

**BOROUGH OF FRANKLIN
SCHOOL DISTRICT**

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

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2010**

**Comprehensive Annual
Financial Report**

of the

BOROUGH OF FRANKLIN SCHOOL DISTRICT

Franklin, New Jersey

For the Fiscal Year Ended June 30, 2010

Prepared by

**Borough of Franklin Board of Education
Finance Department**

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INTRODUCTORY SECTION

Franklin School District

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

Thomas N. Turner, Ed.D.
Superintendent

William J. Sabo
Business Administrator
Board Secretary

September 13, 2010

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

Dear Honorable President and Board Members:

The comprehensive annual financial report of the Borough of Franklin School District (the "District") for the fiscal year ended June 30, 2010, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the Independent Auditor's Report, the management's discussion and analysis, the basic financial statements and notes providing an overview of the District's financial position and operating results, and supplementary schedules providing detailed budgetary information. 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 Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and the State Treasury Circular Letter NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' reports on internal control and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, are included in the single audit section of this report.

1) **REPORTING ENTITY AND ITS SERVICES:**

The Borough of Franklin School District is an independent reporting entity within the criteria adopted by the Government Accounting Standards Board ("GASB") in codification section 2100. All funds of the District are included in this report. The Borough of Franklin School District Board of Education and its school constitute the District's reporting entity.

The Honorable President and Members
of the Board of Education
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The Franklin Borough School District is one of 616 school districts in the State of New Jersey and one of 26 school districts in Sussex County. The School District provides education for its Preschool Handicapped through eighth grade students. Geographically, the District is comprised of the Borough of Franklin only. The School District's total area is 4.5 square miles. The 523 elementary students enrolled in the Franklin Borough School District attend the one school comprising the District. Students for 9th through 12th grade attend the Wallkill Valley Regional High School in Hardyston, New Jersey.

An elected nine-member Board of Education (the "Board") serves as the policy maker for the School District. The Board adopts an annual budget and directly approves all expenditures which serve as the basis for control over and authorization for all expenditures of School District tax money.

The Superintendent is the chief executive officer of the School District, responsible to the Board for total educational and support operations. The Business Administrator/Board Secretary is the chief financial officer of the School District, responsible for maintaining all financial records, issuing warrants in payment of liabilities incurred by the School District, acting as custodian of all School District funds, and investing idle funds as permitted by New Jersey law.

The District completed the 2009-10 fiscal year with an average daily enrollment of 520 students, which is 3 students above the previous year's average daily enrollment. The following details the changes in the student enrollment of the District over the last five years.

<u>Fiscal Year</u>	<u>Average Daily Enrollment Student Enrollment</u>	<u>Percent Change</u>
2005-06	549.7	-1.17%
2006-07	535.2	-2.64%
2007-08	490.1	-8.43%
2008-09	517.4	5.57%
2009-10	520.7	0.50%

2) ECONOMIC CONDITION AND OUTLOOK:

The School District's enrollment has declined overall the last several years; however, a slight increase in growth appears to have happened in 2008-09 and in 2009-10.

The School District, along with many other public school systems in the State, still faces some difficult economic situations in the future since the primary funding source is property tax revenue. The proposed budget for fiscal year 2010-11 was passed by 21 votes (278 to 257) compared to the 2009-10 budget that was passed by 53 votes (198 to 145). Overall, tax revenue for FY 2009-10 increased by 2.3 percent and the upcoming FY 2010-11 tax revenue will increase by 4 percent. The School District's administration is closely monitoring the cost of operations and continues to look for new funding sources in order to maintain the quality educational services that the School District has been accustomed to providing.

The School District attributes much of its past educational success to the community's demand for, and support of, both a traditional and quality school system. Our School District will remain accountable to the residents and taxpayers who make the School District their school system of choice.

The Honorable President and Members
of the Board of Education
Borough of Franklin School District
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2) **ECONOMIC CONDITION AND OUTLOOK:** (Cont'd)

The assessed valuation of Franklin Borough has been increasing, except for 2006, as follows:

2002 -	\$229,606,921
2003 -	\$230,548,897
2004 -	\$231,030,927
2005 -	\$243,330,078
2006 -	\$242,494,055
2007-	\$243,017,024
2008-	\$243,599,787
2009-	\$244,614,857

The percentage of taxes collected annually by the Borough for the last several years has consistently been over 96%. The percentage of taxes collected over the previous few years was as follows:

2001 -	96.98%
2002 -	96.49%
2003 -	96.89%
2004 -	97.25%
2005 -	97.34%
2006-	97.92%
2007-	97.24%
2008-	98.28%
2009-	97.68%

3) **EDUCATIONAL PROGRAM:**

In the past several years, the Board of Education has maintained a quality general education program for its preschool through eighth grade students. Attention has focused on language arts, math, science, social studies, and special curriculum areas. Spanish instruction continues to be a key component for our world languages/culture program. All of the students in kindergarten through eighth grade receive Spanish instruction. Also, the kindergarten classes continue to be offered as a full-day program. Integrated literature, especially in the younger grades, continues to flourish. Remedial and special education programs continue to be implemented so that students with specific learning needs will maximize opportunities for success. During this year, the Board continued to support the technology program. Again this fiscal year, the Franklin Home and School Association has donated many resources to aid our academic program as did the Franklin Education Foundation.

4) **MAJOR INITIATIVES:**

In the 2009-10 school year, the Board continued to focus on the balanced literacy/reading program, with an emphasis on *Handwriting Without Tears* and the *Lucy Caulkins Writing* program in the primary grades. Middle school writing skills were targeted during the 2009-10 school year, and teachers participated in professional development that expanded their repertoire of research-based strategies to improve literacy achievement. *Everyday Mathematics* and the *Accelerated Math* programs continue to be emphasized. Spanish is offered in kindergarten through eighth grade as a result of the Board's hiring of an additional teacher in FY 2005-06. The basic skills instruction program (BSIP) was expanded to meet the needs of our students through the use of ARRA funds.

The Honorable President and Members
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4) **MAJOR INITIATIVES: (Cont'd)**

Additionally this school year, the Franklin and the Hamburg Borough Boards of Education entered into an inter-local agreement to share Franklin's Business Administrator with Hamburg. This agreement saved the Hamburg Board of Education money by not replacing its full-time Business Administrator and generated a positive revenue stream for the Franklin Borough Board of Education. In March 2010, both school districts agreed to renew the contract for the 2010-11 school year. Currently, this shared services agreement is the only one of its kind in Sussex County.

5) **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 awards, the District is responsible for ensuring that an adequate internal control system is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control system is also subject to periodic evaluation by the District's 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 major federal and state award programs, as well as to determine that the District has complied with applicable laws, regulations, contracts and grants.

6) **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 cancelled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reserves of fund balance at June 30, 2010.

7) **ACCOUNTING SYSTEM AND REPORTS:**

The District's accounting records reflect generally accepted accounting principles (GAAP), as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds. These funds are explained in "Notes to the Basic Financial Statements", No. 1.

The Honorable President and Members
of the Board of Education
Borough of Franklin School District
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September 13, 2010

8) **DEBT ADMINISTRATION:**

At June 30, 2010, the District has no outstanding bonded debt.

9) **CASH MANAGEMENT:**

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

10) **RISK MANAGEMENT:**

The Board carries various forms of insurance, including but not limited to general liability, excess liability, automobile liability and comprehensive/collision, hazard and theft insurance on property, contents and fidelity bonds. The School Alliance Insurance Fund oversees risk management for the District. A schedule of insurance coverage is found on Exhibit J-20.

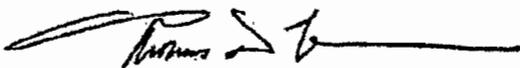
11) **OTHER INFORMATION:**

Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia & Company LLP, CPAs, was selected 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 Single Audit Act Amendments of 1996 and the related OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and the State Treasury Circular Letter NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditors' report on the basic financial statements and specific required supplementary information are included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

12) **ACKNOWLEDGEMENTS:**

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

Respectfully submitted,



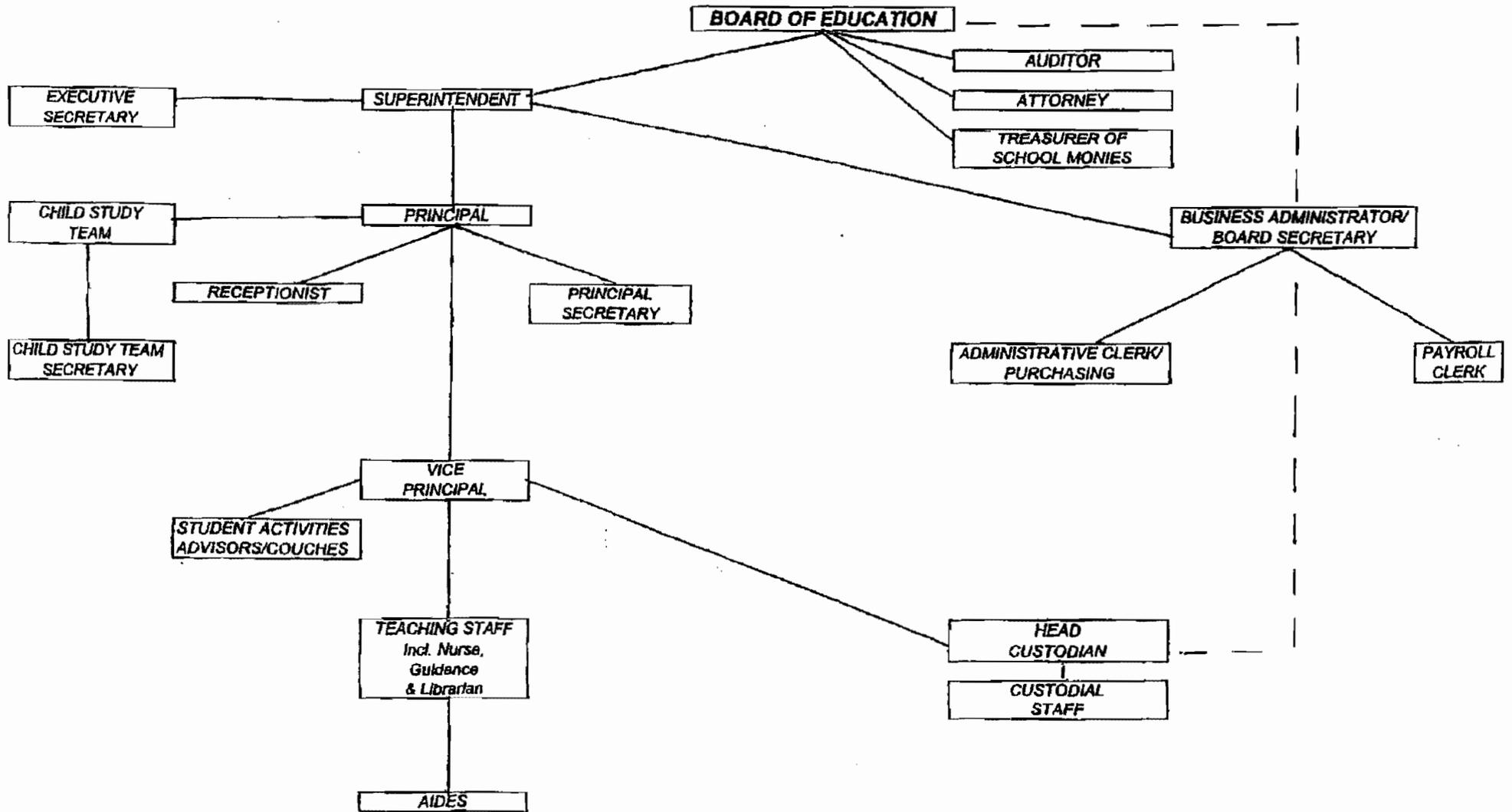
Thomas N. Turner, Ed.D.
Superintendent



William J. Sabo
Business Administrator/Board Secretary

FRANKLIN BOROUGH BOARD OF EDUCATION

ORGANIZATION CHART



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

**BOROUGH OF FRANKLIN SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2010**

<u>Members of the Board of Education</u>		<u>Term Expires</u>
Mary Alonso	President	2011
Louise A. Murphy	Vice President	2013
Richard A. Kell	Member	2011
Richard Mross	Member	2012
Ronald E. Neal	Member	2012
Michael A. Payton	Member	2011
Victoria Pennella	Member	2013
Wayne D. Yahm	Member	2012
Jeanine Paszkiel	Member	2013

Other Officers

Dr. Thomas N. Turner, Superintendent
 William J. Sabo, Business Administrator/Board Secretary
 Theresa Simons, Treasurer of School Monies

**BOROUGH OF FRANKLIN SCHOOL DISTRICT
Consultants and Advisors**

Audit Firm

Nisivoccia & Company, LLP
Mount Arlington Corporate Center
200 Valley Road, Suite 300
Mount Arlington, NJ 07856
and
Lawrence Business Park
11 Lawrence Road
Newton, NJ 07860

Attorney

Scarinci & Hollenbeck, LLC
1100 Valley Brook Avenue
PO Box 790
Lyndhurst, NJ 07071-0790

Architect

Parette Somjen Architects, LLC
439 Route 46 East
Rockaway, NJ 07866

Official Depositories

Lakeland Bank
250 Oak Ridge Road
Oak Ridge, NJ 07438-8906

New Jersey Cash Management
CN 290
Trenton, NJ 08625

FINANCIAL SECTION



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mount Arlington, NJ 07856-1320
 Phone: 973-328-1825
 Fax: 973-328-0507

Lawrence Business Park
 11 Lawrence Road
 Newton, NJ 07860
 Phone: 973-383-6699
 Fax: 973-383-6555

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Board of Education of the Borough of Franklin School District in the County of Sussex as of and for the fiscal year ended June 30, 2010 which collectively comprise the District's basic financial statements, as listed in the foregoing table of contents. These financial statements are the responsibility of the Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Division of 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Board of Education of the Borough of Franklin School District in the County of Sussex as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof, for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2010 on our consideration of the Board of Education of the Borough of Franklin School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

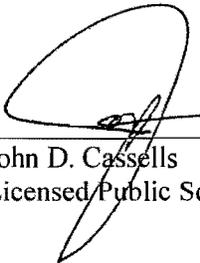
The Honorable President and Members
of the Board of Education
Borough of Franklin School District
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The Management's Discussion and Analysis and the Budgetary Comparison Information listed on Exhibits C-1 through C-3 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

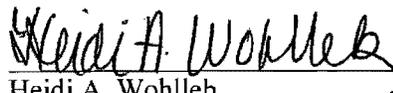
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board of Education of the Borough of Franklin School District's basic financial statements. The accompanying introductory section, other supplementary information such as the combining and individual fund financial statements, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Additionally, the schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*; and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and are not a required part of the basic financial statements. The supplementary combining fund and individual fund financial statements, supplementary schedules and schedules of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

September 13, 2010
Mount Arlington, New Jersey

NISIVOCIA & COMPANY, LLP



John D. Cassells
Licensed Public School Accountant #105



Heidi A. Wohlleb
Licensed Public School Accountant #2140
Certified Public Accountant

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

Management Discussion and Analysis

This section of Franklin Borough School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2010. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

Financial Highlights

- The District's unrestricted governmental activities net assets and the District's General Fund fund balance declined due primarily to the \$350,000 state aid withheld during the current fiscal year. However, despite the state aid loss, the District was able to maintain the maximum allowable unreserved undesignated fund balance in the General Fund.
- Overall revenue was \$8.7 million.
- Enrollment in the District has been declined overall the last several years; however, a slight increase in growth appears to have happened in 2008-09 and 2009-10. The District's cost per pupil has remained relatively stable over the last couple of fiscal years.

Overview of the Financial Statements

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

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

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

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

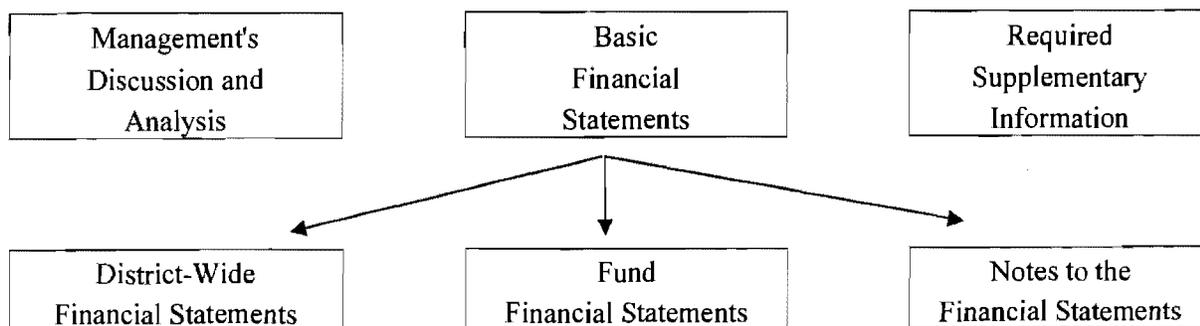


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents of each of the statements.

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

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

District-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on {1} how cash and other financial assets that can readily be converted to cash flow in and out, and {2} the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.
- *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District uses *internal service funds* (the other kind of proprietary fund) to report activities that provide supplies and services for its other programs and activities. The District currently does not maintain any internal service funds.
- *Fiduciary funds*: The District is the trustee, or *fiduciary*, for assets that belong to others, such as scholarship funds and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Net Assets. The District's combined net assets decreased by \$124,619. Net assets from governmental activities decreased by \$130,622 and net assets from business activities decreased by \$6,003. Net assets invested in capital assets decreased by \$75,762, restricted net assets increased by \$128,358, and unrestricted net assets decreased by \$177,215.

Figure A-3
Condensed Statement of Net Assets

	Government Activities		Business-Type Activities		Total School District		Total Percentage Change
	2009/2010	2008/2009*	2009/2010	2008/2009*	2009/2010	2008/2009*	
Current and Other Assets	\$ 816,989	\$ 733,826	\$ 43,605	\$ 56,281	\$ 860,594	\$ 790,107	8.92%
Capital Assets	627,994	704,625	33,250	32,381	661,244	737,006	-10.28%
Total Assets	<u>1,444,983</u>	<u>1,438,451</u>	<u>76,855</u>	<u>88,662</u>	<u>1,521,838</u>	<u>1,527,113</u>	-0.35%
Long-Term Debt Outstanding	378,616	370,394			378,616	370,394	2.22%
Other Liabilities	156,662	27,730	13,322	31,132	169,984	58,862	188.78%
Total Liabilities	<u>535,278</u>	<u>398,124</u>	<u>13,322</u>	<u>31,132</u>	<u>548,600</u>	<u>429,256</u>	27.80%
Net Assets:							
Invested in Capital Assets, Net of Related Debt	627,994	704,625	33,250	32,381	661,244	737,006	-10.28%
Restricted	740,616	612,258			740,616	612,258	20.96%
Unrestricted/(Deficit)	<u>(458,905)</u>	<u>(276,556)</u>	<u>30,283</u>	<u>25,149</u>	<u>(428,622)</u>	<u>(251,407)</u>	-70.49%
Total Net Assets	<u>\$ 909,705</u>	<u>\$ 1,040,327</u>	<u>\$ 63,533</u>	<u>\$ 57,530</u>	<u>\$ 973,238</u>	<u>\$ 1,097,857</u>	-11.35%

* - Restated.

Changes in Net Assets. The District's *combined* net assets were \$973,238 on June 30, 2010, or \$124,619 less than they were the year before. Net assets invested in capital assets decreased by \$75,762 due primarily to \$93,896 of depreciation expense combined with a net deletion of Food Service Fund assets of \$860 offset by capital additions of \$18,994. The increase in restricted net assets is due primarily to the current year excess surplus of approximately \$118,000. The decrease in unrestricted net assets is due primarily to the state aid withholding of approximately \$350,000 offset by approximately \$109,000 in excess revenue from local and federal sources and approximately \$360,000 of unexpended budget appropriation balances. (See Figure A-3).

Figure A-4
Changes in Net Assets from Operating Results

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2009/2010	2008/2009*	2009/2010	2008/2009*	2009/2010	2008/2009*	
Revenue:							
Program Revenue:							
Charges for Services	\$ 38,586	\$ 10,634	\$ 102,756	\$ 93,689	\$ 141,342	\$ 104,323	35.48%
Operating Grants & Contributions	1,489,754	1,275,574	81,335	64,531	1,571,089	1,340,105	17.24%
General Revenue:							
Property Taxes	4,155,498	4,062,980			4,155,498	4,062,980	2.28%
Federal and State Aid	2,791,040	2,953,706			2,791,040	2,953,706	-5.51%
Other	83,325	47,574	13,859	18,205	97,184	65,779	47.74%
Total Revenue	<u>8,558,203</u>	<u>8,350,468</u>	<u>197,950</u>	<u>176,425</u>	<u>8,756,153</u>	<u>8,526,893</u>	2.69%
Expenses:							
Instruction	5,413,299	5,121,600			5,413,299	5,121,600	5.70%
Pupil and Instruction Services	1,085,363	1,170,457			1,085,363	1,170,457	-7.27%
Administrative and Business	900,400	944,942			900,400	944,942	-4.71%
Maintenance and Operations	943,438	951,174			943,438	951,174	-0.81%
Transportation	191,968	162,668			191,968	162,668	18.01%
Capital Outlay	3,390				3,390		100.00%
Other	150,967	377,765	191,947	184,532	342,914	562,297	-39.02%
Total Expenses	<u>8,688,825</u>	<u>8,728,606</u>	<u>191,947</u>	<u>184,532</u>	<u>8,880,772</u>	<u>8,913,138</u>	-0.36%
Increase/(Decrease) in Net Assets	<u>\$ (130,622)</u>	<u>\$ (378,138)</u>	<u>\$ 6,003</u>	<u>\$ (8,107)</u>	<u>\$ (124,619)</u>	<u>\$ (386,245)</u>	

* - Restated.

Revenue Sources. The District's total revenue for the 2009/2010 school year was \$8,756,153, (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$4,155,498 of the total, or 47.46 percent. (See Figure A-5). Approximately 49.81 percent came from state and federal aid and the remainder from miscellaneous sources.

Figure A-5
Sources of School District Revenue - Fiscal Year 2010

	Amount	Percentage
Sources of Income:		
State Formula Aid	\$ 3,031,663	34.62%
Property Taxes	4,155,498	47.46%
Federal and State Categorical Grants	1,330,466	15.19%
Charges for Services	141,342	1.61%
Other	97,184	1.11%
	<u>\$ 8,756,153</u>	<u>100.00%</u>

The total cost of all programs and services was \$8,880,772. The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students (75.34 percent). (See Figure A-6). The District's administrative and maintenance and operations activities accounted for 20.76 percent of total costs. It is important to remember that \$93,896 in depreciation is included in expenses for the year.

Figure A-6
Sources of School District Expenses - Fiscal Year 2010

Expense Category:	<u>Amount</u>	<u>Percentage</u>
Instruction	\$ 5,413,299	60.96%
Pupil and Instruction Services	1,085,363	12.22%
Administrative and Business	900,400	10.14%
Maintenance and Operations	943,438	10.62%
Transportation	191,968	2.16%
Capital Outlay	3,390	0.04%
Other	342,914	3.86%
	<u>\$ 8,880,772</u>	<u>100.00%</u>

Governmental Activities

As discussed elsewhere in this commentary, the financial position of the District remains more or less stable. Maintaining existing programs and the provision of a multitude of special programs and services for disabled pupils place great demands on the District's resources.

Careful management of expenses remains essential for the District to sustain its financial health. Among the many significant cost savings actions implemented during the year were:

- Participation in School Alliance Insurance Fund resulting in low cost property, liability and workers compensation insurance. The District is a 2.4% shareholder in this significant insurance policy.
- Participation in the New Jersey State Health Benefits Program.
- Participation in Joint Transportation Agreements.
- Participation in joint purchasing agreements.

It is crucial that the District examine its expenditures carefully. Increasing parental and student demands for new activities and programs must be evaluated thoroughly. District resources are at their tightest level in a decade.

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

Figure A-7
Net Cost of Governmental Activities

	Total Costs of Services		Net Cost of Services	
	2009/2010	2008/2009*	2009/2010	2008/2009*
Instruction	\$ 5,413,299	\$ 5,121,600	\$ 4,101,043	\$ 4,007,728
Pupil and Instruction Services	1,085,363	1,170,457	945,508	1,078,264
Administrative and Business	900,400	944,942	846,155	890,548
Maintenance and Operations	943,438	951,174	943,438	951,174
Transportation	191,968	162,668	169,984	136,919
Capital Outlay	3,390		3,390	
Other	150,967	377,765	150,967	377,765
	<u>\$ 8,688,825</u>	<u>\$ 8,728,606</u>	<u>\$ 7,160,485</u>	<u>\$ 7,442,398</u>

* - Restated

- The cost of all governmental activities this year was \$8.7 million.
- The federal and state governments subsidized certain programs with grants and contributions of \$4.3 million.
- Approximately \$4.16 million of the District's costs were financed by District taxpayers.
- The remainder of the funding came from tuition charges, miscellaneous revenue and investment earnings.

Business-Type Activities

Net assets from the District's business-type activity increased by \$6,003 (Refer to Figure A-4). Factors contributing to these results included:

- The increase in net assets is due primarily to a break even guarantee of approximately \$5,200 from the food service management contractor.

Financial Analysis of the District's Funds

The District's financial position in the General Fund remains relatively stable despite significant changes in the student clientele and difficult economic times. Expenditures during the recent year increased significantly as a result of an increased number of pupils with various needs entering the school District. In addition to greater numbers, some of these pupils are more profoundly disabled and require more complex educational and related services.

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

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

General Fund Budgetary Highlights

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

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

Capital Asset and Debt Administration

Figure A-8

Capital Assets (Net of Depreciation)

	Government Activities		Business-Type Activities		Total School District		Total Percentage Change
	2009/2010	2008/2009*	2009/2010	2008/2009*	2009/2010	2008/2009*	
Land	\$ 229,166	\$ 229,166			\$ 229,166	\$ 229,166	0.00%
Site Improvements	62,690	86,643			62,690	86,643	-27.65%
Building and							
Building Improvements	173,857	203,871			173,857	203,871	-14.72%
Machinery and Equipment	162,281	184,945	\$ 33,250	\$ 32,381	195,531	217,326	-10.03%
Total Capital Assets	\$ 627,994	\$ 704,625	\$ 33,250	\$ 32,381	\$ 661,244	\$ 737,006	-10.28%

* - Restated

Long-term Debt

Figure A-9

Outstanding Long-Term Debt

	Total School District		Percentage Change
	2009/2010	2008/2009	
Other Long-Term Liabilities	\$ 378,616	\$ 370,394	2.22%
	\$ 378,616	\$ 370,394	2.22%

- Compensated absences payable increased by a net amount of \$8,222 due primarily to a net accrual in sick days vested.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

BOROUGH OF FRANKLIN SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 395,593	\$ 34,040	\$ 429,633
Receivable from State Government	6,754	299	7,053
Receivable from Federal Government	47,594	5,302	52,896
Other Accounts Receivable	6,758		6,758
Inventories		3,964	3,964
Restricted Assets:			
Capital Reserve Account - Cash	360,290		360,290
Capital Assets:			
Sites (Land)	229,166		229,166
Depreciable Site Improvements, Building and Building Improvements, and Machinery and Equipment	398,828	33,250	432,078
Total Assets	<u>1,444,983</u>	<u>76,855</u>	<u>1,521,838</u>
LIABILITIES			
Accounts Payable	148,791	11,398	160,189
Payable to Federal Government			
Payable to State Government	7,871		7,871
Deferred Revenue		1,924	1,924
Noncurrent Liabilities:			
Due Beyond One Year	378,616		378,616
Total Liabilities	<u>535,278</u>	<u>13,322</u>	<u>548,600</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	627,994	33,250	661,244
Restricted for:			
Capital Projects	360,290		360,290
Other Purposes	380,326		380,326
Unrestricted/(Deficit)	(458,905)	30,283	(428,622)
Total Net Assets	<u>\$ 909,705</u>	<u>\$ 63,533</u>	<u>\$ 973,238</u>

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

BOROUGH OF FRANKLIN SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 3,349,066		\$ 496,305		\$ (2,852,761)		\$ (2,852,761)
Special Education	1,934,292	\$ 38,586	769,474		(1,126,232)		(1,126,232)
Other Special Instruction	40,110		6,612		(33,498)		(33,498)
School-Sponsored/Other Instruction	89,831		1,279		(88,552)		(88,552)
Support Services:							
Tuition	42,099		5,976		(36,123)		(36,123)
Student & Instruction Related Services	1,043,264		133,879		(909,385)		(909,385)
General Administrative Services	389,916		22,012		(367,904)		(367,904)
School Administrative Services	230,039		16,780		(213,259)		(213,259)
Central Services	280,445		15,453		(264,992)		(264,992)
Plant Operations and Maintenance	943,438				(943,438)		(943,438)
Pupil Transportation	191,968		21,984		(169,984)		(169,984)
Capital Outlay	3,390				(3,390)		(3,390)
Unallocated Depreciation	76,131				(76,131)		(76,131)
Transfer to Charter School	61,336				(61,336)		(61,336)
Total Governmental Activities	8,675,325	38,586	1,489,754		(7,146,985)		(7,146,985)

BOROUGH OF FRANKLIN SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Business-Type Activities:							
Food Service	\$ 191,947	\$ 102,756	\$ 81,335			\$ (7,856)	\$ (7,856)
Total Business-Type Activities	191,947	102,756	81,335			(7,856)	(7,856)
Total Primary Government	\$ 8,867,272	\$ 141,342	\$ 1,571,089	\$ -0-	\$ (7,146,985)	\$ (7,856)	\$ (7,154,841)
General Revenue:							
Taxes:							
Property Taxes, Levied for General Purposes, Net Federal and State Aid not Restricted				\$ 4,155,498			\$ 4,155,498
Interest				2,791,040			2,791,040
Miscellaneous Income				43,404	\$ 1,219		44,623
Deletion of Capital Assets, Net				39,921		(860)	39,921
Transfers				(13,500)		13,500	(860)
Total General Revenue, Special Items & Transfers				7,016,363		13,859	7,030,222
Change in Net Assets				(130,622)		6,003	(124,619)
Net Assets - Beginning as Restated				1,040,327		57,530	1,097,857
Net Assets - Ending				\$ 909,705	\$ 63,533		\$ 973,238

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

FUND FINANCIAL STATEMENTS

BOROUGH OF FRANKLIN SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS:			
Cash and Cash Equivalents	\$ 395,593		\$ 395,593
Interfund Receivable	39,723		39,723
Receivables From Federal Government		\$ 47,594	47,594
Receivables From State Government	6,754		6,754
Other Receivables	6,758		6,758
Restricted Cash and Cash Equivalents	360,290		360,290
Total Assets	\$ 809,118	\$ 47,594	\$ 856,712
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts Payable - Vendors	\$ 148,791		\$ 148,791
Interfund Payable		\$ 39,723	39,723
Payable to State Government		7,871	7,871
Total Liabilities	148,791	47,594	196,385
Fund Balances:			
Reserved for:			
Capital Reserve Account	360,290		360,290
Excess Surplus - Designated for Subsequent Year's Expenditures	262,123		262,123
Excess Surplus	118,203		118,203
Unreserved, Reported in:			
General Fund:			
Undesignated/(Deficit)	(80,289)		(80,289)
Total Fund Balances	660,327		660,327
Total Liabilities and Fund Balances	\$ 809,118	\$ 47,594	

Amounts Reported for *Governmental Activities* in the Statement of Net Assets (A-1) are Different Because:

Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the Funds. The cost of the assets is \$3,747,147 and the accumulated depreciation is \$3,119,153.	627,994
Long-Term Liabilities are not due and payable in the current period and therefore are not reported as liabilities in the Funds.	(378,616)
Net Assets of Governmental Activities	\$ 909,705

BOROUGH OF FRANKLIN SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUE:			
Local Sources:			
Local Tax Levy	\$ 4,155,498		\$ 4,155,498
Tuition	38,586		38,586
Interest Earned on Investments	33,249		33,249
Interest Earned on Capital Reserve Funds	10,155		10,155
Miscellaneous	39,921		39,921
Total - Local Sources	4,277,409		4,277,409
State Sources	3,134,696	\$ 154,750	3,289,446
Federal Sources	482,776	508,573	991,349
Total Revenue	7,894,881	663,323	8,558,204
EXPENDITURES			
Current:			
Regular Instruction	2,307,446	216,501	2,523,947
Special Education Instruction	1,008,902	389,763	1,398,665
Other Special Instruction	26,330		26,330
School Sponsored/Other Instruction	72,157		72,157
Support Services and Undistributed Costs:			
Tuition	42,099		42,099
Student & Instruction Related Services	755,453	43,059	798,512
General Administrative Services	305,181		305,181
School Administrative Services	162,713		162,713
Central Services	210,775		210,775
Plant Operations and Maintenance	835,073		835,073
Pupil Transportation	191,968		191,968

BOROUGH OF FRANKLIN SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	General Fund	Special Revenue Fund	Total Governmental Funds
EXPENDITURES			
Capital Outlay	\$ 3,390	\$ 14,000	\$ 17,390
Allocated and Unallocated Benefits	1,944,327		1,944,327
Transfer of Funds to Charter Schools	61,336		61,336
Total Expenditures	<u>7,927,150</u>	<u>663,323</u>	<u>8,590,473</u>
Excess of Revenue over Expenditures	(32,269)		(32,269)
OTHER FINANCING USES			
Transfers Out	<u>(13,500)</u>		<u>(13,500)</u>
Total Other Financing Uses	<u>(13,500)</u>		<u>(13,500)</u>
Net Change in Fund Balances	(45,769)		(45,769)
Fund Balance—July 1	<u>706,096</u>		<u>706,096</u>
Fund Balance—June 30	<u>\$ 660,327</u>	<u>\$ - 0 -</u>	<u>\$ 660,327</u>

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

BOROUGH OF FRANKLIN SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2) \$ (45,769)

Amounts Reported for Governmental Activities in the Statement of Activities (Exhibit A-2) are Different Because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the period.

	Depreciation expense	\$ (90,631)	
	Capital outlays	<u>14,000</u>	
			(76,631)

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

	<u>(8,222)</u>
	<u><u>\$ (130,622)</u></u>

BOROUGH OF FRANKLIN SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
AS OF JUNE 30, 2010

	<u>Business-type Activities - Enterprise Funds Food Service</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 34,040
Intergovernmental Accounts Receivable:	
Federal	5,302
State	299
Inventories	<u>3,964</u>
Total Current Assets	<u>43,605</u>
Non-Current Assets:	
Capital Assets	77,809
Less: Accumulated Depreciation	<u>(44,559)</u>
Total Non-Current Assets	<u>33,250</u>
Total Assets	<u>76,855</u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable - Vendors	11,398
Deferred Revenue	<u>1,924</u>
Total Current Liabilities	<u>13,322</u>
NET ASSETS:	
Investment in Capital Assets Net of Related Debt	33,250
Unrestricted	<u>30,283</u>
Total Net Assets	<u>\$ 63,533</u>

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

BOROUGH OF FRANKLIN SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Business-type Activities - Enterprise Funds Food Service</u>
Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 55,424
Daily Sales - Non-Reimbursable Programs	30,724
Miscellaneous	3,870
Special Events	<u>12,738</u>
Total Operating Revenue	<u>102,756</u>
Operating Expenses:	
Cost of Sales	70,845
Salaries, Benefits and Payroll Taxes	54,293
Supplies and Other Costs	40,073
Management Fee	15,255
Administration and Supervision Fee	8,216
Depreciation Expense	<u>3,265</u>
Total Operating Expenses	<u>191,947</u>
Operating Loss	<u>(89,191)</u>
Non-Operating Income:	
Local Sources:	
Interest Income	1,219
Board Contribution	13,500
State Sources:	
State School Lunch Program	3,553
Federal Sources:	
National School Lunch Program	66,082
Food Distribution Program	<u>11,700</u>
Total Non-Operating Income	<u>96,054</u>
Change in Net Assets Before Deletion of Assets	6,863
Deletion of Capital Assets, Net	<u>(860)</u>
Change in Net Assets	6,003
Net Assets - Beginning of Year as Restated	<u>57,530</u>
Net Assets - End of Year	<u>\$ 63,533</u>

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

BOROUGH OF FRANKLIN SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Business-type Activities - Enterprise Funds <u>Food Service</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 86,148
Other Receipts	16,608
Payments to Food Service Vendor	(171,397)
Payments to Suppliers	(22,910)
Net Cash Used for Operating Activities	<u>(91,551)</u>
Cash Flows from Capital and Related Financing Activities:	
Purchases of Capital Assets	(4,994)
Net Cash Used for Capital and Related Financing Activities	<u>(4,994)</u>
Cash Flows provided for Investing Activities:	
Local Sources:	
Interest Income	1,219
Net Cash Provided by Investing Activities	<u>1,219</u>
Cash Flows from Noncapital Financing Activities:	
State and Federal Subsidy Reimbursements	67,819
Board Contribution	13,500
Net Cash Provided by Noncapital Financing Activities	<u>81,319</u>
Net Decrease in Cash and Cash Equivalents	(14,007)
Cash and Cash Equivalents, July 1	<u>48,047</u>
Cash and Cash Equivalents, June 30	<u>\$ 34,040</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (89,191)
Adjustment to Reconcile Operating Loss to Cash Used for Operating Activities:	
Depreciation	3,265
Food Distribution Program	11,700
Changes in Assets and Liabilities:	
Decrease in Inventories	486
Increase in Deferred Revenue	251
(Decrease) in Accounts Payable	(18,062)
Net Cash Used for Operating Activities	<u>\$ (91,551)</u>

Noncash Investing and Financing Activities:

The Food Service Enterprise Fund received commodities valued at \$11,951 and utilized commodities valued at \$11,700 from the Federal Food Distribution Program for the fiscal year ended June 30, 2010.

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

BOROUGH OF FRANKLIN SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NEW ASSETS
FIDUCIARY FUND
JUNE 30, 2010

	<u>Agency</u>	<u>Private Purpose Scholarship Trust</u>	<u>Totals</u>
ASSETS:			
Cash and Cash Equivalents	\$ 544		\$ 544
Investments		\$ 100,789	100,789
Total Assets	544	100,789	101,333
LIABILITIES:			
Due to Student Groups	200		200
Payroll Deductions and Withholdings	344		344
Total Liabilities	544		544
NET ASSETS:			
Reserved for Scholarships		100,789	100,789
Total Net Assets	\$ -0-	\$ 100,789	\$ 100,789

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

BOROUGH OF FRANKLIN SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Private Purpose Scholarship Trust</u>
Net Assets - Beginning of the Year	<u>\$ 100,789</u>
Net Assets - End of the Year	<u><u>\$ 100,789</u></u>

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

BOROUGH OF FRANKLIN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

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

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

B. Basis of Presentation:

District-Wide Financial Statements:

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

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

BOROUGH OF FRANKLIN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

B. Basis of Presentation: (Cont'd)

Fund Financial Statements:

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

The District reports the following governmental funds:

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

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

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

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. This fund is not applicable to the District's operations.

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. This fund is not applicable to the District's operations.

BOROUGH OF FRANKLIN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

B. Basis of Presentation: (Cont'd)

The District reports the following proprietary fund:

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

Additionally, the District reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

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

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

Reports for the District's Food Service Fund are prepared following the Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with Governmental Accounting Standards Board (GASB) pronouncements.

BOROUGH OF FRANKLIN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. The budgets are submitted to the County office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be made by School Board resolution. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budget during the year).

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

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not. Additionally, the special revenue fund budgetary revenue differs from the GAAP revenue due to a difference in the recognition of the last state aid payment in the current year. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

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

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 7,898,832	\$ 663,323
Differences - Budget to GAAP:		
Prior Year State Aid Payments Recognized for GAAP Statements	333,092	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(337,043)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 7,894,881</u>	<u>\$ 663,323</u>

BOROUGH OF FRANKLIN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

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

	General Fund	Special Revenue Fund
	<u> </u>	<u> </u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 7,927,150	\$ 663,323
	<u> </u>	<u> </u>
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 7,927,150</u>	<u>\$ 663,323</u>

E. Cash and Cash Equivalents:

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

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

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

F. Interfund Transactions:

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

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

BOROUGH OF FRANKLIN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenue fund are reported as 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 deferred revenue at fiscal year end.

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2010.

K. Capital Assets:

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

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

BOROUGH OF FRANKLIN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

K. Capital Assets: (Cont'd)

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

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures in the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

L. Long Term Liabilities:

In the government-wide and enterprise fund statements of net assets, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or enterprise funds. Bond issuance costs, as well as applicable bond premium and discounts, are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements, governmental fund types recognize bond discounts as well as bond issuance costs as expenditures in 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 issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

M. Accrued Salaries and Wages:

The District does not allow employees, who provide services to the District over a ten-month academic year the option to have their salaries evenly disbursed during the entire twelve month year; therefore, there are no accrued salaries and wages as of June 30, 2010.

N. Compensated Absences:

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

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

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

BOROUGH OF FRANKLIN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

O. Deferred Revenue:

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

P. Fund Balance Appropriated:

General Fund: Of the \$660,327 General Fund fund balance at June 30, 2010, \$360,290 is reserved in the capital reserve account; \$262,123 is reserved as prior year excess surplus in accordance with N.J.S.A.18A:7F-7) as amended and has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2011; \$118,203 is reserved as current year excess surplus in accordance with N.J.S.A.18A:7F-7) as amended and will be appropriated and included as anticipated revenue for the fiscal year ended June 30, 2012, and \$(80,289) is unreserved and undesignated which is \$337,043 less than the calculated maximum unreserved fund balance, on a GAAP basis, due to the final two state aid payments, which are not recognized until the fiscal year ended June 30, 2011.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, C.73 (S1701) the designation for 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 fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District has excess surplus as noted above.

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

Q. Deficit Net Assets:

The \$458,905 deficit in unrestricted governmental activities net assets is due to the \$378,616 in accrued compensated absences as well as the \$80,289 deficit in unreserved General Fund fund balance which is explained in the previous paragraph. This deficit does not indicate that the District is in financial difficulties and is a permitted practice under generally accepted accounting principles.

R. Net Assets:

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are 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 creditors, grantors, or laws or regulations

BOROUGH OF FRANKLIN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

R. Net Assets: (Cont'd)

of other governments. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

S. Fund Balance Reserves:

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. Fund balance reserves have been established for a capital reserve and excess surplus as defined by State law.

T. Revenue - Exchange and Nonexchange Transactions:

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

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

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

U. Operating Revenue and Expenses:

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

V. Management Estimates:

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

BOROUGH OF FRANKLIN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

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

Deposits:

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

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

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

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

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

BOROUGH OF FRANKLIN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund; or
- (7) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in statute; and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

BOROUGH OF FRANKLIN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

As of June 30, 2010, cash and cash equivalents and investments of the District consisted of the following:

	<u>Cash and Cash Equivalents</u>	<u>Capital Reserve Account</u>	<u>Total</u>
Checking Accounts	<u>\$ 430,177</u>	<u>\$ 360,290</u>	<u>\$ 790,467</u>

The carrying amount of the Board's cash and cash equivalents at June 30, 2010, was \$790,467 and the bank balance was \$956,369.

The District has investments in the form of an annuity contract with AIG Annuity Insurance Company valued at \$100,789.

NOTE 4. CAPITAL RESERVE ACCOUNT

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

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

The activity of the capital reserve for the July 1, 2009 to June 30, 2010 fiscal year is as follows:

Beginning Balance, July 1, 2009	\$ 350,135
Interest Earnings	<u>10,155</u>
Ending Balance, June 30, 2010	<u>\$ 360,290</u>

The balance in the capital reserve account at June 30, 2010 does not exceed the balance of local support costs of uncompleted capital projects in the District's Long Range Facilities Plan ("LRFP"). There were no withdrawals from the capital reserve for use in a DOE approved facilities project, consistent with the District's LRFP.

BOROUGH OF FRANKLIN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 5. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2010 were as follows:

	<u>Restated Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 229,166			\$ 229,166
Total Capital Assets Not Being Depreciated	<u>229,166</u>			<u>229,166</u>
Capital Assets Being Depreciated:				
Site Improvements	432,777			432,777
Buildings and Building Improvements	1,895,516			1,895,516
Machinery and Equipment	<u>1,175,688</u>	\$ 14,000		<u>1,189,688</u>
Total Capital Assets Being Depreciated	<u>3,503,981</u>	<u>14,000</u>		<u>3,517,981</u>
Governmental Activities Capital Assets	<u>3,733,147</u>	<u>14,000</u>		<u>3,747,147</u>
Less Accumulated Depreciation for:				
Site Improvements	(346,134)	(23,953)		(370,087)
Buildings and Building Improvements	(1,691,645)	(30,014)		(1,721,659)
Machinery and Equipment	<u>(990,743)</u>	<u>(36,664)</u>		<u>(1,027,407)</u>
	<u>(3,028,522)</u>	<u>(90,631)</u>		<u>(3,119,153)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 704,625</u>	<u>\$ (76,631)</u>	<u>\$ -0-</u>	<u>\$ 627,994</u>
Business Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 74,974	\$ 4,994	\$ (2,159)	\$ 77,809
Less Accumulated Depreciation	<u>(42,593)</u>	<u>(3,265)</u>	<u>1,299</u>	<u>(44,559)</u>
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 32,381</u>	<u>\$ 1,729</u>	<u>\$ (860)</u>	<u>\$ 33,250</u>

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 5,438
School Administrative Services	2,719
Plant Operations and Maintenance	6,343
Unallocated	<u>76,131</u>
	<u>\$ 90,631</u>

BOROUGH OF FRANKLIN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 6. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2010, the following changes occurred in liabilities reported in the District-wide financial statements:

	<u>Beginning Balance</u>	<u>Accrued</u>	<u>Retired</u>	<u>Ending Balance</u>
Compensated Absences Payable	<u>\$ 370,394</u>	<u>\$ 11,871</u>	<u>\$ 3,649</u>	<u>\$ 378,616</u>

A. Bonds Payable:

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board are general obligation bonds.

The District had no bonds outstanding as of June 30, 2010.

B. Bonds Authorized But Not Issued:

As of June 30, 2010, the Board had no bonds authorized but not issued.

C. Capital Leases Payable:

As of June 30, 2010, the Board had no capital leases payable.

D. Compensated Absences

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities. The current portion of the compensated absences balance of the governmental funds is \$-0- and the long-term portion of compensated absences is \$378,616.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2010, no liability existed for compensated absences in the Food Service Fund.

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

NOTE 7. TRANSFERS TO CAPITAL OUTLAY

During the fiscal year ended June 30, 2010, the District transferred \$4,000 to the Capital Outlay accounts. The transfer was made for equipment and thus, did not require approval from the County Superintendent.

BOROUGH OF FRANKLIN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

(Continued)

NOTE 8. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey. These systems are sponsored and administered by the State of New Jersey. The TPAF is considered a cost-sharing, 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 non-contribution employers. The PERS is also considered a cost-sharing, multiple-employer plan.

Employees who are members of TPAF or PERS and retire at or after age 55 are entitled to a retirement benefit based upon a formula which takes 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Vesting occurs after 8 to 10 years of service.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey regulation. Employee contributions are based on percentages of 5.50% for TPAF and 5.50% for PERS of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate.

The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits, and post-retirement medical premiums. Under current statute, the District is a noncontributing employer of the TPAF.

Three - Year Trend for TPAF (Paid on-behalf of District)			
Year Ending June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ -0-	100.00%	\$ -0-
2009	-0-	100.00%	-0-
2008	467,803	100.00%	467,803

BOROUGH OF FRANKLIN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

Year Ending June 30,	Three - Year Trend for PERS		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 61,996	100.00%	\$ 61,996
2009	54,886	100.00%	54,886
2008	22,761	80.00%	18,209

Effective July 1, 2003, Chapter 108, P.L. 2003 provides for a reduction or "phase-in" of the required pension contribution to PERS for local employers for State fiscal years 2005-2008. The local employer PERS normal and accrued liability contributions required for State fiscal years 2005-2008 are as follows:

- 20% for payments due in State fiscal year 2005
- Not more than 40% for payments due in State fiscal year 2006
- Not more than 60% for payments due in State fiscal year 2007
- Not more than 80% for payments due in State fiscal year 2008

NOTE 9. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c. 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2009, there were 84,590 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to Chapter 126, P.L. 1992, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a Board of Education or County College with 25 years of service. In fiscal year 2009, the State paid \$116.9 million toward Chapter 126 benefits for 13,320 eligible retired members.

The State's on behalf Post Retirement Medical Contributions to TPAF for the District amounted to \$254,799, \$248,470, and \$374,296 for 2010, 2009, and 2008, respectively.

NOTE 10. RISK MANAGEMENT

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

BOROUGH OF FRANKLIN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 10. RISK MANAGEMENT (Cont'd)

Property and Liability Insurance

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

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

Selected, summarized financial information for the Fund as of June 30, 2009 is as follows:

	<u>School Alliance Insurance Fund</u>
Total Assets	\$ 33,656,794
Net Assets	\$ 14,417,326
Total Revenue	\$ 28,042,089
Total Expenses	\$ 25,015,943
Change in Net Assets	\$ 3,026,146
Net Asset Distribution to Participating Members	\$ 3,005,614

Financial statements for the Fund are available at the Fund's Executive Director's Office:

Public Entity Group Administrative Services
51 Everett Drive
Suite B-40
West Windsor, NJ 08550

New Jersey Unemployment Compensation Insurance

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Contributory Method". Under this plan, the District is required to remit employee withholdings to the State on a quarterly basis. All of the District's claims are paid by the State.

BOROUGH OF FRANKLIN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 11. ECONOMIC DEPENDENCY

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

NOTE 12. DEFERRED COMPENSATION

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

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

NOTE 13. CONTINGENT LIABILITIES

Grant Programs

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

Litigation

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

NOTE 14. TAX CALENDAR

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

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

BOROUGH OF FRANKLIN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 15. INTERFUND RECEIVABLE AND PAYABLE

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 39,723	
Special Revenue Fund		\$ 39,723
	<u>\$ 39,723</u>	<u>\$ 39,723</u>

The interfund receivable in the Special Revenue Fund due to the General Fund is the amount of the cash deficit in the Special Revenue Fund due to a timing lag in the reimbursement of federal grant funds from the state.

NOTE 16. PRIOR PERIOD ADJUSTMENT

The District adjusted the capital assets in its governmental and business type activities and proprietary funds as of June 30, 2009 to correct the amount of capital assets and related accumulated depreciation recorded on these capital assets.

	<u>Balance 6/30/09 as Previously Reported</u>	<u>Retroactive Adjustments</u>	<u>Balance 6/30/09 as Restated</u>
<u>Statement of Net Assets - Governmental Activities:</u>			
Assets:			
Capital Assets, Net:			
Depreciable Buildings and Building Improvements, Site Improvements and Machinery and Equipment	\$ 720,383	\$ (244,924)	\$ 475,459
Net Assets:			
Invested in Capital Assets, Net of Related Debt	\$ 720,383	\$ (244,924)	\$ 475,459
<u>Statement of Net Assets - Business Type Activities/Proprietary Funds:</u>			
Assets:			
Capital Assets, Net:			
Depreciable Buildings and Building Improvements, Site Improvements and Machinery and Equipment	\$ 118,587	\$ (43,613)	\$ 74,974
Net Assets:			
Invested in Capital Assets, Net of Related Debt	\$ 118,587	\$ (43,613)	\$ 74,974

BOROUGH OF FRANKLIN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 17. ACCOUNTS PAYABLE

Payables as of June 30, 2010 were as follows:

	<u>Governmental Activities</u>	
	<u>General Fund</u>	<u>Total Governmental Funds</u>
Salaries and Wages	\$ 138,629	\$ 138,629
Vendors	10,162	10,162
	<u>\$ 148,791</u>	<u>\$ 148,791</u>

BUDGETARY COMPARISON SCHEDULES

BOROUGH OF FRANKLIN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenue:					
Local Sources:					
Local Tax Levy	\$ 4,155,498		\$ 4,155,498	\$ 4,155,498	
Tuition	5,000		5,000	38,586	\$ 33,586
Unrestricted Miscellaneous	15,000		15,000	33,249	18,249
Interest Earned on Capital Reserve Funds	5,000		5,000	10,155	5,155
Restricted Miscellaneous	2,000		2,000	39,921	37,921
Total - Local Sources	4,182,498		4,182,498	4,277,409	94,911
State Sources:					
Transportation Aid	33,230		33,230	21,599	(11,631)
Special Education Aid	252,438		252,438	252,438	
Equalization Aid	2,536,951	\$ (460,320)	2,076,631	1,935,266	(141,365)
Categorical Security Aid	63,915		63,915	41,545	(22,370)
Adjustment Formula Aid	499,149		499,149	324,447	(174,702)
Extraordinary Aid				5,976	5,976
Nonpublic Transportation				778	778
TPAF Non Contributory Insurance (On-Behalf - Non-Budgeted)				13,567	13,567
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				254,799	254,799
TPAF Social Security (Reimbursed - Non-Budgeted)				288,232	288,232
Total State Sources	3,385,683	(460,320)	2,925,363	3,138,647	213,284
Federal Sources:					
Medicaid Assistance Program	7,000		7,000	22,456	15,456
Equalization Aid - ARRA ESF		443,164	443,164	443,164	
Equalization Aid - ARRA GSF		17,156	17,156	17,156	
Total Federal Sources	7,000	460,320	467,320	482,776	15,456
Total Revenue	7,575,181		7,575,181	7,898,832	323,651

BOROUGH OF FRANKLIN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Expenditures:					
Current Expense:					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 148,052	\$ (6,000)	\$ 142,052	\$ 137,870	\$ 4,182
Grades 1-5 - Salaries of Teachers	1,102,486	(13,000)	1,089,486	1,086,205	3,281
Grades 6-8 - Salaries of Teachers	939,522	6,000	945,522	942,184	3,338
Regular Programs - Home Instruction:					
Salaries of Teachers	1,000		1,000		1,000
Other Purchased Services	1,000		1,000		1,000
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	10,766	8,000	18,766	18,419	347
Other Purchased Services	14,000	4,000	18,000	12,406	5,594
General Supplies	81,800	21,628	103,428	92,628	10,800
Textbooks	18,000		18,000	16,376	1,624
Other Objects	3,000		3,000	1,358	1,642
Total Regular Programs - Instruction	<u>2,319,626</u>	<u>20,628</u>	<u>2,340,254</u>	<u>2,307,446</u>	<u>32,808</u>
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	267,577	(12,000)	255,577	254,137	1,440
Other Salaries for Instruction	71,687	13,000	84,687	64,562	20,125
General Supplies	3,600	3,000	6,600	5,393	1,207
Total Learning and/or Language Disabilities	<u>342,864</u>	<u>4,000</u>	<u>346,864</u>	<u>324,092</u>	<u>22,772</u>
Resource Room/Resource Center:					
Salaries of Teachers	578,855		578,855	572,300	6,555
Other Salaries for Instruction	40,161	(4,900)	35,261	34,929	332
General Supplies	3,000	(600)	2,400	1,154	1,246
Total Resource Room/Resource Center	<u>622,016</u>	<u>(5,500)</u>	<u>616,516</u>	<u>608,383</u>	<u>8,133</u>

BOROUGH OF FRANKLIN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Preschool Disabilities - Part Time:					
Salaries of Teachers	\$ 60,877	\$ 1,800	\$ 62,677	\$ 62,390	\$ 287
Other Salaries for Instruction	10,189	(1,800)	8,389	7,394	995
General Supplies	1,500		1,500	954	546
Total Preschool Disabilities - Part Time	72,566		72,566	70,738	1,828
Home Instruction - Special Education					
Salaries of Teachers	2,500	2,500	5,000	4,583	417
Purchased Professional-Educational Services	700	2,000	2,700	1,106	1,594
Total Home Instruction - Special Education	3,200	4,500	7,700	5,689	2,011
Total Special Education - Instruction	1,040,646	3,000	1,043,646	1,008,902	34,744
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	23,570	(4,000)	19,570	18,494	1,076
Total Basic Skills/Remedial - Instruction	23,570	(4,000)	19,570	18,494	1,076
Bilingual Education - Instruction:					
Salaries of Teachers		7,100	7,100	6,787	313
General Supplies	1,000	500	1,500	1,049	451
Total Bilingual Education - Instruction	1,000	7,600	8,600	7,836	764
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	19,610		19,610	18,894	716
Supplies and Materials	1,600		1,600	1,592	8
Other Objects	1,000		1,000	488	512
Transfers to Cover Deficit (Agency Funds)	14,500		14,500	10,338	4,162
Total School-Sponsored Cocurricular Activities - Instruction	36,710		36,710	31,312	5,398

BOROUGH OF FRANKLIN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Expenditures:					
School-Sponsored Cocurricular Activities - Athletics- Instruction:					
Salaries	\$ 29,490	\$ 1,650	\$ 31,140	\$ 29,798	\$ 1,342
Supplies and Materials	2,500	(2,250)	250	189	61
Other Objects		1,100	1,100	617	483
Transfers to Cover Deficit (Agency Funds)	3,900		3,900	2,330	1,570
Total School-Sponsored Cocurricular Activities - Instruction	35,890	500	36,390	32,934	3,456
Other Instructional Programs - Summer School - Instruction					
Salaries of Teachers	8,500	300	8,800	7,911	889
Other Salaries of Instruction	1,000	(500)	500		500
General Supplies	500	(300)	200		200
Total Other Instructional Programs -Summer School - Instruction	10,000	(500)	9,500	7,911	1,589
Total Instruction	3,467,442	27,228	3,494,670	3,414,835	79,835
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Special		11,500	11,500	11,293	207
Tuition to Private School for the Disabled - Within the State	67,822	(23,028)	44,794	30,806	13,988
Total Undistributed Expenditures - Instruction	67,822	(11,528)	56,294	42,099	14,195
Health Services:					
Salaries	69,485	1,500	70,985	70,500	485
Purchased Professional and Technical Services	5,500		5,500	5,000	500
Other Purchased Services (400-500 series)	1,000		1,000	218	782
Supplies and Materials	3,000	1,000	4,000	3,094	906
Other Objects	200		200	150	50
Total Health Services	79,185	2,500	81,685	78,962	2,723

BOROUGH OF FRANKLIN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Other Support Services - Speech, OT, PT and Related Services					
Salaries	\$ 159,578	\$ (78,700)	\$ 80,878	\$ 78,153	\$ 2,725
Purchased Professional - Educational Services	13,000	35,500	48,500	29,665	18,835
Supplies and Materials	2,000		2,000	637	1,363
Total Other Support Services - Speech, OT, PT and Related Services	174,578	(43,200)	131,378	108,455	22,923
Other Support Services - Guidance:					
Salaries of Other Professional Staff	84,609		84,609	82,274	2,335
Salaries of Secretarial and Clerical Assistants	40,804		40,804	40,484	320
Other Purchased Services (400-500 series)	1,450		1,450	237	1,213
Supplies and Materials	1,000		1,000	788	212
Total Other Support Services - Guidance	127,863		127,863	123,783	4,080
Other Support Services - Child Study Teams:					
Salaries of Other Professional Staff	271,434	(300)	271,134	265,153	5,981
Salaries of Secretarial and Clerical Assistants	38,951		38,951	37,677	1,274
Other Purchased Professional and Technical Services	1,500	(1,000)	500		500
Miscellaneous Purchased Services (400-500 series)	2,100	(100)	2,000	265	1,735
Supplies and Materials	2,300	2,400	4,700	4,629	71
Other Objects	200		200	100	100
Total Other Support Services - Child Study Teams	316,485	1,000	317,485	307,824	9,661
Educational Media Services - School Library:					
Salaries	36,862	3,000	39,862	37,917	1,945
Other Purchased Services (400-500 series)	2,500		2,500		2,500
Supplies and Materials	9,000		9,000	8,722	278
Other Objects	500		500	75	425
Total Educational Media Services - School Library	48,862	3,000	51,862	46,714	5,148

BOROUGH OF FRANKLIN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Expenditures:					
Improvement of Instructional Services:					
Salaries of Supervisors of Instruction	\$ 73,590		\$ 73,590	\$ 73,237	\$ 353
Salaries of Secretarial and Clerical Assistants	10,392	\$ (1,000)	9,392	9,324	68
Supplies and Materials	500	1,000	1,500	1,166	334
Other Objects	1,000		1,000	100	900
Total Improvement of Instructional Services	85,482		85,482	83,827	1,655
Instructional Staff Training Services:					
Purchased Professional - Educational Services	3,000		3,000	1,039	1,961
Other Purchased Services (400-500 series)	17,000		17,000	4,849	12,151
Total Instructional Staff Training Services	20,000		20,000	5,888	14,112
General Administration:					
Salaries	222,493		222,493	221,200	1,293
Legal Services	15,000	19,800	34,800	6,687	28,113
Audit Fees	17,500		17,500	16,050	1,450
Architectural / Engineering Services	12,000	(9,000)	3,000	2,758	242
Other Purchased Professional Services	12,000	(2,500)	9,500	8,425	1,075
Purchased Technical Services	1,000	500	1,500	1,429	71
Communications/Telephone	16,200		16,200	6,463	9,737
BOE Other Purchased Services	12,000		12,000	6,202	5,798
Other Purchased Services (400-500 series)	27,400		27,400	18,244	9,156
General Supplies	7,000		7,000	6,194	806
BOE In-House Training and Meeting Supplies	1,000		1,000	64	936
Miscellaneous Expenditures	4,000	6,000	10,000	6,652	3,348
BOE Membership Dues and Fees	14,000	(6,000)	8,000	4,813	3,187
Total General Administration	361,593	8,800	370,393	305,181	65,212
School Administration:					
Salaries of Principals/Assistant Principals	128,377	6,500	134,877	134,786	91
Salaries of Secretarial and Clerical Assistants	28,783		28,783	25,552	3,231

BOROUGH OF FRANKLIN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
School Administration (Cont'd):					
Other Purchased Services (400-500 series)	\$ 2,500		\$ 2,500	\$ 85	\$ 2,415
Supplies and Materials	5,000	\$ 1,000	6,000	1,415	4,585
Other Objects	3,000		3,000	875	2,125
Total School Administration	<u>167,660</u>	<u>7,500</u>	<u>175,160</u>	<u>162,713</u>	<u>12,447</u>
Central Services:					
Salaries	192,057		192,057	191,204	853
Purchased Technical Services	14,500		14,500	11,873	2,627
Miscellaneous Purchased Services (400-500 series)	1,000	1,000	2,000	1,838	162
Supplies and Materials	2,600	1,500	4,100	3,660	440
Other Objects	2,300		2,300	2,200	100
Total Central Services	<u>212,457</u>	<u>2,500</u>	<u>214,957</u>	<u>210,775</u>	<u>4,182</u>
Allowable Maintenance for School Facilities:					
Cleaning, Repair and Maintenance Services	100,000	(17,500)	82,500	60,413	22,087
Total Allowable Maintenance for School Facilities	<u>100,000</u>	<u>(17,500)</u>	<u>82,500</u>	<u>60,413</u>	<u>22,087</u>
Custodial Services:					
Salaries	337,410	(11,000)	326,410	323,282	3,128
Cleaning, Repair and Maintenance Services	26,000		26,000	19,492	6,508
Other Purchased Property Services	28,800	8,000	36,800	36,188	612
Insurance	34,000	5,000	39,000	37,947	1,053
Miscellaneous Purchased Services	1,000		1,000	690	310
General Supplies	60,000	12,000	72,000	70,801	1,199
Energy (Electricity)	111,000	10,000	121,000	106,781	14,219
Energy (Natural Gas)	14,000		14,000	9,287	4,713
Energy (Oil)	145,000	(41,500)	103,500	103,403	97
Other Objects		1,000	1,000	659	341
Total Custodial Services	<u>757,210</u>	<u>(16,500)</u>	<u>740,710</u>	<u>708,530</u>	<u>32,180</u>

BOROUGH OF FRANKLIN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Expenditures:					
Care and Upkeep of Grounds:					
Salaries	\$ 38,511	\$ (2,000)	\$ 36,511	\$ 36,441	\$ 70
Cleaning, Repair and Maintenance Services	7,000	10,000	17,000	16,811	189
General Supplies	4,000	7,000	11,000	9,699	1,301
Other Objects	1,000		1,000		1,000
Total Care and Upkeep of Grounds	50,511	15,000	65,511	62,951	2,560
Security:					
Cleaning, Repair and Maintenance Services	1,000	2,500	3,500	3,179	321
Total Security	1,000	2,500	3,500	3,179	321
Student Transportation Services:					
Management Fee - ESC & CTSA Transportation Program	7,500		7,500	6,902	598
Aid in Lieu Payments - Non Public Students	2,000		2,000	1,768	232
Contracted Services (Other than Between Home and School)- Vendors	19,000	7,000	26,000	19,527	6,473
Contracted Services (Regular Students) - ESC's & CTSA's	37,000	(2,000)	35,000	34,578	422
Contracted Services (Special Education Students) - ESC's & CTSA's	134,513	2,000	136,513	129,193	7,320
Total Student Transportation Services	200,013	7,000	207,013	191,968	15,045
Unallocated Benefits:					
Regular Instruction:					
Social Security Contributions	88,600	13,000	101,600	91,410	10,190
Other Retirement Contributions - Regular	60,500	2,000	62,500	61,996	504
Unemployment Compensation	13,000	5,000	18,000	15,464	2,536
Workmen's Compensation	65,000	4,000	69,000	67,109	1,891
Health Benefits	1,144,389	(103,600)	1,040,789	1,026,604	14,185
Tuition Reimbursement	33,370	(6,000)	27,370	13,210	14,160
Other Employee Benefits	23,943	93,300	117,243	111,936	5,307
Total Unallocated Benefits	1,428,802	7,700	1,436,502	1,387,729	48,773

BOROUGH OF FRANKLIN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
TPAF Non Contributory Insurance (On-Behalf - Non-Budgeted)				\$ 13,567	\$ (13,567)
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				254,799	(254,799)
Reimbursed TPAF Social Security Contributions (Non-budgeted)				288,232	(288,232)
Total On-Behalf Contributions				<u>556,598</u>	<u>(556,598)</u>
Total Personal Services - Employee Benefits	\$ 1,428,802	7,700	\$ 1,436,502	1,944,327	(507,825)
Total Undistributed Expenditures	<u>4,199,523</u>	<u>(31,228)</u>	<u>4,168,295</u>	<u>4,447,589</u>	<u>(279,294)</u>
Total Current Expense	<u>7,666,965</u>	<u>(4,000)</u>	<u>7,662,965</u>	<u>7,862,424</u>	<u>(199,459)</u>
Capital Outlay:					
Equipment:					
Central Services		4,000	4,000	3,390	610
Total Equipment		<u>4,000</u>	<u>4,000</u>	<u>3,390</u>	<u>610</u>
Total Capital Outlay		<u>4,000</u>	<u>4,000</u>	<u>3,390</u>	<u>610</u>
Transfer of Funds to Charter Schools	<u>65,000</u>		<u>65,000</u>	<u>61,336</u>	<u>3,664</u>
Total Expenditures	<u>7,731,965</u>		<u>7,731,965</u>	<u>7,927,150</u>	<u>(195,185)</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>(156,784)</u>		<u>(156,784)</u>	<u>(28,318)</u>	<u>128,466</u>

BOROUGH OF FRANKLIN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Other Financing Uses					
Operating Transfer Out:					
Transfer to Food Service Fund	\$ (13,500)		\$ (13,500)	\$ (13,500)	
Total Other Financing Uses	(13,500)		(13,500)	(13,500)	
Excess (Deficiency) of Revenues and Expenditures and Other Financing Uses	(170,284)		(170,284)	(41,818)	\$ 128,466
Fund Balance, July 1	1,039,188		1,039,188	1,039,188	
Fund Balance, June 30	<u>\$ 868,904</u>	<u>\$ -0-</u>	<u>\$ 868,904</u>	<u>\$ 997,370</u>	<u>\$ 128,466</u>
Recapitulation:					
Reserve for Excess Surplus				\$ 118,203	
Reserve for Excess Surplus - Designated for Subsequent Year's Expenditures				262,123	
Capital Reserve				360,290	
Unreserved/Undesignated Fund Balance				256,754	
				<u>997,370</u>	
Reconciliation to Governmental Fund Statements (GAAP):					
Last Two State Aid Payments not recognized on GAAP basis				(337,043)	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 660,327</u>	

BOROUGH OF FRANKLIN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
State Sources	\$ 159,402	\$ 3,219	\$ 162,621	\$ 154,750	\$ (7,871)
Federal Sources	304,602	224,558	529,160	508,573	(20,587)
Total Revenues	464,004	227,777	691,781	663,323	(28,458)
EXPENDITURES:					
Instruction:					
Salaries of Teachers	110,059	60,716	170,775	170,775	
Purchased Professional and Technical Services	108,389	(4,076)	104,313	99,797	4,516
Tuition	192,081	(19,482)	172,599	172,599	
Textbooks	12,181	709	12,890	11,894	996
Other Objects	8,520	9,762	18,282	18,282	
Total Instruction	431,230	47,629	478,859	473,347	5,512
Support Services:					
Personal Services - Employee Benefits		16,179	16,179	16,179	
Purchased Professional/Technical Services	32,774	137,458	170,232	148,944	21,288
Other Purchased Services		3,491	3,491	1,833	1,658
Supplies and Materials		9,020	9,020	9,020	
Total Support Services	32,774	166,148	198,922	175,976	22,946
Facilities Acquisition					
Instructional Equipment		14,000	14,000	14,000	
Total Facilities Acquisition		14,000	14,000	14,000	
Total Expenditures	\$ 464,004	\$ 227,777	\$ 691,781	\$ 663,323	\$ 28,458

BOROUGH OF FRANKLIN SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 7,898,832	\$ 663,323
Differences - Budget to GAAP:		
Prior Year State Aid Payments Recognized for GAAP Statements	333,092	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(337,043)	
	<u>\$ 7,894,881</u>	<u>\$ 663,323</u>
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.		
	<u>\$ 7,894,881</u>	<u>\$ 663,323</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 7,927,150	\$ 663,323
	<u>\$ 7,927,150</u>	<u>\$ 663,323</u>
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds		
	<u>\$ 7,927,150</u>	<u>\$ 663,323</u>

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. The budgets are submitted to the County office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)l. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions or the annual budgets during the year).

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

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

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

**SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)**

SPECIAL REVENUE FUND

BOROUGH OF FRANKLIN SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	No Child Left Behind					IDEA Part B Basic
	Title I	Title I - ARRA	Title II Part A	Title II Part D	Title IV	
REVENUE:						
State Sources						
Federal Sources	\$ 78,013	\$ 24,118	\$ 29,796	\$ 225	\$ 1,383	\$ 197,021
Total Revenue	<u>78,013</u>	<u>24,118</u>	<u>29,796</u>	<u>225</u>	<u>1,383</u>	<u>197,021</u>
EXPENDITURES:						
Instruction:						
Salaries of Teachers	64,577	20,222	25,941			50,000
Purchased Professional/Technical Services						
Tuition						69,363
Textbooks						
Other Objects					983	
Total Instruction	<u>64,577</u>	<u>20,222</u>	<u>25,941</u>		<u>983</u>	<u>119,363</u>
Support Services:						
Purchased Professional/Educational Services	3,400				400	77,658
Personal Services - Employee Benefits	9,435	2,954	3,790			
Other Purchased Services	601	942	65	225		
Supplies						
Total Support Services	<u>13,436</u>	<u>3,896</u>	<u>3,855</u>	<u>225</u>	<u>400</u>	<u>77,658</u>
Facilities Acquisition:						
Instructional Equipment						
Total Facilities Acquisition						
Total Expenditures	<u>\$ 78,013</u>	<u>\$ 24,118</u>	<u>\$ 29,796</u>	<u>\$ 225</u>	<u>\$ 1,383</u>	<u>\$ 197,021</u>

BOROUGH OF FRANKLIN SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	IDEA Part B					
	Basic Carryover	Basic - ARRA	Preschool	Preschool - ARRA	Nonpublic Textbooks	Nonpublic Nursing
REVENUE:						
State Sources					\$ 11,894	\$ 15,286
Federal Sources	\$ 15,711	\$ 146,452	\$ 10,035	\$ 5,819		
Total Revenue	15,711	146,452	10,035	5,819	11,894	15,286
EXPENDITURES:						
Instruction:						
Salaries of Teachers			10,035			
Purchased Professional/Technical Services						
Tuition		103,236				
Textbooks					11,894	
Other Objects		11,480		5,819		
Total Instruction		114,716	10,035	5,819	11,894	
Support Services:						
Purchased Professional/Educational Services	15,711	8,716				15,286
Personal Services - Employee Benefits						
Other Purchased Services						
Supplies		9,020				
Total Support Services	15,711	17,736				15,286
Facilities Acquisition:						
Instructional Equipment		14,000				
Total Facilities Acquisition		14,000				
Total Expenditures	\$ 15,711	\$ 146,452	\$ 10,035	\$ 5,819	\$ 11,894	\$ 15,286

BOROUGH OF FRANKLIN SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Nonpublic Handicapped Services			Nonpublic Auxiliary Services		Totals
	Examination and Classification	Corrective Speech	Supplemental Instruction	Compensatory Education	ESL	
REVENUE:						
State Sources	\$ 27,773	\$ 13,857	\$ 14,868	\$ 70,666	\$ 406	\$ 154,750
Federal Sources						508,573
Total Revenue	<u>27,773</u>	<u>13,857</u>	<u>14,868</u>	<u>70,666</u>	<u>406</u>	<u>663,323</u>
EXPENDITURES:						
Instruction:						
Salaries of Teachers						170,775
Purchased Professional/Technical Services		13,857	14,868	70,666	406	99,797
Tuition						172,599
Textbooks						11,894
Other Objects						18,282
Total Instruction		<u>13,857</u>	<u>14,868</u>	<u>70,666</u>	<u>406</u>	<u>473,347</u>
Support Services:						
Purchased Professional/Educational Services	27,773					148,944
Personal Services - Employee Benefits						16,179
Other Purchased Services						1,833
Supplies						9,020
Total Support Services	<u>27,773</u>					<u>175,976</u>
Facilities Acquisition:						
Instructional Equipment						14,000
Total Facilities Acquisition						<u>14,000</u>
Total Expenditures	<u>\$ 27,773</u>	<u>\$ 13,857</u>	<u>\$ 14,868</u>	<u>\$ 70,666</u>	<u>\$ 406</u>	<u>\$ 663,323</u>

BOROUGH OF FRANKLIN SCHOOL DISTRICT
SPECIAL REVENUE FUND
PRESCHOOL EDUCATION AID SCHEDULE OF EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOT APPLICABLE

CAPITAL PROJECTS FUND
(NOT APPLICABLE)

PROPRIETARY FUNDS

Exhibit G-1

BOROUGH OF FRANKLIN SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
COMBINING STATEMENT OF NET ASSETS
AS OF JUNE 30, 2010

ASSETS:

Current Assets:

Cash and Cash Equivalents	\$ 34,040
Intergovernmental Accounts Receivable:	
Federal	5,302
State	299
Inventories	3,964

Total Current Assets	<u>43,605</u>
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Non-Current Assets:

Capital Assets	77,809
Less: Accumulated Depreciation	<u>(44,559)</u>

Total Non-Current Assets	<u>33,250</u>
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Total Assets	<u>76,855</u>
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LIABILITIES:

Current Liabilities:

Accounts Payable - Vendors	11,398
Deferred Revenue	1,924

Total Current Liabilities	<u>13,322</u>
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NET ASSETS:

Investment in Capital Assets Net of Related Debt	33,250
Unrestricted	<u>30,283</u>

Total Net Assets	<u>\$ 63,533</u>
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BOROUGH OF FRANKLIN SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 55,424
Daily Sales - Non-Reimbursable Programs	30,724
Miscellaneous	3,870
Special Functions	12,738
	<hr/>
Total Operating Revenue	102,756
Operating Expenses:	
Cost of Sales	70,845
Salaries, Benefits and Payroll Taxes	54,293
Supplies and Other Costs	40,073
Management Fee	15,255
Administration and Supervision Fee	8,216
Depreciation Expense	3,265
	<hr/>
Total Operating Expenses	191,947
Operating Loss	<hr/> <u>(89,191)</u>
Non-Operating Income:	
Local Sources:	
Interest Income	1,219
Board Contribution	13,500
State Sources:	
State School Lunch Program	3,553
Federal Sources:	
National School Lunch Program	66,082
Food Distribution Program	11,700
	<hr/>
Total Non-Operating Income	96,054
Change in Net Assets Before Deletion of Assets	6,863
Deletion of Capital Assets, Net	<hr/> <u>(860)</u>
Change in Net Assets	6,003
Net Assets - Beginning of Year as Restated	<hr/> <u>57,530</u>
Net Assets - End of Year	<hr/> <u>\$ 63,533</u>

BOROUGH OF FRANKLIN SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 86,148
Other Receipts	16,608
Payments to Food Service Vendor	(171,397)
Payments to Suppliers	<u>(22,910)</u>
Net Cash Used for Operating Activities	<u>(91,551)</u>
Cash Flows from Capital and Related Financing Activities:	
Purchases of Capital Assets	<u>(4,994)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(4,994)</u>
Cash Flows Provided for Investing Activities:	
Local Sources:	
Interest Income	<u>1,219</u>
Net Cash Provided by Investing Activities	<u>1,219</u>
Cash Flows from Noncapital Financing Activities:	
State and Federal Subsidy Reimbursements	67,819
Board Contribution	<u>13,500</u>
Net Cash Provided by Noncapital Financing Activities	<u>81,319</u>
Net Decrease in Cash and Cash Equivalents	(14,007)
Cash and Cash Equivalents, July 1	<u>48,047</u>
Cash and Cash Equivalents, June 30	<u>\$ 34,040</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (89,191)
Adjustment to Reconcile Operating Loss to Cash Used for Operating Activities:	
Depreciation	3,265
Food Distribution Program	11,700
Changes in Assets and Liabilities:	
Decrease in Inventories	486
Increase in Deferred Revenue	251
(Decrease) in Accounts Payable	<u>(18,062)</u>
Net Cash Used for Operating Activities	<u>\$ (91,551)</u>

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received commodities valued at \$11,951 and utilized commodities valued at \$11,700 from the Federal Food Distribution Program for the fiscal year ended June 30, 2010.

FIDUCIARY FUNDS

BOROUGH OF FRANKLIN SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2010

	<u>Student Activities Agency Fund</u>	<u>Payroll Agency Fund</u>	<u>Total Agency</u>	<u>Private Purpose Scholarship Trust</u>	<u>Totals</u>
ASSETS:					
Cash and Cash Equivalents	\$ 200	\$ 344	\$ 544		\$ 544
Investments				\$ 100,789	100,789
Total Assets	<u>200</u>	<u>344</u>	<u>544</u>	<u>100,789</u>	<u>101,333</u>
LIABILITIES:					
Due to Student Groups	200		200		200
Payroll Deductions and Withholdings		344	344		344
Total Liabilities	<u>200</u>	<u>344</u>	<u>544</u>		<u>544</u>
NET ASSETS:					
Reserved for Scholarships				100,789	100,789
Total Net Assets	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 100,789</u>	<u>\$ 100,789</u>

BOROUGH OF FRANKLIN SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Private Purpose Scholarship Trust</u>
Net Assets - Beginning of the Year	<u>\$ 100,789</u>
Net Assets - End of the Year	<u><u>\$ 100,789</u></u>

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

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2010</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 100	\$ 31,034	\$ 30,934	\$ 200
Total Assets	<u>\$ 100</u>	<u>\$ 31,034</u>	<u>\$ 30,934</u>	<u>\$ 200</u>
<u>LIABILITIES:</u>				
Liabilities:				
Due to Student Groups	\$ 100	\$ 31,034	\$ 30,934	\$ 200
Total Liabilities	<u>\$ 100</u>	<u>\$ 31,034</u>	<u>\$ 30,934</u>	<u>\$ 200</u>

BOROUGH OF FRANKLIN SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY

	<u>Balance</u> <u>July 1, 2009</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2010</u>
Student Activity Fund	<u>\$ 100</u>	<u>\$ 31,034</u>	<u>\$ 30,934</u>	<u>\$ 200</u>
Total All Schools	<u><u>\$ 100</u></u>	<u><u>\$ 31,034</u></u>	<u><u>\$ 30,934</u></u>	<u><u>\$ 200</u></u>

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

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ -0-	\$ 2,184,545	\$ 2,184,201	\$ 344
Total Assets	<u>\$ -0-</u>	<u>\$ 2,184,545</u>	<u>\$ 2,184,201</u>	<u>\$ 344</u>
<u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	\$ -0-	\$ 2,184,545	\$ 2,184,201	\$ 344
Total Liabilities	<u>\$ -0-</u>	<u>\$ 2,184,545</u>	<u>\$ 2,184,201</u>	<u>\$ 344</u>

LONG-TERM DEBT
(NOT APPLICABLE)

STATISTICAL SECTION

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

Contents**Exhibit****Financial Trends**

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

J-1 thru J-5

Revenue Capacity

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

J-6 thru J-9

Debt Capacity

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

J-10 thru J-13

Demographic and Economic Information

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

J-14 thru J-15

Operating Information

These schedules contain information about the School's operations and resources to help the reader understand how the School's financial information relates to the services the School provides and the activities it performs.

J-16 thru J-20

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year. The School implemented Statement 34 in a previous fiscal year. Schedules presenting government-wide information include information beginning in the fiscal year ended June 30, 2004.

BOROUGH OF FRANKLIN SCHOOL DISTRICT
NET ASSETS BY COMPONENT
LAST SEVEN FISCAL YEARS
UNAUDITED
(accrual basis of accounting)

	Fiscal Year Ending June 30,						
	2004	2005	2006	2007	2008	2009*	2010
Governmental Activities:							
Invested in Capital Assets, Net of Related Debt	\$ 1,067,192	\$ 1,356,299	\$ 1,246,182	\$ 1,172,036	\$ 1,069,154	\$ 704,625	\$ 627,994
Restricted	615,537	268,709	386,357	616,716	562,149	612,258	740,616
Unrestricted/(Deficit)	<u>(189,471)</u>	<u>(184,747)</u>	<u>(232,707)</u>	<u>(255,116)</u>	<u>(212,837)</u>	<u>(276,556)</u>	<u>(458,905)</u>
Total Governmental Activities Net Assets	<u>\$ 1,493,258</u>	<u>\$ 1,440,261</u>	<u>\$ 1,399,832</u>	<u>\$ 1,533,636</u>	<u>\$ 1,418,466</u>	<u>\$ 1,040,327</u>	<u>\$ 909,705</u>
Business-Type Activities:							
Invested in Capital Assets, Net of Related Debt	\$ 18,646	\$ 24,291	\$ 22,150	\$ 20,009	\$ 17,868	\$ 32,381	\$ 33,250
Unrestricted	36,030	22,407	31,975	42,104	47,769	25,149	30,283
Total Business-Type Activities Net Assets	<u>\$ 54,676</u>	<u>\$ 46,698</u>	<u>\$ 54,125</u>	<u>\$ 62,113</u>	<u>\$ 65,637</u>	<u>\$ 57,530</u>	<u>\$ 63,533</u>
District-Wide:							
Invested in Capital Assets, Net of Related Debt	\$ 1,085,838	\$ 1,380,590	\$ 1,268,332	\$ 1,192,045	\$ 1,087,022	\$ 737,006	\$ 661,244
Restricted	615,537	268,709	386,357	616,716	562,149	612,258	740,616
Unrestricted/(Deficit)	<u>(153,441)</u>	<u>(162,340)</u>	<u>(200,732)</u>	<u>(213,011)</u>	<u>(165,068)</u>	<u>(251,407)</u>	<u>(428,622)</u>
Total District Net Assets	<u>\$ 1,547,934</u>	<u>\$ 1,486,959</u>	<u>\$ 1,453,957</u>	<u>\$ 1,595,750</u>	<u>\$ 1,484,103</u>	<u>\$ 1,097,857</u>	<u>\$ 973,238</u>

* - Restated

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ended June 30, 2006.

Source: School District Financial Reports

BOROUGH OF FRANKLIN SCHOOL DISTRICT
CHANGES IN NET ASSETS
LAST SEVEN FISCAL YEARS
UNAUDITED
(accrual basis of accounting)

	Fiscal Year Ending June 30,						
	2004	2005	2006	2007	2008	2009*	2010
Expenses:							
Governmental Activities							
Instruction:							
Regular	\$ 3,177,845	\$ 3,087,670	\$ 3,263,431	\$ 3,663,672	\$ 3,608,723	\$ 3,374,985	\$ 3,349,066
Special Education	1,168,369	1,301,392	1,353,091	1,247,748	1,475,135	1,579,089	1,934,292
Other Special Instruction	29,115	37,856	36,468	142,523	130,941	69,412	40,110
School-Sponsored/Other Instruction	56,253	61,543	72,906			98,114	89,831
Support Services:							
Tuition	9,593	43,419	11,833	15,238	64,761	83,798	42,099
Student & Instruction Related Services	850,906	1,014,817	990,090	1,023,438	1,223,371	1,086,659	1,043,264
School Administrative Services	253,259	298,980	282,008	270,550	199,635	460,309	230,039
General Administrative Services	337,703	401,248	412,224	654,837	402,653	211,741	389,916
Central Services	216,050	236,020	244,433		270,615	272,892	280,445
Plant Operations and Maintenance	859,859	953,183	960,089	1,165,752	1,052,540	951,174	943,438
Pupil Transportation	186,269	198,228	177,711	143,485	167,418	162,668	191,968
Unallocated Depreciation	86,510	87,625	95,871	91,855	101,065	306,207	76,131
Capital Outlay							3,390
Charter Schools	11,488	16,537	8,638		24,597	54,608	61,336
Total Governmental Activities Expenses	<u>7,243,219</u>	<u>7,738,518</u>	<u>7,908,793</u>	<u>8,419,098</u>	<u>8,721,453</u>	<u>8,711,656</u>	<u>8,675,325</u>
Business-Type Activities:							
Food Service	144,445	143,892	143,328	136,170	142,731	184,532	191,947
Total Business-type Activities Expense	<u>144,445</u>	<u>143,892</u>	<u>143,328</u>	<u>136,170</u>	<u>142,731</u>	<u>184,532</u>	<u>191,947</u>
Total District Expenses	<u>\$ 7,387,664</u>	<u>\$ 7,882,410</u>	<u>\$ 8,052,121</u>	<u>\$ 8,555,268</u>	<u>\$ 8,864,184</u>	<u>\$ 8,896,188</u>	<u>\$ 8,867,272</u>

BOROUGH OF FRANKLIN SCHOOL DISTRICT
CHANGES IN NET ASSETS
LAST SEVEN FISCAL YEARS
UNAUDITED
(accrual basis of accounting)

	Fiscal Year Ending June 30,						
	2004	2005	2006	2007	2008	2009*	2010
Program Revenues							
Governmental Activities:							
Charges for Services:							
Tuition	\$ 56,628	\$ 88,948	\$ 42,151	\$ 28,081	\$ 11,038	\$ 10,634	\$ 38,586
Plant operations and maintenance	3,300	4,200	4,200				
Operating Grants and Contributions	4,782			434,058	433,852	1,275,574	1,489,754
Total Governmental Activities Program Revenues	<u>64,710</u>	<u>93,148</u>	<u>46,351</u>	<u>462,139</u>	<u>444,890</u>	<u>1,286,208</u>	<u>1,528,340</u>
Business-Type Activities:							
Charges for Services:							
Food Service	\$ 88,425	\$ 86,140	\$ 84,737	\$ 80,480	\$ 91,055	\$ 93,689	\$ 102,756
Operating Grants and Contributions	48,519	48,895	51,497	48,688	54,436	64,531	81,335
Total Business-type Activities Program Revenues	<u>136,944</u>	<u>135,035</u>	<u>136,234</u>	<u>129,167</u>	<u>145,490</u>	<u>158,220</u>	<u>184,091</u>
Total District Program Revenues	<u>\$ 201,654</u>	<u>\$ 228,183</u>	<u>\$ 182,585</u>	<u>\$ 591,306</u>	<u>\$ 590,380</u>	<u>\$ 1,444,428</u>	<u>\$ 1,712,431</u>
Net (Expense)/Revenue							
Governmental Activities	\$ (7,178,509)	\$ (7,645,370)	\$ (7,862,442)	\$ (7,956,960)	\$ (8,276,563)	\$ (7,425,448)	\$ (7,146,985)
Business-type Activities	(7,501)	(8,857)	(7,094)	(7,002)	2,759	(26,312)	(7,856)
Total District-wide Net Expense	<u>\$ (7,186,010)</u>	<u>\$ (7,654,227)</u>	<u>\$ (7,869,536)</u>	<u>\$ (7,963,962)</u>	<u>\$ (8,273,804)</u>	<u>\$ (7,451,760)</u>	<u>\$ (7,154,841)</u>

BOROUGH OF FRANKLIN SCHOOL DISTRICT
CHANGES IN NET ASSETS
LAST SEVEN FISCAL YEARS
UNAUDITED
(accrual basis of accounting)

	Fiscal Year Ending June 30,						
	2004	2005	2006	2007	2008	2009*	2010
General Revenues and Other Changes in Net Assets							
Governmental Activities:							
Property Taxes Levied for General Purposes, net	\$ 3,605,689	\$ 3,524,992	\$ 3,677,456	\$ 3,852,608	\$ 3,906,712	\$ 4,062,980	\$ 4,155,498
Unrestricted Grants and Contributions	3,810,823	4,036,168	4,135,833	4,112,363	4,221,129	2,953,706	2,791,040
Investment Earnings	11,878	19,132	31,442	42,708	26,338	33,610	43,404
Prior Period Adjustment				72,822			
Miscellaneous Income	4,520	22,687	1,557	23,764	7,212	13,964	39,921
Transfers	(18,004)	(10,606)	(24,275)	(13,500)		(16,950)	(13,500)
Total Governmental Activities	7,414,906	7,592,373	7,822,013	8,090,764	8,161,392	7,047,310	7,016,363
Business-Type Activities:							
Investment Earnings	597	879	1,021	1,490	765	1,255	1,219
Transfers/Other	13,500		13,500	13,500		16,950	12,640
Total Business-Type Activities	14,097	879	14,521	14,990	765	18,205	13,859
Total District-Wide	\$ 7,429,003	\$ 7,593,252	\$ 7,836,534	\$ 8,105,754	\$ 8,162,157	\$ 7,065,515	\$ 7,030,222
Change in Net Assets:							
Governmental Activities	\$ 236,397	\$ (52,997)	\$ (40,429)	\$ 133,804	\$ (115,171)	\$ (378,138)	\$ (130,622)
Business-type Activities	6,596	(7,978)	7,427	7,988	3,524	(8,107)	6,003
Total District	\$ 242,993	\$ (60,975)	\$ (33,002)	\$ 141,792	\$ (111,647)	\$ (386,245)	\$ (124,619)

* - Restated

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ended June 30, 2004.

Source: School District Financial Reports

BOROUGH OF FRANKLIN SCHOOL DISTRICT
FUND BALANCES - GOVERNMENTAL FUNDS
LAST SEVEN FISCAL YEARS
UNAUDITED
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,						
	2004	2005	2006	2007	2008	2009	2010
General Fund:							
Reserved	\$ 237,496	\$ 269,802	\$ 386,357	\$ 616,716	\$ 457,148	\$ 612,258	\$ 740,616
Unreserved:							
Designated for Subsequent Year's Expenditures					105,000	175,284	
Undesignated/(Deficit)	236,242	194,143	162,381	93,775	86,940	(81,446)	(80,289)
Total General Fund	<u>\$ 473,738</u>	<u>\$ 463,945</u>	<u>\$ 548,738</u>	<u>\$ 710,491</u>	<u>\$ 649,088</u>	<u>\$ 706,096</u>	<u>\$ 660,327</u>
All Other Governmental Funds:							
Reserved							
Unreserved, Reported in:							
Special Revenue Fund/(Deficit)	\$ (1,094)	\$ (1,093)			\$ (2,129)		
Capital Projects Fund	379,135						
Total All Other Governmental Funds/(Deficit)	<u>\$ 378,041</u>	<u>\$ (1,093)</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ (2,129)</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ended June 30, 2004.

Source: School District Financial Reports

BOROUGH OF FRANKLIN SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

UNAUDITED

(modified accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues:										
Tax Levy	\$ 3,319,620	\$ 3,322,352	\$ 3,489,753	\$ 3,605,689	\$ 3,524,992	\$ 3,677,456	\$ 3,852,608	\$ 3,906,712	\$ 4,062,980	\$ 4,155,498
Tuition Charges	30,539	53,685	42,120	56,628	88,948	42,151	28,081	11,038	10,634	38,586
Interest Earnings	24,320	17,352	13,743	14,162	19,133	31,442	42,708	26,338	33,610	43,404
Miscellaneous	27,758	9,401	9,481	12,602	26,886	5,757	23,764	7,212	13,964	39,921
State Sources	3,484,869	3,206,618	3,601,483	3,538,680	3,810,747	3,889,579	4,169,003	4,376,185	3,895,106	3,289,446
Federal Sources	209,804	259,965	253,514	272,143	225,421	246,254	377,417	278,796	334,174	991,349
Total Revenue	7,096,910	6,869,373	7,410,094	7,499,904	7,696,127	7,892,639	8,493,581	8,606,281	8,350,468	8,558,204
Expenditures										
Instruction:										
Regular Instruction	2,350,045	2,569,136	2,616,342	2,545,106	2,328,555	2,372,212	2,608,889	2,606,850	2,514,183	2,523,947
Special Education Instruction	810,187	845,617	870,091	912,916	964,547	991,168	921,081	987,049	1,181,824	1,398,665
Other Special Education	43,512	28,394	18,153	22,734	27,964	26,656	98,968	100,937	49,989	26,330
Co-Curricular activities & athletics	31,304	34,584	41,444	44,947	46,534	48,707			80,168	72,157
Other Instruction	2,512	2,801	2,732			5,864				
Support Services:										
Tuition	176,159	77,428	27,103	9,593	43,419	11,833	15,238	64,761	83,798	42,099
Student & Instruction Related Services	673,290	601,988	759,500	698,317	815,483	772,334	758,702	871,814	797,449	798,512
General Administrative Services	265,382	287,808	335,595	288,735	338,573	344,292	478,346	300,284	315,170	305,181
School Administrative Services	230,080	228,529	224,177	200,612	224,488	208,491	204,083	146,485	153,949	162,713
Central Services	140,476	148,437	153,999	171,842	178,523	183,139		185,635	207,710	210,775
Plant Operations and Maintenance	704,514	682,542	687,480	760,854	832,897	830,548	852,923	890,995	833,376	835,073
Student Transportation	241,557	206,999	190,237	186,269	198,228	177,711	143,485	167,418	162,668	191,968
Unallocated Benefits	1,147,836	1,085,702	1,382,819	1,347,011	1,661,452	1,794,615	2,177,786	2,316,598	1,839,489	1,944,327
Charter Schools	18,451	33,008	46,017	11,488	16,537	8,638		6,390	54,608	61,336
Capital Outlay	101,687	29,003	12,079	150,886	397,248	6,270	58,828	24,597		17,390
Total Expenditures	6,936,992	6,861,976	7,367,768	7,351,310	8,074,448	7,782,478	8,318,328	8,669,812	8,274,381	8,590,473
Excess/(Deficiency) of Revenue										
Over/(Under) Expenditures	159,918	7,397	42,326	148,594	(378,321)	110,161	175,253	(63,531)	76,087	(32,269)

BOROUGH OF FRANKLIN SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
UNAUDITED
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Other Financing Sources/(Uses):										
Transfers In			\$ 217,947							
Transfers Out	\$ (31,663)	\$ (21,384)	(263,661)	\$ (20,288)	\$ (10,606)	\$ (24,275)	\$ (13,500)		\$ (16,950)	\$ (13,500)
Total Other Financing Sources/(Uses)	(31,663)	(21,384)	(45,714)	(20,288)	(10,606)	(24,275)	(13,500)		(16,950)	(13,500)
Net Change in Fund Balances	<u>\$ 128,255</u>	<u>\$ (13,987)</u>	<u>\$ (3,388)</u>	<u>\$ 128,306</u>	<u>\$ (388,927)</u>	<u>\$ 85,886</u>	<u>\$ 161,753</u>	<u>\$ (63,531)</u>	<u>\$ 59,137</u>	<u>\$ (45,769)</u>
Debt Service as a Percentage of Noncapital Expenditures	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: School District Financial Reports

BOROUGH OF FRANKLIN SCHOOL DISTRICT
GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
UNAUDITED
(modified accrual basis of accounting)

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Tuition</u>	<u>Rentals - Use of</u> <u>Facilities</u>	<u>Prior Year</u> <u>Refunds</u>	<u>Donations</u>	<u>Other</u>	<u>Total</u>
2001	\$ 18,923	\$ 30,539	\$ 2,500	\$ 21,406	\$ 2,350	\$ 1,502	\$ 77,220
2002	9,508	53,685	2,250	3,413	1,966	1,772	72,594
2003	8,111	42,120	1,500		6,079	1,902	59,712
2004	10,302	56,628	3,300	3,193	4,782	1,327	79,532
2005	16,778	88,948	4,200	2,067		20,619	132,612
2006	31,442	42,151	4,200	501		1,056	79,350
2007	42,708	28,081				23,764	94,553
2008	26,338	11,038				7,212	44,588
2009	33,610	10,634				13,964	58,208
2010	43,404	38,586				39,921	121,911

Source: School District Financial Reports

BOROUGH OF FRANKLIN SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
UNAUDITED

Year Ended December 31.	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Public Utilities ^a	Net Valuation Taxable	Tax-Exempt Property	Total Assessed Value	Total Direct School Tax Rate ^b	Actual (County Equalized Value)
2000	\$ 5,580,700	\$ 157,844,200	\$ 2,002,400	\$ 129,100	\$ 47,100,300	\$ 6,478,600	\$ 5,035,200	\$ 2,777,635	\$ 226,948,135	\$ 37,913,500	\$ 264,861,635	\$ 1.40	\$ 234,467,760
2001	5,396,400	158,539,600	1,979,400	129,100	47,557,100	6,862,200	5,035,200	2,710,322	228,209,322	37,923,000	266,132,322	1.46	228,209,322
2002	5,384,500	158,512,000	2,462,400	138,100	48,400,700	6,862,200	5,035,200	2,811,821	229,606,921	36,843,000	266,449,921	1.48	271,914,791
2003	8,017,600	158,936,300	2,625,100	137,100	45,485,000	6,862,200	5,035,200	3,450,397	230,548,897	37,252,600	267,801,497	1.54	302,112,079
2004	8,019,500	160,745,400	2,625,100	127,900	44,956,800	6,862,200	4,994,300	2,699,727	231,030,927	37,597,900	268,628,827	1.54	336,600,819
2005	5,889,700	162,777,200	2,225,900	143,300	58,002,400	6,966,000	4,994,300	2,331,278	243,330,078	25,724,100	269,054,178	1.48	438,179,636
2006	5,341,000	164,173,400	2,225,900	150,700	56,260,000	7,200,700	4,759,700	2,382,655	242,494,055	26,081,500	268,575,555	1.55	490,624,029
2007	5,977,900	165,345,500	2,519,000	155,700	56,514,700	6,506,000	3,588,200	2,410,024	243,017,024	25,376,200	268,393,224	1.60	519,220,975
2008	5,669,800	166,086,500	2,519,000	155,700	57,469,500	6,506,000	3,433,500	1,759,787	243,599,787	25,136,100	268,735,887	1.60	507,321,166
2009	6,183,400	166,411,300	2,351,500	156,000	57,876,100	6,506,000	3,433,500	1,697,057	244,614,857	26,152,000	270,766,857	1.68	530,387,808

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 ordered by the County Board of Taxation

^a Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies

^b Tax rates are per \$100

BOROUGH OF FRANKLIN SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN YEARS
UNAUDITED
(rate per \$100 of assessed value)

Year Ended December 31,	Direct Rate			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Municipality	County	Regional High School	
2000	1.403		\$ 1.403	0.843	0.526	0.618	\$ 3.390
2001	1.456		1.456	0.910	0.625	0.639	3.630
2002	1.484		1.484	1.010	0.661	0.755	3.910
2003	1.540		1.540	1.008	0.691	0.841	4.080
2004	1.544		1.544	0.999	0.704	0.843	4.090
2005	1.480		1.480	1.015	0.690	0.795	3.980
2006	1.553		1.553	1.086	0.773	0.818	4.230
2007	1.597		1.597	1.220	0.836	0.857	4.510
2008	1.601		1.601	1.342	0.830	0.860	4.633
2009	1.680		1.680	1.471	0.801	0.737	4.689

Source: Municipal Tax Collector and School Business Administrator

Note: NJSA 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 prebudget year net budget by more than the spending growth limitation calculation.

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.

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

Taxpayer	2009			2000		
	Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Wal-Mart	\$ 14,210,200	1	5.81%	Information is not Available		
Transbanc International Corp	10,883,700	2	4.45%			
Franklin 23	10,621,200	3	4.34%			
Weis Markets, Inc.	9,128,000	4	3.73%			
MD3, LLC	5,056,600	5	2.07%			
Sterling Plaza, Inc	4,875,700	6	1.99%			
Hillside Estates at Franklin	4,839,000	7	1.98%			
Wurtsboro Associates	4,784,500	8	1.96%			
Braen Aggregates, LLC	4,653,100	9	1.90%			
KAJ Franklin, LLC	3,750,200	10	1.53%			
Total	<u>\$ 72,802,200</u>		<u>29.76%</u>			

Source: Municipal Tax Assessor

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

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Taxes Levied</u> <u>for the</u> <u>Fiscal Year</u>	<u>Collected within the Fiscal</u> <u>Year of the Levy^a</u>		<u>Collections in</u> <u>Subsequent</u> <u>Years</u>
		<u>Amount</u>	<u>Percentage</u> <u>of Levy</u>	
2001	\$ 3,319,620	\$ 3,319,620	100.00%	-0-
2002	3,322,352	3,322,352	100.00%	-0-
2003	3,489,753	3,489,753	100.00%	-0-
2004	3,605,689	3,605,689	100.00%	-0-
2005	3,524,992	3,524,992	100.00%	-0-
2006	3,677,456	3,677,456	100.00%	-0-
2007	3,852,608	3,852,608	100.00%	-0-
2008	3,906,712	3,906,712	100.00%	-0-
2009	4,062,980	4,062,980	100.00%	-0-
2010	4,155,498	4,155,498	100.00%	-0-

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

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

BOROUGH OF FRANKLIN SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
UNAUDITED
(dollars in thousands, except per capita)

Fiscal Year Ended June 30,	Governmental Activities			Business-Type Activities		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases				
2001	-0-	-0-	-0-	-0-	-0-	-0-	N/A	N/A
2002	-0-	-0-	-0-	-0-	-0-	-0-	N/A	N/A
2003	-0-	-0-	-0-	-0-	-0-	-0-	N/A	N/A
2004	-0-	-0-	-0-	-0-	-0-	-0-	N/A	N/A
2005	-0-	-0-	-0-	-0-	-0-	-0-	N/A	N/A
2006	-0-	-0-	-0-	-0-	-0-	-0-	N/A	N/A
2007	-0-	-0-	-0-	-0-	-0-	-0-	N/A	N/A
2008	-0-	-0-	-0-	-0-	-0-	-0-	N/A	N/A
2009	-0-	-0-	-0-	-0-	-0-	-0-	N/A	N/A
2010	-0-	-0-	-0-	-0-	-0-	-0-	N/A	N/A

Source: School District Financial Reports

Note: 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.

BOROUGH OF FRANKLIN SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2001	-0-	-0-	-0-	0.00%	N/A
2002	-0-	-0-	-0-	0.00%	N/A
2003	-0-	-0-	-0-	0.00%	N/A
2004	-0-	-0-	-0-	0.00%	N/A
2005	-0-	-0-	-0-	0.00%	N/A
2006	-0-	-0-	-0-	0.00%	N/A
2007	-0-	-0-	-0-	0.00%	N/A
2008	-0-	-0-	-0-	0.00%	N/A
2009	-0-	-0-	-0-	0.00%	N/A
2010	-0-	-0-	-0-	0.00%	N/A

Source: School District Financial Reports

Note: 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. This ratio is calculated using valuation data for the prior calendar year.

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

BOROUGH OF FRANKLIN SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2009
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Franklin Borough General Debt	\$ 1,757,999	100.000%	\$ 1,757,999
Sussex County General Obligation Debt	77,111,415	1.427%	1,100,392
Wallkill Valley Regional High School Debt	2,825,000	21.165%	597,911
Subtotal, Overlapping Debt as of December 31, 2009			<u>3,456,302</u>
Total Direct And Overlapping Debt			<u>\$ 3,456,302</u>

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

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

^a For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable equalized property values. Applicable percentages were estimated by determining the portion of Franklin Borough's equalized property value that is within the Sussex County's boundaries and dividing it by Sussex County's total equalized property value.

BOROUGH OF FRANKLIN SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST NINE FISCAL YEARS
UNAUDITED

Legal Debt Margin Calculation for Fiscal Year 2010	
Year	Total Equalized Valuation Basis
2007	\$ 519,220,975
2008	507,321,166
2009	526,708,153
	\$ 1,553,250,294
	\$ 517,750,098
	15,532,503
	- 0 -
	\$ 15,532,503

Average Equalized Valuation of Taxable Property
 Debt Limit (3% of average equalization value) ^a
 Net Bonded School Debt as of June 30, 2010
 Legal Debt Margin

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt Limit	\$ 6,847,455	\$ 7,350,597	\$ 7,939,619	\$ 9,661,174	\$ 11,169,600	\$ 12,907,171	\$ 14,480,246	\$ 15,171,662	\$ 15,532,503
Legal Debt Margin	\$ 6,847,455	\$ 7,350,597	\$ 7,939,619	\$ 9,661,174	\$ 11,169,600	\$ 12,907,171	\$ 14,480,246	\$ 15,171,662	\$ 15,532,503
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ended June 30, 2006.

Source: Equalized valuation bases were obtained from the Annual Report of the State of New Jersey, Department of Treasury, Division of Taxation

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

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income ^b</u>	<u>Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2000	5,162	\$ 190,952,704	\$ 36,992	1.80%
2001	5,168	194,792,256	37,692	2.30%
2002	5,176	196,449,904	37,954	3.20%
2003	5,167	199,048,341	38,523	3.50%
2004	5,150	205,927,900	39,986	2.60%
2005	5,130	214,121,070	41,739	4.90%
2006	5,119	226,950,865	44,335	4.90%
2007	5,122	248,283,828	48,474	4.90%
2008	5,095	253,542,485	49,763	6.30%
2009	5,077	252,646,751 *	49,763 *	10.30%

* - Latest Sussex County per capita personal income available (2008) was used for calculation purposes.

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 municipality estimated based upon the 2000 Census published by the US Bureau of Economic Analysis.

^d Unemployment data provided by the NJ Dept of Labor and Workforce Development

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

Employer	2009		Employer	2000	
	Employees	Percentage of Total Employment		Employees	Percentage of Total Employment
Crystal Springs Golf and Spa Resort	2,000	5.05%	Selective Insurance	954	2.41%
Newton Memorial Hospital	1,490	3.76%	Andover Subacute and Rehab Center	906	2.29%
Selective Insurance	900	2.27%	County of Sussex	815	2.06%
County of Sussex	830	2.10%	Mountain Creek Resort	800	2.02%
Mountain Creek Resort	800	2.02%	Newton Memorial Hospital	757	1.91%
Shop Rite (Ronetco)	697	1.76%	Ronetco Supermarkets	711	1.80%
Ames Rubber Corp	445	1.12%	Vernon Township Bd. of Education	629	1.59%
Walmart	412	1.04%	F.O. Phoenix, Inc.	600	1.52%
Andover Subacute and Rehab Center	300	0.76%	Hopatcong Board of Education	450	1.14%
Sussex County Community College	300	0.76%	Walmart	380	0.96%
Total	8,174	20.64%		7,002	17.68%

Source: County of Sussex

BOROUGH OF FRANKLIN SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST SIX FISCAL YEARS
UNAUDITED
(accrual basis of accounting)

<u>Function/Program:</u>	<u>Fiscal Year Ending June 30,</u>					
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Instruction:						
Regular	44.4	45.2	46.9	46.7	46.7	46.7
Special Education	15.0	15.0	16.0	16.0	16.0	16.0
Other	1.8	1.8	1.7	2.2	2.2	2.2
Support Services:						
Student & Instruction Related Services	10.1	11.1	7.7	8.7	8.7	7.7
School Administrative Services	3.2	2.8	3.8	3.0	3.0	3.0
General Administrative Services	2.1	2.1	2.1	2.1	2.1	2.1
Central Services	3.2	3.1	3.0	3.0	3.0	3.0
Plant Operations and Maintenance	7.8	7.8	7.5	7.5	7.5	7.5
	<u>87.6</u>	<u>88.9</u>	<u>88.7</u>	<u>89.2</u>	<u>89.2</u>	<u>88.2</u>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ended June 30, 2006.

Source: School District Financial Reports

BOROUGH OF FRANKLIN SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio	Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary Schools				
2001	628	\$ 6,452,757	\$ 10,275	9.25%	50.8	N/A	618	588	-4.11%	95.16%
2002	608	6,835,305	11,242	9.41%	50.2	N/A	621	592	0.42%	95.34%
2003	582	6,832,973	11,741	4.43%	52.4	N/A	604	573	-2.68%	94.90%
2004	559	7,355,689	13,159	12.08%	51.8	1:11	574	545	-4.97%	94.89%
2005	545	7,200,424	13,212	0.40%	50.8	1:10	556	531	-3.08%	95.45%
2006	532	7,677,200	14,431	9.23%	52.8	1:10	550	524	-1.17%	95.27%
2007	494	7,776,208	15,741	9.08%	52.9	1:9.5	535	509	-2.64%	95.16%
2008	491	7,810,526	15,907	1.06%	53.3	1:11	490	466	-8.43%	95.12%
2009	517	8,274,381	16,005	0.61%	51.3	1:10.1	517	485	5.57%	93.80%
2010	523	8,573,083	16,392	2.42%	51.9	1:10.1	520	495	0.50%	95.19%

N/A - Information is not available.

Sources: School District Records

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay.
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).
- d The Cost per Pupil calculated above is the sum of the operating expenditures divided by enrollment. This cost per pupil may be different from other cost per pupil calculations.

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

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<u>District Building</u>										
<u>Elementary</u>										
<u>Franklin School</u>										
Square Feet	114,480	114,480	114,480	114,480	114,480	114,480	114,480	114,480	114,480	114,480
Capacity (students)	810	810	810	810	810	810	810	810	810	810
Enrollment	628	608	582	559	545	532	494	491	517	523

Number of Schools at June 30, 2010

 Elementary = 1

Source: Borough of Franklin School District Records

Note: Enrollment is based on the annual October district count.

BOROUGH OF FRANKLIN SCHOOL DISTRICT
GENERAL FUND SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
LAST TEN FISCAL YEARS
UNAUDITED

UNDISTRIBUTED EXPENDITURES - REQUIRED
 MAINTENANCE FOR SCHOOL FACILITIES
 11-000-261-XXX

Facility	Project #(s)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<u>School Facilities:</u>											
Elementary School	N/A	<u>\$ 106,494</u>	<u>\$ 119,313</u>	<u>\$ 88,791</u>	<u>\$ 122,910</u>	<u>\$ 177,748</u>	<u>\$ 88,320</u>	<u>\$ 151,484</u>	<u>\$ 132,662</u>	<u>\$ 99,612</u>	<u>\$ 60,413</u>

N/A - Not Applicable

Source: District records

BOROUGH OF FRANKLIN SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2010
UNAUDITED

	<u>Coverage</u>		<u>Deductible</u>
School Package Policy - School Alliance Insurance Fund:			
Building and Personal Property (Pooled Coverage)	\$ 250,000,000	Fund Aggregate	\$ 1,000
General Liability including Auto, Employee Benefits	5,000,000		
Each Occurrence			
General Aggregate	50,000,000	Fund Aggregate	
Product/Completed Ops			
Personal Injury		All Included	
Fire Damage	2,500,000		
Medical Expenses (excluding students)	10,000		
Employee Benefit Liability			
Automobile Coverage			
Combined Single Limit			
Hired/Non Owned			
Inland Marine			
Crime Coverage	50,000 Inside/ Outside		1,000
Blanket Dishonesty Bond	500,000		1,000
Environmental Impairment Liability	1,000,000/ 25,000,000	(Fund Aggregate)	5,000
Boiler & Machinery	100,000,000		1,000
Excess Liability	5,000,000		
School Board Legal	5,000,000/5,000,000		5,000
Workers Compensation	Statutory		
Employer's Liability	5,000,000		
Public Official Bond for Business Administrator	85,000	Selective Insurance	
Public Official Bond for Treasurer of School Monies	185,000	Selective Insurance	
Student Accident Insurance	1,000,000		

Source: School District Records

SINGLE AUDIT SECTION



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mount Arlington, NJ 07856-1320
 Phone: 973-328-1825
 Fax: 973-328-0507

Lawrence Business Park
 11 Lawrence Road
 Newton, NJ 07860
 Phone: 973-383-6699
 Fax: 973-383-6555

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*

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Franklin School District, in the County of Sussex (the "Board") as of, and for the fiscal year ended June 30, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated September 13, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey (the "Department"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

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 Board's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts,

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

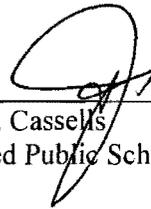
Compliance and Other Matters

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.

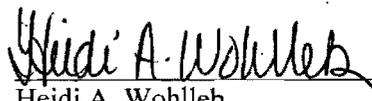
This report is intended solely for the information and use of management, the members of the Board of Education, and to meet the requirements for filing with the New Jersey State Department of Education, and other state and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

September 13, 2010
Mount Arlington, New Jersey

NISIVOCCA & COMPANY, LLP



John D. Cassells
Licensed Public School Accountant #105



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Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and New Jersey's OMB Circular NJOMB 04-04

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

Compliance

We have audited the compliance of the Board of Education of the Borough of Franklin School District in the County of Sussex (the "Board") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2010. The Board's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs are the responsibility of the Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey (the "Department"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*; and Federal Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards, Federal OMB Circular A-133, and New Jersey's OMB Circular NJOMB 04-04 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 federal or state program occurred. An audit includes examining, on a test basis, evidence about the Board'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. Our audit does not provide a legal determination of the Board's compliance with those requirements.

In our opinion, the Board complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2010.

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

Internal Control Over Compliance

The management of the Board is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Board's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *New Jersey State Aid/ Grant Compliance Supplement*, but not for the purpose of expressing our opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

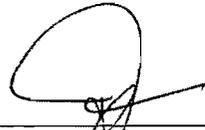
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

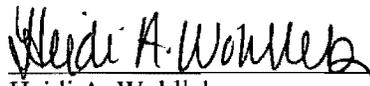
This report is intended solely for the information and use of management, the members of the Board of Education, and to meet the requirements for filing with the New Jersey State Department of Education, and other state awarding agencies and pass-through entities, and is not intended to be and should not be, used by anyone other than these specified parties.

September 13, 2010
Mount Arlington, New Jersey

NISIVOCIA & COMPANY, LLP



John D. Cassells
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Heidi A. Wohlleb
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BOROUGH OF FRANKLIN SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass Through Grantor/ Program Title/ Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2009			Cash Received	Budgetary Expenditures	Cancellation of Receivable	Repayment of Prior Years' Balances	Balance at June 30, 2010		
					Budgetary Accounts Receivable	Budgetary Deferred Revenue	Due to Grantor					Budgetary Accounts Receivable	Budgetary Deferred Revenue	Due to Grantor
U.S. Department of Education Passed-through State Department of Education:														
General Fund:														
American Recovery and Reinvestment Act:														
Equalization Aid - ESF	84.394	10-495-034-5120-078	7/1/09-6/30/10	\$ 443,164				\$ 443,164	\$ (443,164)					
Equalization Aid - GSF	84.397	10-495-034-5120-078	7/1/09-6/30/10	17,156				17,156	(17,156)					
Total General Fund								460,320	(460,320)					
Special Revenue Fund:														
No Child Left Behind Consolidated Grant:														
Title I	84.010A	NCLB157010	9/1/09-8/31/10	78,013				59,755	(78,013)			\$ 18,258		
Title I	84.010A	NCLB157009	9/1/08-8/31/09	70,435	\$ 25,111			25,111						
Title I - ARRA	84.389	NCLB157010	7/1/09-8/31/11	24,396				18,708	(24,118)				5,410	
Title II, Part A	84.367A	NCLB157010	9/1/09-8/31/10	30,831				23,202	(29,796)				6,594	
Title II, Part A	84.367A	NCLB157009	9/1/08-8/31/09	29,653	12,712			12,712						
Title II, Part D	84.278A	NCLB157010	9/1/09-8/31/10	795					(225)				225	
Title II, Part D - Carryover	84.278A	NCLB157008	9/1/07-8/31/09	587	242			242						
Title IV	84.186A	NCLB157010	9/1/09-8/31/10	1,928				1,371	(1,383)				12	
Title IV	84.186A	NCLB157009	9/1/08-8/31/09	1,875	75					\$ 75				
Special Education Cluster:														
IDEA Combined Grant:														
I.D.E.A. Part B, Basic	84.027	IDEA157010	9/1/09-8/31/10	197,021				184,413	(197,021)				12,608	
I.D.E.A. Part B, Basic, Carryover	84.027	IDEA157009	9/1/08-8/31/10	192,081	75,896			91,607	(15,711)					
I.D.E.A. Part B, Basic - ARRA	84.391	IDEA157010	7/1/09-8/31/11	161,181				142,985	(146,452)				3,467	
I.D.E.A. Part B, Preschool	84.173	IDEA157010	9/1/09-8/31/10	10,035				9,036	(10,035)				999	
I.D.E.A. Part B, Preschool	84.173	IDEA157009	9/1/07-8/31/09	9,971	2,825			1,425		1,400				
I.D.E.A. Part B, Preschool - ARRA	84.392	IDEA157010	7/1/09-8/31/11	5,819				5,798	(5,819)				21	
Total Special Education Cluster					78,721			435,264	(375,038)	1,400			17,095	
Total Special Revenue Fund					116,861			576,365	(508,573)	1,475			47,594	
Total U.S. Department of Education					116,861			1,036,685	(968,893)	1,475			47,594	
U.S. Department of Agriculture:														
Passed-through State Department of Education:														
Child Nutrition Cluster:														
U.S.D.A Commodities Program	10.555	N/A	7/1/09-6/30/10	11,951				11,951	(10,027)				\$ 1,924	
U.S.D.A Commodities Program	10.555	N/A	7/1/08-6/30/09	9,696		\$ 1,673			(1,673)					
National School Lunch Program	10.555	N/A	7/1/09-6/30/10	63,848				59,102	(63,848)				4,746	
National School Lunch Program	10.555	N/A	7/1/08-6/30/09	53,491	3,577			3,577						
National School Breakfast Program	10.553	N/A	7/1/09-6/30/10	2,234				1,678	(2,234)				556	
Total U.S. Department of Agriculture/Child Nutrition Cluster					3,577	1,673		76,308	(77,782)				5,302	1,924
U.S. Department of Health and Human Services:														
Medicaid Assistance Program	93.778	N/A	7/1/09-6/30/10	22,456				22,456	(22,456)					
Total Federal Awards					\$ 120,438	\$ 1,673	\$ -0-	\$1,135,449	\$ (1,069,131)	\$ 1,475	\$ -0-	\$ 52,896	\$ 1,924	\$ -0-

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

BOROUGH OF FRANKLIN SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2009				Repayment of Prior Years' Balances	Balance at June 30, 2010			MEMO		
				Budgetary Accounts Receivable	Budgetary Deferred Revenue	Due to Grantor	Cash Received		Budgetary Expenditures	GAAP Accounts Receivable	Budgetary Deferred Revenue	Due to Grantor	Budgetary Accounts Receivable	Cumulative Total Expenditures
New Jersey Department of Education														
General Fund:														
Equalization Aid	09-495-034-5120-078	7/1/08 - 6/30/09	\$1,899,071	\$ 188,198			\$ 188,198						\$ 1,899,071	
Transportation Aid	09-495-034-5120-014	7/1/08 - 6/30/09	24,564	2,434			2,434						24,564	
Special Education Categorical Aid	09-495-034-5120-089	7/1/08 - 6/30/09	226,785	22,474			22,474						226,785	
Security Aid	09-495-034-5120-084	7/1/08 - 6/30/09	46,000	4,559			4,559						46,000	
Adjustment Aid	09-495-034-5120-085	7/1/08 - 6/30/09	1,164,754	115,427			115,427						1,164,754	
Nonpublic Transportation	09-495-035-5120-014	7/1/08 - 6/30/09	522	522			522						522	
Reimbursed TPAF Social Security Contributions	09-495-034-5095-002	7/1/08 - 6/30/09	296,634	14,531			14,531						296,634	
Equalization Aid	10-495-034-5120-078	7/1/09 - 6/30/10	1,935,266				1,681,987	\$ (1,935,266)				\$ 253,279	1,935,266	
Transportation Aid	10-495-034-5120-014	7/1/09 - 6/30/10	21,599				18,772	(21,599)				2,827	21,599	
Special Education Categorical Aid	10-495-034-5120-089	7/1/09 - 6/30/10	252,438				219,400	(252,438)				33,038	252,438	
Security Aid	10-495-034-5120-084	7/1/09 - 6/30/10	41,545				36,108	(41,545)				5,437	41,545	
Adjustment Aid	10-495-034-5120-085	7/1/09 - 6/30/10	324,447				281,985	(324,447)				42,462	324,447	
Extraordinary Aid	10-100-034-5120-473	7/1/09 - 6/30/10	5,976					(5,976)		\$ 5,976			5,976	
Nonpublic Transportation	10-495-035-5120-014	7/1/09 - 6/30/10	778					(778)		778			778	
Reimbursed TPAF Social Security Contributions	10-495-034-5095-002	7/1/09 - 6/30/10	288,232				288,232	(288,232)					288,232	
Total General Fund State Aid				348,145			2,874,629	(2,870,281)		6,754			343,797	6,528,611
Special Revenue Fund:														
New Jersey Nonpublic Aid:														
Textbooks	10-100-034-5120-064	9/1/09 - 6/30/10	12,890				12,890	(11,894)			\$ 996		12,890	
Textbooks	09-100-034-5120-064	9/1/08 - 6/30/09	12,181			\$ 160			\$ 160				12,021	
Nursing Services	10-100-034-5120-070	9/1/09 - 6/30/10	15,286				15,286	(15,286)					15,286	
Handicapped Services:														
Examination & Classification	10-100-034-5120-066	9/1/09 - 6/30/10	31,258				31,258	(27,773)			3,485		31,258	
Examination & Classification	09-100-034-5120-066	9/1/08 - 6/30/09	23,700			380			380				23,320	
Supplementary Instruction	10-100-034-5120-066	9/1/09 - 6/30/10	16,725				16,725	(14,868)			1,857		16,725	
Supplementary Instruction	09-100-034-5120-066	9/1/08 - 6/30/09	19,824			5,369			5,369				14,455	
Corrective Speech	10-100-034-5120-066	9/1/09 - 6/30/10	15,244				15,244	(13,857)			1,387		15,244	
Corrective Speech	09-100-034-5120-066	9/1/08 - 6/30/09	26,970			14,694			14,694				12,276	
Auxiliary Services:														
Compensatory Education	10-100-034-5120-067	9/1/09 - 6/30/10	70,729				70,729	(70,666)			63		70,729	
Compensatory Education	09-100-034-5120-067	9/1/08 - 6/30/09	59,720			4,979			4,979				54,741	
English as a Second Language	10-100-034-5120-067	9/1/09 - 6/30/10	489				489	(406)			83			
Total Special Revenue Fund						25,582	162,621	(154,750)	25,582			7,871	278,945	
Enterprise Fund														
State School Lunch Program	10-100-010-3350-023	9/1/09 - 6/30/10	3,367				3,117	(3,367)		250		250	3,367	
State School Lunch Program	09-100-010-3350-023	9/1/08 - 6/30/09	3,017	207			207						3,017	
State School Breakfast Program	10-100-010-3350-021	9/1/09 - 6/30/10	186				137	(186)		49		49	186	
Total Enterprise Fund				207			3,461	(3,553)		299		299	6,570	
Total Awards				\$ 348,352	\$ -0-	\$ 25,582	\$ 3,040,711	\$ (3,028,584)	\$ 25,582	\$ 7,053	\$ -0-	\$ 7,871	\$ 344,096	\$ 6,814,126

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

BOROUGH OF FRANKLIN SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1. GENERAL

The accompanying schedules of expenditures of federal and state awards present the activity of all federal and state award programs of the Board of Education, Borough of Franklin School District. The Board of Education is defined in Note 1 to the Board's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal and state awards passed through other government agencies are included on the schedules of expenditures of federal and state awards.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of federal and state awards 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. The information in these schedules is presented in accordance with the requirements of Federal OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and New Jersey OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. These bases of accounting are described in Note 1 to the Board's basic financial statements. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) 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 last two state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes those payments are not recognized until the subsequent budget year due to the state deferral and recording of the last two state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not. The special revenue fund also recognizes the last state aid payment in the current budget year, consistent with N.J.S.A. 18A:22-44.2.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$3,951) for the General Fund and \$-0- for the Special Revenue Fund. See Note 1 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Additionally, the schedule of expenditures of state awards does not include the on-behalf TPAF Non Contributory Insurance and Post Retirement Contributions revenue of \$13,567 and \$254,799 respectively. Revenue from federal and state awards are reported on the Board's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 482,776	\$ 2,866,330	\$ 3,349,106
Special Revenue Fund	508,573	154,750	663,323
Food Service Fund	77,782	3,553	81,335
Total Financial Assistance	<u>\$ 1,069,131</u>	<u>\$ 3,024,633</u>	<u>\$ 4,093,764</u>

BOROUGH OF FRANKLIN SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

Revenue and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2010.

BOROUGH OF FRANKLIN SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Summary of Auditors' Results:

- An unqualified report was issued on the District's financial statements.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the District.
- The audit did not disclose any noncompliance which is material in relation to the financial statements of the District.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the District's major federal and state programs.
- An unqualified report was issued on the District's compliance for major federal and state programs.
- The audit did not disclose any audit findings which are required to be reported under Federal OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations* and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*.
- The District's major federal and state programs for the current fiscal year consisted of the following:

	<u>CFDA Number or State Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
Federal:				
American Recovery and Reinvestment Act:				
Equalization Aid - ESF	84.394	7/1/09-6/30/10	\$ 443,164	\$ 443,164
Equalization Aid - GSF	84.397	7/1/09-6/30/10	17,156	17,156
Title I	84.010A	9/1/09-8/31/10	78,013	78,013
Title I - ARRA	84.389	9/1/09-8/31/11	24,396	24,118
I.D.E.A. Part B, Basic	84.027	9/1/09-8/31/10	197,021	197,021
I.D.E.A. Part B, Basic, Carryover	84.027	9/1/08-8/31/10	192,081	15,711
I.D.E.A. Part B, Basic - ARRA	84.391	9/1/09-8/31/11	161,181	146,452
I.D.E.A. Part B, Preschool	84.173	9/1/09-8/31/10	10,035	10,035
I.D.E.A. Part B, Preschool - ARRA	84.392	9/1/09-8/31/11	5,819	5,819
State:				
Equalization Aid	10-495-034-5120-078	7/1/09-6/30/10	\$ 1,935,266	\$ 1,935,266
Special Education Categorical Aid	10-495-034-5120-089	7/1/09-6/30/10	252,438	252,438
Security Aid	10-495-034-5120-084	7/1/09-6/30/10	41,545	41,545
Adjustment Aid	10-495-034-5120-085	7/1/09-6/30/10	324,447	324,447

- The threshold for distinguishing Type A and Type B federal and state programs was \$300,000.
- The District qualified as a "low-risk" auditee for state programs under the provisions of section 530 of the federal Circular. However, the District did not qualify as a "low-risk" auditee for federal programs under the provisions of section 530 of the federal Circular.

BOROUGH OF FRANKLIN SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

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

Findings and Questioned Costs for Federal Awards:

- The audit did not disclose any findings or questioned costs for federal awards as defined in section 510(a) of the federal Circular.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in section 510(a) of the federal Circular or NJ OMB 04-04.

BOROUGH OF FRANKLIN SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

Status of Prior Year Findings:

There were no prior year audit findings.