

**FRENCHTOWN BOROUGH
SCHOOL DISTRICT**

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

JUNE 30, 2021

**Responsibility of the Management of
Frenchtown Borough School District
Hunterdon County, New Jersey**



Certified Public Accountants, PC

**FRENCHTOWN BOROUGH
SCHOOL DISTRICT**

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2021

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**FRENCHTOWN BOROUGH
SCHOOL DISTRICT**

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**EDITH ORT THOMAS ELEMENTARY SCHOOL
FRENCHTOWN ELEMENTARY SCHOOL DISTRICT
902 Harrison Street
Frenchtown, New Jersey 08825
Phone (908) 996-2751
Fax (908) 996-3599**

Daria Wasserbach
Superintendent

Teresa O'Brien
Business Administrator/Board Secretary

February 17, 2022

Honorable President and
Members of the Board of Education
Frenchtown Elementary School District
Hunterdon County, New Jersey

The Annual Comprehensive Financial Report of the Frenchtown Elementary School District for the fiscal year ended June 30, 2021, 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 District. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The Annual Comprehensive 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 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 the State Treasury OMB Circular Letter 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments*. Information related to this single audit, including the auditor's report of 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: Frenchtown School District is an independent reporting entity within the criteria adopted by the GASB as established by Statement No. 14. All funds and account groups of the District are included in this report. The Frenchtown Board of Education and the school constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre-K through eight. This includes regular, as well as special education for special need students. The district completed the 2020-2021 fiscal year with an enrollment of 110 students. Due to the modified schedule and requirements surrounding the COVID-19 pandemic, the district made a difficult decision to close the Preschool program for the 2020/2021 school year. This has affected the reported enrollments for the district. The following details the changes in the student enrollment of the district over the last five years.

Average Daily Enrollment

Fiscal Year	Student Enrollment	Percent Change
2020-2021	107	-15.7%
2019-2020	127	-3.0%
2018-2019	131	-2.9%
2017-2018	135	8.0%
2016-2017	125	10.0%

2) ECONOMIC CONDITION AND OUTLOOK: Construction on an apartment and housing development has begun. This new construction is located directly across from the school. The Frenchtown Borough Council has approved a PILOT (Payment in Lieu of Taxes) for the developer. The PILOT would include payments to the school. The district would not receive any funds through the PILOT until the home is occupied. This additional funding would benefit the district compared to the normal tax calculation. The reductions in state aid as a result of the S2 legislation has had a significant impact on the district. At this point in time, the district has been able to manage the state aid cuts.

3) MAJOR INITIATIVES: The District entered into an arrangement with Delaware Valley Regional High School to provide Superintendent, Business Services and Facilities Management Services to the District. This arrangement has been very beneficial to the District both financially and academically. The Frenchtown Board of Education has completed a Strategic Planning Process. Over the next several years the board and administration will be setting goals and actions to move the District forward in the areas identified in the Strategic Plan. A focus group will be developed to help identify the specific areas of need and grow and to assist with molding the future. Some items being considered are expansion of the co-curricular offerings, diversity education and sustainability. The board and administration are currently not considering a send/receive relationship for middle school students. However, they will be looking to expand co-curricular opportunities through a partnership with a neighboring district.

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

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

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

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 approved by the voters of the municipality. 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 projects 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 balances in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2021.

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 Notes to the Financial Statements, Note 1.

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 to meet its responsibility for sound financial management for the fiscal year ended June 30, 2021.

The funding formula from the State of New Jersey, Department of Education established the above maximum permitted net budget, dictated the amount of fund balance the District could maintain and reduced the amount of unrestricted state aid received. Within these constraints, the Frenchtown Board of Education provided a thorough and efficient education in alignment with the emerging core curriculum standards.

8) DEBT ADMINISTRATION: At June 30, 2021, the District had outstanding debt issues of \$968,000. On September 30, 2015, the voters of Frenchtown Borough authorized a bond issuance for capital improvements at the Edith Ort Thomas Elementary School in the amount of \$1,353,000. Bonds were issued at an interest rate of 3.0% to 3.13%.

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, Note 3. The District has adopted a cash management plan which requires it to deposit funds in public depositories protect from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted 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, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds.

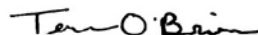
11) OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of BKC, CPAs, PC, was appointed by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Treasury OMB Circular Letter 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments*. The auditors' report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditors' reports related specifically to single audit are included in the single audit section of this report.

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

Respectfully submitted,



Daria Wasserbach
Superintendent



Teresa O'Brien
Business Administrator/Board Secretary

Frenchtown Board of Education

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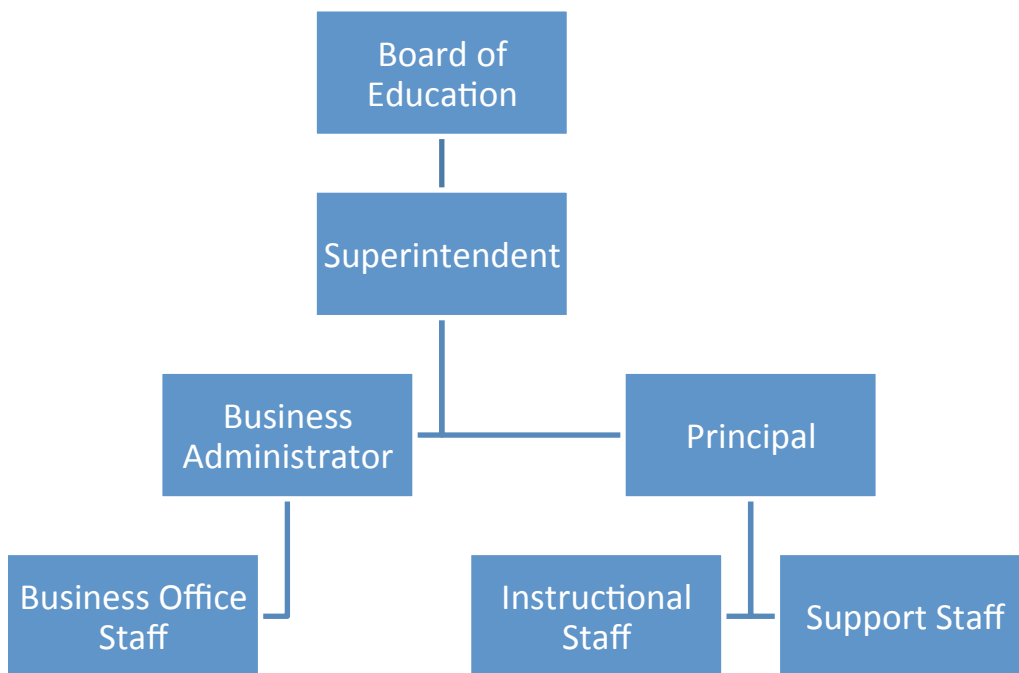
Website: www.frenchtownscool.org



Daria A. Wasserbach
Superintendent

Teresa E. Barna
Business Administrator/Board Secretary

James Hintenach
Principal



FRENCHTOWN BOROUGH SCHOOL DISTRICT
Frenchtown, New Jersey
Roster of Officials
June 30, 2021

<u>Members of the Board of Education</u>	<u>Title</u>	<u>Term Expires</u>
Kate Nugent	President	2021
Laine Nauman	Vice-President	2021
Adam Lambert		2021
Carolyn Gadbois		2022
Hugo Rodriguez		2022
Adam Blackburn		2023
Kara Bobrowski		2023

<u>Other Officials</u>	<u>Title</u>
Daria A, Wasserbach	Superintendent
Teresa O'Brien	Board Secretary/School Business Administrator
James Hintenach	Principal

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Frenchtown, New Jersey
Consultants and Advisors
June 30, 2021

AUDIT FIRM

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

ATTORNEY

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Matawan, NJ 07747

OFFICIAL DEPOSITORY

PNC Bank
PO Box 746
Keene, NH 03431



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

Independent Auditors' Report

Honorable President and
Members of the Board of Education
Frenchtown Borough School District
County of Hunterdon, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Frenchtown Borough School District (the District) in the County of Hunterdon, as of and for the year ended June 30, 2021, and the related Notes to the Financial Statements, which collectively comprise the District's Basic Financial Statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express 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 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 Frenchtown Borough School District, as of June 30, 2021, 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.

Change in Accounting Principle

The District adopted new accounting guidance as promulgated by GASB Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedules, Schedules Related to Accounting and Reporting for Pensions, and Schedules Related to Accounting and Reporting for Other Postemployment Employee Benefits listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's Basic Financial Statements. The introduction section, combining and individual fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards and Schedule of Expenditures of State Financial Assistance* required by New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* are also not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2022, 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 Holk, CPA, PSA
NO. 20CS00265600

February 17, 2022
Flemington, New Jersey

REQUIRED SUPPLEMENTARY INFORMATION - PART I

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

The discussion and analysis of Frenchtown School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2021. 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 basic financial statements and notes to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2021 are as follows:

- In total, net position increased \$23,310 which represents a 0.86% increase from 2020.
- General revenues accounted for \$4,074,521 in revenue or 97.20% of all revenues. Program specific revenues in the form of operating grants and contributions and capital grants and contributions accounted for \$117,217 or 2.80% of total revenues of \$4,191,738.
- Total assets of governmental activities decreased by \$79,856. As cash and cash equivalents increased by \$66,192, receivables and other assets increased by \$25,796 and capital assets decreased by \$171,844.
- The School District had \$4,168,428 in expenses; \$117,217 of these expenses was offset by program specific charges, grants or contributions. General revenues (primarily property taxes) of \$4,074,521 were adequate to provide for these expenses.
- Among major funds, the general fund had \$3,211,436 in revenues and \$3,128,842 in expenditures. The general fund's balance increased \$82,594 from 2020.

Using this Annual Comprehensive Financial Report (ACFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Frenchtown Borough 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 Frenchtown Borough School District, the general fund is by far the most significant fund.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
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 looks at all financial transactions and asks the question; "How did we do financially during 2021?" 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 businesses. 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 net position. This change in net position is important because it tells the reader that, for the School District, the financial position of the School District have improved or diminished. The causes of this change may be the result of many factors, some financial and some not. Non-financial factors include the School District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the School District reports governmental and business activities. Governmental activities are the activities where most of the School District's programs and services are reported, including, but not limited to, instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities. Business activities are the services provided on a charge for goods or services basis to recover all the expense of the goods or services provided. The food service enterprise fund is reported as a business activity.

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 measure and report the operating results by measuring cash on hand and other assets that can be easily converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provided.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

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

The School District as a Whole

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, 2021 compared to June 30, 2020.

Table 1
Net Position

	06/30/21	06/30/20	Variance	
			Dollars	Percent
Assets				
Current & other assets	\$ 819,554	\$ 727,566	91,988	12.64%
Capital assets	3,588,950	3,761,323	(172,373)	-4.58%
Total assets	<u>4,408,504</u>	<u>4,488,889</u>	<u>(80,385)</u>	<u>-1.79%</u>
Deferred outflows of resources	<u>83,320</u>	<u>106,424</u>	<u>(23,104)</u>	<u>-21.71%</u>
Liabilities				
Long-term liabilities	1,437,098	1,574,013	(136,915)	-8.70%
Other liabilities	120,703	112,378	8,325	7.41%
Total liabilities	<u>1,557,801</u>	<u>1,686,391</u>	<u>(128,590)</u>	<u>-7.63%</u>
Deferred inflows of resources	<u>205,478</u>	<u>203,687</u>	<u>1,791</u>	<u>0.88%</u>
Net position				
Net investment in capital assets	2,620,950	2,713,323	(92,373)	-3.40%
Restricted	450,401	335,182	115,219	34.38%
Unrestricted	(342,806)	(343,270)	464	0.14%
Total net position	<u>\$ 2,728,545</u>	<u>\$ 2,705,235</u>	<u>23,310</u>	<u>0.86%</u>

Total assets decreased \$80,385. Cash and cash equivalents increased by \$66,192, receivables and other assets increased by \$25,796, and capital assets decreased by \$172,373. Unrestricted net position, the part of net position that can be used to finance day to day activities without constraints established by grants or legal requirements, of the District increased by \$464.

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

Table 2 shows changes in net position for the fiscal year ended June 30, 2021 compared to June 30, 2020.

Table 2
Changes in Net Position

	06/30/21	06/30/20	Variance	
			Dollars	Percent
Revenues				
Program revenues				
Charges for services	\$ 3,782	\$ 59,235	\$ (55,453)	-93.62%
Operating grants	113,435	73,652	39,783	54.01%
General revenues				
Property taxes	2,240,413	2,130,286	110,127	5.17%
Unrestricted grants	1,831,863	1,494,162	337,701	22.60%
Other	2,245	15,235	(12,990)	-85.26%
Total revenues	<u>4,191,738</u>	<u>3,772,570</u>	<u>419,168</u>	11.11%
Program expenses				
Instruction				
Regular	1,973,598	1,704,060	269,538	15.82%
Special	531,610	609,041	(77,431)	-12.71%
Other	3,570	20,973	(17,403)	-82.98%
Support services				
Tuition	56,864	43,687	13,177	30.16%
Student & instructional staff services	828,694	709,566	119,128	16.79%
General & business administration	257,775	261,677	(3,902)	-1.49%
School administration	117,577	123,167	(5,590)	-4.54%
Maintenance	327,262	250,550	76,712	30.62%
Transportation	28,347	26,492	1,855	7.00%
Food service	529	5,908	(5,379)	-91.05%
Interest on long-term debt	42,602	45,002	(2,400)	-5.33%
Total expenses	<u>4,168,428</u>	<u>3,800,123</u>	<u>368,305</u>	9.69%
Increase (decrease) in net position	<u>\$ 23,310</u>	<u>\$ (27,553)</u>	<u>\$ 50,863</u>	184.60%

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

Governmental Activities

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. Local property taxes made up 53.45% of revenues for district-wide activities for the Frenchtown School District for fiscal year 2021.

Instruction comprises 60.19% of district expenses. Support service expenses make up 39.81% 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 June 30, 2021 compared to June 30, 2020 by identifying the cost of services supported by tax revenue and unrestricted State entitlements.

Table 3
Cost of Governmental Services

	Total Cost of Services		Net Cost of Services	
	06/30/21	06/30/20	06/30/21	06/30/20
Instruction	\$ 2,508,778	\$ 2,334,074	\$ 2,463,862	\$ 2,234,662
Support services				
Tuition	56,864	43,687	7,718	43,687
Student & instructional staff	828,694	709,566	808,839	679,391
General & business administration	257,775	261,677	257,775	261,677
School administration	117,577	123,167	117,577	123,167
Plant operations & maintenance	327,262	250,550	323,962	247,250
Pupil transportation	28,347	26,492	28,347	26,492
Food services	529	5,908	529	5,908
Interest on long-term debt	42,602	45,002	42,602	45,002
	<u>\$ 4,168,428</u>	<u>\$ 3,800,123</u>	<u>\$ 4,051,211</u>	<u>\$ 3,667,236</u>

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

Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching to students.

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

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

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

Extracurricular activities include expenses related to student activities provided by the School District which are designed to provide opportunities for students to participate in school events, public events, or a combination of these for purposes of motivation, enjoyment and skill improvement.

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

The dependence upon tax revenues is apparent. For all activities, including capital projects, local tax revenue support is 65.20% of governmental funds. The community, as a whole, is the primary support for the Frenchtown Public School District.

The Schools 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 \$3,436,247, expenditures of \$3,353,684. The general fund had an increase in fund balance of \$82,594.

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 fiscal year 2021, the School District amended its general fund budget as needed. The School District uses program-based budgeting, and the budgeting systems are designed to tightly control program budgets but provide flexibility for program management.

For the general fund, budgetary basis revenues were \$2,690,128, \$34,257 below original budgeted estimates of \$2,724,385.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

Capital Assets

At the end of the fiscal year 2021, the School District had \$3,588,950 invested in land, building, and furniture and equipment. Table 4 provides a summary of the School District's capital assets' net depreciation for the fiscal year ended June 30, 2021 compared to June 30, 2020.

Table 4
Capital Assets (Net of Depreciation)

	06/30/21	06/30/20	Variance	
			Dollars	Percent
Land	\$ 69,500	\$ 69,500	\$ -	0.00%
Buildings & improvements	3,406,903	3,553,164	(146,261)	-4.12%
Furniture & equipment	112,547	138,659	(26,112)	-18.83%
Total	<u>\$ 3,588,950</u>	<u>\$ 3,761,324</u>	<u>\$ (172,373)</u>	-4.58%

Overall capital assets decreased \$172,373 from fiscal year 2020 to fiscal year 2021. Increases in capital assets (primarily buildings and improvements, and furniture and equipment) were offset by depreciation expenses for the year.

Long-term liabilities

At June 30, 2021, the School District had \$1,437,098 of long-term liabilities. This amount is detailed in Table 5 below for the fiscal year ended June 30, 2021 compared to June 30, 2020.

At June 30, 2021, the legal debt limit is \$5,109,597. General obligation debt at June 30, 2021 is \$1,048,000, resulting in a legal debt margin of \$4,141,597.

Table 5
Long-Term Liabilities at Year End

	06/30/21	06/30/20	Variance	
			Dollars	Percent
2015 General obligation bonds	\$ 968,000	\$ 1,048,000	\$ (80,000)	-7.63%
PERS net pension liability	460,683	505,559	(44,876)	-8.88%
Compensated absences	8,415	20,454	(12,039)	-58.86%
	<u>\$ 1,437,098</u>	<u>\$ 1,574,013</u>	<u>\$ (136,915)</u>	-8.70%

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

For the Future

The Frenchtown District is in good financial condition presently. The School District is proud of its community support of the public school. Major concerns are supporting the special education population, proposed state aid reductions and the future of the school choice program.

Frenchtown Borough is primarily a residential community, with very few commercial ratables; thus, a large part of the tax burden is borne by homeowners. A residential complex is being considered on a parcel of land across the street from the school building. This would bring some needed ratables and potentially more children. As the reality of this development draws closer, there have been concerns raised about how many students the development might produce and what the education needs will be of the students from this area. The borough is also considering an alternative arrangement with the developer for Payment in Lieu of Taxes (PILOT). The borough is discussing the possibility of sharing the revenues generated from the PILOT.

The Frenchtown Board of Education and Administration are acutely aware of this burden on the community and have sought alternate revenue sources. The District has actively sought tuition students in both its Preschool and Elementary programs. It has also sought out shared services opportunities with other local Districts and are currently sharing staff (Superintendent, Business Administrator, Facilities Manager, World Language Teacher and ESL Teacher), and services (food service, broadband access, transportation). It also actively participated in bids for supplies, energy and communication services.

In conclusion, the Frenchtown 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 challenge of the future.

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, contact: Teresa O'Brien, School Business Administrator, Frenchtown School District, 902 Harrison, St., Frenchtown, NJ 08825 (908) 996-2751.

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.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Statement of Net Position
June 30, 2021

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 322,907	\$ -	\$ 322,907
Receivables, net	45,240	-	45,240
Restricted assets			
Capital reserve - cash	225,000	-	225,000
Emergency reserve - cash	50,000	-	50,000
Maintenance reserve - cash	116,089	-	116,089
Student activities - cash	26,744	-	26,744
Unemployment claims - cash	33,574	-	33,574
Capital assets, net			
Land	69,500	-	69,500
Other capital assets, net of depreciation	3,516,104	3,346	3,519,450
Total assets	<u>4,405,158</u>	<u>3,346</u>	<u>4,408,504</u>
Deferred outflows of resources			
Deferred amount on pension activity	83,320	-	83,320
Liabilities			
Accounts payable	3,601	-	3,601
Accrued interest	13,610	-	13,610
Payroll deductions and withholdings payable	97,130	-	97,130
Unearned revenue	5,356	-	5,356
Unemployment compensation claims payable	1,006	-	1,006
Long-term liabilities			
Due within one year	85,000	-	85,000
Due beyond one year	1,352,098	-	1,352,098
Total liabilities	<u>1,557,801</u>	<u>-</u>	<u>1,557,801</u>
Deferred inflows of resources			
Deferred amount on pension activity	205,478	-	205,478

See accompanying notes to financial statements.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Statement of Net Position (continued)
June 30, 2021

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net position			
Net investment in capital assets	\$ 2,617,604	\$ 3,346	\$ 2,620,950
Restricted for			
Capital reserve	225,000	-	225,000
Emergency reserve	50,000	-	50,000
Maintenance reserve	116,089	-	116,089
Student activities	26,744	-	26,744
Unemployment claims	32,568	-	32,568
Unrestricted	<u>(342,806)</u>	<u>-</u>	<u>(342,806)</u>
Total net position	<u>\$ 2,725,199</u>	<u>\$ 3,346</u>	<u>\$ 2,728,545</u>

See accompanying notes to financial statements.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2021

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	\$ 1,090,977	\$ 882,621	\$ -	\$ 27,753	\$ -	\$ (1,945,845)	\$ -	\$ (1,945,845)
Special education	286,221	225,037	-	-	-	(511,258)	-	(511,258)
Other special education	17,163	3,189	-	17,163	-	(3,189)	-	(3,189)
Other instruction	3,312	258	-	-	-	(3,570)	-	(3,570)
Support services								
Tuition	56,864	-	-	49,146	-	(7,718)	-	(7,718)
Students & instruction related services	539,088	289,606	482	19,373	-	(808,839)	-	(808,839)
General & business administration services	233,085	24,690	-	-	-	(257,775)	-	(257,775)
School administration services	72,267	45,310	-	-	-	(117,577)	-	(117,577)
Plant operations & maintenance	295,723	31,539	3,300	-	-	(323,962)	-	(323,962)
Pupil transportation	25,507	2,840	-	-	-	(28,347)	-	(28,347)
Interest on long-term debt	42,602	-	-	-	-	(42,602)	-	(42,602)
Total governmental activities	<u>2,662,809</u>	<u>1,505,090</u>	<u>3,782</u>	<u>113,435</u>	<u>-</u>	<u>(4,050,682)</u>	<u>-</u>	<u>(4,050,682)</u>
Business-type activities								
Food service	529	-	-	-	-	-	(529)	(529)
Total business-type activities	<u>529</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(529)</u>	<u>(529)</u>
Total primary government	<u>\$ 2,663,338</u>	<u>\$ 1,505,090</u>	<u>\$ 3,782</u>	<u>\$ 113,435</u>	<u>\$ -</u>	<u>(4,050,682)</u>	<u>(529)</u>	<u>(4,051,211)</u>
			General revenues, special items & transfers					
			Property taxes levied for general purposes			2,129,519	-	2,129,519
			Property taxes levied for debt service			110,894	-	110,894
			Federal & state aid not restricted			1,831,863	-	1,831,863
			Investment earnings			224	-	224
			Miscellaneous income			2,021	-	2,021
			Total general revenues, special items & transfers			<u>4,074,521</u>	<u>-</u>	<u>4,074,521</u>
			Change in net position			23,839	(529)	23,310
			Net position-beginning (as restated)			2,701,360	3,875	2,705,235
			Net position-ending			<u>\$ 2,725,199</u>	<u>\$ 3,346</u>	<u>\$ 2,728,545</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.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Governmental Funds
Balance Sheet
June 30, 2021

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 322,907	\$ -	\$ -	\$ -	\$ 322,907
Due from other funds	12,355	-	-	-	12,355
Receivables from other governments					
State	32,129	-	-	-	32,129
Federal	-	13,111	-	-	13,111
Restricted cash and cash equivalents	424,663	26,744	-	-	451,407
Total assets	\$ 792,054	\$ 39,855	\$ -	\$ -	\$ 831,909
Liabilities and fund balances					
Liabilities					
Due to other funds	\$ -	\$ 12,355	\$ -	\$ -	\$ 12,355
Accounts payable	3,601	-	-	-	3,601
Payroll deductions and withholdings payable	97,130	-	-	-	97,130
Unearned revenue	4,600	756	-	-	5,356
Unemployment compensation claims payable	1,006	-	-	-	1,006
Total liabilities	106,337	13,111	-	-	119,448

See accompanying notes to financial statements.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Governmental Funds
Balance Sheet (continued)
June 30, 2021

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Liabilities and fund balances					
Fund balances					
Restricted fund balance					
Excess surplus - current year	\$ 5,049	\$ -	\$ -	\$ -	\$ 5,049
Capital reserve	225,000	-	-	-	225,000
Emergency reserve	50,000	-	-	-	50,000
Maintenance reserve	116,089	-	-	-	116,089
Student activities	-	26,744	-	-	26,744
Unemployment claims	32,568	-	-	-	32,568
Committed fund balance					
Encumbrances	15,785	-	-	-	15,785
Assigned fund balance					
Designated for subsequent year's expenditures	10,000	-	-	-	10,000
Unassigned fund balance	231,226	-	-	-	231,226
Total fund balances	685,717	26,744	-	-	712,461
Total liabilities and fund balances	\$ 792,054	\$ 39,855	\$ -	\$ -	

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 \$5,853,844 and the accumulated depreciation is \$2,268,240.	3,585,604
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	(122,158)
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.	(1,437,098)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(13,610)
Total net position of governmental activities	\$ 2,725,199

See accompanying notes to financial statements.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2021

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Revenues					
Local sources					
Local tax levy	\$ 2,129,519	\$ -	\$ -	\$ 110,894	\$ 2,240,413
Interest on investments	224	-	-	-	224
Rents and royalties	3,300	-	-	-	3,300
Miscellaneous	2,021	482	-	-	2,503
Total local revenues	<u>2,135,064</u>	<u>482</u>	<u>-</u>	<u>110,894</u>	<u>2,246,440</u>
State sources	1,076,372	385	-	-	1,076,757
Federal sources	-	113,050	-	-	113,050
Total revenues	<u>3,211,436</u>	<u>113,917</u>	<u>-</u>	<u>110,894</u>	<u>3,436,247</u>
Expenditures					
Current					
Instructional					
Regular instruction	1,063,224	27,753	-	-	1,090,977
Special education instruction	286,221	-	-	-	286,221
Other special instruction	-	17,163	-	-	17,163
Other instruction	3,312	-	-	-	3,312
Support service & undistributed costs					
Tuition	7,718	49,146	-	-	56,864
Student & instruction related services	519,202	19,886	-	-	539,088
General & business administrative services	233,085	-	-	-	233,085
School administrative services	72,267	-	-	-	72,267
Plant operations & maintenance	295,723	-	-	-	295,723
Pupil transportation	25,507	-	-	-	25,507
Unallocated benefits	606,736	-	-	-	606,736

See accompanying notes to financial statements.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances (continued)
For the Fiscal Year Ended June 30, 2021

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Expenditures (cont'd)					
Capital outlay	\$ 3,039	\$ -	\$ -	\$ -	\$ 3,039
Debt service					
Principal	-	-	-	80,000	80,000
Interest & other charges	12,808	-	-	30,894	43,702
Total expenditures	<u>3,128,842</u>	<u>113,948</u>	<u>-</u>	<u>110,894</u>	<u>3,353,684</u>
Excess (deficit) of revenues over (under) expenditures	82,594	(31)	-	-	82,563
Fund balances, July 1 (as restated)	<u>603,123</u>	<u>26,775</u>	<u>-</u>	<u>-</u>	<u>629,898</u>
Fund balances, June 30	<u>\$ 685,717</u>	<u>\$ 26,744</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 712,461</u>

See accompanying notes to financial statements.

FRENCHTOWN BOROUGH 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, 2021

Total net changes in fund balances - governmental fund (from B-2)	\$	82,563
<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	\$	3,039
Depreciation expense	<u>(174,883)</u>	(171,844)
<p>Repayment of debt principal and capital leases are expenditures the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Positions and are not reported in the Statement of Activities:</p>		
Debt principal payments		80,000
<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>		
		19,981
<p>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.</p>		
		12,039
<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>		
		<u>1,100</u>
Change in net position of governmental activities	<u>\$</u>	<u>23,839</u>

See accompanying notes to financial statements.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Proprietary Funds
Statement of Net Position
June 30, 2021

	<u>Food Service Fund</u>
Assets	
Noncurrent assets	
Capital assets	\$ 23,377
Less: accumulated depreciation	<u>20,031</u>
Total noncurrent assets	<u>3,346</u>
 Total assets	 <u><u>\$ 3,346</u></u>
 Net position	
Net investment in capital assets	<u>\$ 3,346</u>
 Total net position	 <u><u>\$ 3,346</u></u>

See accompanying notes to financial statements.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2021

	<u>Food Service Fund</u>
Operating expenses	
Depreciation	\$ 529
Total operating expenses	<u>529</u>
Operating income (loss)	(529)
Net position, beginning	<u>3,875</u>
Net position, ending	<u><u>\$ 3,346</u></u>

See accompanying notes to financial statements.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2021

	<u>Food Service Fund</u>
Cash flows from operating activities	
Receipts from customers (net)	\$ -
Payments to vendors (net)	-
Net cash provided by (used for) operating activities	<u>-</u>
Cash flows from non-capital financing activities	
State sources	-
Federal sources	-
Net cash provided by (used for) non-capital financing activities	<u>-</u>
Net increase (decrease) in cash and cash equivalents	-
Cash and cash equivalents, beginning	<u>-</u>
Cash and cash equivalents, ending	<u><u>\$ -</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities	
Operating income (loss)	\$ (529)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities	
Depreciation	529
(Increase) decrease in accounts receivable	-
(Increase) decrease in inventory	-
Increase (decrease) in unearned revenue	-
Net cash provided by (used for) operating activities	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies

The financial statements of the Frenchtown Borough 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 full-accrual accounting for all of the District's activities.

A. Reporting entity

The District is a Type II District located in the County of Hunterdon, State of New Jersey. As a Type II District, the District functions independently through a Board of Education. The Board is comprised of nine members elected to three-year terms. The purpose of the District is to educate students in Grades K-8. The District had an approximate enrollment at June 30, 2021 of 110 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.

FRENCHTOWN BOROUGH 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.

During the year ended June 30, 2021, the District implemented the provisions detailed in GASB Statement No. 84, *Fiduciary Activities*. Based on a review of the financial records, the District has no funds that meet the criteria of a fiduciary fund.

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.

FRENCHTOWN BOROUGH 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.

FRENCHTOWN BOROUGH 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)

As a result of implementing GASB Statement No. 84, *Fiduciary Activities*, amounts maintained for unemployment claims and payroll withholdings for employee salary deductions are included in the general fund. Amounts maintained for unemployment claims are used to account for the portion of employee deductions for unemployment compensation required to be deposited and accumulated for future unemployment claims under the Benefit Reimbursement Method.

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. As a result of implementing GASB Statement No. 84, *Fiduciary Activities*, amounts maintained for student activities and private purpose scholarships are included in the special revenue fund. The amounts are considered to be restricted and available to use for specific expenditures. Amounts maintained for student activities are derived from athletic events or other activities of pupil organizations and accumulated for payment of student group activities.

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:

FRENCHTOWN BOROUGH 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)

Proprietary fund types (continued)

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

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

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

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
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Fiduciary Fund Types

As stated in Note 1 (B), the district does not have funds that meet the criteria of a fiduciary fund as defined by GASB Statement No 84, *Fiduciary Activities*.

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.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

D. Budgets/budgetary control (continued)

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

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

E. Encumbrances

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

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

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

F. Tuition receivable

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

G. Tuition payable

Tuition charges for the fiscal year 2020-2021 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.

FRENCHTOWN BOROUGH 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.

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 GASB statement No. 16, *Accounting for Compensated Absences*. A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

FRENCHTOWN BOROUGH 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.

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.

FRENCHTOWN BOROUGH 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.

FRENCHTOWN BOROUGH 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.

FRENCHTOWN BOROUGH 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, 2021, 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.

FRENCHTOWN BOROUGH 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. 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, 2021, the District's bank balances were exposed to custodial credit risk as follows:

Insured by the FDIC	\$	250,000
Insured by GUDPA		557,624
Total bank balances	\$	<u>807,624</u>

Deposits at June 30, 2021 appear in the financial statements as summarized below:

Cash		\$	<u>774,314</u>
	<u>Ref.</u>		
Unrestricted cash			
Governmental funds, Balance Sheet	B-1	\$	322,907
Restricted cash			
Governmental funds, Balance Sheet	B-1		451,407
Total cash		\$	<u>774,314</u>

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 4 - Capital assets

Capital asset activity for the fiscal year ended June 30, 2021 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 69,500	\$ -	\$ -	\$ 69,500
Total	<u>69,500</u>	<u>-</u>	<u>-</u>	<u>69,500</u>
Capital assets, being depreciated				
Land improvements	50,600	-	-	50,600
Building & improvements	5,203,515	-	-	5,203,515
Furniture & equipment	527,190	3,039	-	530,229
Total	<u>5,781,305</u>	<u>3,039</u>	<u>-</u>	<u>5,784,344</u>
Accumulated depreciation				
Land improvements	50,600	-	-	50,600
Building & improvements	1,650,351	146,261	-	1,796,612
Furniture & equipment	392,406	28,622	-	421,028
Total	<u>2,093,357</u>	<u>174,883</u>	<u>-</u>	<u>2,268,240</u>
Total capital assets, being depreciated, net	<u>3,687,948</u>	<u>(171,844)</u>	<u>-</u>	<u>3,516,104</u>
Governmental activities capital assets, net	<u>\$ 3,757,448</u>	<u>\$ (171,844)</u>	<u>\$ -</u>	<u>\$ 3,585,604</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business type activities				
Furniture & equipment	\$ 23,377	\$ -	\$ -	\$ 23,377
Less: accumulated depreciation	<u>19,502</u>	<u>529</u>	<u>-</u>	<u>20,031</u>
Business type activities capital assets, net	<u>\$ 3,875</u>	<u>\$ (529)</u>	<u>\$ -</u>	<u>\$ 3,346</u>

FRENCHTOWN BOROUGH 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		\$	85,096
Special education			22,325
Other special instruction			1,339
Other instruction			258
Support services			
Student & instruction			42,048
General & business administration			18,180
School administration			5,637
Total depreciation expense, governmental activities		\$	<u>174,883</u>

Note 5 - Long-term debt

Long-term liability activity for the fiscal year ended June 30, 2021 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
General obligation bonds payable	\$ 1,048,000	\$ -	\$ 80,000	\$ 968,000	\$ 85,000
Compensated absences payable	20,454		12,039	8,415	-
PERS net pension liability	<u>505,559</u>	<u>-</u>	<u>44,876</u>	<u>460,683</u>	<u>-</u>
Total governmental activities long-term liabilities	<u>\$ 1,574,013</u>	<u>\$ -</u>	<u>\$ 136,915</u>	<u>\$ 1,437,098</u>	<u>\$ 85,000</u>

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, 2021, including interest payments are listed as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 85,000	\$ 28,419	\$ 113,419
2023	85,000	25,869	110,869
2024	90,000	23,244	113,244
2025	90,000	20,544	110,544
2026	95,000	17,769	112,769
2027 - 2031	523,000	41,828	562,828
Total	<u>\$ 968,000</u>	<u>\$ 157,673</u>	<u>\$ 1,125,673</u>

FRENCHTOWN BOROUGH 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, 2021, with their outstanding balances are comprised of the following individual issues:

\$1,353,000 - 2015 general obligation school building bonds, due in annual installments of \$75,000 to \$139,000, beginning July 15, 2016, through July 15, 2030, interest at 3.00% to 3.125%.	<u>\$ 968,000</u>
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The general obligation bonded debt of the District is limited by state law to 3% of the average equalized assessed values of the total taxable property in the District for the past three years. The legal debt limit at June 30, 2021 is \$5,109,597. General obligation debt at June 30, 2021 is \$968,000, resulting in a legal debt margin of \$4,141,597.

Note 6 - Pension plans

Description of systems

Substantially all of the District'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 the Division's annual financial reports which can be found at www.state.nj.us/treasury/pensions/annual-reports.shtml.

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (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 nonemployer allocations are applied to amounts presented in the schedule of pension amounts by employer and nonemployer. The allocation percentages for each group as of June 30, 2020 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, 2020 measurement date.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (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, 2019 through June 30, 2020. 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 non-contributory group insurance benefits is based on actual claims paid. For State fiscal year 2020, 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, 2021 was 16.45% 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.

FRENCHTOWN BOROUGH 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, 2020:

Net pension liability	\$ 460,683
Plan fiduciary net position	0.0028499310%
Plan fiduciary net position as a percentage of the total pension liability	58.32%

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

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

Preretirement mortality rates were based on the Pub-10 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 generational basis. Mortality improvement is based on Scale MP-2020.

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

FRENCHTOWN BOROUGH 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, 2020 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, 2020 measurement date are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocations</u>	<u>Long-Term Expected Rate of Return</u>
U.S. equity	27.00%	7.71%
Non-U.S. developed markets equity	13.50%	8.57%
Emerging markets equity	5.50%	10.23%
Private equity	13.00%	11.42%
Real assets	3.00%	9.73%
Real estate	8.00%	9.56%
High yield	2.00%	5.95%
Private credit	8.00%	7.59%
Investment grade credit	8.00%	2.67%
Cash equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Risk mitigation strategies	3.00%	3.40%

Discount rate

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

A. Public employees' retirement systems (PERS) (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, 2020 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 (7.00%)	\$ 460,683
At a 1% lower rate (6.00%)	589,642
At a 1% higher rate (8.00%)	365,530

Collective deferred outflows of resources and deferred inflows of resources

At June 30, 2020 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	\$ 8,388	\$ 1,629
Changes of assumptions	14,945	192,892
Net difference between projected and actual earnings on pension plan investments	15,746	-
Changes in proportion and differences between District contributions and proportionate share of contributions	13,337	10,957
District contributions subsequent to the measurement date	30,904	-
Total	<u>\$ 83,320</u>	<u>\$ 205,478</u>

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

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

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

The amount reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (i.e., for the school year ending June 30, 2021, the plan measurement date is June 30, 2020) of \$30,904 will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

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, 2020 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	\$ 9,074	\$ (686)	\$ 8,388
Changes of assumptions	50,482	(35,537)	14,945
Differences between expected and actual experience	-	15,746	15,746
Deferred inflows of resources			
Differences between expected and actual experience	(2,233)	604	(1,629)
Changes of assumptions	(175,478)	(17,414)	(192,892)
Difference between projected and actual earnings on pension plan investments	(7,980)	7,980	-
Net of deferred outflows	<u>\$ (126,135)</u>	<u>\$ (29,307)</u>	<u>\$ (155,442)</u>

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

<u>Year Ended June 30,</u>	
2021	\$ (57,807)
2022	(52,703)
2023	(30,118)
2024	(12,179)
2025	(2,635)
Total	<u>\$ (155,442)</u>

FRENCHTOWN BOROUGH 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, 2021, the District recognized net pension expense of \$10,920, which represents the District's proportionate share of allocable plan pension expense of \$11,008, plus the net amortization of deferred amounts from changes in proportion of \$3,524, and less other adjustments to the net pension liability of \$3,612. 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 ending June 30, 2020 measurement date are as follows:

Service cost	\$	21,764
Interest on total pension liability		70,913
Benefit changes		(486)
Member contributions		(15,470)
Administrative expense		370
Expected investment return net of investment expense		(41,745)
Pension expense related to specific liabilities of individual employers		(194)
Recognition (amortization) of deferred inflows/outflows of resources		
Differences between projected and actual experience		5,000
Changes of assumptions		(36,829)
Difference between projected and actual investment earnings on pension plan investments		7,685
Pension expense	\$	11,008

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 annual financial statements which can be found at www.state.nj.us/treasury/pensions/annual-reports.shtml.

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.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

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

The following represents the membership tiers for TPAF:

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

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

Contributions

The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For the State fiscal year 2020, the State's pension contribution was less than the actuarial determined amount.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

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

Special funding situation

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

During the State fiscal year ended June 30, 2020, the State of New Jersey contributed \$272,104 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, 2020 measurement date is as follows:

District proportionate share of net pension liability	\$	10,486,662
Less: State proportionate share of net pension liability		2,579,551
Net pension liability	\$	7,907,111
 Proportionate share		 0.0120079811%
 Plan fiduciary net position as a percentage of the total pension liability		 24.60%

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

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

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

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

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, 2020 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, 2020 measurement date are summarized in the following table:

FRENCHTOWN BOROUGH 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 (continued)

Asset Class	Target Allocations	Long-Term Expected Rate of Return
US Equity	27.00%	7.11%
Non-U.S. Developed Markets Equity	13.50%	8.57%
Emerging Markets Equity	5.50%	10.23%
Private Equity	13.00%	11.42%
Real Assets	3.00%	9.73%
Real Estate	8.00%	9.56%
High yield	2.00%	5.95%
Private Credit	8.00%	7.59%
Investment grade credit	8.00%	2.67%
Cash equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Risk mitigation strategies	3.00%	3.40%

Discount rate

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

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, 2020 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:

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

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

District's Proportionate Share of the Net Pension Liability

At current discount rate (5.40%)	\$	7,907,111
At a 1% lower rate (4.40%)		9,287,828
At a 1% higher rate (6.40%)		6,760,657

Pension expense

The components of allocable pension expense, which pension expense related to specific liabilities of individual employers, for the District for the fiscal year ended June 30, 2020 measurement date are as follows:

Service cost	\$	196,967
Interest on total pension liability		560,854
Benefit changes		(2,006)
Member contributions		(103,885)
Administrative expense		1,619
Expected investment return net of investment expense		(182,765)
Pension expense related to specific liabilities of individual employers		569
Recognition (amortization) of deferred inflows/outflows of resources		
Differences between projected and actual experience		21,226
Changes of assumptions		(47,302)
Difference between projected and actual investment earnings on pension plan investments		46,421
Pension expense	\$	491,698

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 2021) but who earn salary of at least \$5,000 annually are eligible to participate. The Program Administrator, Prudential Financial, makes information regarding the program available on its New Jersey Defined Contribution Program Web Site: www.prudential.com/njdcrp.

Contribution rates for DCRP provide for employee contributions of 5.50% of annual contractual compensation as defined. The District's contribution to the DCRP for fiscal year ending 2021 was \$2,681.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

D. Other pension plan information

During the fiscal year ended June 30, 2021, the State of New Jersey contributed \$103,131 to the TPAF for postretirement medical benefits, \$6,144 for non-contributory insurance premiums, \$390 for long-term disability insurance, and \$322,943 for normal costs and accrued liability costs on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$82,540 during the fiscal year ended June 30, 2021 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 post-retirement (PRM) benefits for certain State and other retired employees meeting the service credit eligibility requirements. In fiscal year 2020, the State paid PRM benefits for 143,053 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 2020, the State contributed \$1.578 billion to pay for pay-as-you-go PRM benefit costs incurred by covered retirees. The State's pay-as-you-go contributions have decreased from fiscal year 2019 amounts. Reductions are attributable to various cost savings initiatives implemented by the State including Medicare Advantage contracts. The State has appropriated \$1.775 billion in fiscal year 2021 as the State's contribution to fund pay-as-you-go PRM costs.

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 2020 total State OPEB liability to provide these benefits is \$65.5 billion, a decrease of \$10.5 billion or 13.8 percent from the \$76 billion liability recorded in fiscal year 2019.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 7 - Postretirement benefits (continued)

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 ACFR at <https://www.nj.gov/treasury/omb/fr.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, 2020 measurement date is as follows:

State's proportionate share of the OPEB liability	\$ 67,809,962,608
District's proportionate share of the State's OPEB liability	7,288,805
Employer OPEB expense and related revenue	263,793
Allocable proportionate percentage	0.0107488704%

Changes in the total OPEB liability

	Total OPEB Liability
Total OPEB liability at June 30, 2019	\$ 4,400,205
Service cost	206,327
Interest cost	159,094
Change of benefit terms	-
Differences between expected and actual experiences	1,314,811
Changes of assumptions	1,331,414
Member contributions	3,846
Gross benefit payments	(126,892)
Total OPEB liability at June 30, 2020	<u>\$ 7,288,805</u>

There were no changes of the benefit terms from June 30, 2019 to June 30, 2020.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 7 - Postretirement benefits (continued)

Changes in the total OPEB liability (continued)

Changes of assumptions and other inputs reflect a change in the discount rate from 3.50% as of the June 30, 2019 plan measurement date to 2.21% as of the June 30, 2020 plan measurement date.

The total non-employer OPEB liability as of June 30, 2020 was determined by an actuarial valuation as of June 30, 2019, which was rolled forward to June 30, 2020. 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% - 4.45%	2.00% - 6.00%
Through 2026	1.55% - 4.45%	3.00% - 7.00%
Thereafter		

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-2020. 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-2020. 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-2020.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies for the periods July 1, 2015 - June 30, 2018 and July 1, 2013 - June 30, 2018 for TPAF and PERS, respectively.

Health care trend assumptions

For Pre-Medicare medical benefits, the trend rate is initially 5.6% and decreases to a 4.5% long-term trend rate after seven years. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.0% and decreases to a 4.5% long-term trend rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.0%.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 7 - Postretirement benefits (continued)

Discount rate

The discount rate for June 30, 2020 was 2.21%. 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, 2020 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 (2.21%)	\$	7,288,805
At a 1% lower rate (1.21%)		8,787,031
At a 1% higher rate (3.21%)		6,117,337

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	\$	7,288,805
At a 1% lower rate (1% decrease)		5,883,769
At a 1% higher rate (1% increase)		8,961,890

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

For the fiscal year ended June 30, 2020, the District recognized OPEB expense (revenue) of \$263,793 determined by the State as the total 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.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 8 - Deferred compensation

The District 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
Variable Annuity Life Insurance Co.
Lincoln Investment Planning

Note 9 - Interfund receivable and payables

As of June 30, 2021, the Special Revenue Fund had an interfund payable for \$12,355 due to the general fund for a loan as a result of cash flow issues relating to the delayed receipt of grant revenues.

Note 10 - 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 11 - 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 Annual Comprehensive Financial Report.

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 11 - Risk management (continued)

<u>Fiscal year</u>	<u>Board Contrib</u>	<u>Interest Earnings</u>	<u>Employee Contrib.</u>	<u>Amount Reimbursed</u>	<u>Ending Balance Available for Claims</u>
2020 - 2021	\$ -	\$ -	\$ 2,756	\$ 1,750	\$ 33,574
2019 - 2020	-	-	3,134	12,793	32,568
2018 - 2019	-	148	3,125	11,696	42,227

Note 12 - 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) & 41(b) to deposit to the reserves by Board Resolution during the month of June for any unanticipated revenue and/or unexpended line-item appropriation amounts. Pursuant to this state statute, the District deposited \$65,225 to their capital reserve, \$20,000 to their emergency reserve and \$42,386 to their maintenance reserve by Board Resolution in June 2021 as summarized in the following schedule. The following schedule is a summarization of the reserve accounts for the current year:

<u>Reserve Type</u>	<u>Beginning Balance</u>	<u>District Contrib.</u>	<u>Interest Earnings</u>	<u>Return Unused Withdrawal</u>	<u>Withdrawal</u>	<u>Ending Balance</u>
Capital	\$ 159,750	\$ 65,225	\$ 25	\$ -	\$ -	\$ 225,000
Emergency	30,000	20,000	-	-	-	50,000
Maintenance	86,089	42,386	-	7,614	20,000	116,089
Total	<u>\$ 275,839</u>	<u>\$ 127,611</u>	<u>\$ 25</u>	<u>\$ 7,614</u>	<u>\$ 20,000</u>	<u>\$ 391,089</u>

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 13 - 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, 2021 is as follows:

Restricted

Excess surplus - Designated for subsequent year's expenditures. Amount appropriated in the succeeding year's budget to reduce tax requirements.	\$ 5,049
Capital reserve account - Represents funds restricted to capital projects in the Districts long range facilities plan.	225,000
Emergency reserve account - Represents funds accumulated to finance unanticipated general fund expenditures required for a thorough and efficient education.	50,000
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).	116,089
Unemployment compensation - Represents funds accumulated for future unemployment claims.	32,568

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.	15,785
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Assigned

Designated surplus - Designated for subsequent year's expenditures - represents amount appropriated in the succeeding year's budget to reduce tax requirements.	10,000
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Unassigned

Undesignated - Represents fund balance which has not been restricted or designated.	282,129
Total fund balance - Budgetary basis (Exhibit C-1)	736,620
Last state aid payments not recognized on GAAP basis	(50,903)
Total fund balance - GAAP basis (Exhibit B-1)	\$ 685,717

Note 14 - 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, 2021 is \$0.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 15 - Operating lease

At June 30, 2021, the District had operating lease agreements in effect for copy machines. The present value of the future minimum rental payments under the operating lease agreements are as follows:

2022	\$	4,407
2023		4,407
2024		4,407
Total		\$ 13,221

Note 16 - Deficit balance in unrestricted net position

The District is reporting a deficit balance in unrestricted net position for governmental activities as of June 30, 2021 of (\$342,806) 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 17 - Restatement of prior year net position

During the fiscal year ended June 30, 2021, the District restated net position for governmental activities as of June 30, 2020 as a result of the implementation of GASB Statement No. 84:

		Governmental Activities
Net position, June 30, 2020	\$	2,642,017
Additions		
Reserved fund balance - unemployment fund		32,568
Reserved fund balance - student activity fund		26,775
Net position, June 30, 2020, as restated	\$	2,701,360

Note 18 - Restatement of prior year fund balance

During the fiscal year ended June 30, 2021, the District restated fund balance for the general fund and special revenue fund as of June 30, 2020 as a result of the implementation of GASB Statement No. 84:

	General Fund		Special Revenue Fund
Fund balance June 30, 2020	\$ 570,555	\$	-
Additions			
Reserved fund balance - unemployment fund	32,568		-
Reserved fund balance - student activity fund	-		26,775
Fund balance, June 30, 2020 as restated	\$ 603,123	\$	26,775

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 19 - 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, 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 May 2020, 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 20 - 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 21 - Subsequent events
The District has evaluated subsequent events through February 17, 2022, 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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2021

	Unaudited		Actual	Variance Final to Actual	
	Original Budget	Budget Transfers			Final Budget
Revenues					
Local sources					
Local tax levy	\$ 2,129,519	\$ -	\$ 2,129,519	\$ 2,129,519	\$ -
Tuition from individuals	66,000	-	66,000	-	(66,000)
Rents and royalties	3,300	-	3,300	3,300	-
Unrestricted miscellaneous revenues	3,600	-	3,600	2,220	(1,380)
Interest earned on maintenance reserve	25	-	25	-	(25)
Interest earned on capital reserve funds	100	-	100	25	(75)
Total	2,202,544	-	2,202,544	2,135,064	(67,480)
State sources					
School choice aid	89,760	-	89,760	89,760	-
Extraordinary aid	-	-	-	32,933	32,933
Categorical special education aid	65,461	-	65,461	65,461	-
Equalization aid	366,620	-	366,620	366,620	-
Other State aid	-	-	-	290	290
TPAF Pension (on-behalf)	-	-	-	329,087	329,087
TPAF Social Security (reimbursed)	-	-	-	82,540	82,540
TPAF Postretirement benefits	-	-	-	103,131	103,131
TPAF Long-term disability insurance	-	-	-	390	390
Total	521,841	-	521,841	1,070,212	548,371
Total revenues	\$ 2,724,385	\$ -	\$ 2,724,385	\$ 3,205,276	\$ 480,891
Expenditures					
Current					
Instruction - regular program					
Salaries of teachers					
Kindergarten	\$ 91,726	\$ -	\$ 91,726	\$ 89,757	\$ 1,969
Grades 1-5	430,002	(25,467)	404,535	386,470	18,065
Grades 6-8	277,699	8,273	285,972	285,411	561
Home instruction					
Salaries of teacher	500	-	500	-	500
Purchased professional - educational services	500	-	500	-	500
Regular programs - undistributed instruction					
Other purchased services	26,534	10,925	37,459	30,062	7,397
General supplies	51,445	-	51,445	27,150	24,295
Other objects	2,625	-	2,625	1,089	1,536
Total	881,031	(6,269)	874,762	819,939	54,823

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2021

	Unaudited			Actual	Variance Final to Actual
	Original Budget	Budget Transfers	Final Budget		
Expenditures (cont'd)					
Special education					
Resource room/resource center					
Salaries of teachers	\$ 182,980	\$ -	\$ 182,980	\$ 178,640	\$ 4,340
Other salaries for instruction	18,700	(2,055)	16,645	16,486	159
General supplies	2,000	-	2,000	1,650	350
Total	<u>203,680</u>	<u>(2,055)</u>	<u>201,625</u>	<u>196,776</u>	<u>4,849</u>
Preschool disabilities - part-time					
Salaries of teachers	61,217	(32,698)	28,519	15,799	12,720
Other salaries for instruction	29,655	-	29,655	5,852	23,803
General supplies	648	72	720	720	-
Total	<u>91,520</u>	<u>(32,626)</u>	<u>58,894</u>	<u>22,371</u>	<u>36,523</u>
Total special education	<u>295,200</u>	<u>(34,681)</u>	<u>260,519</u>	<u>219,147</u>	<u>41,372</u>
School-sponsored co/extra curricular activities - instruction					
Salaries	8,585	-	8,585	3,312	5,273
Supplies and materials	300	-	300	-	300
Total	<u>8,885</u>	<u>-</u>	<u>8,885</u>	<u>3,312</u>	<u>5,573</u>
School-sponsored athletics - instruction					
Salaries	10,650	-	10,650	-	10,650
Purchased services	1,890	-	1,890	-	1,890
Supplies and materials	500	-	500	-	500
Total	<u>13,040</u>	<u>-</u>	<u>13,040</u>	<u>-</u>	<u>13,040</u>
Total instruction regular	<u>\$ 1,198,156</u>	<u>\$ (40,950)</u>	<u>\$ 1,157,206</u>	<u>\$ 1,042,398</u>	<u>\$ 114,808</u>
Undistributed expenditures - instruction					
Tuition to priv. school for the disabled w/i State	\$ 26,864	\$ (2,678)	\$ 24,186	\$ 7,718	\$ 16,468
Total	<u>26,864</u>	<u>(2,678)</u>	<u>24,186</u>	<u>7,718</u>	<u>16,468</u>
Undistributed expenditures - attendance & social work					
Salaries	10,000	-	10,000	10,000	-
Total	<u>10,000</u>	<u>-</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Undistributed expenditures - health services					
Salaries	55,935	-	55,935	54,935	1,000
Purchased professional and technical services	1,750	-	1,750	1,354	396
Supplies and materials	3,043	(938)	2,105	2,100	5
Other objects	100	(6)	94	-	94
Total	<u>60,828</u>	<u>(944)</u>	<u>59,884</u>	<u>58,389</u>	<u>1,495</u>
Undistributed expenditures - speech, ot, pt & related services					
Salaries	2,000	(2,000)	-	-	-
Purchased professional - educational services	50,000	22,023	72,023	72,023	-
Supplies and materials	250	-	250	-	250
Total	<u>52,250</u>	<u>20,023</u>	<u>72,273</u>	<u>72,023</u>	<u>250</u>

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2021

	Unaudited			Actual	Variance Final to Actual
	Original Budget	Budget Transfers	Final Budget		
Expenditures (cont'd)					
Undistributed expenditures - other supp. service stds. - extra service					
Salaries	\$ 35,714	\$ 5,741	\$ 41,455	\$ 41,455	\$ -
Total	<u>35,714</u>	<u>5,741</u>	<u>41,455</u>	<u>41,455</u>	<u>-</u>
Undistributed expenditures - guidance					
Salaries of other professional staff	25,406	-	25,406	25,326	80
Supplies and materials	250	(125)	125	-	125
Total	<u>25,656</u>	<u>(125)</u>	<u>25,531</u>	<u>25,326</u>	<u>205</u>
Undistributed expenditures - child study teams					
Salaries of other professional staff	75,509	(2,048)	73,461	73,461	-
Salaries of secretarial and clerical assistants	34,330	118	34,448	34,448	-
Purchased professional - educational services	13,700	1,302	15,002	14,047	955
Other purchased services	1,400	(1,400)	-	-	-
Supplies and materials	500	202	702	702	-
Total	<u>125,439</u>	<u>(1,826)</u>	<u>123,613</u>	<u>122,658</u>	<u>955</u>
Undistributed expenditures - improvement of inst. service					
Salaries of supervisor of instruction	38,760	(38,760)	-	-	-
Salaries of other professional staff	2,700	(2,700)	-	-	-
Other salaries	-	44,660	44,660	44,660	-
Total	<u>41,460</u>	<u>3,200</u>	<u>44,660</u>	<u>44,660</u>	<u>-</u>
Undistributed expenditures - edu. media service/sch. library					
Salaries	20,485	-	20,485	20,084	401
Purchased professional and technical services	8,640	-	8,640	8,440	200
Other purchased services	8,200	-	8,200	5,751	2,449
Supplies and materials	600	-	600	42	558
Total	<u>37,925</u>	<u>-</u>	<u>37,925</u>	<u>34,317</u>	<u>3,608</u>
Undistributed expenditures - instructional staff training services					
Other purchased services	1,000	(675)	325	325	-
Total	<u>1,000</u>	<u>(675)</u>	<u>325</u>	<u>325</u>	<u>-</u>
Undistributed expenditures - support service - general admin.					
Legal services	2,000	(253)	1,747	1,350	397
Audit fees	13,725	225	13,950	13,950	-
Purchased technical services	25,000	-	25,000	25,000	-
BOE other purchased services	900	(320)	580	-	580
Misc. purchased services	-	198	198	198	-
General supplies	375	-	375	-	375
Judgments against the school district	72,030	-	72,030	72,028	2
Miscellaneous expenditures	-	150	150	150	-
BOE membership dues and fees	2,320	-	2,320	2,200	120
Total	<u>116,350</u>	<u>-</u>	<u>116,350</u>	<u>114,876</u>	<u>1,474</u>

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2021

	Unaudited		Final Budget	Actual	Variance Final to Actual
	Original Budget	Budget Transfers			
Expenditures (cont'd)					
Undistributed expenditures - support service - school admin.					
Salaries of principals/assistant principals	\$ 35,700	\$ -	\$ 35,700	\$ 34,045	\$ 1,655
Salaries of secretarial and clerical assistants	23,696	-	23,696	23,668	28
Other purchased services	650	-	650	-	650
Supplies and materials	425	-	425	-	425
Other objects	880	-	880	-	880
Total	61,351	-	61,351	57,713	3,638
Undistributed expenditures - central services					
Salaries	25,081	(339)	24,742	24,742	-
Purchased professional services	52,900	(112)	52,788	52,071	717
Miscellaneous purchased services	900	421	1,321	919	402
Supplies and materials	300	30	330	330	-
Total	79,181	-	79,181	78,062	1,119
Undistributed expenditures - required maint. for school facilities					
Cleaning, repair, and maintenance services	44,575	12,861	57,436	57,177	259
General supplies	-	20,000	20,000	12,386	7,614
Total	44,575	32,861	77,436	69,563	7,873
Undistributed expenditures - custodial services					
Salaries	84,145	14,941	99,086	94,658	4,428
Purchased professional and technical services	3,500	8,571	12,071	12,071	-
Cleaning, repair, and maintenance service	3,140	505	3,645	3,645	-
Other purchased property services	10,275	-	10,275	10,045	230
Insurance	18,345	3,090	21,435	21,435	-
General supplies	9,575	(1,365)	8,210	7,308	902
Energy (natural gas)	28,000	(2,695)	25,305	20,073	5,232
Energy (electricity)	30,000	-	30,000	18,304	11,696
Energy (gasoline)	250	-	250	36	214
Other objects	975	-	975	892	83
Total	188,205	23,047	211,252	188,467	22,785
Undistributed expenditures - care and upkeep of grounds					
Salaries	19,133	115	19,248	19,247	1
General supplies	2,640	2,600	5,240	5,240	-
Total	21,773	2,715	24,488	24,487	1
Undistributed expenditures - security					
Purchased professional and technical services	-	390	390	390	-
Total	-	390	390	390	-

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2021

	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	\$ 10,750	\$ (10,750)	\$ -	\$ -	\$ -
Salaries for pupil trans (other than between home & school)	-	11,042	11,042	11,041	1
Contr. service-aid in lieu pymts - non-public schools	3,000	-	3,000	1,572	1,428
Contr. service-aid in lieu pymts - choice school students	4,000	-	4,000	3,120	880
Contr. service (oth. than between home & school) - vend	3,200	-	3,200	-	3,200
Contr. service (spl. ed. students) - escs & ctsas	12,000	(1,404)	10,596	9,774	822
Total	32,950	(1,112)	31,838	25,507	6,331
Allocated benefits - employee benefits					
Regular programs - instruction					
Other retirement contributions - regular	-	3,820	3,820	2,681	1,139
Health benefits	263,184	-	263,184	240,604	22,580
Total	263,184	3,820	267,004	243,285	23,719
Special programs - instruction					
Health benefits	114,331	(13,303)	101,028	67,074	33,954
Total	114,331	(13,303)	101,028	67,074	33,954
Health services					
Health benefits	39,856	(9,252)	30,604	30,604	-
Total	39,856	(9,252)	30,604	30,604	-
Other supp services- students - extraordinary					
Health benefits	7,344	-	7,344	7,344	-
Total	7,344	-	7,344	7,344	-
Other support services - child study teams					
Health benefits	60,738	11,363	72,101	72,101	-
Total	60,738	11,363	72,101	72,101	-
Support services - school administration					
Health benefits	14,554	-	14,554	14,554	-
Total	14,554	-	14,554	14,554	-
Support services - central services					
Health benefits	40,147	-	40,147	40,147	-
Total	40,147	-	40,147	40,147	-
Custodial services					
Health benefits	21,402	(8,586)	12,816	12,816	-
Total	21,402	(8,586)	12,816	12,816	-
Total allocated benefits - employees	\$ 561,556	\$ (15,958)	\$ 545,598	\$ 487,925	\$ 57,673

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2021

	Unaudited			Actual	Variance Final to Actual
	Original Budget	Budget Transfers	Final Budget		
Expenditures (cont'd)					
Unallocated benefits - employee benefits					
Social Security contributions	\$ 35,000	\$ (1,872)	\$ 33,128	\$ 28,039	\$ 5,089
Other retirement contributions - PERS	29,500	1,404	30,904	30,904	-
Workmen's compensation	20,000	(4,894)	15,106	15,106	-
Tuition reimbursement	4,000	3,671	7,671	7,671	-
Other employee benefits	4,000	5,868	9,868	9,868	-
Total	<u>92,500</u>	<u>4,177</u>	<u>96,677</u>	<u>91,588</u>	<u>5,089</u>
On-behalf TPAF Pension contribution	-	-	-	329,087	(329,087)
On-behalf TPAF Postretirement medical benefits	-	-	-	103,131	(103,131)
On-behalf TPAF Long-term disability insurance	-	-	-	390	(390)
Reimbursed TPAF Social Security contribution	-	-	-	82,540	(82,540)
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>515,148</u>	<u>(515,148)</u>
Total undistributed expenditures	<u>\$ 1,615,577</u>	<u>\$ 68,836</u>	<u>\$ 1,684,413</u>	<u>\$ 2,070,597</u>	<u>\$ (386,184)</u>
Total current	<u>\$ 2,813,733</u>	<u>\$ 27,886</u>	<u>\$ 2,841,619</u>	<u>\$ 3,112,995</u>	<u>\$ (271,376)</u>
Capital outlay					
Equipment					
Undistributed					
Undistributed expenditures - custodial services	\$ -	\$ 3,039	\$ 3,039	\$ 3,039	\$ -
Total equipment	<u>-</u>	<u>3,039</u>	<u>3,039</u>	<u>3,039</u>	<u>-</u>
Facilities acquisition and construction service					
Assessment for debt service on SDA funding	12,808	-	12,808	12,808	-
Total facilities acquisition and construction service	<u>12,808</u>	<u>-</u>	<u>12,808</u>	<u>12,808</u>	<u>-</u>
Total capital outlay	<u>\$ 12,808</u>	<u>\$ 3,039</u>	<u>\$ 15,847</u>	<u>\$ 15,847</u>	<u>\$ -</u>
Total expenditures	<u>\$ 2,826,541</u>	<u>\$ 30,925</u>	<u>\$ 2,857,466</u>	<u>\$ 3,128,842</u>	<u>\$ (271,376)</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (102,156)	\$ (30,925)	\$ (133,081)	\$ 76,434	\$ 209,515
Fund balances, July 1 (as restated)	660,186	-	660,186	660,186	-
Fund balances, June 30	<u>\$ 558,030</u>	<u>\$ (30,925)</u>	<u>\$ 527,105</u>	<u>\$ 736,620</u>	<u>\$ 209,515</u>

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2021

	Unaudited			Actual	Variance Final to Actual
	Original Budget	Budget Transfers	Final Budget		
Recapitulation of excess (deficiency) of revenues over (under) expenditures					
Adjustment for prior year encumbrances	\$ (10,251)	\$ -	\$ (10,251)	\$ (10,251)	\$ -
Increase in capital reserve	-		-	65,225	65,225
Interest deposit to capital reserve	100	-	100	25	(75)
Increase in Emergency reserve	-	20,000	20,000	20,000	-
Increase in maintenance reserve	-	50,000	50,000	50,000	-
Interest earned on maintenance reserve	25	-	25	-	(25)
Withdrawal from maintenance reserve	-	(20,000)	(20,000)	(20,000)	-
Budgeted fund balance	(92,030)	(80,925)	(172,955)	(28,565)	144,390
Total	<u>\$ (102,156)</u>	<u>\$ (30,925)</u>	<u>\$ (133,081)</u>	<u>\$ 76,434</u>	<u>\$ 209,515</u>
Recapitulation of fund balance					
Restricted fund balance					
Excess surplus - current year				\$ 5,049	
Capital reserve				225,000	
Emergency reserve				50,000	
Maintenance reserve				116,089	
Unemployment compensation				32,568	
Committed fund balance					
Year-end encumbrances				15,785	
Assigned fund balance					
Designated for subsequent year's expenditures				10,000	
Unassigned fund balance				<u>282,129</u>	
Fund balance per budgetary basis				736,620	
Reconciliation to governmental statements (GAAP)					
Last state aid payments not recognized on GAAP basis				<u>(50,903)</u>	
Fund balance per governmental funds (GAAP)				<u>\$ 685,717</u>	

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Special Revenue Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2021

	Unaudited			Actual	Variance Final to Actual
	Original Budget	Budget Transfers	Final Budget		
Revenues					
Federal sources	\$ 245,236	\$ -	\$ 245,236	\$ 113,050	\$ (132,186)
Local sources	756	482	1,238	482	(756)
Total revenues	\$ 245,992	\$ 482	\$ 246,474	\$ 113,532	\$ (132,942)
Expenditures					
Instruction					
Salaries	\$ 20,208	\$ 3,449	\$ 23,657	\$ 9,407	\$ 14,250
Purchased professional & technical services	36,475	(15,437)	21,038	2,970	18,068
Other purchased services	24,000	-	24,000	-	24,000
General supplies	17,042	14,239	31,281	15,376	15,905
Totals	<u>97,725</u>	<u>2,251</u>	<u>99,976</u>	<u>27,753</u>	<u>72,223</u>
Support services					
Employee benefits	1,090	-	1,090	-	1,090
Purchased professional & technical services	53,897	(10,232)	43,665	18,301	25,364
Other purchased services	25,248	(1,367)	23,881	13,616	10,265
Tuition	38,887	10,259	49,146	49,146	-
General supplies	18,530	(911)	17,619	4,234	13,385
Student activities	-	513	513	513	-
Total	<u>137,652</u>	<u>(1,738)</u>	<u>135,914</u>	<u>85,810</u>	<u>50,104</u>
Capital Outlay					
Equipment	<u>10,615</u>	<u>-</u>	<u>10,615</u>	<u>-</u>	<u>10,615</u>
Total expenditures	\$ 245,992	\$ 513	\$ 246,505	\$ 113,563	\$ 132,942
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (31)	\$ (31)	\$ (31)	\$ -
Fund balances, July 1 (as restated)	<u>26,775</u>	<u>-</u>	<u>26,775</u>	<u>26,775</u>	<u>-</u>
Fund balances, June 30	<u>\$ 26,775</u>	<u>\$ (31)</u>	<u>\$ 26,744</u>	<u>\$ 26,744</u>	<u>\$ -</u>
Recapitulation of fund balance					
Restricted fund balance				\$ 26,744	
Student activities				<u>\$ 26,744</u>	
Fund balance per budgetary basis				<u>\$ 26,744</u>	

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to Required Supplementary Information
Budget-to-GAAP Reconciliation
For the Fiscal Year Ended June 30, 2021

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

<u>Sources/Inflows of Resources</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	\$ 3,205,276	\$ 113,532
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	57,063	-
State aid receivable current year	(50,903)	-
Total revenues (GAAP basis)	<u>\$ 3,211,436</u>	<u>\$ 113,917</u>
<u>Uses/Outflows of Resources</u>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 3,128,842	\$ 113,563
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes		
Outstanding encumbrances - prior year	-	385
Total expenditures (GAAP basis)	<u>\$ 3,128,842</u>	<u>\$ 113,948</u>

See independent auditors' report.

REQUIRED SUPPLEMENTARY INFORMATION - PART III

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

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
District's proportion of the net pension liability (asset) - percentage	N/A	0.0028499310%	0.0028057826%	0.0027548600%	0.0027665358%	0.0029317221%	0.0027965698%	0.0027233616%	0.0026532902%	N/A
District's proportion of the net pension liability (asset) - value	N/A	\$ 460,683	\$ 505,559	\$ 542,419	\$ 644,005	\$ 868,292	\$ 627,774	\$ 509,888	\$ 507,096	N/A
District's covered employee payroll	\$ 187,848	180,588	204,428	199,384	193,464	197,884	201,680	177,681	140,144	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	N/A	255.10%	247.30%	272.05%	332.88%	438.79%	311.27%	286.97%	361.84%	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	58.32%	56.27%	53.60%	48.10%	40.14%	47.93%	52.08%	48.72%	N/A

N/A - Not Applicable

See independent auditors' report.

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 30,904	\$ 27,292	\$ 27,402	\$ 25,629	\$ 26,045	\$ 24,043	\$ 22,451	\$ 19,992	\$ 19,957	\$ 19,871
Contributions in relation to the contractually required contribution	(30,904)	(27,292)	(27,402)	(25,629)	(26,045)	(24,043)	(22,451)	(19,992)	(19,957)	(19,871)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 187,848	\$ 180,588	\$ 204,428	\$ 199,384	\$ 193,464	\$ 197,884	\$ 201,680	\$ 177,681	\$ 140,144	\$ 183,040
Contributions as a percentage of covered employee payroll	16.45%	15.11%	13.40%	12.85%	13.46%	12.15%	11.13%	11.25%	14.24%	10.86%

See independent auditors' report.

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
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%	0.00%	N/A
District's proportion of the net pension liability (asset) - value	N/A	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	N/A
State's proportionate share of the net pension liability (asset) associated with the District	\$ -	7,907,111	7,514,022	8,212,480	8,635,687	8,598,001	8,505,094	7,476,453	6,689,301	N/A
Total	\$ -	\$ 7,907,111	\$ 7,514,022	\$ 8,212,480	\$ 8,635,687	\$ 8,598,001	\$ 8,505,094	\$ 7,476,453	\$ 6,689,301	\$ -
District's covered employee payroll	\$ 1,176,896	\$ 1,249,261	\$ 1,209,105	\$ 1,225,021	\$ 1,326,958	\$ 1,335,494	\$ 1,258,538	\$ 1,096,164	\$ 990,785	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%	0.00%	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	24.60%	26.95%	26.49%	25.41%	22.33%	28.71%	33.64%	33.76%	N/A

N/A - Not Applicable

See independent auditors' report.

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 272,104	\$ 246,175	\$ 245,843	\$ 194,719	\$ 144,066	\$ 87,507	\$ 75,317	\$ 59,178	\$ 85,525	\$ 50,595
Contributions in relation to the contractually required contribution	(272,104)	(246,175)	(245,843)	(194,719)	(144,066)	(87,507)	(75,317)	(59,178)	(85,525)	(50,595)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 1,176,896	\$ 1,249,261	\$ 1,209,105	\$ 1,225,021	\$ 1,326,958	\$ 1,335,494	\$ 1,258,538	\$ 1,096,164	\$ 990,785	\$ 1,335,077
Contributions as a percentage of covered employee payroll	23.12%	19.71%	20.33%	15.90%	10.86%	6.55%	5.98%	5.40%	8.63%	3.79%

See independent auditors' report.

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

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
District's proportion of the net pension liability (asset) - percentage	N/A	0.00%	0.00%	0.00%	0.00%	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
State's proportionate share of the net pension liability (asset) associated with the District	N/A	7,288,805	4,400,205	5,210,500	6,685,201	N/A	N/A	N/A	N/A	N/A
Total	\$ -	\$ 7,288,805	\$ 4,400,205	\$ 5,210,500	\$ 6,685,201	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	N/A	\$ 1,429,849	\$ 1,413,533	\$ 1,424,405	\$ 1,520,422	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 Applicable

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Required Supplementary Information - Part III
(Unaudited)
June 30, 2021

- 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 5.60% in State fiscal year 2019 and 5.40% in State fiscal year 2020. The inflation rate was 2.75% in State fiscal year 2019 and 2.75% in State fiscal year 2020.
- Note 3 - Changes in assumptions - PERS
The discount rate was 6.28% in State fiscal year 2019 and 7.00% in State fiscal year 2020. The inflation rate was 2.75% for State fiscal year 2019 and 2.75% for State fiscal year 2020.
- Note 4 - Changes in assumptions - other postretirement employee benefits
The other postretirement employee benefits discount rate decreased from 3.50% in State fiscal year 2019 to 2.21% in State fiscal year 2020. The inflation rate was 2.50% for State fiscal year 2019 and 2020.
- Note 5 - Changes in healthcare trend assumptions - other postretirement employee benefits
For Pre-Medicare medical benefits, the trend rate is initially 5.6% and decreases to a 4.5% long-term trend rate after seven years. For post-65 medical benefits, the actual fully insured Medicare Advantage trend rates are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.0% and decreases to a 4.5% long-term trend rate after seven 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, 2019 to June 30, 2020.

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.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2021

	Small, Rural School Achievement	ESSA Title IA	ESSA Title IIA	ESSA Title IVA	CARES Emergency Relief	Coronavirus Relief Fund	IDEA Basic	IDEA Preschool	Student Activity Fund	Total
Revenues										
Federal sources	\$ 13,523	\$ 17,163	\$ 93	\$ 12,377	\$ 14,921	\$ 4,689	\$ 49,146	\$ 1,138	\$ -	\$ 113,050
Local sources	-	-	-	-	-	-	-	-	482	482
Total revenues	\$ 13,523	\$ 17,163	\$ 93	\$ 12,377	\$ 14,921	\$ 4,689	\$ 49,146	\$ 1,138	\$ 482	\$ 113,532
Expenditures										
Instruction										
Salaries	\$ -	\$ -	\$ -	\$ 9,407	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,407
Purchased professional and technical services	-	-	-	2,970	-	-	-	-	-	2,970
General supplies	-	-	-	-	14,500	876	-	-	-	15,376
Total	-	-	-	12,377	14,500	876	-	-	-	27,753
Support services										
Purchased professional and technical services	-	17,163	-	-	-	-	-	1,138	-	18,301
Other purchased services	13,523	-	93	-	-	-	-	-	-	13,616
Tuition	-	-	-	-	-	-	49,146	-	-	49,146
General supplies	-	-	-	-	421	3,813	-	-	-	4,234
Student activities	-	-	-	-	-	-	-	-	513	513
Total	13,523	17,163	93	-	421	3,813	49,146	1,138	513	85,810
Total expenditures	\$ 13,523	\$ 17,163	\$ 93	\$ 12,377	\$ 14,921	\$ 4,689	\$ 49,146	\$ 1,138	\$ 513	\$ 113,563
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (31)	\$ (31)
Fund balances, July 1 (as restated)	-	-	-	-	-	-	-	-	26,775	26,775
Fund balances, June 30	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,744	\$ 26,744

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

PROPRIETARY FUND

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

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

FIDUCIARY FUNDS

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

(NOT APPLICABLE TO THIS 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.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Long-Term Debt
Schedule of Serial Bonds
For the Fiscal Year Ended June 30, 2021

Issue	Date of Issue	Amount of Issue	Annual Maturities		Interest Rate	Balance 07/01/20	Issued	Retired	Balance 06/30/21
			Date	Amount					
Series 2015	07/22/15	\$ 1,353,000	07/15/21	\$ 85,000	3.00%	\$ 1,048,000	\$ -	\$ 80,000	\$ 968,000
			07/15/22	85,000	3.00%	-	-	-	-
			07/15/23	90,000	3.00%	-	-	-	-
			07/15/24	90,000	3.00%	-	-	-	-
			07/15/25	95,000	3.00%	-	-	-	-
			07/15/26	100,000	3.13%	-	-	-	-
			07/15/27	100,000	3.13%	-	-	-	-
			07/15/28	105,000	3.13%	-	-	-	-
			07/15/29	105,000	3.13%	-	-	-	-
			07/15/30	113,000	3.13%	-	-	-	-
					<u>\$ 1,048,000</u>	<u>\$ -</u>	<u>\$ 80,000</u>	<u>\$ 968,000</u>	

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Debt Service Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2021

	Unaudited			Actual	Variance Final to Actual
	Original Budget	Budget Transfers	Final Budget		
Revenues					
Local sources					
Local tax levy	\$ 110,894	\$ -	\$ 110,894	\$ 110,894	\$ -
Total revenues	<u>110,894</u>	<u>-</u>	<u>110,894</u>	<u>110,894</u>	<u>-</u>
Expenditures					
Regular debt service					
Redemption of principal	80,000	-	80,000	80,000	-
Interest	30,894	-	30,894	30,894	-
Total expenditures	<u>110,894</u>	<u>-</u>	<u>110,894</u>	<u>110,894</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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Statistical Section J Series

CONTENTS	PAGE
FINANCIAL TRENDS	
These schedules contain trend information to help the reader understand how the District's financial performance and well being have changed over time.	J-1 to J-5
REVENUE CAPACITY	
These schedules contain trend information to help the reader assess the District's most significant local revenue sources, the property tax.	J-6 to J-9
DEBT CAPACITY	
These schedules contain trend information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	J-10 to J-13
DEMOGRAPHIC AND ECONOMIC INFORMATION	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take	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.	
The District implemented GASB Statement No. 84 in the fiscal year ending June 30, 2021. Schedules presenting information relating to the implementation of GASB Statement No. 84 include information beginning in that year.	

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

	Fiscal Year Ended June 30,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Government activities										
Net investment in capital assets	\$ 1,637,040	\$ 1,704,199	\$ 1,868,912	\$ 2,105,378	\$ 2,272,952	\$ 2,873,614	\$ 2,842,430	\$ 2,798,963	\$ 2,709,448	\$ 2,617,604
Restricted	139,675	116,934	252,904	996,021	990,584	409,986	329,560	255,233	335,182	450,401
Unrestricted	188,687	311,072	(274,355)	(262,328)	(270,077)	(358,804)	(414,694)	(390,534)	(343,270)	(342,806)
Total governmental activities	<u>\$ 1,965,402</u>	<u>\$ 2,132,205</u>	<u>\$ 1,847,461</u>	<u>\$ 2,839,071</u>	<u>\$ 2,993,459</u>	<u>\$ 2,924,796</u>	<u>\$ 2,757,296</u>	<u>\$ 2,663,662</u>	<u>\$ 2,701,360</u>	<u>\$ 2,725,199</u>
Business-type activities										
Net investment in capital assets	\$ 2,372	\$ 2,008	\$ 1,643	\$ 3,249	\$ 2,705	\$ 6,011	\$ 5,117	\$ 4,404	\$ 3,875	\$ 3,346
Unrestricted	12,223	15,759	13,812	12,337	9,034	2,065	7,735	5,379	-	-
Total business-type activities	<u>\$ 14,595</u>	<u>\$ 17,767</u>	<u>\$ 15,455</u>	<u>\$ 15,586</u>	<u>\$ 11,739</u>	<u>\$ 8,076</u>	<u>\$ 12,852</u>	<u>\$ 9,783</u>	<u>\$ 3,875</u>	<u>\$ 3,346</u>
District-wide										
Net investment in capital assets	\$ 1,639,412	\$ 1,706,207	\$ 1,870,555	\$ 2,108,627	\$ 2,275,657	\$ 2,879,625	\$ 2,847,547	\$ 2,803,367	\$ 2,713,323	\$ 2,620,950
Restricted	139,675	116,934	252,904	996,021	990,584	409,986	329,560	255,233	335,182	450,401
Unrestricted	200,910	326,831	(260,543)	(249,991)	(261,043)	(356,739)	(406,959)	(385,155)	(343,270)	(342,806)
Total district-wide	<u>\$ 1,979,997</u>	<u>\$ 2,149,972</u>	<u>\$ 1,862,916</u>	<u>\$ 2,854,657</u>	<u>\$ 3,005,198</u>	<u>\$ 2,932,872</u>	<u>\$ 2,770,148</u>	<u>\$ 2,673,445</u>	<u>\$ 2,705,235</u>	<u>\$ 2,728,545</u>

Note: During the year ended June 30, 2021, the District Implemented GASB Statement No. 84.

* as restated

See independent auditors' report.

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

	Fiscal Year Ended June 30,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Expenses										
Governmental activities										
Instruction										
Regular	\$ 1,186,985	\$ 1,262,847	\$ 1,259,721	\$ 1,650,507	\$ 1,626,796	\$ 1,870,399	\$ 1,992,085	\$ 1,900,597	\$ 1,704,060	\$ 1,973,598
Special education	416,596	418,171	440,745	454,682	531,893	609,179	757,479	634,158	586,352	511,258
Other special education	23,866	38,192	40,565	16,359	22,189	5,817	31,710	2,064	22,689	20,352
Other instruction	27,786	23,354	37,082	32,531	31,425	33,447	31,133	41,853	20,973	3,570
Support services										
Tuition	66,420	16,250	1,822	34,919	149	-	35,950	76,767	43,687	56,864
Student & instruction related services	427,911	412,028	388,465	501,078	651,843	788,667	784,294	808,291	709,566	828,694
General & business administrative services	154,246	161,111	206,275	147,189	162,895	171,954	207,264	179,427	261,677	257,775
School administration	102,065	73,510	82,622	119,676	147,574	132,725	158,161	98,802	123,167	117,577
Plant operations & maintenance	274,994	276,299	287,846	307,965	267,431	285,498	340,434	332,298	250,550	327,262
Pupil transportation	63,487	49,144	55,282	84,395	18,670	33,644	105,206	69,994	26,492	28,347
Interest on long-term debt	35,721	30,427	29,335	23,400	55,817	51,896	49,646	47,396	45,002	42,602
Total governmental activities expenses	<u>2,780,077</u>	<u>2,761,333</u>	<u>2,829,760</u>	<u>3,372,701</u>	<u>3,516,682</u>	<u>3,983,226</u>	<u>4,493,362</u>	<u>4,191,647</u>	<u>3,794,215</u>	<u>4,167,899</u>
Business-type activities										
Food services	71,134	65,516	69,869	71,967	61,981	62,326	51,542	54,309	5,908	529
Total business-type activities	<u>71,134</u>	<u>65,516</u>	<u>69,869</u>	<u>71,967</u>	<u>61,981</u>	<u>62,326</u>	<u>51,542</u>	<u>54,309</u>	<u>5,908</u>	<u>529</u>
Total district expenses	<u>\$ 2,851,211</u>	<u>\$ 2,826,849</u>	<u>\$ 2,899,629</u>	<u>\$ 3,444,668</u>	<u>\$ 3,578,663</u>	<u>\$ 4,045,552</u>	<u>\$ 4,544,904</u>	<u>\$ 4,245,956</u>	<u>\$ 3,800,123</u>	<u>\$ 4,168,428</u>

Note: During the year ended June 30, 2021, the District Implemented GASB Statement No. 84.

See independent auditors' report.

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

	Fiscal Year Ended June 30,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Program revenues										
Governmental activities										
Charges for services	\$ 50,788	\$ 18,000	\$ 116,168	\$ 60,328	\$ 83,136	\$ 73,557	\$ 65,911	\$ 85,250	\$ 59,235	\$ 3,782
Operating grants & contributions	102,224	73,523	99,412	87,571	86,376	67,811	99,795	93,980	73,652	113,435
Capital grants & contributions	-	-	-	902,000	-	-	-	-	-	-
Total governmental activities	<u>153,012</u>	<u>91,523</u>	<u>215,580</u>	<u>1,049,899</u>	<u>169,512</u>	<u>141,368</u>	<u>165,706</u>	<u>179,230</u>	<u>132,887</u>	<u>117,217</u>
Business-type activities										
Charges for services										
Food service	44,751	41,312	41,534	42,404	39,094	37,886	35,084	39,660	-	-
Operating grants & contributions	16,898	17,997	20,488	20,871	18,690	14,456	11,064	11,559	-	-
Total business-type activities	<u>61,649</u>	<u>59,309</u>	<u>62,022</u>	<u>63,275</u>	<u>57,784</u>	<u>52,342</u>	<u>46,148</u>	<u>51,219</u>	<u>-</u>	<u>-</u>
Total district-wide program revenues	<u>\$ 214,661</u>	<u>\$ 150,832</u>	<u>\$ 277,602</u>	<u>\$ 1,113,174</u>	<u>\$ 227,296</u>	<u>\$ 193,710</u>	<u>\$ 211,854</u>	<u>\$ 230,449</u>	<u>\$ 132,887</u>	<u>\$ 117,217</u>
Net (expense) revenues										
Governmental activities	\$ (2,627,065)	\$ (2,669,810)	\$ (2,614,180)	\$ (2,322,802)	\$ (3,347,170)	\$ (3,841,858)	\$ (4,327,656)	\$ (4,012,417)	\$ (3,661,328)	\$ (4,050,682)
Business-type activities	(9,485)	(6,207)	(7,847)	(8,692)	(4,197)	(9,984)	(5,394)	(3,090)	(5,908)	(529)
Total district-wide net expenses	<u>\$ (2,636,550)</u>	<u>\$ (2,676,017)</u>	<u>\$ (2,622,027)</u>	<u>\$ (2,331,494)</u>	<u>\$ (3,351,367)</u>	<u>\$ (3,851,842)</u>	<u>\$ (4,333,050)</u>	<u>\$ (4,015,507)</u>	<u>\$ (3,667,236)</u>	<u>\$ (4,051,211)</u>

Note: During the year ended June 30, 2021, the District Implemented GASB Statement No. 84.

See independent auditors' report.

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

	Fiscal Year Ended June 30,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General revenues & other changes in net position										
Governmental activities										
Property taxes levied for general purposes, net	\$ 1,641,301	\$ 1,673,305	\$ 1,705,934	\$ 1,739,200	\$ 1,833,860	\$ 1,870,537	\$ 1,907,948	\$ 1,946,107	\$ 2,016,992	\$ 2,129,519
Taxes levied for debt service	138,861	138,773	143,454	147,673	114,100	112,939	112,869	110,619	113,294	110,894
Unrestricted grants & contributions	904,968	1,025,587	972,029	1,432,990	1,563,704	1,785,955	2,138,863	1,857,836	1,494,162	1,831,863
Investment earnings	806	690	455	572	607	276	916	1,928	8,804	224
Capital grants de-obligated	-	-	-	-	(10,772)	(58,466)	-	(16)	-	-
Miscellaneous income	201	7,631	199	2,796	405	2,107	10,600	2,309	6,431	2,021
Contribution - PTO	-	-	-	-	-	-	-	-	-	-
Special item - gain/(loss) on disposal of assets	-	-	-	-	-	-	(1,040)	-	-	-
Operating transfer	(13,065)	(9,373)	(5,531)	(8,819)	(346)	(6,319)	(10,000)	-	-	-
Total governmental activities	<u>2,673,072</u>	<u>2,836,613</u>	<u>2,816,540</u>	<u>3,314,412</u>	<u>3,501,558</u>	<u>3,707,029</u>	<u>4,160,156</u>	<u>3,918,783</u>	<u>3,639,683</u>	<u>4,074,521</u>
Business-type activities										
Investment earnings	10	6	4	4	4	2	10	21	-	-
Miscellaneous income	-	-	-	-	-	-	160	-	-	-
Operating transfer	8,065	9,373	5,531	8,819	346	6,319	10,000	-	-	-
Total business-type activities	<u>8,075</u>	<u>9,379</u>	<u>5,535</u>	<u>8,823</u>	<u>350</u>	<u>6,321</u>	<u>10,170</u>	<u>21</u>	<u>-</u>	<u>-</u>
Total district-wide	<u>\$ 2,681,147</u>	<u>\$ 2,845,992</u>	<u>\$ 2,822,075</u>	<u>\$ 3,323,235</u>	<u>\$ 3,501,908</u>	<u>\$ 3,713,350</u>	<u>\$ 4,170,326</u>	<u>\$ 3,918,804</u>	<u>\$ 3,639,683</u>	<u>\$ 4,074,521</u>
Change in net position										
Governmental activities	\$ 46,007	\$ 166,803	\$ 202,360	\$ 991,610	\$ 154,388	\$ (134,829)	\$ (167,500)	\$ (93,634)	\$ (21,645)	\$ 23,839
Business-type activities	(1,410)	3,172	(2,312)	131	(3,847)	(3,663)	4,776	(3,069)	(5,908)	(529)
Total district	<u>\$ 44,597</u>	<u>\$ 169,975</u>	<u>\$ 200,048</u>	<u>\$ 991,741</u>	<u>\$ 150,541</u>	<u>\$ (138,492)</u>	<u>\$ (162,724)</u>	<u>\$ (96,703)</u>	<u>\$ (27,553)</u>	<u>\$ 23,310</u>

Note: During the year ended June 30, 2021, the District Implemented GASB Statement No. 84.

See independent auditors' report.

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

	Fiscal Year Ended June 30,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General fund										
Restricted	\$ 134,865	\$ 112,124	\$ 264,281	\$ 265,180	\$ 307,466	\$ 286,040	\$ 268,140	\$ 252,386	\$ 341,729	\$ 428,706
Committed	89,344	218,474	75,305	33,727	112,868	13,949	10,816	2,396	10,251	15,785
Assigned	24,374	-	29,712	79,870	50,000	50,000	80,803	50,000	85,483	10,000
Unassigned	171,066	209,551	179,004	178,786	178,573	185,036	145,939	188,816	192,435	231,226
Total general fund	<u>\$ 419,649</u>	<u>\$ 540,149</u>	<u>\$ 548,302</u>	<u>\$ 557,563</u>	<u>\$ 648,907</u>	<u>\$ 535,025</u>	<u>\$ 505,698</u>	<u>\$ 493,598</u>	<u>\$ 629,898</u>	<u>\$ 685,717</u>
									*	
All other governmental funds										
Restricted, reported in										
Special revenue fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,775	\$ 26,744
Capital projects fund	-	-	-	742,218	680,938	123,946	61,420	9,394	-	-
Assigned, reported in										
Debt service fund	4,810	4,810	4,810	4,810	2,180	-	-	-	-	-
Total all other governmental funds	<u>\$ 4,810</u>	<u>\$ 4,810</u>	<u>\$ 4,810</u>	<u>\$ 747,028</u>	<u>\$ 683,118</u>	<u>\$ 123,946</u>	<u>\$ 61,420</u>	<u>\$ 9,394</u>	<u>\$ 26,775</u>	<u>\$ 26,744</u>
									*	

Note: During the year ended June 30, 2021, the District Implemented GASB Statement No. 84.

* as restated

See independent auditors' report.

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

	Fiscal Year Ended June 30,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues										
Tax levy	\$ 1,780,162	\$ 1,812,078	\$ 1,849,388	\$ 1,886,873	\$ 1,947,960	\$ 1,983,476	\$ 2,020,817	\$ 2,056,726	\$ 2,130,286	\$ 2,240,413
Tuition charges	24,139	18,000	72,072	58,018	79,836	70,257	62,611	81,950	55,935	-
Interest earnings	806	690	455	572	607	276	916	2,309	8,804	224
Rents and royalties	-	-	-	-	3,300	3,300	3,300	3,300	3,300	3,300
Miscellaneous	26,850	7,631	199	5,106	405	4,940	13,734	1,928	6,681	2,503
State sources	883,888	1,025,876	972,048	1,933,024	1,016,036	1,082,378	1,159,574	1,217,810	1,069,533	1,076,757
Federal sources	123,304	73,234	99,393	87,234	85,642	64,069	94,946	92,387	72,536	113,050
Total revenues	2,839,149	2,937,509	2,993,555	3,970,827	3,133,786	3,208,696	3,355,898	3,456,410	3,347,075	3,436,247
Expenditures										
Instruction										
Regular instruction	838,704	872,421	905,825	918,534	877,729	928,603	859,412	885,432	813,500	819,939
Special education instruction	279,378	300,090	294,999	270,085	264,960	356,850	330,393	286,782	280,050	219,147
Other special instruction	8,149	11,728	17,099	-	-	-	-	-	-	-
Other instruction	26,849	22,577	33,743	31,529	27,112	23,461	26,397	26,128	18,175	3,312
Support services										
Tuition	27,014	7,347	1,822	34,919	149	-	16,050	42,452	43,687	7,718
Student & instr. related services	302,166	282,944	265,226	298,965	334,236	377,335	382,690	425,106	350,332	409,153
General administration	39,840	57,612	71,048	48,517	46,256	45,772	39,332	42,972	120,862	74,729
School administration services	81,968	52,987	59,422	78,590	92,619	54,965	61,458	63,586	67,195	57,713
Central services	50,180	48,320	76,185	68,257	82,235	82,071	80,837	78,764	77,501	118,209
Plant operations & maintenance	219,182	238,412	240,361	257,073	217,806	217,125	266,421	270,241	219,750	282,907
Pupil transportation	53,260	39,429	37,753	76,106	15,839	28,604	103,700	68,499	26,303	25,507
Employee benefits	370,003	360,833	382,369	413,411	474,662	606,635	565,700	617,666	596,417	579,513
On-behalf TPAF Pension & Social Security contribution	249,708	284,670	239,992	294,539	288,987	359,529	411,594	443,491	456,592	515,148
Capital outlay	-	7,664	98,353	12,170	68,475	100,217	5,769	-	-	3,039
Capital projects	-	-	-	159,782	1,403,508	498,526	62,526	52,010	9,394	-
Special revenue funds	102,224	73,523	99,412	87,571	86,376	67,811	99,795	93,980	73,652	113,948
Debt service										
Principal	110,000	115,000	125,000	135,000	139,000	75,000	75,000	75,000	80,000	80,000
Interest & other charges	34,913	32,079	31,262	25,481	39,057	52,927	50,677	48,427	46,102	43,702
Total expenditures	2,793,538	2,807,636	2,979,871	3,210,529	4,459,006	3,875,431	3,437,751	3,520,536	3,279,512	3,353,684

Note: During the year ended June 30, 2021, the District Implemented GASB Statement No. 84.

See independent auditors' report.

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

	Fiscal Year Ended June 30,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Excess (deficiency) of revenues over (under) expenditures	\$ 45,611	\$ 129,873	\$ 13,684	\$ 760,298	\$ (1,325,220)	\$ (666,735)	\$ (81,853)	\$ (64,126)	\$ 67,563	\$ 82,563
Other financing sources (uses)										
Proceeds from bond issue	-	-	-	-	1,353,000	-	-	-	-	-
Transfers in (out)	(13,065)	(9,373)	(5,531)	(8,819)	(346)	(6,319)	(10,000)	-	-	-
Total other financing sources (uses)	(13,065)	(9,373)	(5,531)	(8,819)	1,352,654	(6,319)	(10,000)	-	-	-
Net change in fund balances	<u>\$ 32,546</u>	<u>\$ 120,500</u>	<u>\$ 8,153</u>	<u>\$ 751,479</u>	<u>\$ 27,434</u>	<u>\$ (673,054)</u>	<u>\$ (91,853)</u>	<u>\$ (64,126)</u>	<u>\$ 67,563</u>	<u>\$ 82,563</u>
Debt service as a percentage of non-capital expenditures	5.47%	5.54%	5.73%	5.58%	6.34%	4.06%	3.87%	3.69%	4.01%	3.83%

Source: District Record

Note: 1) Non-capital expenditures are total expenditures less capital outlay, capital projects and debt service.
2) During the year ended June 30, 2021, the District Implemented GASB Statement No. 84.

See independent auditors' report.

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

	Fiscal Year Ended June 30,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Interest income	\$ 806	\$ 690	\$ 455	\$ 572	\$ 607	\$ 275	\$ 916	\$ 1,928	\$ 8,804	\$ 224
Tuition	24,139	18,000	72,072	58,018	79,836	70,257	62,611	81,950	55,935	-
Other school districts - shared services	26,649	-	-	-	-	-	-	-	-	-
Prior year refunds	-	7,242	-	2,796	-	-	9,200	150	-	2,021
Outstanding checks voided	-	-	-	-	-	71	-	132	-	-
Rents and royalties	-	-	-	-	3,300	3,300	3,300	3,300	3,300	3,300
Miscellaneous other	-	289	199	-	101	142	-	2,027	-	-
Contributions	201	100	-	-	-	-	-	-	-	-
iPad insurance	-	-	-	-	-	1,895	1,400	-	-	-
Excess payroll agency funds	-	-	-	-	-	-	-	-	6,431	-
School bus rental	-	-	-	2,310	-	-	-	-	-	-
Sale of surplus equipment & materials	-	-	-	-	304	-	-	-	-	-
Annual totals	<u>\$ 51,795</u>	<u>\$ 26,321</u>	<u>\$ 72,726</u>	<u>\$ 63,696</u>	<u>\$ 84,148</u>	<u>\$ 75,940</u>	<u>\$ 77,427</u>	<u>\$ 89,487</u>	<u>\$ 74,470</u>	<u>\$ 5,545</u>

Source: District Records

Note: During the year ended June 30, 2021, the District Implemented GASB Statement No. 84.

See independent auditors' report.

**FRENCHTOWN BOROUGH SCHOOL DISTRICT
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years**

	Fiscal Year Ended June 30,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Vacant land	\$ 2,505,100	\$ 2,505,100	\$ 2,505,100	\$ 2,490,600	\$ 4,480,500	\$ 4,261,200	\$ 3,636,200	\$ 2,850,200	\$ 2,850,200	\$ 2,571,100
Residential	108,976,400	108,741,700	109,474,900	109,543,700	110,307,000	110,497,100	111,659,800	111,729,600	111,554,600	112,404,720
Farm regular	898,600	898,600	898,600	898,600	449,600	449,600	788,600	788,600	788,600	788,600
Q farm	14,700	14,700	14,700	14,700	11,200	11,200	27,100	27,100	27,000	26,300
Commercial	26,737,800	26,737,800	26,449,600	26,369,600	26,503,300	26,563,300	26,463,000	25,502,900	24,897,200	24,897,200
Industrial	3,726,350	3,726,350	3,726,350	3,726,350	3,726,350	3,726,350	3,726,350	1,581,150	1,492,550	1,167,050
Apartment	6,045,500	6,045,500	5,682,600	5,682,600	5,682,600	5,682,600	5,699,900	5,699,900	5,699,900	5,699,900
Total assessed value	148,904,450	148,669,750	148,751,850	148,726,150	151,160,550	151,191,350	152,000,950	148,179,450	147,310,050	147,554,870
Public utilities (a)	592,657	489,679	594,036	693,169	644,203	648,614	648,614	-	-	-
Net valuation taxable	\$ 149,497,107	\$ 149,159,429	\$ 149,345,886	\$ 149,419,319	\$ 151,804,753	\$ 151,839,964	\$ 152,649,564	\$ 148,179,450	\$ 147,310,050	\$ 147,554,870
Estimated actual county equalized value	\$ 166,644,863	\$ 159,392,422	\$ 152,424,868	\$ 164,522,483	\$ 175,578,017	\$ 165,348,975	\$ 177,087,661	\$ 167,038,045	\$ 168,123,773	\$ 170,781,100
Percentage of net valuation to estimated actual equalized value	89.71%	93.58%	97.98%	90.82%	86.46%	91.83%	86.20%	88.71%	87.62%	86.40%
Total direct school tax rate (b)	\$ 1.21	\$ 1.24	\$ 1.26	\$ 1.30	\$ 1.31	\$ 1.33	\$ 1.35	\$ 1.44	\$ 1.52	\$ 1.55

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's of telephone and messenger system companies.
- (b) Tax rates are per \$100.

See independent auditors' report.

FRENCHTOWN BOROUGH 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	\$ 1.118	\$ 0.095	\$ 1.213	\$ 0.477	\$ 0.655	\$ 0.398	\$ 2.743
2013	1.145	0.095	1.240	0.524	0.674	0.392	2.830
2014	1.165	0.098	1.263	0.572	0.705	0.383	2.923
2015	1.201	0.102	1.303	0.626	0.873	0.412	3.214
2016	1.230	0.076	1.306	0.694	0.869	0.433	3.302
2017	1.255	0.076	1.331	0.645	0.869	0.406	3.251
2018	1.272	0.075	1.347	0.649	0.905	0.440	3.341
2019	1.361	0.077	1.438	0.651	0.944	0.426	3.459
2020	1.440	0.081	1.521	0.682	0.944	0.432	3.579
2021	1.472	0.077	1.549	0.740	0.969	0.438	3.696

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.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Principal Property Taxpayers
Current Year and Nine Years Ago

	2021			2012		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Frenchtown Associates LLC	\$ 2,950,000	1	2.00%	\$ 2,950,000	1	1.97%
Frenchtown Barn Center LLC	1,500,000	2	1.02%	1,500,000	3	1.00%
Davon LLC	977,200	3	0.66%	977,200	4	0.65%
Le Pont LLC	947,200	4	0.64%	-	-	-
Individual Property Owner	769,200	5	0.52%	830,800	6	0.56%
Traub Holdings LLC	758,400	6	0.51%	758,400	8	0.51%
B&B Properties LLC	748,500	7	0.51%	748,500	9	0.50%
Individual Property Owner	718,800	8	0.49%	-	-	-
Warren House LLC	695,400	9	0.47%	809,900	7	0.54%
Artyard	663,300	10	0.45%	-	-	-
Frenchtown Properties LLC	-	-	-	2,145,200	2	1.43%
Bridge Race Properties LLC	-	-	-	972,200	5	0.65%
T2 Services Inc	-	-	-	724,700	10	0.48%
	<u>\$ 10,728,000</u>		<u>7.27%</u>	<u>\$ 12,416,900</u>		<u>8.31%</u>

Source: Municipal Tax Assessor

See independent auditors' report.

FRENCHTOWN BOROUGH 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
2012	\$ 1,780,162	\$ 1,780,162	100.00%
2013	1,812,078	1,812,078	100.00%
2014	1,849,388	1,849,388	100.00%
2015	1,886,873	1,886,873	100.00%
2016	1,947,960	1,947,960	100.00%
2017	1,983,476	1,983,476	100.00%
2018	2,020,817	2,020,817	100.00%
2019	2,056,726	2,056,726	100.00%
2020	2,130,286	2,130,286	100.00%
2021	2,240,413	2,240,413	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

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Governmental Activities				Business-Type	Total District	% of Personal Income (a)	Per Capita (a)
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Activities Capital Leases			
2012	\$ 514,000	\$ -	\$ 9,165	\$ -	\$ -	\$ 523,165	0.51%	\$ 365
2013	399,000	-	-	-	-	399,000	0.38%	290
2014	274,000	-	-	-	-	274,000	0.26%	194
2015	139,000	-	-	800,000	-	939,000	0.85%	668
2016	1,353,000	-	-	-	-	1,353,000	1.19%	963
2017	1,278,000	-	-	-	-	1,278,000	1.12%	940
2018	1,203,000	-	-	-	-	1,203,000	1.04%	882
2019	1,128,000	-	-	-	-	1,128,000	0.94%	831
2020	1,048,000	-	-	-	-	1,048,000	0.84%	774
2021	968,000	-	-	-	-	968,000	N/A	718

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.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year Ended June 30,	General Bonded Debt Outstanding		Net General Bonded Debt Outstanding	% of Actual Taxable Value of Property (a)	Per Capita (b)
	General Obligation Bonds	Deductions			
2012	\$ 514,000	\$ -	\$ 514,000	0.34%	\$ 359
2013	399,000	-	399,000	0.27%	290
2014	274,000	-	274,000	0.18%	194
2015	139,000	-	139,000	0.09%	99
2016	1,353,000	-	1,353,000	0.89%	963
2017	1,278,000	-	1,278,000	0.84%	940
2018	1,203,000	-	1,203,000	0.79%	882
2019	1,128,000	-	1,128,000	0.76%	831
2020	1,048,000	-	1,048,000	0.71%	774
2021	968,000	-	968,000	0.66%	718

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.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Direct and Overlapping Governmental Activities Debt
As of December 31, 2020

Governmental Unit	<u>Debt Outstanding</u>	<u>Estimated % Applicable (a)</u>	<u>Estimated Share of Debt</u>
Debt repaid with property taxes			
Municipality	\$ 3,620,840	100.00%	\$ 3,620,840
Regional High School	-	7.14%	-
County general obligation debt	90,647,955	0.78%	<u>709,520</u>
Subtotal, overlapping debt			4,330,360
School district direct debt			<u>968,000</u>
Total direct and overlapping debt			<u><u>\$ 5,298,360</u></u>

Sources: Assessed value data used to estimate applicable percentages provided by the County Board of Taxation. Debt outstanding data provided by each governmental unit.

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

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

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Legal Debt Margin Information
Last Ten Fiscal Years

Legal Debt Margin Calculation for Fiscal Year 2021

		Equalized Valuation Basis
	2020	\$ 170,497,743
	2019	169,116,012
	2018	171,345,902
		\$ 510,959,657
Average equalized valuation of taxable property		\$ 170,319,886
Debt limit (3.0% of average equalization value)	(a)	\$ 5,109,597
Total net debt applicable to limit		968,000
Legal debt margin		\$ 4,141,597

	Fiscal Year				
	2017	2018	2019	2020	2021
Debt limit	\$ 5,004,140	\$ 5,120,224	\$ 5,113,510	\$ 5,158,579	\$ 5,109,597
Total net debt applicable	1,278,000	1,203,000	1,128,000	1,048,000	968,000
Legal debt margin	\$ 3,726,140	\$ 3,917,224	\$ 3,985,510	\$ 4,110,579	\$ 4,141,597
Total net debt applicable to the limit as a percentage of debt limit	25.54%	23.50%	22.06%	20.32%	18.94%

	Fiscal Year				
	2012	2013	2014	2015	2016
Debt limit	\$ 5,140,934	\$ 4,968,485	\$ 4,765,597	\$ 4,746,423	\$ 4,875,396
Total net debt applicable	514,000	399,000	274,000	2,394,000	2,244,227
Legal debt margin	\$ 4,626,934	\$ 4,569,485	\$ 4,491,597	\$ 2,352,423	\$ 2,631,169
Total net debt applicable to the limit as a percentage of debt limit	10.00%	8.03%	5.75%	50.44%	46.03%

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

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

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Population (a)	Personal Income (b)	Per Capita Personal Income (c)	Unemployment Rate (d)
2012	1,432	\$ 103,012,352	\$ 71,936	6.7%
2013	1,378	103,679,342	75,239	6.7%
2014	1,411	105,902,605	75,055	5.2%
2015	1,406	110,476,450	78,575	3.3%
2016	1,405	113,835,910	81,022	3.1%
2017	1,360	113,887,760	83,741	2.8%
2018	1,364	115,983,648	85,032	3.0%
2019	1,358	120,271,270	88,565	2.5%
2020	1,354	124,962,014	92,291	8.1%
2021	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.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Principal Employers
Current Year and Nine Years Ago

2021

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

2012

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

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Full Time Equivalent District Employees by Function/Program
Last Ten Fiscal Years

Function/Program	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Instruction	18.7	18.7	19.1	19.6	18.5	19.3	19.8	19.6	19.8	19.0
Health services	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Related services	0.5	0.5	0.5	0.5	0.4	0.5	0.5	0.5	0.5	-
Guidance	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.4	0.4	0.4
Child study team	1.5	1.5	1.5	1.5	1.5	1.2	1.5	1.4	1.4	1.4
Media center	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.3	0.3	0.3
General administration	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3
School administration services	0.7	0.7	0.7	0.7	1.1	1.1	1.1	1.2	1.2	0.8
Business office	0.8	0.8	0.9	0.9	0.8	0.8	0.8	0.8	0.8	0.8
Building maintenance	1.4	1.4	1.4	2.0	2.0	2.0	2.0	2.0	2.0	2.1
Transportation	0.7	0.7	0.8	-	-	-	-	-	-	-
Cafeteria	0.1	0.1	0.1	-	-	-	-	-	-	-
Total	26.5	26.5	27.1	27.3	26.3	26.9	27.8	27.5	27.7	26.1

Source: District Personnel Records

See independent auditors' report.

FRENCHTOWN BOROUGH 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
2012	157	\$ 2,648,625	\$ 16,870	15.10%	24.0	1 to 6.54	159.6	151.1	5.23%	94.67%
2013	148	2,652,893	17,925	6.25%	24.0	1 to 6.17	147.8	140.5	-7.39%	95.06%
2014	138	2,725,256	19,748	10.17%	18.5	1 to 7.46	137.7	131.0	-6.83%	95.13%
2015	142	2,878,096	20,268	2.63%	19.6	1 to 7.24	142.8	136.3	3.70%	95.45%
2016	142	2,808,966	19,781	-2.40%	19.6	1 to 7.24	138.9	132.1	-2.73%	95.10%
2017	129	3,148,761	24,409	23.40%	20.2	1 to 6.39	127.4	121.2	-8.28%	95.13%
2018	135	3,243,779	24,028	-1.56%	19.8	1 to 6.82	124.1	118.2	-2.59%	95.25%
2019	131	3,345,099	25,535	6.27%	20.4	1 to 6.42	127.0	120.3	2.34%	94.72%
2020	127	3,144,016	24,756	-3.05%	18.6	1 to 6.83	123.2	118.7	-2.99%	96.35%
2021	110	3,226,943	29,336	18.50%	17.1	1 to 6.43	107.5	103.2	-12.74%	96.03%

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.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
School Building Information
Last Ten Fiscal Years

District Building	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<u>Elementary (1925)</u>										
Square feet	35,992	35,992	35,992	35,992	35,992	35,992	35,992	35,992	35,992	35,992
Capacity (students)	179.1	179.1	179.1	179.1	179.1	179.1	179.1	179.1	179.1	179.1
Enrollment	157.0	148.0	138.0	142.0	142.0	129.0	135.0	131.0	127.0	110.0

Number of schools at June 30, 2021

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.

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Schedule of Required Maintenance Expenditures by School Facility
Last Ten Fiscal Years

Undistributed Expenditures - Required Maintenance for School Facilities*

<u>Fiscal Year Ending</u>	<u>Amount</u>
2012	\$ 26,903
2013	65,117
2014	20,846
2015	33,947
2016	24,333
2017	31,770
2018	50,154
2019	67,452
2020	38,242
2021	69,563
Total school facilities	<u>\$ 428,327</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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Insurance Schedule
June 30, 2021
(Unaudited)

	Coverage	Deductible
Commercial Package Policy - New Jersey Schools Insurance Group (NJSIG)		
Real & Personal Property (per occurrence)	\$ 500,000,000	\$ 5,000
Blanket Extra Expense	50,000,000	5,000
Blanket Valuable Paper & Records	10,000,000	5,000
Demolition & Increased Cost of Construction	25,000,000	-
Limited Builders Risk	10,000,000	-
Fire Dept. Service Charge / Arson Reward	10,000	-
Pollution Cleanup & Removal	250,000	-
Flood/Earthquake:		
Flood Zone A & V	25,000,000	500,000
All Other Flood Zones	75,000,000	10,000
Earthquake	50,000,000	5,000
Terrorism	1,000,000	-
Electronic Data Processing:		
Blanket Hardware/Software, Extra Expense, Business Income	200,000	1,000
Flood (Deductible for Zone A & Z)	-	500,000
(Deductible All Other Flood Zones)	-	10,000
Equipment Breakdown		
Combined Single Limit/Accident for Property Damage & Business Income	100,000,000	5,000
Property Damage	Included	-
Off Premises Property Damage	1,000,000	5,000
Extra Expense / Service Interruption	10,000,000	5,000
Perishable Goods, Data Restoration, Demolition, Orinance or Law, Expediting Expense, Hazardous Substances	1,000,000	5,000
Crime Coverage:		
Public Employee Dishonesty, Theft, Disapp. & Destruction		
Forgery or Alteration	50,000	500
Computer Fraud	50,000	-
Public Officials Bond (Selective Ins. Co.)		
Business Administrator - T. Barna	150,000	-
General Liability:		
Bodily Injury & Property Damage	16,000,000	-
Employee Benefits Liability	16,000,000	1,000
Automotive Coverage:		
Combined Single Limit for Bodily Injury & Property Damage	16,000,000	1,000
Personal Injury Protection	250,000	1,000
Medical Payments	10,000	1,000
Underinsured	1,000,000	1,000
School Leaders Errors & Omissions		
Coverage A - protection againsts "loss"/Wrongful Acts	16,000,000	5,000
Coverage B - defense costs for specific administrative actions	\$100,000/claim	5,000
Workers' Compensation		
Part One	Statutory	-
Part Two - Bodily Injury by Accident or Disease	2,000,000	-

Source: District Records

See independent auditors' report.

SINGLE AUDIT SECTION



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

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

Honorable President and
Members of the Board of Education
Frenchtown Borough School District
Frenchtown, 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 Frenchtown Borough School District, County of Hunterdon, the State of New Jersey, (the District), as of and for the fiscal year ended June 30, 2021, and the related Notes to the Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 17, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Frenchtown Borough 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

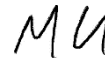
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

February 17, 2022
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
New Jersey OMB Circular Letter 15-08**

Honorable President and
Members of the Board of Education
Frenchtown Borough School District
County of Hunterdon, New Jersey

Report on Compliance for Each Major State Program

We have audited the Frenchtown Borough 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, 2021. 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 state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 state program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major State Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

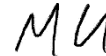
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 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

February 17, 2022
Flemington, New Jersey

**FRENCHTOWN BOROUGH SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards, Schedule A
For the Fiscal Year Ended June 30, 2021**

Grantor/Program Title	Federal CFDA Number	FAIN Number	Project Number	Program or Award Amount	Grant Period		Balance 06/30/20	Carryover Amount	Cash Received	Budgetary Expenditure	Adjustment	Repayment of Prior Year Balance	Balance June 30, 2021				
					From	To							Accounts Receivable	Deferred Revenue	Due to Grantor		
U.S. Department of Education passed through State Department of Education Special Revenue Fund																	
Special education cluster (IDEA)																	
IDEA Basic	84.027	H027A200100	IDEA-1680-21	\$ 38,887	07/01/20	06/30/21	\$ -	\$ -	\$ 38,887	\$ 38,887	\$ -	\$ -	\$ -	\$ -	\$ -		
IDEA Basic	84.027	H027A190100	IDEA-1680-20	36,006	07/01/19	06/30/20	(3,271)	-	13,530	10,259	-	-	-	-	-		
IDEA Preschool	84.173	H173S200114	IDEA-1680-21	1,138	07/01/20	06/30/21	-	-	1,138	1,138	-	-	-	-	-		
Total special education cluster (IDEA)							(3,271)	-	53,555	50,284	-	-	-	-	-		
Title I A	84.010A	S010A200030	ESSA-1680-21	17,163	07/01/20	06/30/21	-	-	17,163	17,163	-	-	-	-	-		
Title II A	84.367A	S367A200029	ESSA-1680-21	3,052	07/01/20	06/30/21	-	-	67	67	-	-	-	-	-		
Title II A	84.367A	S367A190029	ESSA-1680-20	3,311	07/01/19	06/30/20	(90)	-	116	26	-	-	-	-	-		
Title IV A	84.424A	S424A200031	ESSA-1680-21	10,000	07/01/20	06/30/21	-	-	2,026	9,191	-	-	(7,165)	-	-		
Title IV A	84.424A	S424A190031	ESSA-1680-20	8,787	07/01/19	06/30/20	(3,701)	-	6,886	3,185	-	-	-	-	-		
Rural Education Achievement Program	84.358A	S358B200030	S358A190459	15,240	07/01/20	06/30/21	-	-	12,162	13,093	-	-	(931)	-	-		
Rural Education Achievement Program	84.358A	S358B190030	S358A180459	12,578	07/01/19	06/30/20	(800)	-	1,230	430	-	-	-	-	-		
Cares Emergency Relief	84.425	S425D200027	CARES-1680-22	16,766	03/13/20	09/30/22	-	-	9,906	14,921	-	-	(5,015)	-	-		
Coronavirus Relief Fund	84.425	S425D200027	CARES-1680-21	14,069	07/01/20	06/30/21	-	-	4,690	4,690	-	-	-	-	-		
Total Special Revenue Fund							(7,862)	-	107,801	113,050	-	-	(13,111)	-	-		
Total Federal Awards							\$ (7,862)	\$ -	\$ 107,801	\$ 113,050	\$ -	\$ -	\$ (13,111)	\$ -	\$ -		

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Schedule of Expenditures of State Financial Assistance, Schedule B
For the Fiscal Year Ended June 30, 2021

Grantor/Program Title	Project Number	Program or Award Amount	Grant Period		Balance June 30, 2020		Cash Received	Budgetary Expenditure	Adjustments/Repayments	Balance June 30, 2021			Memo	
			From	To	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	21-495-034-5121-089	\$ 65,461	07/01/20	06/30/21	\$ -	\$ -	\$ 59,076	\$ 65,461	\$ -	\$ -	\$ -	\$ -	\$ 6,385	\$ 65,461
Equalization Aid	21-495-034-5121-078	366,620	07/01/20	06/30/21	-	-	330,858	366,620	-	-	-	-	35,762	366,620
School Choice Aid	21-495-034-5121-068	89,760	07/01/20	06/30/21	-	-	81,004	89,760	-	-	-	-	8,756	89,760
Extraordinary Aid	21-495-034-5121-044	31,839	07/01/20	06/30/21	-	-	-	31,839	-	(31,839)	-	-	-	31,839
Extraordinary Aid	20-495-034-5121-045	12,019	07/01/19	06/30/20	(10,925)	-	12,019	1,094	-	-	-	-	-	12,019
Non-Public Transportation Aid	21-495-034-5121-014	290	07/01/20	06/30/21	-	-	-	290	-	(290)	-	-	-	290
On-Behalf TPAF Pension Contribution - Teachers' Pension & Annuity Fund	21-495-034-5094-002	322,943	07/01/20	06/30/21	-	-	322,943	322,943	-	-	-	-	-	322,943
On-Behalf TPAF Pension Contribution - Non-Contributory Insurance	21-495-034-5094-004	6,144	07/01/20	06/30/21	-	-	6,144	6,144	-	-	-	-	-	6,144
On-Behalf TPAF Pension Contribution - Postretirement Medical	21-495-034-5094-001	103,131	07/01/20	06/30/21	-	-	103,131	103,131	-	-	-	-	-	103,131
On-Behalf TPAF Pension Contribution - Long-Term Disability Insurance	21-495-034-5094-004	390	07/01/20	06/30/21	-	-	390	390	-	-	-	-	-	390
Reimbursed TPAF Social Security Contribution	21-495-034-5094-003	82,540	07/01/20	06/30/21	-	-	82,540	82,540	-	-	-	-	-	82,540
Reimbursed TPAF Social Security Contribution	20-495-034-5094-003	88,548	07/01/19	06/30/20	(307)	-	307	-	-	-	-	-	-	88,548
Total General Fund					<u>(11,232)</u>	<u>-</u>	<u>998,412</u>	<u>1,070,212</u>	<u>-</u>	<u>(32,129)</u>	<u>-</u>	<u>-</u>	<u>50,903</u>	<u>1,169,685</u>
Special Revenue Fund														
Nonpublic Nursing Services	20-100-034-5120-070	388	07/01/19	06/30/20	-	3	-	-	3	-	-	-	-	385
Total Special Revenue Fund					<u>-</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>385</u>
Total State Financial Assistance					<u>\$ (11,232)</u>	<u>\$ 3</u>	<u>\$ 998,412</u>	<u>1,070,212</u>	<u>\$ 3</u>	<u>\$ (32,129)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,903</u>	<u>\$ 1,170,070</u>
Less: On-Behalf TPAF Pension System Contributions														
On-Behalf TPAF Pension Contribution - Teachers' Pension & Annuity Fund	21-495-034-5094-002							322,943						
On-Behalf TPAF Pension Contribution - Non-Contributory Insurance	21-495-034-5094-004							6,144						
On-Behalf TPAF Pension Contribution - Postretirement Medical	21-495-034-5094-001							103,131						
On-Behalf TPAF Pension Contribution - Long-Term Disability Insurance	21-495-034-5094-004							390						
Total for State Financial Assistance - Major Program Determination								<u>\$ 637,604</u>						

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2021

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

Note 2 - Basis of accounting

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

Note 3 - Relationship of financial statements

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$6,160 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.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2021

Note 3 - Relationship of financial statements (continued)

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

	Federal	State	Total
General fund	\$ -	\$ 1,076,372	\$ 1,076,372
Special revenue fund	113,050	385	113,345
Total awards and financial assistance	\$ 113,050	\$ 1,076,757	\$ 1,189,807

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, 2021. 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, 2021.

Note 6 - Indirect costs

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2021

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2021

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>
<i>21-495-034-5120-089</i>	<i>Special Education Categorical Aid</i>
<i>21-495-034-5120-078</i>	<i>Equalization Aid</i>
<i>21-495-034-5120-068</i>	<i>School Choice Aid</i>

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2021

Section II - Financial Statement Findings

There were no findings or questioned costs for the year ended June 30, 2021.

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

There were no findings or questioned costs for the year ended June 30, 2021.

**FRENCHTOWN BOROUGH SCHOOL DISTRICT
Summary Schedule of Prior Year Audit Findings
and Questioned Costs as Prepared by Management
For the Fiscal Year Ended June 30, 2021**

Status of Prior Year Findings

There were no prior year findings or questioned costs.