,527	146,087	119,527
Food service	58,277	61,608	11,507	2,314
Child care service	51,024	56,921	856	2,088
Interest on long-term debt	18,007	29,569	18,007	29,569
	<u>\$ 6,383,235</u>	<u>\$ 6,931,018</u>	<u>\$ 6,146,775</u>	<u>\$ 6,664,503</u>

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

Student 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 include expenses associated with administrative and financial supervision of the District.

Plant operation and maintenance activities involve keeping the school grounds, buildings and equipment in a safe and 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.

Interest and fiscal charges involve the transactions associated with the payment of interest and other related charges to debt of the School District.

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

The dependence upon tax revenues and aid is apparent. For all activities local tax revenue support is 58.54%. The community, as a whole, is the primary support or funding source for the Franklin Township School District.

The School District's Funds

Information about the School District's major funds starts in the section entitled Fund Financial Statements. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$5,656,296 and expenditures of \$5,392,759 and other financing uses of \$11,104. The net positive change in fund balance for the year was most significant in the general fund, reflecting an increase of \$252,433.

General Fund Budgeting Highlights

The School District's budget is prepared according to New Jersey law, and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

During the course of the fiscal year 2020, the School District amended its general fund budget as needed. The School District uses program-based budgeting. The budgeting systems are designed to tightly control total program budgets but provide the flexibility for program management.

For the general fund, budget basis revenue and other financing sources were \$ 4,580,663, \$ 120,600 over original budgeted estimates of \$4,460,063. This difference was due primarily to additional extraordinary aid.

The general fund revenues and other financing sources of the School District exceeded expenditures by \$246,387, the financial position of the School District is strong.

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

Capital Assets

At the end of the fiscal year 2020, the School District had \$3,235,196 invested in land, construction in progress, building, furniture and equipment. Table 4 shows June 30, 2020 balances 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	\$ 180,000	\$ 180,000	\$ -	0.00%
Construction in progress	2,000	803	1,197	149.07%
Land improvements	33,963	35,938	(1,975)	-5.50%
Buildings & improvements	2,996,440	3,078,212	(81,772)	-2.66%
Machinery & equipment	22,793	23,047	(254)	-1.10%
	<u>\$ 3,235,196</u>	<u>\$ 3,318,000</u>	<u>\$ (82,804)</u>	<u>-2.50%</u>

* = Undefined

Overall capital assets decreased \$82,804 from June 30, 2019 to June 30, 2020.

Debt Administration

At June 30, 2020, the School District had \$1,552,846 in long-term liabilities. Table 5 shows June 30, 2020 balances compared to June 30, 2019.

Table 5
Long-Term Liabilities at Year End

	06/30/20	06/30/19	Variance	
			Dollars	Percent
2010 refunding bond issue	\$ 185,000	\$ 370,000	\$ (185,000)	-50.00%
Unamortized bond premium	17,879	26,820	(8,941)	-33.34%
Compensated absences liability	144,197	150,850	(6,653)	-4.41%
PERS net pension liability	1,205,770	1,421,509	(215,739)	-15.18%
	<u>\$ 1,552,846</u>	<u>\$ 1,969,179</u>	<u>\$ (416,333)</u>	<u>-21.14%</u>

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

For the Future

At the present time, the Franklin Township School District is in a very good financial condition, despite reductions in State School Aid over the last two years. The district has a history of maintaining tight reigns on tax levy increases, with the average increase, over the last ten years (fiscal year 2011 through fiscal year 2021) only amounting to 0.1% each year. With fiscal year 2021 marking the last year for the payment of the district's most recent bond issue, it is anticipated that fiscal year 2022 will see low tax levy increases once again. At the close of the 2019-2020 school year, the district sat with its Maintenance Reserve Account fully funded, its Capital Reserve Account increased to \$712,000, and an Emergency Reserve Account Balance of \$80,000. These funds do not isolate us from every type of exposure that could potentially result in a spike in property taxes, however, they do insulate us from many of the more common situations that school districts face. In addition, the Capital Reserve Account can be utilized for initiatives that may benefit the district budget in future years, such as energy savings projects.

Franklin Township is primarily a residential, farming community, with very few industrial ratables. With that said, the majority of the property tax burden falls directly upon our residents. In addition, because Franklin Township's ratables are so high, compared with the number of students that attend our schools, we receive far less State aid than many of the surrounding districts. It is because of these factors that we are called upon to constantly scrutinize the efficiencies of our operation. We have also taken the initiative to open dialogue with the Township Committee, in an effort to communicate the broad impact of commercial, industrial, and residential development on the financial posture of the district as-a-whole.

During the last decade, New Jersey has seen a shift in population to the more urban areas of the State. Within the last year, however, the migration has seen a bit of a reversal, which will hopefully result in an increase in enrollment at Franklin Township. We estimate that the district would be able to absorb an additional 40-50 students without any major increase in staffing (the district's largest budget item). The additional state and federal aid tied to these students vs. the very modest additional cost would result in a very positive financial shift for the district.

In conclusion, the Franklin Township School District has committed itself to financial excellence for many years. In addition, the School District's system for financial planning, budgeting, and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenges of the future.

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

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information, kindly contact Tim Duryea, School Business Administrator/Board Secretary at Franklin Township Board of Education, 52 Asbury Broadway Road, Washington, NJ 07882 or email at tduryea@franklinschool.org.

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
Statement of Net Position
June 30, 2020

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 881,379	\$ 17,213	\$ 898,592
Due from other funds, net	1,908	-	1,908
Receivables, net	110,474	10,134	120,608
Inventory	-	3,642	3,642
Restricted assets			
Capital reserve - cash	712,035	-	712,035
Emergency reserve - cash	80,445	-	80,445
Maintenance reserve - cash	292,213	-	292,213
Capital assets, net			
Land	180,000	-	180,000
Construction in progress	2,000	-	2,000
Other capital assets, net of depreciation	3,052,655	541	3,053,196
Total assets	<u>5,313,109</u>	<u>31,530</u>	<u>5,344,639</u>
Deferred outflows of resources			
Deferred amount on pension activity	<u>322,595</u>	<u>-</u>	<u>322,595</u>
Liabilities			
Accounts payable	13,884	4,535	18,419
Accrued interest	4,240	-	4,240
Unearned revenue	-	3,956	3,956
Long-term liabilities			
Due within one year	193,941	-	193,941
Due beyond one year	1,358,905	-	1,358,905
Total liabilities	<u>1,570,970</u>	<u>8,491</u>	<u>1,579,461</u>
Deferred inflows of resources			
Deferred amount on pension liability	<u>790,022</u>	<u>-</u>	<u>790,022</u>
Net position			
Net investment in capital assets	3,049,655	541	3,050,196
Restricted for			
Capital reserve	712,035	-	712,035
Emergency reserve	80,445	-	80,445
Maintenance reserve	292,213	-	292,213
Unrestricted	<u>(859,636)</u>	<u>22,498</u>	<u>(837,138)</u>
Total net position	<u>\$ 3,274,712</u>	<u>\$ 23,039</u>	<u>\$ 3,297,751</u>

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	\$ 1,333,313	\$ 1,391,445	\$ 44,113	\$ 13,514	\$ -	\$ (2,667,131)	\$ -	\$ (2,667,131)
Special education	476,208	433,729	-	-	-	(909,937)	-	(909,937)
Other special education	124,001	123,616	-	23,686	-	(223,931)	-	(223,931)
Other instruction	31,054	(19,924)	-	-	-	(11,130)	-	(11,130)
Support services								
Tuition	2,860	-	-	-	-	(2,860)	-	(2,860)
Students & instruction related services	664,352	463,613	-	58,209	-	(1,069,756)	-	(1,069,756)
General & business administration services	330,282	260,889	-	-	-	(591,171)	-	(591,171)
School administration services	59,236	2,337	-	-	-	(61,573)	-	(61,573)
Plant operations & maintenance	356,041	76,788	-	-	-	(432,829)	-	(432,829)
Pupil transportation	146,087	-	-	-	-	(146,087)	-	(146,087)
Interest on long-term debt	18,007	-	-	-	-	(18,007)	-	(18,007)
Total governmental activities	<u>3,541,441</u>	<u>2,732,493</u>	<u>44,113</u>	<u>95,409</u>	<u>-</u>	<u>(6,134,412)</u>	<u>-</u>	<u>(6,134,412)</u>
Business-type activities								
Food service	58,277	-	25,294	21,476	-	-	(11,507)	(11,507)
Child care program	51,024	-	50,168	-	-	-	(856)	(856)
Total business-type activities	<u>109,301</u>	<u>-</u>	<u>75,462</u>	<u>21,476</u>	<u>-</u>	<u>-</u>	<u>(12,363)</u>	<u>(12,363)</u>
Total primary government	<u>\$ 3,650,742</u>	<u>\$ 2,732,493</u>	<u>\$ 119,575</u>	<u>\$ 116,885</u>	<u>\$ -</u>	<u>(6,134,412)</u>	<u>(12,363)</u>	<u>(6,146,775)</u>
General revenues, special items and transfers								
						3,769,466	-	3,769,466
						203,500	-	203,500
						2,553,922	-	2,553,922
						20,116	117	20,233
						2,911	50	2,961
						(11,104)	11,104	-
						<u>6,538,811</u>	<u>11,271</u>	<u>6,550,082</u>
						404,399	(1,092)	403,307
						2,870,313	24,131	2,894,444
						<u>\$ 3,274,712</u>	<u>\$ 23,039</u>	<u>\$ 3,297,751</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	\$ 881,379	\$ -	\$ -	\$ -	\$ 881,379
Due from other funds	10,095	-	-	-	10,095
Receivables from other governments					
Local	13,904	-	-	-	13,904
State	87,749	-	-	-	87,749
Federal	-	8,187	-	-	8,187
Other accounts receivable	634	-	-	-	634
Restricted cash and cash equivalents	1,084,693	-	-	-	1,084,693
Total assets	\$ 2,078,454	\$ 8,187	\$ -	\$ -	\$ 2,086,641
Liabilities and fund balances					
Liabilities					
Due to other funds	\$ -	\$ 8,187	\$ -	\$ -	\$ 8,187
Accounts payable	13,884	-	-	-	13,884
Total liabilities	13,884	8,187	-	-	22,071

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					
Fund balances					
Restricted fund balance					
Excess surplus - designated for					
subsequent year's expenditures	\$ 209,397	\$ -	\$ -	\$ -	\$ 209,397
Excess surplus - current year	269,316	-	-	-	269,316
Capital reserve	712,035	-	-	-	712,035
Emergency reserve	80,445	-	-	-	80,445
Maintenance reserve	292,213	-	-	-	292,213
Committed fund balance					
Encumbrances	145,274	-	-	-	145,274
Assigned fund balance					
Designated for subsequent					
year's expenditures	91,181	-	-	-	91,181
Unassigned fund balance	264,709	-	-	-	264,709
Total fund balances	2,064,570	-	-	-	2,064,570
Total liabilities and fund balances	\$ 2,078,454	\$ 8,187	\$ -	\$ -	

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 \$5,956,148 and the accumulated depreciation is \$2,721,493.	3,234,655
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	(467,427)
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.	(1,552,846)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(4,240)
Total net position of governmental activities	\$ 3,274,712

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	\$ 3,769,466	\$ -	\$ -	\$ 203,500	\$ 3,972,966
Tuition charges					
Individuals	15,401	-	-	-	15,401
Other sources	28,712	-	-	-	28,712
Interest on investments	20,116	-	-	-	20,116
Miscellaneous	2,911	2,385	-	-	5,296
Total local sources	<u>3,836,606</u>	<u>2,385</u>	<u>-</u>	<u>203,500</u>	<u>4,042,491</u>
State sources	1,520,781	-	-	-	1,520,781
Federal sources	-	93,024	-	-	93,024
Total revenues	<u>5,357,387</u>	<u>95,409</u>	<u>-</u>	<u>203,500</u>	<u>5,656,296</u>
Expenditures					
Current					
Instructional					
Regular instruction	1,319,799	13,514	-	-	1,333,313
Special education instruction	476,208	-	-	-	476,208
Other special instruction	100,315	23,686	-	-	124,001
Other instruction	31,054	-	-	-	31,054
Support service & undistributed costs					
Tuition	2,860	-	-	-	2,860
Student & instruction related services					
General & business administrative services	610,595	53,757	-	-	664,352
School administrative services	330,282	-	-	-	330,282
Plant operations & maintenance	59,236	-	-	-	59,236
Pupil transportation	356,041	-	-	-	356,041
Unallocated benefits	146,087	-	-	-	146,087
	1,612,527	2,452	-	-	1,614,979

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	\$ 36,159	\$ 2,000	\$ -	\$ -	\$ 38,159
Debt service					
Principal	-	-	-	185,000	185,000
Interest & other charges	12,687	-	-	18,500	31,187
Total expenditures	<u>5,093,850</u>	<u>95,409</u>	<u>-</u>	<u>203,500</u>	<u>5,392,759</u>
Excess (deficit) of revenues over (under) expenditures	<u>263,537</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>263,537</u>
Other financing sources (uses)					
Transfer in (out)	<u>(11,104)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,104)</u>
Total other financing sources (uses)	<u>(11,104)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,104)</u>
Net change in fund balance	252,433	-	-	-	252,433
Fund balances, July 1	<u>1,812,137</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,812,137</u>
Fund balances, June 30	<u><u>\$ 2,064,570</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,064,570</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)	\$	252,433
<p>Amounts reported for governmental activities in the Statement of Activities (A-2) are different because:</p>		
<p>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:</p>		
Capital outlays	\$	38,159
Depreciation expense		<u>(120,882)</u>
		(82,723)
<p>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:</p>		
Debt principal payments		185,000
<p>Governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:</p>		
Amortization of bond premium		8,941
<p>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.</p>		
		29,856
<p>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.</p>		
		4,239

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

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.

\$ 6,653

Change in net position of governmental activities

\$ 404,399

See accompanying notes to financial statements.

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

	Food Service Fund	Child Care Program	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 9,405	\$ 7,808	\$ 17,213
Accounts receivable	-	7,190	7,190
Receivables from other governments			
State	45	-	45
Federal	2,899	-	2,899
Inventory	3,642	-	3,642
Total current assets	<u>15,991</u>	<u>14,998</u>	<u>30,989</u>
Noncurrent assets			
Capital assets	30,019	-	30,019
Less: accumulated depreciation	29,478	-	29,478
Total noncurrent assets	<u>541</u>	<u>-</u>	<u>541</u>
Total assets	<u>16,532</u>	<u>14,998</u>	<u>31,530</u>
Liabilities			
Current liabilities			
Unearned revenues - commodities	1,223	-	1,223
Unearned revenues - prepaid sales	2,733	-	2,733
Accounts payable	4,535	-	4,535
Total liabilities	<u>8,491</u>	<u>-</u>	<u>8,491</u>
Net position			
Net investment in capital assets	541	-	541
Unrestricted	7,500	14,998	22,498
Total net position	<u>\$ 8,041</u>	<u>\$ 14,998</u>	<u>\$ 23,039</u>

See accompanying notes to financial statements.

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

	Food Service Fund	Child Care Program	Total
Operating revenues			
Charges for services			
Daily sales - reimbursable programs	\$ 17,646	\$ -	\$ 17,646
Daily sales - non-reimbursable programs	7,648	-	7,648
Fees for services	-	50,168	50,168
Total operating revenues	<u>25,294</u>	<u>50,168</u>	<u>75,462</u>
Operating expenses			
Cost of sales - reimbursable programs	13,390	-	13,390
Cost of sales - non-reimbursable programs	5,867	-	5,867
Commodity food costs	8,938	-	8,938
Salaries	12,156	45,297	57,453
Support services - employee benefits	1,703	3,752	5,455
Purchased professional/technical services	1,238	-	1,238
Other purchased services			
Insurance	1,748	-	1,748
Management fee	7,680	-	7,680
Supplies and materials	4,382	1,975	6,357
Depreciation	81	-	81
Miscellaneous expenditures	1,094	-	1,094
Total operating expenses	<u>58,277</u>	<u>51,024</u>	<u>109,301</u>
Operating income (loss)	(32,983)	(856)	(33,839)
Non-operating revenues (expenses)			
State sources			
State school lunch program	449	-	449
Federal sources			
National school lunch program			
Cash assistance	12,089	-	12,089
Non cash assistance (commodities)	8,938	-	8,938
Other sources			
Miscellaneous	50	-	50
Interest earned on investments	87	30	117
Total non-operating revenues (expenses)	<u>21,613</u>	<u>30</u>	<u>21,643</u>
Operating transfer in	<u>11,104</u>	<u>-</u>	<u>11,104</u>
Change in net position	(266)	(826)	(1,092)
Net position, beginning	<u>8,307</u>	<u>15,824</u>	<u>24,131</u>
Net position, ending	<u>\$ 8,041</u>	<u>\$ 14,998</u>	<u>\$ 23,039</u>

See accompanying notes to financial statements.

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

	Food Service Fund	Child Care Program	Total
Cash flows from operating activities			
Receipts from customers (net)	\$ 26,371	\$ 55,858	\$ 82,229
Payments to Food Service Management Co.	(42,559)	-	(42,559)
Payments to vendors (net)	(5,056)	(51,024)	(56,080)
Net cash provided by (used for) operating activities	<u>(21,244)</u>	<u>4,834</u>	<u>(16,410)</u>
Cash flows from non-capital financing activities			
State sources	434	-	434
Federal sources	9,731	-	9,731
Miscellaneous	51	-	51
Net interfund transactions	10,000	-	10,000
Net cash provided by (used for) noncapital financing activities	<u>20,216</u>	<u>-</u>	<u>20,216</u>
Cash flows from investing activities			
Interest on investments	87	30	117
Net cash provided by (used for) investing activities	<u>87</u>	<u>30</u>	<u>117</u>
Net increase (decrease) in cash and cash equivalents	(941)	4,864	3,923
Cash and cash equivalents, beginning	<u>10,346</u>	<u>2,944</u>	<u>13,290</u>
Cash and cash equivalents, ending	<u>\$ 9,405</u>	<u>\$ 7,808</u>	<u>\$ 17,213</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities			
Operating income (loss)	\$ (32,983)	\$ (856)	\$ (33,839)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities			
Depreciation	81	-	81
Federal food donation program	8,938	-	8,938
(Increase) decrease in accounts receivable	-	5,690	5,690
Increase (decrease) in accounts payable	2,637	-	2,637
(Increase) decrease in inventory	(1,058)	-	(1,058)
Increase (decrease) in unearned revenue	1,141	-	1,141
Net cash provided by (used for) operating activities	<u>\$ (21,244)</u>	<u>\$ 4,834</u>	<u>\$ (16,410)</u>

See accompanying notes to financial statements.

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

	<u>Student Activity Agency Fund</u>	<u>Payroll Agency Fund</u>
Assets		
Cash and cash equivalents	\$ 2,063	\$ 45,525
Total assets	<u>\$ 2,063</u>	<u>\$ 45,525</u>
Liabilities		
Due to student groups	\$ 2,063	\$ -
Due to general fund	-	1,908
FSA Section 125 Plan	-	11,339
Payroll deductions & withholdings	-	31,063
Net payroll	-	1,215
Total liabilities	<u>\$ 2,063</u>	<u>\$ 45,525</u>

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 Warren, 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-6. The District had an approximate enrollment at June 30, 2020 of 210 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 postemployment 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 and child care program.

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 - The trust and agency funds are 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.

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.

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.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

D. Budgets/budgetary control (continued)

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 years 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 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 one item that qualifies for reporting in this category, deferred amount on pension activity. 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	1,906,241
Total bank balances	<u>\$ 2,156,241</u>

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

Cash		<u>\$ 2,030,873</u>
	<u>Ref.</u>	
Unrestricted cash		
Governmental funds, Balance Sheet	B-1	\$ 881,379
Enterprise funds, Statement of Net Position	B-4	17,213
Fiduciary funds, Statement of Net Position	B-7	47,588
Restricted cash		
Governmental funds, Balance Sheet	B-1	1,084,693
Total cash		<u>\$ 2,030,873</u>

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	\$ 180,000	\$ -	\$ -	\$ 180,000
Construction in progress	803	2,000	803	2,000
Total	<u>180,803</u>	<u>2,000</u>	<u>803</u>	<u>182,000</u>
Capital assets, being depreciated				
Land improvements	112,428	-	-	112,428
Building & improvements	5,408,919	31,000	-	5,439,919
Furniture & equipment	218,414	5,962	2,575	221,801
Total	<u>5,739,761</u>	<u>36,962</u>	<u>2,575</u>	<u>5,774,148</u>
Accumulated depreciation				
Land improvements	76,490	1,975	-	78,465
Building & improvements	2,330,707	112,772	-	2,443,479
Furniture & equipment	195,989	6,135	2,575	199,549
Total	<u>2,603,186</u>	<u>120,882</u>	<u>2,575</u>	<u>2,721,493</u>
Total capital assets, being depreciated, net	<u>3,136,575</u>	<u>(83,920)</u>	<u>-</u>	<u>3,052,655</u>
Transfers	-	(803)	(803)	-
Governmental activities capital assets, net	<u>\$ 3,317,378</u>	<u>\$ (82,723)</u>	<u>\$ -</u>	<u>\$ 3,234,655</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business type activities				
Furniture & equipment	\$ 30,019	\$ -	\$ -	\$ 30,019
Less: accumulated depreciation	29,397	81	-	29,478
Business type activities capital assets, net	<u>\$ 622</u>	<u>\$ (81)</u>	<u>\$ -</u>	<u>\$ 541</u>

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 4 - Capital assets (continued)

Depreciation expense was charged to governmental functions in the current year as follows:

Instruction			
Regular	\$	52,626	
Special education		18,787	
Other special instruction		4,963	
Other instruction		1,225	
Support services			
Student & instruction		26,209	
General & business administration		13,030	
School administration		2,337	
Plant maintenance		1,705	
Total depreciation expense, governmental activities	\$	120,882	

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	\$ 370,000	\$ -	\$ 185,000	\$ 185,000	\$ 185,000
Unamortized bond premium	26,820	-	8,941	17,879	8,941
Compensated absences payable	150,850	-	6,653	144,197	-
PERS net pension liability	1,421,509	-	215,739	1,205,770	-
Total governmental activities long-term liabilities	\$ 1,969,179	\$ -	\$ 416,333	\$ 1,552,846	\$ 193,941

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	\$ 185,000	\$ 9,250	\$ 194,250
Total	\$ 185,000	\$ 9,250	\$ 194,250

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:

\$2,045,000 - 2010 general obligation school building bonds, interest at 2.00% to 5.00% due in annual installments beginning February 15, 2011 through February 15, 2021. \$ 185,000

The general obligation bonded debt of the District is limited by state law to 2.5% 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, 2020 is \$10,066,352. General obligation debt at June 30, 2020 is \$185,000, resulting in a legal debt margin of \$9,881,352.

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.

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.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)

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

Plan description (continued)

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.

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 non-employer allocations are applied to amounts presented in the schedules of pension amounts by employer and non-employer. 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.

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)

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 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.

The District's contractually required contribution rate for the year ended June 30, 2020 was 16.69% 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.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

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

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	\$ 1,205,770
Proportionate share	0.0066918512%
 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 age)	
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.

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.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

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

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.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

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

Discount rate (continued)

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%)	\$	1,205,770
At a 1% lower rate (5.28%)		1,533,679
At a 1% higher rate (7.28%)		944,917

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	\$ 21,642	\$ 5,327
Changes of assumptions	120,401	418,519
Net difference between projected and actual earnings on pension plan investments	-	19,034
Changes in proportion and differences between District contributions and proportionate share of contributions	115,460	347,142
District contributions subsequent to the measurement date	65,092	-
Total	<u>\$ 322,595</u>	<u>\$ 790,022</u>

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 \$65,092 will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020.

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 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	\$ 27,108	\$ (5,466)	\$ 21,642
Changes of assumptions	234,241	(113,840)	120,401
Deferred inflows of resources			
Differences between expected and actual experience	(7,330)	2,003	(5,327)
Changes of assumptions	(454,523)	36,004	(418,519)
Differences between projected and actual investment earnings on pension plan investments	(13,334)	(5,700)	(19,034)
Net of deferred outflows	<u>\$ (213,838)</u>	<u>\$ (86,999)</u>	<u>\$ (300,837)</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:

Fiscal Year Ended June 30,

2020	\$ (34,817)
2021	(112,946)
2022	(100,854)
2023	(47,356)
2024	(4,864)
Total	<u>\$ (300,837)</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 \$35,237, which represents the District's proportionate share of allocable plan pension expense of \$55,902 less the net amortization of deferred amounts from changes in proportion of \$27,385, and plus other adjustments to the net pension liability of \$6,720. 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	\$	46,439
Interest on total pension liability		137,640
Member contributions		(31,986)
Administrative expense		847
Expected investment return net of investment expense		(85,405)
Pension expense related to specific liabilities of individual employers		(400)
Recognition of deferred inflows/outflows of resources		
Amortization of assumption changes or inputs		10,363
Amortization of expected versus actual experience		(31,672)
Amortization of projected versus actual investment earnings on pension plan investments		10,076
Pension expense	\$	55,902

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

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.

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.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

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

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.

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 \$412,292 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	\$ 17,227,297
Less: State proportionate share of net pension liability	4,642,872
Net pension liability	<u>\$ 12,584,425</u>
Proportionate share	0.0205055098%
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 - 4.55%
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%)	\$ 12,584,425
At a 1% lower rate (4.60%)	14,839,822
At a 1% higher rate (6.60%)	10,713,157

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	\$ 385,000
Interest on total pension liability	859,499
Member contributions	(173,093)
Administrative expense	2,848
Expected investment return net of investment expense	(315,614)
Pension expense related to specific liabilities of individual employers	(61)
Recognition of deferred inflows/outflows of resources	
Amortization of assumption changes or inputs	36,459
Amortization of expected versus actual experience	(122,056)
Amortization of projected versus actual investment earnings on pension plan investments	69,281
Pension expense	<u>\$ 742,263</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/njdcprp.

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 ended 2020 was \$1,213.

D. Other pension plan information

During the fiscal year ended June 30, 2020, the State of New Jersey contributed \$164,879 to the TPAF for postretirement medical benefits, \$7,826 for non-contributory insurance premiums, \$340 for long-term disability insurance, and \$436,612 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 \$161,021 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 No. 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 - <u>Postretirement benefits (continued)</u>	
<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	11,117,791
Employer OPEB expense and related revenue	290,878
Allocable proportionate percentage	0.0266427890%
<u>Changes in the total OPEB liability</u>	
	Total OPEB Liability
Total OPEB liability at June 30, 2018	\$ 12,990,133
Service cost	410,231
Interest cost	512,247
Change of benefit terms	-
Differences between expected and actual experiences	(2,629,421)
Changes of assumptions	165,757
Member contributions	10,117
Gross benefit payments	(341,283)
Total OPEB liability at June 30, 2019	\$ 11,117,791

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	1.55% - 3.05%	2.00% - 6.00%
Through 2026	1.55% - 3.05%	3.00% - 7.00%
Thereafter		

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 7 - Postretirement benefits (continued)

Changes in the total OPEB liability (continued)

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 discount 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%)	\$	11,117,791
At a 1% lower rate (2.50%)		13,134,505
At a 1% higher rate (4.50%)		9,515,824

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 7 - Postretirement benefits (continued)

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	\$	11,117,791
At a 1% lower rate (1% decrease)		9,160,564
At a 1% higher rate (1% increase)		13,708,757

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 \$208,878 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:

- Equitable Insurance Co.
- Prudential Insurance Co.
- Phoenix Home Life Mutual Insurance Co.

Note 9 - Interfund receivable and payables

The composition of interfund balances as of June 30, 2020 is as follows:

	<u>Receivable</u>	<u>Payable</u>
General fund	\$ 10,095	\$ -
Special revenue	-	8,187
Payroll agency fund	-	1,908
	<u>\$ 10,095</u>	<u>\$ 10,095</u>

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 9 - Interfund receivable and payables (continued)

The balance due from the payroll agency to the general fund of \$1,908 represents funds not yet transferred at year-end. The balance due from the special revenue fund due to the general fund represents a loan from the general fund of \$8,187 due to cash flow issues relating to the delayed receipt of grant revenues.

Note 10 - Inventory

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

Food	\$	2,788
Supplies		854
Total	\$	3,642

Note 11 - Contingent liabilities

Amounts received, or are 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 Contributory Method. Under this plan, the District is required to remit the entire employee deduction of unemployment compensation to the State. Any claims for unemployment are paid for by the State from those funds.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 13 - District 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 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) and 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 the state statute the District deposited \$75,000 to their capital reserve account and \$30,000 to their emergency reserve account by Board Resolution in June 2019 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	\$ 631,488	\$ 75,000	\$ 5,547	\$ -	\$ -	\$ 712,035
Maintenance	293,312	-	-	-	1,099	292,213
Emergency	50,000	30,000	445	-	-	80,445
Total	<u>\$ 974,800</u>	<u>\$ 105,000</u>	<u>\$ 5,992</u>	<u>\$ -</u>	<u>\$ (1,099)</u>	<u>\$ 1,084,693</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.	\$ 209,397
Excess surplus - Represents amount in excess of allowable percentage of expenditures. In accordance with state statute, the excess surplus is designated for utilization in succeeding year's budgets.	269,316
Capital reserve account - Represents funds restricted to capital projects in the Districts long range facilities plan.	712,035
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).	292,213
Emergency reserve account - Represents funds accumulated to finance unanticipated general fund expenditures required for a thorough and efficient education.	80,445

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.	145,274
---	---------

Assigned

Designated surplus - Designated for Subsequent Year's expenditures - Represents amount appropriated in the succeeding year's budget to reduce tax requirements.	91,181
---	--------

Unassigned

Undesignated - Represents fund balance which has not been restricted or designated.	329,860
Total fund balance - Budgetary basis (Exhibit C-1)	2,129,721
Last state aid payments not recognized on GAAP basis	(65,151)
Total fund balance - GAAP basis (Exhibit B-1)	\$ 2,064,570

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 \$269,316.

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 June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases*. This statement is effective for reporting periods beginning after June 15, 2021 as amended by GASB Statement No. 95. The District is evaluating the effect of the pronouncement on financial reporting.

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 (\$859,636) on Schedule A-1 Statement of Net Position. The deficit balance 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 8, 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	\$ 3,769,466	\$ -	\$ 3,769,466	\$ 3,769,466	\$ -
Tuition from individuals	15,000	-	15,000	15,401	401
Tuition from other LEAs within the state	-	-	-	28,712	28,712
Unrestricted miscellaneous revenues	10,800	-	10,800	17,035	6,235
Interest earned on current expense emergency reserve	-	-	-	445	445
Interest earned on maintenance reserve	100	-	100	-	(100)
Interest earned on capital reserve funds	500	-	500	5,547	5,047
Total	3,795,866	-	3,795,866	3,836,606	40,740
State sources					
Categorical transportation aid	16,087	-	16,087	16,087	-
Extraordinary aid	-	-	-	78,700	78,700
Categorical special education aid	147,307	-	147,307	147,307	-
Equalization aid	496,790	-	496,790	496,790	-
Categorical security aid	4,013	-	4,013	4,013	-
Other state aid	-	-	-	1,160	1,160
TPAF Pension (on-behalf)	-	-	-	444,438	444,438
TPAF Social Security (reimbursed)	-	-	-	161,021	161,021
TPAF Postretirement benefits	-	-	-	164,879	164,879
TPAF Long-term disability insurance	-	-	-	340	340
Total	664,197	-	664,197	1,514,735	850,538
Total revenues	\$ 4,460,063	\$ -	\$ 4,460,063	\$ 5,351,341	\$ 891,278
Expenditures					
Current					
Instruction - regular program					
Salaries of teachers					
Preschool	\$ 89,750	\$ (12,475)	\$ 77,275	\$ 61,483	\$ 15,792
Kindergarten	170,340	(1,104)	169,236	152,758	16,478
Grades 1-5	874,000	(12,000)	862,000	838,085	23,915
Grades 6-8	215,205	(9,725)	205,480	186,347	19,133
Regular programs - undistributed instruction					
Other purchased services	16,500	12,785	29,285	29,281	4
General supplies	87,570	(2,000)	85,570	49,365	36,205
Textbooks	36,144	(27,585)	8,559	1,491	7,068
Other objects	8,000	(6,725)	1,275	989	286
Total	1,497,509	(58,829)	1,438,680	1,319,799	118,881
Special education					
Multiple disabilities					
Salaries of teachers	59,295	1,200	60,495	60,414	81
General supplies	3,000	(2,500)	500	49	451
Total	62,295	(1,300)	60,995	60,463	532

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)					
Resource room/resource center					
Salaries of teachers	\$ 213,275	\$ 69,260	\$ 282,535	\$ 282,530	\$ 5
Other salaries for instruction	85,769	19,750	105,519	105,510	9
General supplies	3,551	(718)	2,833	2,832	1
Total	<u>302,595</u>	<u>88,292</u>	<u>390,887</u>	<u>390,872</u>	<u>15</u>
Home instruction					
Salaries of teachers	12,900	11,900	24,800	24,725	75
Other purchased services	-	300	300	148	152
Total	<u>12,900</u>	<u>12,200</u>	<u>25,100</u>	<u>24,873</u>	<u>227</u>
Total special education	<u>377,790</u>	<u>99,192</u>	<u>476,982</u>	<u>476,208</u>	<u>774</u>
Basic skills/remedial					
Salaries of teachers	164,979	(64,682)	100,297	100,265	32
General supplies	900	(110)	790	50	740
Total	<u>165,879</u>	<u>(64,792)</u>	<u>101,087</u>	<u>100,315</u>	<u>772</u>
School-sponsored co/extra curricular activities - instruction					
Salaries	16,500	-	16,500	13,144	3,356
Supplies and materials	1,500	-	1,500	403	1,097
Total	<u>18,000</u>	<u>-</u>	<u>18,000</u>	<u>13,547</u>	<u>4,453</u>
Summer school - instruction					
Salaries of teachers	14,670	-	14,670	10,128	4,542
Other salaries of instruction	9,960	-	9,960	7,245	2,715
General supplies	600	-	600	134	466
Total	<u>25,230</u>	<u>-</u>	<u>25,230</u>	<u>17,507</u>	<u>7,723</u>
Total instruction regular	<u>\$ 2,084,408</u>	<u>\$ (24,429)</u>	<u>\$ 2,059,979</u>	<u>\$ 1,927,376</u>	<u>\$ 132,603</u>
Undistributed expenditures					
Undistributed expenditures - instruction					
Tuition to other LEAs within the state - regular	\$ -	\$ 14,300	\$ 14,300	\$ 2,860	\$ 11,440
Tuition to other LEAs within the state - special	3,500	-	3,500	-	3,500
Tuition to priv. school for the disabled w/i state	36,000	(14,300)	21,700	-	21,700
Total	<u>39,500</u>	<u>-</u>	<u>39,500</u>	<u>2,860</u>	<u>36,640</u>
Undistributed expenditures - health services					
Salaries	72,215	1,050	73,265	73,187	78
Purchased professional and technical services	1,250	(700)	550	170	380
Supplies and materials	2,598	(350)	2,248	1,174	1,074
Total	<u>76,063</u>	<u>-</u>	<u>76,063</u>	<u>74,531</u>	<u>1,532</u>
Undistributed expenditures - speech, ot, pt & related services					
Salaries	45,900	4,000	49,900	49,069	831
Purchased professional - educational services	109,780	(4,000)	105,780	57,975	47,805
Supplies and materials	3,031	-	3,031	1,314	1,717
Total	<u>158,711</u>	<u>-</u>	<u>158,711</u>	<u>108,358</u>	<u>50,353</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)					
Undistributed expenditures - other supp. service stds. - extra service					
Salaries	\$ 69,200	\$ -	\$ 69,200	\$ 63,344	\$ 5,856
Total	69,200	-	69,200	63,344	5,856
Undistributed expenditures - guidance					
Purchased professional - educational services	2,100	-	2,100	1,300	800
Total	2,100	-	2,100	1,300	800
Undistributed expenditures - child study teams					
Salaries of other professional staff	215,050	9,940	224,990	218,175	6,815
Salaries of secretarial and clerical assistants	18,300	200	18,500	18,364	136
Purchased professional - educational services	3,000	-	3,000	2,037	963
Other purchased services	1,000	-	1,000	94	906
Supplies and materials	2,000	(200)	1,800	624	1,176
Other objects	2,800	-	2,800	2,225	575
Total	242,150	9,940	252,090	241,519	10,571
Undistributed expenditures - improvement of inst. service					
Other purchased services	25,110	125	25,235	24,410	825
Total	25,110	125	25,235	24,410	825
Undistributed expenditures - edu. media service/sch. library					
Salaries	31,150	(3,090)	28,060	28,056	4
Purchased professional and technical services	62,700	3,090	65,790	64,572	1,218
Other purchased services	300	-	300	-	300
Supplies and materials	1,450	4,325	5,775	1,573	4,202
Other objects	500	(125)	375	142	233
Total	96,100	4,200	100,300	94,343	5,957
Undistributed expenditures - instructional staff training services					
Other purchased services	1,500	-	1,500	1,316	184
Supplies and materials	1,000	-	1,000	-	1,000
Other objects	13,000	-	13,000	1,474	11,526
Total	15,500	-	15,500	2,790	12,710
Undistributed expend. - support service - general admin.					
Salaries	145,000	2,351	147,351	141,350	6,001
Legal services	8,000	(3,330)	4,670	4,667	3
Audit fees	15,350	600	15,950	15,950	-
Architectural/engineering services	3,000	(3,000)	-	-	-
Communications/telephone	3,600	350	3,950	3,932	18
BOE other purchased services	900	-	900	-	900
Miscellaneous purchased services	5,150	(1,756)	3,394	3,389	5
General supplies	2,150	-	2,150	2,101	49
Miscellaneous expenditures	9,000	3,635	12,635	12,273	362
BOE membership dues and fees	3,500	(250)	3,250	3,246	4
Total	195,650	(1,400)	194,250	186,908	7,342

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 expend. - support service - school admin.					
Salaries of secretarial and clerical assistants	\$ 41,200	\$ 1,890	\$ 43,090	\$ 43,083	\$ 7
Supplies and materials	1,000	(490)	510	505	5
Total	<u>42,200</u>	<u>1,400</u>	<u>43,600</u>	<u>43,588</u>	<u>12</u>
Undistributed expenditures - central services					
Salaries	140,700	365	141,065	141,035	30
Miscellaneous purchased services	500	192	692	262	430
Supplies and materials	933	(222)	711	413	298
Other objects	2,000	(335)	1,665	1,664	1
Total	<u>144,133</u>	<u>-</u>	<u>144,133</u>	<u>143,374</u>	<u>759</u>
Undistributed expenditures - admin. info. technology					
Purchased professional services	7,200	40	7,240	7,238	2
Purchased technical services	8,600	(40)	8,560	8,410	150
Total	<u>15,800</u>	<u>-</u>	<u>15,800</u>	<u>15,648</u>	<u>152</u>
Undistributed expend. - required maint. for school facilities					
Salaries	72,000	-	72,000	71,965	35
Cleaning, repair, and maintenance services	28,100	-	28,100	24,642	3,458
Total	<u>100,100</u>	<u>-</u>	<u>100,100</u>	<u>96,607</u>	<u>3,493</u>
Undistributed expenditures - custodial services					
Salaries	109,725	-	109,725	95,561	14,164
Purchased professional and technical services	1,800	-	1,800	450	1,350
Cleaning, repair, and maintenance service	5,000	-	5,000	4,133	867
Insurance	36,500	-	36,500	31,282	5,218
Miscellaneous purchased services	7,000	(500)	6,500	4,719	1,781
General supplies	59,389	1,350	60,739	37,975	22,764
Energy (natural gas)	25,000	-	25,000	23,628	1,372
Energy (electricity)	52,000	(2,350)	49,650	43,790	5,860
Other objects	1,775	1,500	3,275	2,086	1,189
Total	<u>298,189</u>	<u>-</u>	<u>298,189</u>	<u>243,624</u>	<u>54,565</u>
Undistributed expenditures - care and upkeep of grounds					
Cleaning, repair, and maintenance service	9,000	(3,500)	5,500	4,576	924
General supplies	9,800	4,600	14,400	9,479	4,921
Total	<u>18,800</u>	<u>1,100</u>	<u>19,900</u>	<u>14,055</u>	<u>5,845</u>
Undistributed expenditures - security					
Cleaning, repair, and maintenance service	13,600	(4,200)	9,400	184	9,216
General supplies	500	1,950	2,450	457	1,993
Other objects	-	1,150	1,150	1,114	36
Total	<u>14,100</u>	<u>(1,100)</u>	<u>13,000</u>	<u>1,755</u>	<u>11,245</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)					
Undistributed expenditures - student transportation service					
Salaries of non-instructional aides	\$ 1,000	\$ -	\$ 1,000	\$ -	\$ 1,000
Contract serv. - aid in lieu pymts - non-public schools	3,000	-	3,000	1,975	1,025
Contract serv. - aid in lieu pymts - charter school students	1,000	-	1,000	-	1,000
Contract serv. - aid in lieu pymts - choice school students	6,000	(4,100)	1,900	667	1,233
Contract serv. (between home & school) - vendors	93,000	14,600	107,600	89,421	18,179
Contract serv. (between home & school) - joint agreements	17,000	(10,500)	6,500	2,733	3,767
Contract serv. (spl. ed. students) - escs & ctsas	40,000	(19,000)	21,000	18,542	2,458
Miscellaneous purchased services - transportation	-	30,600	30,600	30,528	72
Other objects	6,000	-	6,000	2,221	3,779
Total	<u>167,000</u>	<u>11,600</u>	<u>178,600</u>	<u>146,087</u>	<u>32,513</u>
Unallocated benefits - employee benefits					
Social Security contributions	56,112	625	56,737	56,264	473
Other retirement contributions - PERS	77,000	(5,975)	71,025	65,352	5,673
Other retirement contributions - regular	4,000	250	4,250	4,244	6
Unemployment compensation	12,500	-	12,500	11,569	931
Workmen's compensation	32,000	2,200	34,200	33,834	366
Health benefits	625,000	(56,540)	568,460	547,194	21,266
Tuition reimbursement	30,000	-	30,000	15,030	14,970
Other employee benefits	105,500	2,900	108,400	108,362	38
Total	<u>942,112</u>	<u>(56,540)</u>	<u>885,572</u>	<u>841,849</u>	<u>43,723</u>
On-behalf TPAF Pension contribution	-	-	-	444,438	(444,438)
On-behalf TPAF Postretirement medical benefits	-	-	-	164,879	(164,879)
On-behalf TPAF Long-term disability insurance	-	-	-	340	(340)
Reimbursed TPAF Social Security contribution	-	-	-	161,021	(161,021)
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>770,678</u>	<u>(770,678)</u>
Total undistributed expenditures	<u>\$ 2,662,518</u>	<u>\$ (30,675)</u>	<u>\$ 2,631,843</u>	<u>\$ 3,117,628</u>	<u>\$ (485,785)</u>
Total current	<u>\$ 4,746,926</u>	<u>\$ (55,104)</u>	<u>\$ 4,691,822</u>	<u>\$ 5,045,004</u>	<u>\$ (353,182)</u>
Capital outlay					
Equipment					
Undistributed					
Undistributed expenditures - general admin.	\$ -	\$ 6,000	\$ 6,000	\$ 5,962	\$ 38
Undistributed expend. - required maint. for school facilities	30,197	-	30,197	30,197	-
Undistributed expenditures - security	-	48,000	48,000	-	48,000
Total equipment	<u>30,197</u>	<u>54,000</u>	<u>84,197</u>	<u>36,159</u>	<u>48,038</u>
Facilities acquisition and construction service					
Assessment for debt service on SDA funding	12,687	-	12,687	12,687	-
Total facilities acquisition and construction service	<u>12,687</u>	<u>-</u>	<u>12,687</u>	<u>12,687</u>	<u>-</u>
Total capital outlay	<u>\$ 42,884</u>	<u>\$ 54,000</u>	<u>\$ 96,884</u>	<u>\$ 48,846</u>	<u>\$ 48,038</u>
Transfer of funds to charter schools	<u>\$ 17,609</u>	<u>\$ -</u>	<u>\$ 17,609</u>	<u>\$ -</u>	<u>\$ 17,609</u>
Total expenditures	<u>\$ 4,807,419</u>	<u>\$ (1,104)</u>	<u>\$ 4,806,315</u>	<u>\$ 5,093,850</u>	<u>\$ (287,535)</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)					
Excess (deficiency) of revenues over (under) expenditures	\$ (347,356)	\$ 1,104	\$ (346,252)	\$ 257,491	\$ 603,743
Other financing sources (uses)					
Operating transfer out					
Transfer to food service fund - board contribution	(10,000)	(1,104)	(11,104)	(11,104)	-
Total other financing sources (uses)	(10,000)	(1,104)	(11,104)	(11,104)	-
Excess (deficiency) of revenues & other financing sources over (under) expenditures & other financing uses	(357,356)	-	(357,356)	246,387	603,743
Fund balances, July 1	1,883,334	-	1,883,334	1,883,334	-
Fund balances, June 30	<u>\$ 1,525,978</u>	<u>\$ -</u>	<u>\$ 1,525,978</u>	<u>\$ 2,129,721</u>	<u>\$ 603,743</u>
Recapitulation of excess (deficiency) of revenues over (under) expenditures					
Adjustment for prior year encumbrances	\$ (85,822)	\$ -	\$ (85,822)	\$ (85,822)	\$ -
Increase in capital reserve	-	75,000	75,000	75,000	-
Interest deposit to capital reserve	500	-	500	5,547	5,047
Increase in emergency reserve	-	30,000	30,000	30,000	-
Interest earned on emergency reserve	-	-	-	445	445
Interest earned on maintenance reserve	100	(100)	-	-	-
Withdrawal from maintenance reserve	-	(1,099)	(1,099)	(1,099)	-
Budgeted fund balance	(272,134)	(103,801)	(375,935)	222,316	598,251
Total	<u>\$ (357,356)</u>	<u>\$ -</u>	<u>\$ (357,356)</u>	<u>\$ 246,387</u>	<u>\$ 603,743</u>
Recapitulation of fund balance					
Restricted fund balance					
Excess surplus - designated for subsequent year's expenditures				\$ 209,397	
Excess surplus - current year				269,316	
Capital reserve				712,035	
Emergency reserve				80,445	
Maintenance reserve				292,213	
Committed fund balance					
Year-end encumbrances				145,274	
Assigned fund balance					
Designated for subsequent year's expenditures				91,181	
Unassigned fund balance				<u>329,860</u>	
Fund balance per budgetary basis				2,129,721	
Reconciliation to governmental statements (GAAP)					
Last state aid payments not recognized on GAAP basis				<u>(65,151)</u>	
Fund balance per governmental funds (GAAP)				<u>\$ 2,064,570</u>	

See independent auditors' report.

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Federal sources	\$ 107,916	\$ -	\$ 107,916	\$ 93,024	\$ (14,892)
Local sources	2,000	-	2,000	2,000	-
Total revenues	<u>\$ 109,916</u>	<u>\$ -</u>	<u>\$ 109,916</u>	<u>\$ 95,024</u>	<u>\$ (14,892)</u>
Expenditures					
Instruction					
Salaries	\$ 44,902	\$ -	\$ 44,902	\$ 32,047	\$ 12,855
General supplies	2,699	-	2,699	2,269	430
Other objects	3,283	-	3,283	2,884	399
Total	<u>50,884</u>	<u>-</u>	<u>50,884</u>	<u>37,200</u>	<u>13,684</u>
Support services					
Employee benefits	3,660	-	3,660	2,452	1,208
Purchased professional & technical services	47,172	-	47,172	47,172	-
Other purchased services	6,200	-	6,200	6,200	-
Total	<u>57,032</u>	<u>-</u>	<u>57,032</u>	<u>55,824</u>	<u>1,208</u>
Capital outlay					
Equipment	2,000	-	2,000	2,000	-
Total expenditures	<u>\$ 109,916</u>	<u>\$ -</u>	<u>\$ 109,916</u>	<u>\$ 95,024</u>	<u>\$ 14,892</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	\$ 5,351,341	\$ 95,024
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	-	385
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	71,197	-
State aid receivable current year	(65,151)	-
Total revenues (GAAP basis)	<u>\$ 5,357,387</u>	<u>\$ 95,409</u>
Uses/Outflows of Resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 5,093,850	\$ 95,024
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	-	385
Total expenditures (GAAP basis)	<u>\$ 5,093,850</u>	<u>\$ 95,409</u>

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 Pension 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	0.0066918512%	0.0072196307%	0.0088971940%	0.0083863347%	0.0076036503%	0.0067273132%	0.0072313838%	N/A	N/A
District's proportion of the net pension liability (asset) - value	N/A	\$ 1,205,770	\$ 1,421,509	\$ 2,071,125	\$ 2,483,792	\$ 1,706,867	\$ 1,259,537	\$ 1,382,061	N/A	N/A
District's covered employee payroll	\$ 390,000	394,659	474,362	551,911	564,298	505,671	485,918	488,534	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	N/A	305.52%	299.67%	375.26%	440.16%	337.54%	259.21%	282.90%	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	\$ 65,092	\$ 71,812	\$ 82,423	\$ 74,503	\$ 65,371	\$ 55,459	\$ 54,487	\$ 55,064	\$ 56,040	\$ 53,361
Contributions in relation to the contractually required contribution	(65,092)	(71,812)	(82,423)	(74,503)	(65,371)	(55,459)	(54,487)	(55,064)	(56,040)	(53,361)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 390,000	\$ 394,659	\$ 474,362	\$ 551,911	\$ 564,298	\$ 505,671	\$ 485,918	\$ 488,534	\$ 471,394	\$ 480,265
Contributions as a percentage of covered employee payroll	16.69%	18.20%	17.38%	13.50%	11.58%	10.97%	11.21%	11.27%	11.89%	11.11%

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	\$ -	12,584,425	12,973,591	12,929,548	16,650,004	13,824,384	11,491,609	10,215,301	N/A	N/A
Total	<u>\$ -</u>	<u>\$ 12,584,425</u>	<u>\$ 12,973,591</u>	<u>\$ 12,929,548</u>	<u>\$ 16,650,004</u>	<u>\$ 13,824,384</u>	<u>\$ 11,491,609</u>	<u>\$ 10,215,301</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 2,133,069	\$ 2,153,000	\$ 2,138,041	\$ 2,150,850	\$ 2,081,248	\$ 1,971,474	\$ 2,026,913	\$ 2,125,012	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%	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	\$ 412,292	\$ 411,736	\$ 307,605	\$ 215,699	\$ 169,458	\$ 118,251	\$ 90,958	\$ 130,604	\$ 72,123	\$ 6,828
Contributions in relation to the contractually required contribution	(412,292)	(411,736)	(307,605)	(215,699)	(169,458)	(118,251)	(90,958)	(130,604)	(72,123)	(6,828)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 2,133,069	\$ 2,153,000	\$ 2,138,041	\$ 2,150,850	\$ 2,081,248	\$ 1,971,474	\$ 2,026,913	\$ 2,125,012	\$ 2,025,405	\$ 1,947,740
Contributions as a percentage of covered employee payroll	19.33%	19.12%	14.39%	10.03%	8.14%	6.00%	4.49%	6.15%	3.56%	0.35%

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 proportion of the net pension 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 proportion of the net pension 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	11,117,791	12,990,133	13,625,025	N/A	N/A	N/A	N/A	N/A	N/A
Total	\$ -	\$ 11,117,791	\$ 12,990,133	\$ 13,625,025	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	N/A	;- \$ 2,547,659	\$ 2,612,403	;- \$ 2,702,761	;- 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 Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2020

	Small, Rural School Achievement	ESSA Title IA	ESSA Title IV	IDEA Basic	IDEA Preschool	Local Grants	Total
Revenues							
Federal sources	\$ 4,154	\$ 25,498	\$ 10,000	\$ 51,273	\$ 2,099	\$ -	\$ 93,024
Local sources	-	-	-	-	-	2,000	2,000
Total revenues	\$ 4,154	\$ 25,498	\$ 10,000	\$ 51,273	\$ 2,099	\$ 2,000	\$ 95,024
Expenditures							
Instruction							
Salaries	\$ -	\$ 23,686	\$ 8,361	\$ -	\$ -	\$ -	\$ 32,047
General supplies	1,270	-	999	-	-	-	2,269
Other objects	2,884	-	-	-	-	-	2,884
Total	4,154	23,686	9,360	-	-	-	37,200
Support services							
Employee benefits	-	1,812	640	-	-	-	2,452
Purchased professional and technical services	-	-	-	45,073	2,099	-	47,172
Other purchased services	-	-	-	6,200	-	-	6,200
Total	-	1,812	640	51,273	2,099	-	55,824
Capital outlay							
Equipment	-	-	-	-	-	2,000	2,000
Total	-	-	-	-	-	2,000	2,000
Total expenditures	\$ 4,154	\$ 25,498	\$ 10,000	\$ 51,273	\$ 2,099	\$ 2,000	\$ 95,024

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 FUNDS

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

	Student Activity Agency Fund	Payroll Agency Fund	Total
	<u>Agency Fund</u>	<u>Fund</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 2,063	\$ 45,525	\$ 47,588
Total assets	<u>\$ 2,063</u>	<u>\$ 45,525</u>	<u>\$ 47,588</u>
Liabilities			
Due to student groups	\$ 2,063	\$ -	\$ 2,063
Due to general fund	-	1,908	1,908
FSA Section 125 Plan	-	11,339	11,339
Payroll deductions and withholdings	-	31,063	31,063
Net payroll	-	1,215	1,215
Total liabilities	<u>\$ 2,063</u>	<u>\$ 45,525</u>	<u>\$ 47,588</u>

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Fiduciary Funds
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	\$ 3,442	\$ 884	\$ 2,263	\$ 2,063
Total assets	\$ 3,442	\$ 884	\$ 2,263	\$ 2,063
Liabilities				
Due to student groups	\$ 3,442	\$ 884	\$ 2,263	\$ 2,063
Total liabilities	\$ 3,442	\$ 884	\$ 2,263	\$ 2,063

H-4

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Fiduciary Funds
Payroll 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	\$ 39,540	\$ 3,367,999	\$ 3,362,014	\$ 45,525
Due from other funds	9	-	9	-
Total assets	\$ 39,549	\$ 3,367,999	\$ 3,362,023	\$ 45,525
Liabilities				
Due to other funds	\$ -	\$ 1,908	\$ -	\$ 1,908
FSA Section 125 Plan	8,435	17,686	14,782	11,339
Payroll deductions and withholdings	30,023	1,446,058	1,445,018	31,063
Net payroll	1,091	1,902,347	1,902,223	1,215
Total liabilities	\$ 39,549	\$ 3,367,999	\$ 3,362,023	\$ 45,525

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					
Refunding school bonds of 2010	02/15/10	\$ 2,045,000	02/15/21	\$ 185,000	5.00%	\$ 370,000	\$ -	\$ 185,000	\$ 185,000
						<u>\$ 370,000</u>	<u>\$ -</u>	<u>\$ 185,000</u>	<u>\$ 185,000</u>

See independent auditors' report.

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Local sources					
Local tax levy	\$ 203,500	\$ -	\$ 203,500	\$ 203,500	\$ -
Total revenues	<u>203,500</u>	<u>-</u>	<u>203,500</u>	<u>203,500</u>	<u>-</u>
Expenditures					
Regular debt service					
Redemption of principal	185,000	-	185,000	185,000	-
Interest	18,500	-	18,500	18,500	-
Total expenditures	<u>203,500</u>	<u>-</u>	<u>203,500</u>	<u>203,500</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 (WARREN COUNTY)
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	\$ 1,999,232	\$ 2,436,701	\$ 2,532,279	\$ 2,625,277	\$ 2,736,966	\$ 2,742,021	\$ 2,796,778	\$ 2,857,856	\$ 2,947,378	\$ 3,049,655
Restricted	675,438	470,166	591,655	565,175	659,060	700,218	681,726	768,999	974,800	1,084,693
Unrestricted	330,829	157,214	262,364	(988,453)	(845,665)	(823,624)	(931,326)	(1,038,587)	(1,051,865)	(859,636)
Total governmental activities	\$ 3,005,499	\$ 3,064,081	\$ 3,386,298	\$ 2,201,999	\$ 2,550,361	\$ 2,618,615	\$ 2,547,178	\$ 2,588,268	\$ 2,870,313	\$ 3,274,712
Business-type activities										
Net investment in capital assets	\$ 4,313	\$ 3,852	\$ 3,390	\$ 2,929	\$ 2,467	\$ 2,006	\$ 1,544	\$ 1,083	\$ 622	\$ 541
Unrestricted	18,243	13,801	28,850	46,333	36,893	48,771	39,000	27,248	23,509	22,498
Total business-type activities	\$ 22,556	\$ 17,653	\$ 32,240	\$ 49,262	\$ 39,360	\$ 50,777	\$ 40,544	\$ 28,331	\$ 24,131	\$ 23,039
District-wide										
Net investment in capital assets	\$ 2,003,545	\$ 2,440,553	\$ 2,535,669	\$ 2,628,206	\$ 2,739,433	\$ 2,744,027	\$ 2,798,322	\$ 2,858,939	\$ 2,948,000	\$ 3,050,196
Restricted	675,438	470,166	591,655	565,175	659,060	700,218	681,726	768,999	974,800	1,084,693
Unrestricted	349,072	171,015	291,214	(942,120)	(808,772)	(774,853)	(892,326)	(1,011,339)	(1,028,356)	(837,138)
Total district-wide	\$ 3,028,055	\$ 3,081,734	\$ 3,418,538	\$ 2,251,261	\$ 2,589,721	\$ 2,669,392	\$ 2,587,722	\$ 2,616,599	\$ 2,894,444	\$ 3,297,751

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	\$ 2,135,097	\$ 2,266,263	\$ 2,262,741	\$ 2,065,010	\$ 2,605,769	\$ 2,427,501	\$ 2,756,167	\$ 3,045,040	\$ 3,164,264	\$ 2,724,758
Special education	642,525	583,915	452,304	545,851	630,855	915,047	953,543	764,202	758,014	909,937
Other special education	242,379	363,681	358,037	389,897	215,352	113,058	156,186	409,246	386,796	247,617
Other instruction	31,695	17,715	23,605	37,360	45,694	55,192	76,538	171,398	155,563	11,130
Support services										
Tuition	83,885	35,000	64,161	70,914	5,143	-	-	-	600	2,860
Student & instruction related services	650,921	932,188	993,358	920,384	1,102,115	1,386,865	1,498,040	1,430,723	1,116,582	1,127,965
General & business administrative services	447,691	485,603	313,913	444,585	473,232	503,664	580,208	587,818	554,610	591,171
School administration	69,281	52,423	134,180	53,923	53,663	112,354	121,416	119,441	58,495	61,573
Plant operations & maintenance	383,317	436,339	412,952	463,619	397,781	559,508	586,131	604,143	468,469	432,829
Pupil transportation	170,156	143,278	161,812	393,661	164,847	182,827	149,506	186,728	119,527	146,087
Transfer to charter schools	8,483	-	-	2,686	-	-	-	-	-	-
Interest on long-term debt	76,733	69,696	75,850	70,191	56,099	50,635	47,587	34,194	29,569	18,007
Total governmental activities expenses	<u>4,942,163</u>	<u>5,386,101</u>	<u>5,252,913</u>	<u>5,458,081</u>	<u>5,750,550</u>	<u>6,306,651</u>	<u>6,925,322</u>	<u>7,352,933</u>	<u>6,812,489</u>	<u>6,273,934</u>
Business-type activities										
Food services	89,517	78,761	76,368	75,410	75,464	76,638	76,184	71,860	61,608	58,277
Child care	65,004	30,347	36,371	34,508	55,316	49,013	60,109	53,646	56,921	51,024
Total business-type activities	<u>154,521</u>	<u>109,108</u>	<u>112,739</u>	<u>109,918</u>	<u>130,780</u>	<u>125,651</u>	<u>136,293</u>	<u>125,506</u>	<u>118,529</u>	<u>109,301</u>
Total district expenses	<u>\$ 5,096,684</u>	<u>\$ 5,495,209</u>	<u>\$ 5,365,652</u>	<u>\$ 5,567,999</u>	<u>\$ 5,881,330</u>	<u>\$ 6,432,302</u>	<u>\$ 7,061,615</u>	<u>\$ 7,478,439</u>	<u>\$ 6,931,018</u>	<u>\$ 6,383,235</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	\$ 100,933	\$ 73,052	\$ 73,419	\$ 251,461	\$ 62,993	\$ 57,900	\$ 56,565	\$ 67,680	\$ 24,475	\$ 44,113
Capital grants & contributions	-	-	-	(27,320)	-	-	-	-	-	-
Operating grants & contributions	166,884	71,083	117,978	105,907	108,337	112,253	124,883	120,182	127,913	95,409
Total governmental activities program revenues	<u>267,817</u>	<u>144,135</u>	<u>191,397</u>	<u>330,048</u>	<u>171,330</u>	<u>170,153</u>	<u>181,448</u>	<u>187,862</u>	<u>152,388</u>	<u>139,522</u>
Business-type activities										
Charges for services										
Food service	61,379	59,984	58,732	50,206	49,439	53,474	45,193	41,971	40,095	25,294
Child care	59,164	24,799	44,277	53,682	45,648	57,240	55,520	45,900	54,833	50,168
Operating grants & contributions	29,522	19,263	24,240	22,835	25,664	25,061	25,134	25,158	19,199	21,476
Total business - type activities program revenues	<u>150,065</u>	<u>104,046</u>	<u>127,249</u>	<u>126,723</u>	<u>120,751</u>	<u>135,775</u>	<u>125,847</u>	<u>113,029</u>	<u>114,127</u>	<u>96,938</u>
Total district-program revenues	<u>\$ 417,882</u>	<u>\$ 248,181</u>	<u>\$ 318,646</u>	<u>\$ 456,771</u>	<u>\$ 292,081</u>	<u>\$ 305,928</u>	<u>\$ 307,295</u>	<u>\$ 300,891</u>	<u>\$ 266,515</u>	<u>\$ 236,460</u>
Net (expense) revenues										
Governmental activities	\$ (4,674,346)	\$ (5,241,966)	\$ (5,061,516)	\$ (5,128,033)	\$ (5,579,220)	\$ (6,136,498)	\$ (6,743,874)	\$ (7,165,071)	\$ (6,660,101)	\$ (6,134,412)
Business - type activities	(4,456)	(5,062)	14,510	16,805	(10,029)	10,124	(10,446)	(12,477)	(4,402)	(12,363)
Total district-wide net expenses	<u>\$ (4,678,802)</u>	<u>\$ (5,247,028)</u>	<u>\$ (5,047,006)</u>	<u>\$ (5,111,228)</u>	<u>\$ (5,589,249)</u>	<u>\$ (6,126,374)</u>	<u>\$ (6,754,320)</u>	<u>\$ (7,177,548)</u>	<u>\$ (6,664,503)</u>	<u>\$ (6,146,775)</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	\$ 3,762,850	\$ 3,806,507	\$ 3,778,870	\$ 3,747,500	\$ 3,718,722	\$ 3,710,747	\$ 3,754,457	\$ 3,710,000	\$ 3,671,732	\$ 3,769,466
Taxes levied for debt service	257,454	231,657	248,163	249,463	244,238	239,213	208,013	201,025	212,750	203,500
Unrestricted grants & contributions	1,197,408	1,249,222	1,342,103	1,256,484	1,948,839	2,243,633	2,698,144	3,268,558	3,025,418	2,553,922
Capital grant - unallocated	261,320	-	-	-	-	-	-	-	-	-
Investment earnings	2,682	9,013	3,746	4,869	6,034	6,339	7,522	16,670	24,937	20,116
Miscellaneous income	2,072	4,149	2,558	12,992	9,749	4,820	4,301	9,908	7,309	2,911
Transfer out	-	-	-	-	-	-	-	-	-	(11,104)
Special item - insurance claim proceeds for storm damage	-	-	8,293	-	-	-	-	-	-	-
Total governmental activities	<u>5,483,786</u>	<u>5,300,548</u>	<u>5,383,733</u>	<u>5,271,308</u>	<u>5,927,582</u>	<u>6,204,752</u>	<u>6,672,437</u>	<u>7,206,161</u>	<u>6,942,146</u>	<u>6,538,811</u>
Business-type activities										
Investment earnings	68	159	77	95	127	111	145	223	202	117
Miscellaneous income	-	-	-	122	-	1,182	68	41	-	50
Transfer in	-	-	-	-	-	-	-	-	-	11,104
Total business-type activities	<u>68</u>	<u>159</u>	<u>77</u>	<u>217</u>	<u>127</u>	<u>1,293</u>	<u>213</u>	<u>264</u>	<u>202</u>	<u>11,271</u>
Total district-wide	<u>\$ 5,483,854</u>	<u>\$ 5,300,707</u>	<u>\$ 5,383,810</u>	<u>\$ 5,271,525</u>	<u>\$ 5,927,709</u>	<u>\$ 6,206,045</u>	<u>\$ 6,672,650</u>	<u>\$ 7,206,425</u>	<u>\$ 6,942,348</u>	<u>\$ 6,550,082</u>
Change in net position										
Governmental activities	\$ 809,440	\$ 58,582	\$ 322,217	\$ 143,275	\$ 348,362	\$ 68,254	\$ (71,437)	\$ 41,090	\$ 282,045	\$ 404,399
Business-type activities	(4,388)	(4,903)	14,587	17,022	(9,902)	11,417	(10,233)	(12,213)	(4,200)	(1,092)
Total district	<u>\$ 805,052</u>	<u>\$ 53,679</u>	<u>\$ 336,804</u>	<u>\$ 160,297</u>	<u>\$ 338,460</u>	<u>\$ 79,671</u>	<u>\$ (81,670)</u>	<u>\$ 28,877</u>	<u>\$ 277,845</u>	<u>\$ 403,307</u>

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	\$ 318,807	\$ 536,499	\$ 817,978	\$ 936,033	\$ 1,026,911	\$ 1,122,584	\$ 1,175,729	\$ 1,171,739	\$ 1,336,531	\$ 1,563,406
Committed	17,541	8,618	31,928	5,350	13,965	61,375	45,966	86,538	85,822	145,274
Assigned	-	-	-	-	50,000	19,500	71,455	85,621	119,800	91,181
Unassigned	464,356	280,157	179,972	176,026	245,103	247,891	224,734	282,260	269,984	264,709
Total general fund	<u>\$ 800,704</u>	<u>\$ 825,274</u>	<u>\$ 1,029,878</u>	<u>\$ 1,117,409</u>	<u>\$ 1,335,979</u>	<u>\$ 1,451,350</u>	<u>\$ 1,517,884</u>	<u>\$ 1,626,158</u>	<u>\$ 1,812,137</u>	<u>\$ 2,064,570</u>
All other governmental funds										
Restricted, reported in										
Capital projects fund	\$ 406,398	\$ 38,349	\$ 68,295	\$ 40,975	\$ 40,975	\$ 40,975	\$ 20,975	\$ -	\$ -	\$ -
Assigned, reported in										
Debt service fund	15,105	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 421,503</u>	<u>\$ 38,349</u>	<u>\$ 68,295</u>	<u>\$ 40,975</u>	<u>\$ 40,975</u>	<u>\$ 40,975</u>	<u>\$ 20,975</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	\$ 4,020,304	\$ 4,038,164	\$ 4,027,033	\$ 3,996,963	\$ 3,962,960	\$ 3,949,960	\$ 3,962,470	\$ 3,911,025	\$ 3,884,482	\$ 3,972,966
Tuition charges	76,676	54,399	58,492	52,056	48,066	42,973	41,638	52,157	24,475	44,113
Interest earnings	2,682	9,013	3,746	4,869	6,034	6,339	7,522	16,670	30,738	20,116
Rents and royalties	-	-	-	-	-	14,927	14,927	15,523	-	-
Miscellaneous	31,329	27,802	22,005	19,444	28,256	6,470	5,966	11,258	3,223	5,296
State sources	1,197,408	1,220,477	1,342,103	1,256,484	1,330,483	1,399,528	1,447,128	1,555,255	1,576,890	1,520,781
State sources - capital projects	261,320	-	-	(27,320)	-	-	-	-	-	-
Federal sources	161,884	94,828	113,458	105,441	104,757	110,603	123,218	118,832	126,198	93,024
Total revenues	5,751,603	5,444,683	5,566,837	5,407,937	5,480,556	5,530,800	5,602,869	5,680,720	5,646,006	5,656,296
Expenditures										
Instruction										
Regular instruction	1,388,873	1,529,646	1,468,616	1,364,605	1,423,145	1,387,021	1,459,416	1,423,416	1,420,088	1,319,799
Special education instruction	395,302	357,787	292,919	360,076	367,726	393,807	419,187	366,474	365,759	476,208
Other special instruction	154,290	228,420	218,056	249,800	118,127	106,585	81,348	167,391	156,842	100,315
Other instruction	24,063	17,183	22,870	24,472	32,910	52,032	46,928	46,647	40,398	31,054
Support services										
Tuition	83,885	35,000	64,161	70,914	5,143	-	-	-	600	2,860
Student & inst related services	390,354	601,313	624,335	613,522	674,630	697,538	679,331	668,871	613,530	610,595
General administration	174,830	170,166	93,847	156,276	165,202	162,141	170,009	176,888	170,060	186,908
School administration services	46,259	34,411	92,847	35,540	37,415	37,952	39,112	39,675	41,158	43,588
Central services	127,848	134,113	123,041	126,601	130,146	134,589	134,600	136,345	139,430	143,374
Administrative information technology	19,432	12,342	13,837	10,468	11,379	14,942	15,557	14,740	15,172	15,648
Plant operations & maintenance	310,564	350,209	350,988	385,790	339,113	341,612	322,646	344,530	374,283	356,041
Pupil transportation	161,879	136,791	162,371	201,973	161,189	162,275	129,564	166,132	119,527	146,087
Employee benefits	1,055,879	1,135,216	1,002,812	978,114	959,557	1,030,470	1,133,537	1,022,371	866,194	841,849
On-behalf TPAF Pension & Social Security contribution	295,451	365,531	455,610	392,112	453,115	524,415	553,499	665,072	757,958	770,678
Transfer to charter schools	8,483	-	-	2,686	-	-	-	-	-	-
Capital outlay	-	-	5,388	3,589	33,745	18,584	18,705	-	25,678	36,159
Capital projects	246,902	338,049	54	-	-	-	-	-	-	-
Special revenue funds	166,884	71,083	117,978	105,907	108,337	112,253	124,883	120,182	127,913	95,409
Debt service										
Principal	185,000	180,000	185,000	190,000	190,000	190,000	185,000	185,000	185,000	185,000
Interest & other charges	73,246	76,007	75,850	72,150	54,238	49,213	43,013	49,687	40,437	31,187
Total expenditures	5,309,424	5,773,267	5,370,580	5,344,595	5,265,117	5,415,429	5,556,335	5,593,421	5,460,027	5,392,759

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
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	\$ 442,179	\$ (328,584)	\$ 196,257	\$ 63,342	\$ 215,439	\$ 115,371	\$ 46,534	\$ 87,299	\$ 185,979	\$ 263,537
Other financing sources (uses)										
Transfer in (out)	-	-	-	-	-	-	-	-	-	(11,104)
Insurance claim proceeds from storm damage	-	-	8,293	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	8,293	-	-	-	-	-	-	(11,104)
Net change in fund balances	<u>\$ 442,179</u>	<u>\$ (328,584)</u>	<u>\$ 204,550</u>	<u>\$ 63,342</u>	<u>\$ 215,439</u>	<u>\$ 115,371</u>	<u>\$ 46,534</u>	<u>\$ 87,299</u>	<u>\$ 185,979</u>	<u>\$ 252,433</u>
Debt service as a percentage of non-capital expenditures	5.38%	4.94%	5.11%	5.16%	4.90%	4.64%	4.29%	4.38%	4.33%	4.21%

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	\$ 2,682	\$ 9,013	\$ 3,746	\$ 4,869	\$ 6,034	\$ 6,339	\$ 7,522	\$ 16,670	\$ 24,937	\$ 20,116
Tuition	76,676	54,399	58,492	52,056	48,066	42,973	41,638	52,157	24,475	44,113
Building use fees	24,258	18,653	14,927	14,927	14,927	14,927	14,927	15,523	-	-
Prior year refunds	2,071	4,149	887	444	4,510	879	3,837	3,370	5,690	2,353
Miscellaneous	-	-	-	1,024	-	425	338	1,154	-	558
Donations	-	-	510	-	377	413	100	250	-	-
Old outstanding checks canceled	-	-	-	-	3,284	403	26	904	-	-
Rebate	-	-	-	-	-	2,700	-	1,000	-	-
Insurance claim	-	-	-	-	-	-	-	3,230	1,619	-
Current year refunds	-	-	1,161	2,583	1,578	-	-	-	-	-
Annual totals	\$ 105,687	\$ 86,214	\$ 79,723	\$ 75,903	\$ 78,776	\$ 69,059	\$ 68,388	\$ 94,258	\$ 56,721	\$ 67,140

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	\$ 6,258,200	\$ 4,438,400	\$ 4,130,400	\$ 4,128,700	\$ 4,181,700	\$ 4,403,700	\$ 4,217,600	\$ 3,934,500	\$ 3,936,700	\$ 3,848,300
Residential	291,200,700	292,209,000	286,559,100	287,884,400	289,296,400	288,535,000	288,396,600	287,479,100	287,178,600	286,851,817
Farm regular	53,529,700	53,550,700	53,823,900	52,492,300	51,344,000	52,484,600	52,274,300	53,345,700	53,290,100	53,593,700
Q farm	5,029,405	5,053,215	5,102,815	5,039,395	4,894,295	5,050,195	5,065,195	5,078,095	5,059,695	5,066,095
Commercial	32,839,800	32,503,800	32,526,600	32,514,600	32,364,200	32,273,800	32,611,100	32,380,700	32,276,700	32,276,700
Industrial	31,024,800	30,969,000	30,969,000	30,829,000	30,829,000	30,829,000	30,837,300	30,837,300	30,837,300	30,837,300
Apartment	306,300	306,300	306,300	306,300	306,300	306,300	306,300	306,300	306,300	306,300
Total assessed value	420,188,905	419,030,415	413,418,115	413,194,695	413,215,895	413,882,595	413,708,395	413,361,695	412,885,395	412,780,212
Public utilities (a)	942,686	978,714	914,996	692,328	463,886	440,526	434,313	815,456	819,631	822,139
Net valuation taxable	\$ 421,131,591	\$ 420,009,129	\$ 414,333,111	\$ 413,887,023	\$ 413,679,781	\$ 414,323,121	\$ 414,142,708	\$ 414,177,151	\$ 413,705,026	\$ 413,602,351
Estimated actual county equalized value	\$ 442,040,087	\$ 420,724,361	\$ 395,963,362	\$ 381,411,664	\$ 389,508,561	\$ 382,886,095	\$ 408,350,301	\$ 404,542,665	\$ 402,654,565	\$ 401,501,824
Percentage of net valuation to estimated actual equalized value	95.27%	99.83%	104.64%	108.51%	106.21%	108.21%	101.42%	102.38%	102.74%	103.01%
Total direct school tax rate (b)	\$ 0.96	\$ 0.96	\$ 0.97	\$ 0.96	\$ 0.95	\$ 0.96	\$ 0.94	\$ 0.94	\$ 0.96	\$ 0.98

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	
2012	0.91	0.05	0.96	0.92	0.22	0.68	2.78
2013	0.91	0.06	0.97	0.94	0.22	0.69	2.82
2014	0.90	0.06	0.96	0.93	0.25	0.72	2.86
2015	0.90	0.05	0.95	0.99	0.28	0.73	2.95
2016	0.91	0.05	0.96	0.97	0.26	0.71	2.90
2017	0.89	0.05	0.94	1.04	0.27	0.76	3.01
2018	0.89	0.05	0.94	1.02	0.27	0.72	2.95
2019	0.91	0.05	0.96	1.06	0.29	0.70	3.01
2020	0.93	0.05	0.98	1.04	0.30	0.69	3.00

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
Transcontinental Gas Pipeline	\$ 18,061,900	1	4.37%	\$ 17,917,900	1	4.25%
ISE America	10,059,000	2	2.43%	9,981,100	2	2.37%
Franklin Realty Group LLC	9,275,200	3	2.24%	9,275,200	3	2.20%
2010 Franklin LLC	5,958,100	4	1.44%	5,958,100	4	1.41%
Viking Development Co., LLC	2,362,000	5	0.57%	2,313,400	5	0.55%
Individual Property Owner	2,223,000	6	0.54%	1,290,600	8	0.31%
Mountain Top Farm, LLC	2,019,480	7	0.49%	-		-
Asbury Graphite Mills, Inc.	1,629,800	8	0.39%	-		-
ETG Acquisition Corp	1,451,700	9	0.35%	1,451,700	7	0.34%
Individual Property Owner	1,419,000	10	0.34%	1,109,100	10	0.26%
JWD Farms LLC	-		-	1,950,700	6	0.46%
Victaulic Reh LLC	-		-	1,122,300	9	0.27%
	<u>\$ 54,459,180</u>		<u>13.17%</u>	<u>\$ 52,370,100</u>		<u>12.44%</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	\$ 4,020,304	\$ 4,020,304	100.00%
2012	4,038,164	4,038,164	100.00%
2013	4,027,033	4,027,033	100.00%
2014	3,996,963	3,996,963	100.00%
2015	3,962,960	3,962,960	100.00%
2016	3,949,960	3,949,960	100.00%
2017	3,962,470	3,962,470	100.00%
2018	3,911,025	3,911,025	100.00%
2019	3,884,482	3,884,482	100.00%
2020	3,972,966	3,972,966	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.

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	\$ 1,860,000	\$ -	\$ -	\$ -	\$ -	\$ 1,860,000	1.33%	\$ 590	
2012	1,680,000	-	-	-	-	1,680,000	1.17%	535	
2013	1,495,000	-	-	-	-	1,495,000	1.02%	479	
2014	1,305,000	-	-	-	-	1,305,000	0.88%	421	
2015	1,115,000	-	-	-	-	1,115,000	0.73%	360	
2016	925,000	-	-	-	-	925,000	0.59%	301	
2017	740,000	-	-	-	-	740,000	0.47%	242	
2018	555,000	-	-	-	-	555,000	0.34%	182	
2019	370,000	-	-	-	-	370,000	0.22%	122	
2020	185,000	-	-	-	-	185,000	N/A	61	

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	\$ 1,860,000	\$ -	\$ 1,860,000	0.44%	\$ 590
2012	1,680,000	-	1,680,000	0.40%	535
2013	1,495,000	-	1,495,000	0.36%	479
2014	1,305,000	-	1,305,000	0.32%	421
2015	1,115,000	-	1,115,000	0.27%	360
2016	925,000	-	925,000	0.22%	301
2017	740,000	-	740,000	0.18%	242
2018	555,000	-	555,000	0.13%	182
2019	370,000	-	370,000	0.09%	122
2020	185,000	-	185,000	0.04%	61

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	\$ 2,059,124	100.00%	\$ 2,059,124
Regional High School	14,429,000	17.49%	2,523,659
County general obligation debt	2,205,000	3.68%	<u>81,177</u>
Subtotal, overlapping debt			4,663,960
School district direct debt			<u>370,000</u>
Total direct and overlapping debt			<u><u>\$ 5,033,960</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

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	3,154	\$ 139,624,426	\$ 44,269	6.6%
2012	3,142	143,925,594	45,807	6.4%
2013	3,120	146,945,760	47,098	7.4%
2014	3,098	147,492,682	47,609	6.7%
2015	3,095	152,236,860	49,188	5.1%
2016	3,074	156,804,740	51,010	4.9%
2017	3,056	158,453,600	51,850	4.5%
2018	3,045	162,618,225	53,405	4.0%
2019	3,036	N/A	N/A	3.3%
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
----------	-----------	------	--

INFORMATION IS NOT AVAILABLE FOR THIS SCHOOL DISTRICT

2011

Employer	Employees	Rank	Percentage of Total Municipal Employment
----------	-----------	------	--

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	34.8	34.8	36.4	36.8	36.8	35.8	29.9	29.6	26.9	26.6
Special education	4.0	4.0	4.7	5.1	5.5	5.5	5.5	6.6	6.6	7.4
Support services										
General administration	2.0	2.0	2.0	2.0	2.0	2.0	1.0	1.0	1.0	1.0
School administration services	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Other administration services	1.5	1.5	1.0	1.0	1.0	1.0	2.0	2.0	2.0	2.0
Plant operations and maintenance	3.3	3.3	3.3	3.3	3.3	3.2	4.0	3.3	3.3	3.3
Pupil transportation	0.4	0.4	0.4	0.6	0.6	0.4	0.2	0.2	-	-
Other support services	1.0	1.5	2.0	2.0	3.0	5.1	5.5	3.7	3.7	4.1
Total	48.0	48.5	50.8	51.8	53.2	54.0	49.0	47.4	44.5	45.4

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	304	\$ 4,804,276	\$ 15,804	4.29%	23.3	1 to 13.05	294.3	280.1	-7.45%	95.17%
2012	285	5,179,211	18,173	14.99%	23.6	1 to 12.08	287.2	275.1	-2.41%	95.79%
2013	269	5,104,288	18,975	4.42%	26.0	1 to 10.35	271.3	259.6	-5.54%	95.69%
2014	250	5,078,856	20,315	7.06%	28.0	1 to 8.93	250.9	241.5	-7.52%	96.25%
2015	230	4,987,134	21,683	6.73%	28.0	1 to 8.21	233.1	223.0	-7.09%	95.67%
2016	232	5,157,632	22,231	2.53%	28.0	1 to 8.29	227.8	216.9	-2.28%	95.22%
2017	222	5,309,617	23,917	7.58%	24.0	1 to 9.25	220.4	210.5	-3.27%	95.53%
2018	212	5,358,734	25,277	5.69%	26.4	1 to 8.03	216.0	206.5	-1.97%	95.61%
2019	200	5,208,912	26,045	3.04%	26.4	1 to 7.58	205.2	196.4	-5.00%	95.71%
2020	210	5,140,413	24,478	-6.01%	25.3	1 to 8.30	207.5	200.1	1.13%	96.41%

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

District Building	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<u>Elementary (1960)</u>										
Square feet	47,552	47,552	47,552	47,552	49,242	49,242	49,242	49,242	49,242	51,086
Capacity (students)	367	367	367	367	367	367	367	367	367	367
Enrollment	304	285	269	250	230	232	222	212	200	208

Number of schools at June 30, 2020:
 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	\$ 18,356	\$ 18,356
2012	71,227	71,227
2013	85,439	85,439
2014	111,544	111,544
2015	77,708	77,708
2016	87,562	87,562
2017	91,605	91,605
2018	90,679	90,679
2019	92,457	92,457
2020	96,607	96,607
Total school facilities	<u>\$ 823,184</u>	<u>\$ 823,184</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)

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy - NJ Schools Insurance Group		
Property - Blanket Building and Contents (Policy Limit)	\$ 500,000,000	\$ 1,000
Comprehensive General Liability (Policy Limit)	16,000,000	-
Automobile Liability (Policy Limit)	16,000,000	-
Employee Benefits (Policy Limit)	16,000,000	1,000
Flood (Policy Limit), All Other Flood Zones	75,000,000	10,000
Flood (Policy Limit), Special Flood Zones	25,000,000	500,000
Earthquake (Policy Limit)	50,000,000	1,000
School Board Legal Liability - NJ Schools Insurance Group		
Directors and Officers Policy (Policy Limit)	16,000,000	5,000
Public Employees' Faithful Performance - NJ Schools Insurance Group		
Business Administrators Bond	200,000	1,000
Blanket Bond	250,000	1,000
Worker's Compensation - NJ Schools Insurance Group		
Bodily Injury by Accident	3,000,000	-
Bodily Injury by Disease	3,000,000	-
Bodily Injury by Disease	3,000,000	-
WC Supplemental	7 day elim. period	-
Student Accident - BMI		
Catastrophic	1,000,000	-
Accidental Medical	5,000,000	-
Pollution-Colony Insurance Company		
New Pollution Conditions-On-Site Cleanup Costs	1,000,000	10,000
Bodily Injury, Property Damage, Off-Site Cleanup	1,000,000	10,000
Emergency Expenses	1,000,000	10,000
Non-Owned Disposal Site Liability	1,000,000	10,000
Transportation Pollution Liability	1,000,000	10,000

Source: District Records

See independent auditors' report.

SINGLE AUDIT SECTION



**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 Warren, Washington, 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 Warren, the State of New Jersey, (the District), as of and for the fiscal year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 8, 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

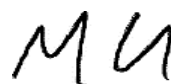
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 8, 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 Warren, Washington, New Jersey

Report on Compliance for Each Major 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 fiscal 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 8, 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 I A	84.010A	S010S190030	NCLB-1620-20	\$ 25,498	07/01/19	06/30/20	\$ -	\$ -	\$ 25,498	\$ 25,498	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -									
Title IV	84.424A	S424A190031	ESSA-1620-20	10,000	07/01/19	06/30/20	-	-	3,084	10,000	-	-	(6,916)	-	-	-	-									
Rural Education Achievement Program	84.358A	S358B190030	S358A192169	19,046	07/01/19	06/30/20	-	-	2,883	4,154	-	-	(1,271)	-	-	-	-									
IDEA Basic	84.027	H027A190100	IDEA-1620-20	51,273	07/01/19	06/30/20	-	-	51,273	51,273	-	-	-	-	-	-	-									
IDEA Preschool	84.173	H173S190114	IDEA-1620-20	2,099	07/01/19	06/30/20	-	-	2,099	2,099	-	-	-	-	-	-	-									
Total Special Revenue Fund							<u>-</u>	<u>-</u>	<u>84,837</u>	<u>93,024</u>	<u>-</u>	<u>-</u>	<u>(8,187)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>									
U.S. Department of Agriculture passed through State Department of Agriculture																										
Enterprise Fund																										
Child Nutrition Cluster																										
National School Lunch Program																										
Non-Cash Assistance (Commodities)	10.555	191NJ304N1099	N/A	6,295	10/01/18	09/30/19	1,159	-	-	1,159	-	-	-	-	-	-	-									
National School Lunch Program																										
Non-Cash Assistance (Commodities)	10.555	201NJ304N1099	N/A	9,002	10/01/19	09/30/20	-	-	9,002	7,779	-	-	-	1,223	-	-	-									
National School Lunch Program																										
Cash Assistance	10.555	201NJ304N1099	N/A	12,089	10/01/19	09/30/20	-	-	9,190	12,089	-	-	(2,899)	-	-	-	-									
National School Lunch Program																										
Cash Assistance	10.555	191NJ304N1099	N/A	12,430	10/01/18	09/30/19	(541)	-	541	-	-	-	-	-	-	-	-									
Total Enterprise Fund							<u>618</u>	<u>-</u>	<u>18,733</u>	<u>21,027</u>	<u>-</u>	<u>-</u>	<u>(2,899)</u>	<u>1,223</u>	<u>-</u>	<u>-</u>	<u>-</u>									
Total Federal Awards							<u>\$ 618</u>	<u>\$ -</u>	<u>\$ 103,570</u>	<u>\$ 114,051</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (11,086)</u>	<u>\$ 1,223</u>	<u>\$ -</u>	<u>\$ -</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	Adjustments Repayments	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	\$ 147,307	07/01/20	06/30/19	\$ -	\$ -	\$ 161,756	\$ 147,307	\$ -	\$ -	\$ -	\$ -	\$ 14,449	\$ 147,307
Equalization Aid	20-495-034-5120-078	496,790	07/01/20	06/30/19	-	-	545,520	496,790	-	-	-	-	48,730	496,790
Security Aid	20-495-034-5120-084	4,013	07/01/20	06/30/19	-	-	4,407	4,013	-	-	-	-	394	4,013
Transportation Aid	20-495-034-5120-014	16,087	07/01/20	06/30/19	-	-	17,665	16,087	-	-	-	-	1,578	16,087
Extraordinary Aid	20-100-034-5120-472	78,700	07/01/20	06/30/19	-	-	-	78,700	-	(78,700)	-	-	-	78,700
Extraordinary Aid	20-100-034-5120-473	87,102	07/01/19	06/30/18	(87,102)	-	87,102	-	-	-	-	-	-	87,102
Non-Public Transportation Aid	20-495-034-5120-014	1,160	07/01/20	06/30/19	-	-	-	1,160	-	(1,160)	-	-	-	1,160
Non-Public Transportation Aid	20-495-034-5120-014	4,078	07/01/19	06/30/18	(4,078)	-	4,078	-	-	-	-	-	-	4,078
On-Behalf TPAF Pension Contribution - Teachers' Pension & Annuity Fund	20-495-034-5094-002	436,612	07/01/20	06/30/19	-	-	436,612	436,612	-	-	-	-	-	436,612
On-Behalf TPAF Pension Contribution - Non-Contributory Insurance	20-495-034-5094-004	7,826	07/01/20	06/30/19	-	-	7,826	7,826	-	-	-	-	-	7,826
On-Behalf TPAF Pension Contribution - Postretirement Medical	20-495-034-5094-001	164,879	07/01/20	06/30/19	-	-	164,879	164,879	-	-	-	-	-	164,879
On-Behalf TPAF Pension Contribution - Long-Term Disability Insurance	20-495-034-5094-001	340	07/01/20	06/30/19	-	-	340	340	-	-	-	-	-	340
Reimbursed TPAF Social Security Contribution	20-495-034-5094-003	161,021	07/01/20	06/30/19	-	-	153,132	161,021	-	(7,889)	-	-	-	161,021
Total General Fund					<u>(91,180)</u>	<u>-</u>	<u>1,583,317</u>	<u>1,514,735</u>	<u>-</u>	<u>(87,749)</u>	<u>-</u>	<u>-</u>	<u>65,151</u>	<u>1,605,915</u>
State Department of Agriculture														
Enterprise Fund														
State School Lunch Program	20-100-010-3350-023	592	07/01/18	06/30/19	(30)	-	30	-	-	-	-	-	-	592
State School Lunch Program	20-100-010-3350-023	449	07/01/19	06/30/20	-	-	404	449	-	(45)	-	-	-	449
Total Enterprise Fund					<u>(30)</u>	<u>-</u>	<u>434</u>	<u>449</u>	<u>-</u>	<u>(45)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,041</u>
Total State Financial Assistance					<u>\$ (91,210)</u>	<u>\$ -</u>	<u>\$ 1,583,751</u>	<u>1,515,184</u>	<u>\$ -</u>	<u>\$ (87,794)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,151</u>	<u>\$ 1,606,956</u>
Less: On-Behalf TPAF Pension System Contributions														
On-Behalf TPAF Pension Contribution - Teachers' Pension & Annuity Fund	20-495-034-5094-002							436,612						
On-Behalf TPAF Pension Contribution - Non-Contributory Insurance	20-495-034-5094-004							7,826						
On-Behalf TPAF Pension Contribution - Postretirement Medical	20-495-034-5094-001							164,879						
On-Behalf TPAF Pension Contribution - Long-Term Disability Insurance	20-495-034-5094-001							340						
Total for State Financial Assistance - Major Program Determination								<u>\$ 905,527</u>						

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Schedules 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. This basis of accounting is 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 \$6,046 for the general fund and \$385 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 Schedules 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:

	Local	Federal	State	Total
General fund	\$ -	\$ -	\$ 1,520,781	\$ 1,520,781
Special revenue fund	2,385	93,024	-	95,409
Food service fund	-	21,027	449	21,476
Total awards and financial assistance	\$ 2,385	\$ 114,051	\$ 1,521,230	\$ 1,637,666

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 None reported

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?

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>20-495-034-5120-078</u>	<u>Equalization Aid</u>
<u>20-495-034-5120-084</u>	<u>Security Aid</u>
<hr/>	<hr/>
<hr/>	<hr/>
<hr/>	<hr/>
<hr/>	<hr/>

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
Schedule of Findings and Questioned Cost - Section 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.