

**FRENCHTOWN BOROUGH**  
**BOARD OF EDUCATION**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**OF THE**

**FRENCHTOWN BOROUGH BOARD OF EDUCATION  
FRENCHTOWN BOROUGH, NEW JERSEY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**Prepared by**

**FRENCHTOWN BOROUGH BOARD OF EDUCATION  
DEPARTMENT OF ADMINISTRATION**

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**INTRODUCTORY SECTION**

**EDITH ORT THOMAS ELEMENTARY SCHOOL  
FRENCHTOWN ELEMENTARY SCHOOL DISTRICT  
902 HARRISON STREET  
FRENCHTOWN, NEW JERSEY 08825  
Phone (908) 996-2751  
Fax (908) 996-3599**

**Dr. Elizabeth Nastus**  
*Superintendent*

**Susan Schaffner, CPA**  
*Business Administrator/  
Board Secretary*

November 15, 2010

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

The comprehensive annual financial report of the Frenchtown Elementary School 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 Frenchtown Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the general purpose financial schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and the U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments", and New Jersey 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid ". Information related to this single audit, including the auditor's report of the internal control structure and compliance with applicable laws and regulations and findings and recommendations are included in the single audit section of this report.

**1) REPORTING ENTITY AND ITS SERVICES:** Frenchtown School District is an independent reporting entity within the criteria adopted by the GASB as established by Statement No. 14. All funds and account groups of the District are included in this report. The Frenchtown Board of Education and the school constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre-K through 8. This includes regular, as well as special education for special need students. The District completed the 2009-10 fiscal year with an enrollment of 159 students, which is above the previous year's enrollment. The following details the changes in the student enrollment of the District over the last eight years.

#### Average Daily Enrollment

Fiscal Year	Student Enrollment	Percent Change
2009-2010	159	.006%
2008-2009	158	11.%
2007-2008	143	.07%
2006-2007	142	3%
2005-2006	138	14.%
2004-2005	121	1.6%
2003-2004	123	-3.2%
2002-2003	127	1.1%

**2) ECONOMIC CONDITION AND OUTLOOK:** The Frenchtown areas outlook for development and expansion has some potential housing/ retail developments pending.

**3.) MAJOR INITIATIVES:** The staff this year developed benchmarks for grammar skills by grade level and selected a new writing program for the following year.

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

As a recipient of federal and state financial assistance, the District also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with

applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the district management.

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balances in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2010.

**6) ACCOUNTING SYSTEM AND REPORTS:** The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements", Note 1.

**7) FINANCIAL INFORMATION AT FISCAL YEAR-END:** As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management for the fiscal year ended June 30, 2010.

<u>Revenues</u>	Amount 2009-10	% of Total	Increase/ (Decrease) from 08-09	%Increase (Decrease)
Local Sources				
Taxes	\$1,547,230	58.85	\$ 52,322	3.50
Debt	138,572	5.27	606	.44
Other	86,443	3.29	(8,824)	-9.26
Shared Service Rev	130,796	4.97	(5,903)	-4.32
State Sources	537,778	20.46	(106,784)	-16.57
Federal Sources	<u>188,248</u>	<u>7.16</u>	<u>126,271</u>	203.74
Total	\$2,629,067	100.00	\$ 57,688	2.24

Expenditures

## General Fund:

Current Expense	\$2,400,449	91.03	\$ (10,683)	-0.44
Capital Outlay	9,530	.36	( 470)	
Special Revenues	88,332	3.35	26,355	42.52
Debt Service				
Principal	100,000	3.79	5000.	5.26
Interest	<u>38,572</u>	<u>1.46</u>	<u>( 4,394)</u>	-10.23
Total	\$2,636,883	100.00	\$ 15,808	.60

Note: Excludes "on behalf" payments, lease purchase acquisitions and capital projects.

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

**8) DEBT ADMINISTRATION:** At June 30, 2010 the District had outstanding debt issues of \$734,000 at an interest rate of 4.625%.

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

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

**11) OTHER INFORMATION:**

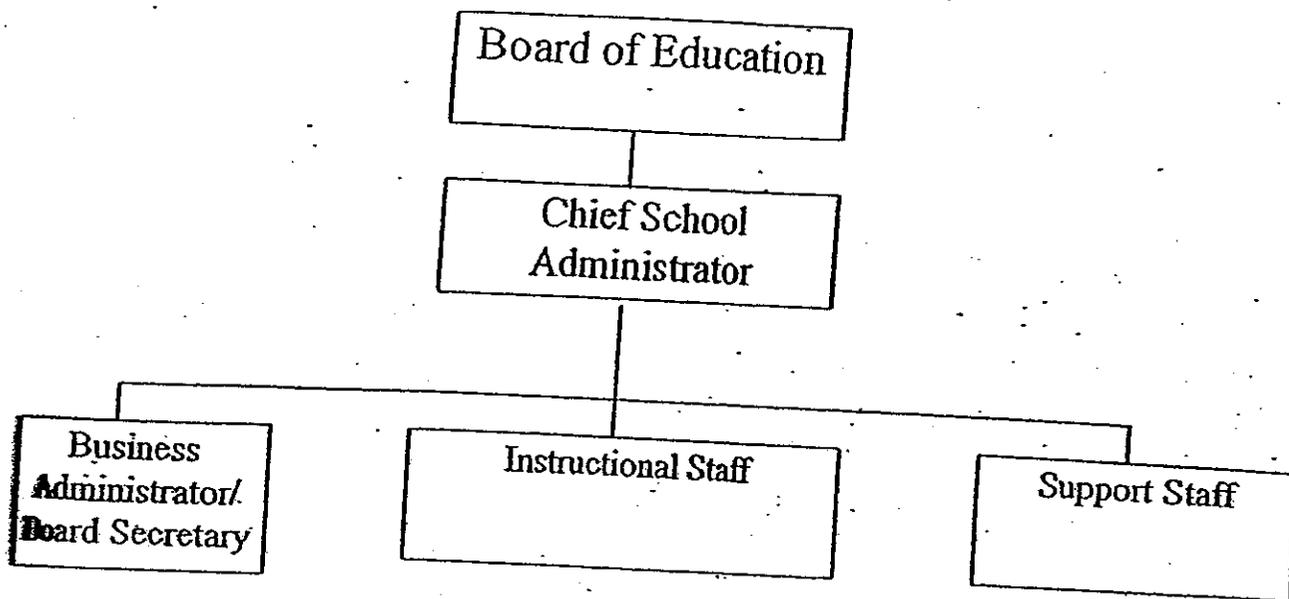
Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of William M. Colantano, Jr., CPA, was appointed by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1984, and the related OMB Circular A-133 New Jersey 04-04 OMB. The auditor's report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to single audit are included in the single audit section of this report.

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

Respectfully submitted,

  
\_\_\_\_\_  
Susan Schaffner  
Business Administrator/Board Secretary

# Frenchtown Elementary School District Organizational Chart



**BOROUGH OF FRENCHTOWN BOARD OF EDUCATION  
FRENCHTOWN, NEW JERSEY**

**ROSTER OF OFFICIALS  
JUNE 30, 2010**

**MEMBERS OF THE BOARD OF EDUCATION**

**TERM EXPIRES**

Kate Nugent	President	2012
Barbara Huey	Vice-President	2011
Dr. Craig Eckel		2011
Dr. Victoria Petivan		2011
Laura Buxton		2012
Jodi DenBleyker		2013
Jeanne Herb		2013

**OTHER OFFICIALS**

Eric Falkenstein	Chief School Administrator
Susan Schaffner	Business Administrator/ Board Secretary
Raymond B. Krov	Treasurer

**BOROUGH OF FRENCHTOWN BOARD OF EDUCATION  
CONSULTANTS AND ADVISORS**

**5**

**AUDIT FIRM**

William M. Colantano, Jr., CPA  
100 Route 31 North  
Washington, NJ 07882-1530

**SOLICITOR**

Scarinci & Hollenbeck  
1100 Valley Brooke Ave  
Lyndhurst, NJ 07071

**OFFICIAL DEPOSITORY**

PNC Bank  
PO Box 746  
Keene, NH 03431

**FINANCIAL SECTION**

Certified Public Accountant  
Public School Accountant  
Registered Municipal Accountant

100 Route 31 North  
Washington, NJ 07882 - 1530  
Fax # (908) 689-8388  
(908) 689-5002

## INDEPENDENT AUDITOR'S REPORT

November 15, 2010

Honorable President and  
Members of the Board of Education  
Frenchtown Borough School District  
County of Hunterdon, 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 Frenchtown Borough School District in the County of Hunterdon, as of and for the fiscal year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Frenchtown Borough Board of Education management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and audit requirements as prescribed by the 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 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 opinion.

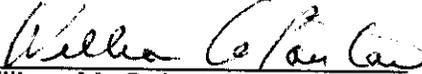
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Frenchtown Borough Board of Education in the County of Hunterdon, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable 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 a report dated November 15, 2010 on our consideration of the Frenchtown Borough Board of Education'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 Management Discussion and Analysis and Budgetary Comparison Information 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 inquires 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 performed for the purpose of forming an opinion on the financial statements that collectively comprise the Frenchtown Borough Board of Education's basic financial statements. The accompanying introductory section, and other supplementary information, such as, the combining and individual fund financial statements, long-term debt schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and long-term debt schedules 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 tables 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.

The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by US Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" and New Jersey OMB's Circular 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
William M. Colantano, Jr.  
Public School Accountant  
No. CS 0128

**REQUIRED SUPPLEMENTARY INFORMATION-PART I**

## FRENCHTOWN BOARD OF EDUCATION

### Management's Discussion and Analysis for the Fiscal Year Ended June 30, 2010 Unaudited

The discussion and analysis of Frenchtown School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

#### Financial Highlights

Key financial highlights for 2010 are as follows:

- In total, net assets decreased \$9,273, which represents a .54% decrease from 2009.
- General revenues accounted for \$ 2,548,763. in revenue or 87.8% percent of all revenues. Program specific revenues in the form of operating grants and contributions and capital grants and contributions accounted for \$ 352,821 or 12.2 percent of total revenues of \$2,901,584.
- Total assets of governmental activities decreased by \$38,374. As cash and cash equivalents decreased by \$19,164., receivables and other assets increased by \$45,774 and capital assets decreased by \$64,984.
- The School District had \$2,910,857. in expenses; only \$352,821. of these expenses was offset by program specific charges, grants or contributions. General revenues (primarily property taxes) of \$ 2,548,763, were adequate to provide for these expenses.
- Among major funds, the General Fund had \$ 2,616,183. in revenues and \$2,625,430. in expenditures. The General Fund's balance decreased \$9,247 over 2009.

## FRENCHTOWN BOARD OF EDUCATION

### Management's Discussion and Analysis for the Fiscal year Ended June 30, 2010 Unaudited

Using this Comprehensive Annual Financial Report (CAFR)

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

The statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Frenchtown School District, the General Fund is by far the most significant fund.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2010?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

## FRENCHTOWN BOARD OF EDUCATION

### Management Discussion and Analysis for the Fiscal Year Ended June 30, 2010 Unaudited

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

- Governmental activities – All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.
- Business – This service is provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

#### Reporting the School District's Most Significant Funds

##### Fund Financial Statements

The analysis of the School District's major funds begin on page 16. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Special Revenue Fund, Capital Projects Fund and Debt Service Fund.

##### Governmental Funds

The School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the school district's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**FRENCHTOWN BOARD OF EDUCATION**

Management's Discussion and Analysis for the  
Fiscal Year Ended June 30, 2010 Unaudited

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2010 compared to 2009.

	Table 1 Net Assets		Variance	
			Dollars	Percent
	6/30/2010	6/30/2009		
<b>ASSETS</b>				
Current & Other Assets	\$ 529,537	\$ 506,689	\$22,848	4.51%
Capital Assets	2,290,566	2,355,914	(65,348)	-2.77%
Total Assets	2,820,103	2,862,603	(42,500)	-1.48%
<b>LIABILITIES</b>				
Long Term Liabilities	875,131	940,937	(65,806)	-6.99%
Other Liabilities	227,763	195,184	32,579	16.69%
Total Liabilities	1,102,894	1,136,121	(33,227)	-2.92%
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	1,530,115	1,487,314	42,801	2.88%
Restricted	113,604	109,287	4,317	3.95%
Unrestricted	73,490	129,881	(56,391)	-43.42%
	<u>\$1,717,209</u>	<u>\$1,726,482</u>	<u>\$(9,273)</u>	-0.54%

## FRENCHTOWN BOARD OF EDUCATION

### Management's Discussion and Analysis for the Fiscal Year Ended June 30, 2010 Unaudited

Total assets decreased \$42,500. Cash and cash equivalents decreased by \$19,563, receivables and other assets increased by \$42,411 and capital assets decreased by \$65,348. Unrestricted net assets, the part of net assets that can be used to finance day to day activities without constraints established by grants or legal requirements, of the School District decreased by \$56,391.

Table 2 shows changes in net assets for fiscal year 2010.

**Table 2  
Changes on Net Assets**

	6/30/2010	6/30/2009	Variance	
			Dollars	Percent
<b>REVENUES</b>				
Program Revenues:				
Charges for Services	\$ 246,303	\$ 263,644	\$ (17,341)	-6.58%
Operating Grants	106,518	79,927	26,591	33.27%
Capital Grants				
General Revenues:				
Property Taxes	1,685,803	1,632,875	52,928	3.24%
Unrestricted Grants	851,842	822,528	29,314	3.56%
Other	11,118	29,340	(18,222)	-62.11%
<b>Total Revenues</b>	<b>2,901,584</b>	<b>2,828,314</b>	<b>73,270</b>	<b>2.59%</b>
<b>PROGRAM EXPENSES</b>				
Instruction:				
Regular	1,361,462	1,252,784	108,678	8.67%
Special	408,686	427,653	(18,967)	-4.44%
Other	17,509	22,525	(5,016)	-22.27%
Support Services:				
Tuition	52,799	23,416	29,383	125.48%
Student & Instructional Staff	469,155	439,504	29,651	6.75%
General & Business Administration	164,062	179,702	(15,640)	-8.70%
School Administration	63,896	70,792	(6,896)	-9.74%
Maintenance	224,628	268,369	(43,741)	-16.30%
Transportation	49,362	51,538	(2,176)	-4.22%
Food Service	59,080	67,892	(8,812)	-12.98%
Interest on Long Term Debt	40,218	44,436	(4,218)	-9.49%
<b>Total Expenses</b>	<b>2,910,857</b>	<b>2,848,611</b>	<b>62,246</b>	<b>2.19%</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$ (9,273)</b>	<b>\$ (20,297)</b>	<b>\$ 11,024</b>	<b>-54.31%</b>

## FRENCHTOWN BOARD OF EDUCATION

### Management's Discussion and Analysis for the Fiscal Year Ended June 30, 2010 Unaudited

#### Governmental Activities

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. Property taxes made up 59.3 percent of revenues for governmental activities for the Frenchtown School District for fiscal year 2010.

Instruction comprises 61.4 percent of district expenses. Support service expenses make up 38.6 percent of the expenses.

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

TABLE 3  
COST OF GOVERNMENTAL SERVICES

	TOTAL COST OF SERVICES		NET COST OF SERVICES	
	6/30/2010	6/30/2009	6/30/2010	6/30/2009
Instruction	\$ 1,787,657	\$ 1,702,962	\$ 1,605,500	\$ 1,449,923
Support Services:				
Tuition	52,799	23,416	24,855	23,416
Student & Instructional Staff	469,155	439,504	392,294	415,345
General & Business Administration	164,062	179,702	156,951	174,429
School Administration	63,896	70,792	63,896	70,792
Plant Operations & Maintenance	224,628	268,369	224,628	268,369
Pupil Transportation	49,362	51,538	48,996	51,538
Food Services	59,080	67,892	598	6,792
Interest on Long-Term Debt	40,218	44,436	40,218	44,436
	<u>\$ 2,910,857</u>	<u>\$ 2,848,611</u>	<u>\$ 2,558,036</u>	<u>\$ 2,505,040</u>

## FRENCHTOWN BOARD OF EDUCATION

### Management's Discussion and Analysis for the Fiscal Year Ended June 30, 2010 Unaudited

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

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

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

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

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

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

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

The dependence upon tax revenues is apparent. For all activities general revenue support is 87.8 percent. The community, as a whole, is the primary support for the Frenchtown Public School District.

#### The Schools District's Funds

Information about the School District's major funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$2,843,088 and expenditures of \$2,852,335. The negative change in fund balance for the year was most significant in the General Fund, a decrease of 9,247.

## FRENCHTOWN BOARD OF EDUCATION

### Management's Discussion and Analysis for the Fiscal Year Ended June 30, 2010 Unaudited

#### General Fund Budgeting Highlights

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

During the course of fiscal year 2010, the School District amended its General Fund budget as needed. The School district uses program based budgeting and the budgeting systems are designed to tightly control program budgets but provide flexibility for program management.

For the general Fund, budget basis revenue and other financing sources was \$35,312, under the original budgeted estimates of \$2,437,347. This difference was due primarily to an overestimation of tuition revenue.

#### Capital Assets

At the end of the fiscal year 2010, the School District had \$2,290,566 invested in land, building, furniture and equipment and vehicles. Table 4 shows fiscal year 2010 compared to 2009.

TABLE 4  
CAPITAL ASSETS (NET OF DEPRECIATION)

	6/30/2010	6/30/2009	VARIANCE	
			Dollars	Percent
Land	\$ 69,500	\$ 69,500	\$ -	0.00%
Land Improvements	5,245	7,655	(2,410)	-31.48%
Buildings & Improvements	2,109,260	2,162,828	(53,568)	-2.48%
Machinery & Equipment	106,561	115,931	(9,370)	-8.08%
	<u>\$ 2,290,566</u>	<u>\$ 2,355,914</u>	<u>\$ (65,348)</u>	<u>-2.77%</u>

Overall capital assets decreased \$65,348 from fiscal year 2009 to fiscal year 2010. Increases in capital assets( primarily buildings and improvements, machinery and equipment) were offset by depreciation expenses for the year.

## FRENCHTOWN BOARD OF EDUCATION

### Management's Discussion and Analysis for the Fiscal Year Ended June 30, 2010 Unaudited

#### Debt Administration

At June 30, 2010, the School District had \$875,131 of outstanding debt. Of this amount, \$114,680. is for compensated absences, \$734,000 for bonds for school construction and the balance of \$26,451 for a lease purchase.

At June 30, 2010, the School District's overall legal debt margin was \$5,531,279 and the unvoted debt margin was \$4,797,279.

TABLE 5  
OUTSTANDING DEBT AT YEAR END

	6/30/2010	6/30/2009	VARIANCE	
			Dollars	Percent
2001 General Obligation Bonds	734,000	834,000	-100,000	-11.99%
	<u>\$ 734,000</u>	<u>\$ 834,000</u>	<u>\$ -100,000</u>	<u>-11.99%</u>

#### For the Future

The Frenchtown District is in fair financial condition presently. The school district is proud of its community support of the public school. A major concern is increased reliance on local property taxes.

Frenchtown Borough is primarily a residential community, with very few ratables; thus the burden is focused on homeowners to carry the tax burden.

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

**FRENCHTOWN BOARD OF EDUCATION****Management's Discussion and Analysis for the  
Fiscal Year Ended June 30, 2010 Unaudited**

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

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact: Susan Schaffner, CPA, School Business Administrator, Frenchtown School District, 902 Harrison, St., Frenchtown, NJ 08825 (908) 996-2751.

**BASIC FINANCIAL STATEMENTS**

## **DISTRICT-WIDE FINANCIAL STATEMENTS**

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

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

	Govern- mental Activities	Business- Type Activities	Total
<b>ASSETS</b>			
Cash & Cash Equivalents	\$ 257,130	\$ 4,372	\$ 261,502
Receivables, Net	137,342	2,559	139,901
Internal Balances	(1,818)	1,818	
Inventory		2,404	2,404
Bond Issuance Costs, Net	12,126		12,126
Restricted Assets:			
Cash	113,604		113,604
Capital Assets, Net (Note 4)	2,287,464	3,102	2,290,566
<b>Total Assets</b>	<b>2,805,848</b>	<b>14,255</b>	<b>2,820,103</b>
<b>LIABILITIES</b>			
Accounts Payable	167,981		167,981
Accrued Interest	12,020		12,020
Deferred Revenue	46,016	1,746	47,762
Long-Term Liabilities (Note 5):			
Due Within One Year	118,474		118,474
Due Beyond One Year	641,977		641,977
Compensated Absences Payable	114,680		114,680
<b>Total Liabilities</b>	<b>1,101,148</b>	<b>1,746</b>	<b>1,102,894</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	1,527,013	3,102	1,530,115
Restricted For:			
Debt Service	4,810		4,810
Capital Reserve	108,794		108,794
Unrestricted	64,083	9,407	73,490
<b>TOTAL NET ASSETS</b>	<b>\$ 1,704,700</b>	<b>\$ 12,509</b>	<b>\$ 1,717,209</b>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS



## **FUND FINANCIAL STATEMENTS**

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010

ASSETS	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
Cash & Cash Equivalents	\$ 257,130				\$ 257,130
Receivables from Other Governments:					
State	14,136				14,136
Federal		\$ 99,458			99,458
Other	21,974				21,974
Other Receivables	1,774				1,774
Due from Other Funds	53,442				53,442
Restricted Cash & Equivalents	108,794			\$ 4,810	113,604
<b>TOTAL ASSETS</b>	<b>\$ 457,250</b>	<b>\$ 99,458</b>	<b>\$ -</b>	<b>\$ 4,810</b>	<b>\$ 561,518</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts Payable	\$ 167,981				\$ 167,981
Due to Other Funds	1,818	\$ 53,442			55,260
Deferred Revenue		46,016			46,016
Total Liabilities	169,799	99,458	\$ -	\$ -	269,257

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010  
(Continued)

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
LIABILITIES AND FUND BALANCES (Cont'd)					
Fund Balances:					
Reserved For:					
Encumbrances	\$ 18,266				\$ 18,266
Capital Reserve Account	108,794				108,794
Unreserved:					
Designated for Subsequent Year's Expenditures	75,000				75,000
Undesignated	85,391			4,810	90,201
Total Fund Balances	<u>287,451</u>	<u>\$ -</u>	<u>\$ -</u>	<u>4,810</u>	<u>292,261</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 457,250</u>	<u>\$ 99,458</u>	<u>\$ -</u>	<u>\$ 4,810</u>	

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

Capital assets used in government activities are not financial resources & therefore are not reported in the funds. The cost of the assets is and the accumulated depreciation is

Long-term liabilities, including bonds payable, are not due & payable in the current period & therefore are not reported as liabilities in the funds

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

Bond issuance costs are reported as expenditures in the governmental funds. The cost is and the accumulated amortization is

Total Net Assets of Governmental Activities

	\$ 3,224,106	2,287,464
	<u>936,642</u>	(875,131)
		(12,020)
	31,330	
	<u>19,204</u>	
		<u>12,126</u>
	<u>\$ 1,704,700</u>	

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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

REVENUES	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Local Sources:					
Local Tax Levy	\$ 1,547,230			\$ 138,573	\$ 1,685,803
Other Local Governmental Units	130,796				130,796
Tuition-Other LEAs	29,800				29,800
Tuition-Individuals	45,411				45,411
Interest Earned on Capital Reserve Funds	4,317				4,317
Interest on Investments	1,703				1,703
Miscellaneous	5,084				5,084
<b>Total</b>	<b>\$ 1,764,341</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 138,573</b>	<b>\$ 1,902,914</b>
State Sources	751,926				751,926
Federal Sources	99,916	88,332			188,248
<b>Total Revenues</b>	<b>2,616,183</b>	<b>88,332</b>	<b>-</b>	<b>138,573</b>	<b>2,843,088</b>
<b>EXPENDITURES</b>					
Current :					
Instructional:					
Regular Instruction	983,222	11,897			995,119
Special Education Instruction	261,690	3,321			265,011
Other Special Instruction	32,429	13,193			45,622
Other Instruction	16,912				16,912
Support Service & Undistributed Costs:					
Tuition	24,855				24,855
Student & Instruction Related Services	337,419	31,977			369,396
General & Business Administrative Services	127,052				127,052
School Administrative Services	57,652				57,652
Plant Operations & Maintenance	195,764				195,764
Pupil Transportation	36,891				36,891
Unallocated Benefits	542,014				542,014

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

FRENCHOWN BOROUGH SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
EXPENDITURES (Cont'd)					
Capital Outlay	\$ 9,530				\$ 9,530
Debt Services:					
Principal				\$ 100,000	100,000
Interest & Other Charges				38,573	38,573
Total Expenditures	<u>2,625,430</u>	<u>\$ 88,332</u>	<u>\$ -</u>	<u>138,573</u>	<u>2,852,335</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,247)	-	-	-	(9,247)
Fund Balances, July 1	296,698	-	-	4,810	301,508
Fund Balances, June 30	<u>\$ 287,451</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,810</u>	<u>\$ 292,261</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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

Total Net Changes in Fund Balances-Governmental Fund (from B-2)	\$	(9,247)
Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expenses. This is the amount by which depreciation exceeds capital outlays in the period:		
Capital Outlays	\$	7,462
Depreciation Expense		<u>(72,446)</u>
		(64,984)
Repayment of debt principal and capital leases are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and are not reported in the statement of activities:		
Bond Principal Payments		100,000
Capital Lease Payments		<u>8,149</u>
		108,149
In the statement of activities, compensated absences & early retirement benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation; when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation.		
		(42,343)
Governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred & amortized in the statement of activities:		
Amortization of Bond Issuance Costs		(2,021)
In the statement of activities, interest on long-term debt is accrued regardless of when due. In the governmental funds interest is reported when due. The accrued interest is a reconciling item.		
		<u>1,757</u>
Change in Net Assets of Governmental Activities	\$	<u><u>(8,689)</u></u>

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
STATEMENT OF FUND NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2010

	<u>Food Service Total</u>
<b>ASSETS</b>	
Current Assets:	
Cash & Cash Equivalents	\$ 4,372
Receivables from Other Governments:	
State	58
Federal	1,099
Other	1,402
Interfund Receivable	1,818
Inventory	2,404
Total Current Assets	<u>11,153</u>
Noncurrent Assets:	
Capital Assets	27,228
Less: Accumulated Depreciation	<u>24,126</u>
Total Noncurrent Assets	<u>3,102</u>
Total Assets	<u>14,255</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Deferred Revenues	1,746
Total Liabilities	<u>1,746</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	3,102
Unrestricted	<u>9,407</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 12,509</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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

	Food Service Total
Operating Revenues:	
Charges for Services:	
Daily Sales-Reimbursable Programs	\$ 15,658
Daily Sales-Nonreimbursable Programs	6,516
Satellite Sales	18,122
Total Operating Revenues	<u>40,296</u>
Other Expenses:	
Costs of Sales	25,380
Salaries	18,547
Employee Benefits	2,587
Insurance	1,911
Management Fees	6,240
Other Purchased Services	1,506
Supplies & Materials	2,405
Office Expense	140
Depreciation	364
Total Operating Expenses	<u>59,080</u>
Operating Income (Loss)	<u>(18,784)</u>
Nonoperating Revenues (Expenses):	
State Sources:	
State School Lunch Program	611
Federal Sources:	
National School Lunch Program	11,140
Food Distribution Program	6,435
Interest Earned on Investments	14
Total Nonoperating Revenues (Expenses)	<u>18,200</u>
Change in Net Assets	(584)
Net Assets, Beginning	<u>13,093</u>
Net Assets, Ending	<u>\$ 12,509</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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

	Food Service Total
Cash Flows from Operating Activities:	
Operating Income (Loss)	\$ (18,784)
Adjustments to Reconcile Operating Income (Loss) to	
Net Cash Provided by (Used For) Operating Activities:	
Depreciation	364
Federal Food Distribution Program	7,151
(Increase) Decrease in Interfund Receivable	4,907
(Increase) Decrease in Other Receivables	(385)
(Increase) Decrease in Inventory	(895)
Increase (Decrease) in Accounts Payable	(4,258)
Net Cash Provided by (Used For) Operating Activities	(11,900)
Cash Flows from Noncapital Financing Activities:	
Cash Received from State & Federal Reimbursements	11,487
Net Cash Provided by (Used For) Noncapital Financing Activities	11,487
Cash Flows from Investing Activities:	
Interest Earned on Investments	14
Net Increase (Decrease) in Cash and Cash Equivalents	(399)
Cash and Cash Equivalents, July 1, 2009	4,771
Cash and Cash Equivalents, June 30, 2010	\$ 4,372

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2010

	Unemployment Compensation Fund	Student Activity Agency Fund	Payroll Agency Fund
<b>ASSETS</b>			
Cash & Cash Equivalents	\$ 37,394	\$ 21,688	\$ 25,819
<b>TOTAL ASSETS</b>	<u>37,394</u>	<u>\$ 21,688</u>	<u>\$ 25,819</u>
<b>LIABILITIES</b>			
Due to Student Groups Payroll Deductions & Withholdings		\$ 21,688	\$ 25,819
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>\$ 21,688</u>	<u>\$ 25,819</u>
<b>NET ASSETS</b>	<u>\$ 37,394</u>		

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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

	<u>Unemployment Compensation Fund</u>
<b>ADDITIONS</b>	
Contributions:	
Employee Withholdings	\$ 2,705
Investment Earnings-Interest	204
Total Additions	<u>2,909</u>
<b>DEDUCTIONS</b>	
Unemployment Claims	<u>3,448</u>
Change in Net Assets	(539)
Net Assets, Beginning of the Year	<u>37,933</u>
Net Assets, End of the Year	<u>\$ 37,394</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**NOTES TO FINANCIAL STATEMENTS**

## **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The basic financial statements include:

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

Financial statements prepared using full-accrual accounting for all of the District's activities.

### A. Reporting Entity

The District is a Type II district located in the County of Hunterdon, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The Board is comprised of nine members elected to three-year-terms. The purpose of the district is to educate students in Grades K-8. The District had an approximate enrollment at June 30, 2010 of approximately 158 students.

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

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

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010  
(Continued)

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

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity as been removed from these statements.

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

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

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

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010  
(Continued)

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

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Cont'd)**

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

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

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

The District reports the following major governmental funds:

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

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

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

**Special Revenue Fund** - The District accounts for the proceeds of specific revenue sources from State and Federal Government (other than major capital projects, Debt Service or the Enterprise Funds) and local appropriations that are legally restricted to expenditures for specified purposes in the Special Revenue Fund.

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

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2010  
 (Continued)

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

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Cont'd)**

Additionally, the District reports the following fund types:

**Proprietary Fund Types**

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

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

The District's Enterprise Fund is comprised of the Food Service Fund.

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

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

Equipment	12 Years
Light Trucks & Vehicles	4 Years
Heavy Trucks & Vehicles	6 Years
Busses	8 Years

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2010  
 (Continued)

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Cont'd)

Fiduciary Fund Types

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

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

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

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

In its accounting and financial reporting, the District follows the pronouncements of the Governmental Accounting Standards Board (GASB) and the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The District's Proprietary Funds have elected not to apply the standards issued by FASB after November 30, 1989.

D. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the General, Special Revenue, and Debt Service Funds. The budgets are submitted to the county office and 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 NJAC 6:20-2A.2(m)1. All budget amendments must be approved by School Board resolution. Budget amendments during the year ended June 30, 2010 were insignificant.

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010  
(Continued)

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

D. Budgets/Budgetary Control (Cont'd)

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

E. Encumbrances

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

Open encumbrances in the Special Revenue Fund for which the District has received advances are reflected in the balance sheet as deferred revenues at fiscal year end.

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

F. Tuition Receivable

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

G. Tuition Payable

Tuition charges for the fiscal years 2009-2010 and 2008-2009 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

H. Short-Term Interfund Receivables/Payables

Short-Term Interfund receivables/payables represents 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.

I. Inventories and Prepaid Items

Inventories and prepaid items, 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. The commodities inventory value at balance sheet date is reported as a deferred revenue as title does not pass to the school district until the commodities are used. Prepaid items in the Enterprise Fund represent payments made to vendors for services that will benefit periods beyond June 30, 2010.

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2010  
 (Continued)

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

**J. Capital Assets**

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	50
Building Improvements & Portable Classroom	50
Land Improvements	20
Furniture	20
Maintenance Equipment	15
Musical Instruments	10
Athletic Equipment	10
Audio Visual Equipment	10
Vehicles	4 to 8
Office Equipment	5 to 10
Computer Equipment	5 to 10

**K. Compensated Absences**

The District accounts for compensated absences (e.g., unused vacation and sick leave) as directed by Governmental Accounting Standards Board statement number 16 (GASB 16), "Accounting for Compensated Absences." A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

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

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

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010  
(Continued)

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

**L. Deferred Revenue**

Deferred revenue in the General Fund and Special Revenue Fund represents cash, which has been received but not yet earned. See Note 1 (E) regarding the Special Revenue Fund.

Deferred revenue in the Enterprise Fund includes United States government commodity inventories at year-end. The aid revenue associated with this commodity inventory is deferred until it is used in the operations of the Food Service Fund.

**M. Long-Term Obligations**

In the government-wide financial statements and in internal service fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

**N. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a restricted purpose. Designations of fund balance represent tentative plans for future use of financial resources that are subject to change.

In the government-wide statements, net assets represent the difference between assets and liabilities. Invested in Capital Assets, Net of Related Debt consists of capital assets, net of accumulated depreciation, and reduced by the balance of long-term debt used to finance these assets. Net assets are reported as restricted when there are limitations externally imposed on their use either through enabling legislation or other restrictions imposed by creditors, grantors or laws or regulations of other governments. The District's restricted net assets in the governmental activities as of June 30, 2010 consists of debt service and capital reserve balances.

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010  
(Continued)

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

O. Comparative Data/Reclassifications

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the District's financial position and operations. Also, certain immaterial amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

P. Allocation of Indirect Expenses

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

**NOTE 2. TAX ASSESSMENTS AND PROPERTY TAXES**

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

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

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

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

School taxes are guaranteed as to amount of collection by the municipality, the collection agency, and are transmitted to the school district in accordance with the schedule of tax installments as certified by the school district's Board of Education on an annual basis.

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2010  
 (Continued)

**NOTE 3. DEPOSITS AND CASH EQUIVALENTS AND INVESTMENTS**

Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. US Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at amortized cost. All other investments are stated at fair value.

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

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.

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

Deposits at June 30, 2010 appear in the financial statements as summarized below:

Cash		\$ <u>460,007</u>
Cash:	<u>Ref.</u>	
Governmental Funds, Statement of Net Assets	B-1	\$ 370,734
Enterprise Fund, Statement of Net Assets	B-4	4,372
Fiduciary Funds, Statement of Net Assets	B-7	<u>84,901</u>
Total Cash		\$ <u>460,007</u>

Deposits – The District's carrying amount of bank deposits at June 30, 2010 is \$460,007 and the bank balance is \$558,761. Of the bank balance, \$250,000 is covered by federal depository insurance and \$308,761 is insured by GUDPA.

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2010  
 (Continued)

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

Deposit and Investment Risk

GASB Statement No. 40 "Deposit and Investment Risk Disclosures" requires state and local governments to communicate key information about deposit and investment risks. Required disclosures are as follows:

1. Custodial credit risk disclosures for investments defined as category 3 assets under GASB Statement No. 3. Since all of the deposits and investments of the district are category 1 assets, these disclosures are not required.
2. Credit quality ratings for investments in debt securities, external investment pools, money market funds, bond mutual funds, and other pooled investments of fixed-income securities. As the district has no such investments, this disclosure is not applicable.
3. Disclosure of investments by amount and issuer for any issuer that represents five percent of more of total investments. This requirement does not apply to investments issued or explicitly guaranteed by the US government and investments in mutual funds or pools. This disclosure is reported below under Concentration of Credit Risk.
4. Interest rate risk disclosures are required for all debt investments and non-money market like pools. As the district has no such investments, this disclosure is not applicable.
5. Investments that are exposed to foreign currency risk should be disclosed. As the district has no such investments this disclosure is not applicable.

Concentration of Credit Risk

The State of New Jersey does not place any limit on the amount that the district may invest with any one issuer. As of June 30, 2010, the district had no investments

**NOTE 4. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2010 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 69,500	\$ -0-	\$ -0-	\$ 69,500
Capital Assets, Being Depreciated:				
Land Improvements	50,600			50,600
Building & Improvements	2,868,727			2,868,727
Furniture & Equipment	227,817	7,462		235,279
<b>Total</b>	<u>3,147,144</u>	<u>7,462</u>	<u>-0-</u>	<u>3,154,606</u>

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2010  
 (Continued)

**NOTE 4. CAPITAL ASSETS (Cont'd)**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>GOVERNMENTAL ACTIVITIES</b>				
Accumulated Depreciation:				
Land Improvements	\$ 42,945	\$ 2,410		\$ 45,355
Building & Improvements	705,899	53,568		759,467
Furniture & Equipment	115,352	16,468		131,820
Total	864,196	72,446	\$ -0-	936,642
Total Capital Assets, Being Depreciated, Net	2,282,948	(64,984)	-0-	2,217,964
Governmental Activities Capital Assets, Net	\$ 2,352,448	\$ (64,984)	\$ -0-	\$ 2,287,464
Business-Type Activities:				
Furniture & Equipment	\$ 27,228			\$ 27,228
Less: Accum Depreciation	23,762	\$ 364		24,126
Business-Type Activities Capital Assets, Net	\$ 3,466	\$ (364)	\$ -0-	\$ 3,102

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

Instruction:	
Regular	\$ 35,116
Special Education	9,352
Other Special Instruction	1,610
Other Instruction	597
Support Services:	
Student & Instruction	13,036
General & Business Admin	4,484
School Administration	2,035
Transportation	5,581
Plant & Maintenance	635
Total Depreciation Expense, Governmental Activities	\$ 72,446

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2010  
 (Continued)

**NOTE 5. LONG-TERM DEBT**

Long-Term Liability Activity for the Year Ended June 30, 2010 is as Follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
General Obligation Bonds Payable	\$ 834,000		\$ 100,000	\$ 734,000	\$ 110,000
Capital Leases Payable	34,600		8,149	26,451	8,474
Compensated Absences Payable	<u>72,337</u>	<u>\$ 42,343</u>		<u>114,680</u>	<u>80,000</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 940,937</u>	<u>\$ 42,343</u>	<u>\$ 108,149</u>	<u>\$ 875,131</u>	<u>\$ 198,474</u>

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

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2010 including interest payments are listed as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 110,000	\$ 33,948	\$ 143,948
2012	110,000	28,860	138,860
2013	115,000	23,773	138,773
2014	125,000	18,454	143,454
2015	135,000	12,673	147,673
2016	<u>139,000</u>	<u>6,429</u>	<u>145,429</u>
Total	<u>\$ 734,000</u>	<u>\$ 124,137</u>	<u>\$ 858,137</u>

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010  
(Continued)

**NOTE 5. GENERAL LONG-TERM DEBT (Cont'd)**

General Obligation Bonds – General obligation school building bonds payable at June 30, 2010, with their outstanding balances are comprised of the following individual issues:

\$1,439,000 - 2001 general obligation school building bonds, due in annual installments of \$75,000 to \$139,000, beginning March 1, 2003, through March 1, 2016, interest at 4.625%	<u>\$ 734,000</u>
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The general obligation bonded debt of the District is limited by state law to 3% of the average equalized assessed values of the total taxable property in the District for the past three years. The legal debt limit at June 30, 2010 is \$5,531,279. General obligation debt at June 30, 2010 is \$734,000, resulting in a legal debt margin of \$4,797,279.

**Capital Leases Payable**

The District is leasing transportation equipment totaling \$44,650 under a capital lease. The following is a schedule of the future minimum lease payments under the capital lease and the net minimum lease payments at June 30, 2010:

<u>Year Ending June 30</u>	<u>General Fund</u>
2011	\$ 9,530
2012	9,530
2013	9,530
Total Minimum Lease Payments	<u>28,590</u>
Amount Representing Interest	2,139
Present Value of Minimum Lease Payments	<u>\$ 26,451</u>

**NOTE 6. PENSION PLANS**

Description of Systems

Substantially all of the Board's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employees' Retirement System (PERS). These systems are sponsored and administered by the State of New Jersey. The Teachers' Pension and Annuity Fund retirement system 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 related non-contributing employers. The Public Employees Retirement System is considered a cost sharing multiple-employer plan.

A. Teachers' Pension and Annuity Fund - The Teachers' Pension and Annuity Fund was established in January, 1955 under the provisions of NJSA 18A:66 to provide coverage including post-retirement health care to substantially all full time public school employees in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for health care coverage. Members are eligible for retirement at age 55 with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available to those under age 55 with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55).

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2010  
 (Continued)

**NOTE 6. PENSION PLANS (Cont'd)**

Description of Systems (Cont'd)

B. Public Employees' Retirement System - The Public Employees' Retirement System was established in January, 1955 under the provisions of NJSA 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service and 25 years for health care coverage. Members are eligible for retirement at age 55 with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available to those under age 55 with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55).

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statement and required supplementary information for TPAF and PERS. 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.

Significant Legislation

During the year ended June 30, 1997, legislation was enacted authorizing the New Jersey Economic Development Authority (the "Authority") to issue bonds, notes or other obligations for the purpose of financing, in full or in part, the State of New Jersey's portion of the unfunded accrued liability under the State of New Jersey retirement systems. On June 30, 1997, the Authority issued bonds pursuant to this legislation and \$1,547,688,633 and \$241,106,642 from the proceeds of the bonds were deposited into the investment account of TPAF and PERS, respectively.

As a result of additional legislation enacted during the year ended June 30, 1997 (Ch 115, PL 1997), the asset valuation method was changed from market related value to full market value for the valuation reports dated March 31, 1996. The legislation also provides for a reduction in the normal contributions of the State to the systems from excess assets for FY's 1997 and 1998, and local employers for FY 1999, and, thereafter, authorizes the State Treasurer to reduce the normal contributions of State and local employers to the systems, to the extent possible, from up to 100% of excess assets through FY 2002, and on a declining maximum percentage of excess thereafter.

Due to the enactment of the legislation described above, the State of New Jersey's portion of the unfunded accrued liability under each retirement system was eliminated except for the unfunded liability for local early retirement incentive benefits; accordingly, the pension costs for TPAF and PERS were reduced.

Contribution Requirements

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contribution of 5.50% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, non-contributory death benefits and post-retirement medical premiums. Under current statute the Board is a non-contributing employer of the TPAF.

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010  
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**NOTE 6. PENSION PLANS (Cont'd)**

Contribution Requirements (Cont'd)

Three-Year Trend Information for TPAF (Paid On-Behalf of the District)

<u>Year Funding</u>	<u>Post Retirement Benefit Costs</u>	<u>Percentage of APC Contributed</u>
06/30/10	\$ 100,538	100%
06/30/09	93,193	100%
06/30/08	202,982	100%

Three-Year Trend Information for PERS

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>
06/30/10	\$ 14,821	100%
06/30/09	18,735	100%
06/30/08	8,886	100%

During the year ended June 30, 2010, the State of New Jersey contributed \$95,456 to the TPAF for post-retirement medical benefits and \$5,082 for non-contributory insurance premiums on behalf of the Board. Also, in accordance with NJSA 18A:66-66 the State of New Jersey reimbursed the Board \$114,913 during the year ended June 30, 2010 for the employer's share of social security contributions for TPAF members calculated on their base salaries. These amounts have been included in the financial statements and the combining and individual fund and account group statements and schedules as revenues and expenditures in accordance with GASB 27.

**NOTE 7. POST-RETIREMENT BENEFITS**

Chapter 384 of PL 1987 and Ch 6 of PL 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. PL 2007, Ch 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside 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 85,590 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Ch 62, PL 1994. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning the fiscal year 1994.

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2010  
 (Continued)

**NOTE 7. POST-RETIREMENT BENEFITS (Cont'd)**

The State is also responsible for the cost attributable to Ch 126, PL 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 Ch 126 benefits for 13,320 eligible retired members.

GASB Statement 45 requires certain disclosures relating to governmental entities obligations for other post-employment benefits (OPEB), which are post-employment benefits other than pensions. The District's only material OPEB obligation is for healthcare provided to eligible retirees through the NJ State Health Benefits Program.

**Plan Description**-The School District contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under NJSA 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code, SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. The school district adopted a resolution to participate in the SHBP. The State Health Benefits Commission is the executive body established by the statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, PO Box 295, Trenton, NJ08625-0295 or by visiting their website at <http://www.state.nj.us/treasur/pension/pdf/financial/gasb-43-aug2010.pdf>

**Funding Policy**-Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis. Information regarding the State's annual contributions, annual OPEB cost and net OPEB obligations is available through the State as noted in the previous paragraph.

**NOTE 8. DEFERRED COMPENSATION**

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

The Hartford  
 The Equitable

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2010  
 (Continued)

**NOTE 9. INTERFUND RECEIVABLE AND PAYABLES**

The composition of Interfund balances as of June 30, 2010 is as follows:

<u>Fund</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>
General Fund	\$ 53,442	\$ 1,818
Food Service Fund	1,818	
Special Revenue Fund		53,442
	<u>\$ 55,260</u>	<u>\$ 55,260</u>

The interfund of \$53,442 payable to the General Fund from the Grant Fund represents a required loan due to delayed receipt of grant payments. The payable to the Food Service Fund represents federal and state lunch aid received in the General Fund and not transferred as of June 30<sup>th</sup>.

**NOTE 10. INVENTORY**

Inventory in the Food Service Fund June 30, 2010 consisted of the following:

Food Supplies	\$ 2,101
	<u>303</u>
	<u>\$ 2,404</u>

The value of Federal donated commodities as reflected on Schedule A (required by the Single Audit Law of 1984) is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of nonoperating revenue in the financial statements.

**NOTE 11. CONTINGENT LIABILITIES**

The District is involved in various legal proceedings that are incidental to its operations. These legal proceedings are not likely to have a material adverse effect on the financial position of the School District.

**NOTE 12. RISK MANAGEMENT**

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

Property and Liability Insurance - The District maintains commercial insurance coverage for property, liability, and student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of the Comprehensive Annual Financial Report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2010  
 (Continued)

**NOTE 12. RISK MANAGEMENT (Cont'd)**

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

<u>Fiscal Year</u>	<u>District</u>	<u>Interest Earnings</u>	<u>Employee Contrib</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2009-2010	\$ -0-	\$ 204	\$ 2,705	\$ 3,448	\$ 37,394
2008-2009	-0-	291	5,907	767	37,933
2007-2008	-0-	361	-0-	734	32,502

**NOTE 13. CAPITAL RESERVE ACCOUNT**

A capital reserve account was established by the District by inclusion of \$1 on September 26, 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 districts approved Long Range Facilities Plan (LRFP) and updated annually in the Quality Assurance Annual Report (QAAR). Upon submission of the LRFP to the Department of Education, a district may deposit funds into the capital reserve upon board resolution through the transfer of undesignated, unreserved general fund balance or of excess undesignated, unreserved general fund balance that is anticipated in the budget certified for taxes. Pursuant to NJAC 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 following schedule is a summarization of the Capital Reserve Account:

<u>Fiscal Year</u>	<u>District Contribution</u>	<u>Interest Earnings</u>	<u>Ending Balance</u>
2000-2001	\$ 88,328		\$ 88,328
2001-2002		\$ 1,864	90,192
2002-2003		496	90,688
2003-2004		967	91,655
2004-2005		1,073	92,728
2005-2006		2,548	95,276
2006-2007		4,704	99,980
2007-2008		4,369	104,349
2008-2009		128	104,477
2009-2010		4,317	108,794

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2010  
 (Continued)

**NOTE 14. FUND BALANCES-BUDGETARY BASIS**

As described in Note 1 P-Fund Equity (Fund Balance) may be reserved or designated. An analysis of the General Fund Balance on June 30, 2010 and 2009 is as follows:

	2010	2009
Reserved:		
Encumbrances-Represents reservation of fund balance for purchase orders which have been issued but goods or services were not received as of June 30	\$ 18,266	\$ 41,587
Capital Reserve Account-represents funds restricted to capital projects in the Districts Long Range Facilities Plan	108,794	104,477
Unreserved:		
Designated for Subsequent Year's Budget-To reduce tax requirements	75,000	
Undesignated-represents fund balance which has not been reserved or designated	150,356	214,296
Total Fund Balance	\$ 352,416	\$ 360,360

**NOTE 15. CALCULATION OF EXCESS SURPLUS**

In accordance with NJSA 18A:7F-7, as amended by PL 2004, Ch 73 (S1701), the designation for Reserved Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30, if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2010 is \$-0-.

**REQUIRED SUPPLEMENTARY INFORMATION-PART II**

**BUDGETARY COMPARISON SCHEDULES**

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES</b>					
Local Sources:					
Local Tax Levy	\$ 1,547,230		\$ 1,547,230	\$ 1,547,230	
Other Local Governmental Units-Restricted	142,790		142,790	130,796	\$ (11,994)
Tuition from Individuals	82,150		82,150	45,411	(36,739)
Tuition from Other LEAs				29,800	29,800
Interest on Investments				1,703	1,703
Interest Earned on Capital Reserve Funds	1,000		1,000	4,317	3,317
Unrestricted Miscellaneous Revenues	14,500		14,500	5,084	(9,416)
<b>Total</b>	<u>1,787,670</u>	<u>\$ -</u>	<u>1,787,670</u>	<u>1,764,341</u>	<u>(23,329)</u>
State Sources:					
Categorical Special Educational Aid	80,064		80,064	80,064	
Equalization Aid	550,666	(99,916)	450,750	431,262	(19,488)
Categorical Security Aid	14,844		14,844	9,649	(5,195)
Categorical Transportation Aid	4,103		4,103	2,667	(1,436)
Extraordinary Aid				13,572	13,572
Nonpublic School Transportation Aid				564	564
On-Behalf TPAF Pension Contribution				100,538	100,538
Reimbursed TPAF Social Security Contribution				114,913	114,913
<b>Total</b>	<u>649,677</u>	<u>(99,916)</u>	<u>549,761</u>	<u>753,229</u>	<u>203,468</u>
Federal Sources:					
ARRA-Education Stabilization Funds		96,192	96,192	96,192	
ARRA-Government Service Funds		3,724	3,724	3,724	
<b>Total</b>	<u>-</u>	<u>99,916</u>	<u>99,916</u>	<u>99,916</u>	<u>-</u>
<b>TOTAL REVENUES</b>	<u>\$ 2,437,347</u>	<u>\$ -</u>	<u>\$ 2,437,347</u>	<u>\$ 2,617,486</u>	<u>\$ 180,139</u>
<b>EXPENDITURES</b>					
Current:					
Regular Programs:					
Instruction-Salaries of Teachers:					
Kindergarten	\$ 72,386	\$ (200)	\$ 72,186	\$ 70,621	\$ 1,565
Grades 1-5	510,626	29,684	540,310	540,300	10
Grades 6-8	321,020		321,020	320,304	716
Home Instruction:					
Salaries of Teachers	1,000	(1,000)			
Undistributed Instruction:					
Purchased Professional-Educational Services	500	(500)			
Other Purchased Services	19,409	(7,681)	11,728	8,662	3,066
General Supplies	34,549	16,543	51,092	39,585	11,507
Textbooks	500	(500)			
Other Objects	6,050	(1,674)	4,376	3,750	626
<b>Total</b>	<u>966,040</u>	<u>34,672</u>	<u>1,000,712</u>	<u>983,222</u>	<u>17,490</u>
Special Education:					
Resource Room/Center:					
Salaries of Teachers	160,200	(17,356)	142,844	142,844	
Other Salaries for Instruction	13,794	17,966	31,760	31,760	
Other Purchased Services	500	(500)			
General Supplies	1,750	3,399	5,149	5,149	
Textbooks	250	(250)			
<b>Total</b>	<u>176,494</u>	<u>3,259</u>	<u>179,753</u>	<u>179,753</u>	<u>-</u>
Preschool Disabilities-Part-Time:					
Salaries of Teachers	60,604		60,604	60,604	
Other Salaries for Instruction	20,900	104	21,004	21,003	1
Other Purchased Services	200	(200)			
General Supplies	602	(259)	343	330	13
<b>Total</b>	<u>82,306</u>	<u>(355)</u>	<u>81,951</u>	<u>81,937</u>	<u>14</u>
<b>Total Special Education</b>	<u>258,800</u>	<u>2,904</u>	<u>261,704</u>	<u>261,690</u>	<u>14</u>

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES (Cont'd)</b>					
Current: (cont'd)					
Basic Skills for Remedial:					
Salaries of Teachers	\$ 33,055		\$ 33,055	\$ 32,192	\$ 863
General Supplies	250		250	237	13
<b>Total</b>	<b>33,305</b>	<b>\$ -</b>	<b>33,305</b>	<b>32,429</b>	<b>876</b>
School-Sponsored Co-curricular Activities:					
Salaries	5,448	2	5,450	5,450	
<b>Total</b>	<b>5,448</b>	<b>2</b>	<b>5,450</b>	<b>5,450</b>	<b>-</b>
School-Sponsored Athletics:					
Salaries	9,828		9,828	9,828	
Purchased Services	3,740	(910)	2,830	1,470	1,360
Supplies & Materials	1,500		1,500	164	1,336
<b>Total</b>	<b>15,068</b>	<b>(910)</b>	<b>14,158</b>	<b>11,462</b>	<b>2,696</b>
<b>Total Instruction Regular</b>	<b>\$ 1,278,661</b>	<b>\$ 36,668</b>	<b>\$ 1,315,329</b>	<b>\$ 1,294,253</b>	<b>\$ 21,076</b>
Undistributed Expenditures-					
Instruction Tuition:					
Other LEAs Within State-Special Private School for the Disabled W/ State	\$ 30,521	\$ (5,666)	\$ 24,855	\$ 24,855	\$ 375
<b>Total</b>	<b>30,521</b>	<b>(5,291)</b>	<b>25,230</b>	<b>24,855</b>	<b>375</b>
Health Services:					
Salaries	51,770	(100)	51,670	51,570	100
Purchased Professional & Technical Services	900	344	1,244	1,104	140
Supplies & Materials	1,600	(38)	1,562	1,458	104
<b>Total</b>	<b>54,270</b>	<b>206</b>	<b>54,476</b>	<b>54,132</b>	<b>344</b>
Speech, Occ Therapy, Phys Therapy & Related Serv:					
Salaries	77,005	2,396	79,401	79,401	
Purchased Professional-Educational Services	4,000	862	4,862	4,859	3
Other Purchased Services	500	(110)	390	388	2
Supplies & Materials	550	(380)	170	169	1
<b>Total</b>	<b>82,055</b>	<b>2,768</b>	<b>84,823</b>	<b>84,817</b>	<b>6</b>
Guidance:					
Salaries of Other Professional Staff	18,303	1	18,304	18,304	
Supplies & Materials	250	(1)	249	82	167
<b>Total</b>	<b>18,553</b>	<b>-</b>	<b>18,553</b>	<b>18,386</b>	<b>167</b>
Other Support Services-Extra Services:					
Purchased Professional Educational Services	31,000	(6,000)	25,000	25,000	-
Child Study Team:					
Salaries of Other Professional Staff	73,407		73,407	72,370	1,037
Salaries of Secretarial & Clerical Assistants	39,511		39,511	37,034	2,477
Purchased Professional-Educational Services	900		900		900
Misc Purchased Services	500		500	38	462
Supplies & Materials	675	(12)	663	476	187
<b>Total</b>	<b>114,993</b>	<b>(12)</b>	<b>114,981</b>	<b>109,918</b>	<b>5,063</b>

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES (Cont'd)</b>					
<b>Current: (cont'd)</b>					
<b>Educational Media Services / School Library:</b>					
Salaries	\$ 27,795		\$ 27,795	\$ 27,315	\$ 480
Purchased Professional & Technical Services	4,729		4,729	4,039	690
Other Purchased Services	10,998	\$ 500	11,498	8,174	3,324
Supplies & Materials	3,650	1,168	4,818	3,886	932
<b>Total</b>	<b>47,172</b>	<b>1,668</b>	<b>48,840</b>	<b>43,414</b>	<b>5,426</b>
<b>Instructional Staff Training Services:</b>					
Purchased Professional - Educational Services	1,303	2,272	3,575	1,752	1,823
Supplies & Materials	291		291		291
<b>Total</b>	<b>1,594</b>	<b>2,272</b>	<b>3,866</b>	<b>1,752</b>	<b>2,114</b>
<b>Support Services-General Administration:</b>					
Salaries	52,610	2,424	55,034	55,034	
Legal Services	3,000	2,452	5,452	5,205	247
Audit Fees	11,750	(250)	11,500	11,500	
Other Purchased Professional Services	1,000	(175)	825	823	2
BOE Other Purchased Services	4,400	(4,400)			
Other Purchased Services	1,000	1,315	2,315	2,019	296
General Supplies	200		200	107	93
BOE In-House Training/Meeting Supplies	100		100		100
Miscellaneous Expenditures	1,575		1,575	1,500	75
BOE Membership Dues and Fees	3,957	(1,338)	2,619	2,305	314
<b>Total</b>	<b>79,592</b>	<b>28</b>	<b>79,620</b>	<b>78,493</b>	<b>1,127</b>
<b>Support Services-School Administration:</b>					
Salaries of Principals & Assistant Principals	40,610		40,610	40,610	
Salaries of Secretarial & Clerical Assistants	16,789		16,789	16,729	60
Other Purchased Services	500	(113)	387		387
Supplies & Materials	200	113	313	313	
<b>Total</b>	<b>58,099</b>	<b>-</b>	<b>58,099</b>	<b>57,652</b>	<b>447</b>
<b>Central Services:</b>					
Salaries	51,023	(5,509)	45,514	43,351	2,163
Purchased Professional Services	1,900		1,900	1,605	295
Purchased Technical Services	150	(150)			
Miscellaneous Purchased Services	3,300	684	3,984	3,253	731
Supplies and Materials	100	650	750	350	400
<b>Total</b>	<b>56,473</b>	<b>(4,325)</b>	<b>52,148</b>	<b>48,559</b>	<b>3,589</b>
<b>Required Maintenance for School Facilities:</b>					
Cleaning, Repair & Maintenance	16,100	-	16,100	15,265	835
<b>Custodial Services:</b>					
Salaries	56,553	2,343	58,896	56,896	2,000
Purchased Professional and Technical Services	1,500	3,000	4,500	4,490	10
Cleaning, Repair & Maintenance Services	3,275		3,275	1,092	2,183
Other Purchased Property Services	5,900		5,900	5,033	867
Insurance	31,221	(4,199)	27,022	27,022	
Miscellaneous Purchased Services	300		300		300
General Supplies	8,000	(43)	7,957	5,555	2,402
Energy (Electricity)	44,400	(5,502)	38,898	31,887	7,011
Energy (Natural Gas)	960		960	731	229
Energy (Oil)	45,000	(12,205)	32,795	32,793	2
<b>Total</b>	<b>197,109</b>	<b>(16,606)</b>	<b>180,503</b>	<b>165,499</b>	<b>15,004</b>
<b>Care and Upkeep of Grounds:</b>					
Salaries	15,000	-	15,000	15,000	-

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (Cont'd)					
Current: (cont'd)					
Student Transportation Services:					
Salaries of Non-Instructional Aides	\$ 7,694		\$ 7,694	\$ 7,679	\$ 15
Salaries for Pupil Transportation (Other than Between Home & School)	16,573	\$ 3,828	20,401	20,401	
Cleaning, Repair, & Maintenance Services	1,000		1,000	1,000	
Contracted Services (Other than Between Home & School)-Vendors	2,000	(203)	1,797	275	1,522
Contracted Services (Sp. Ed. Stds) - Joint Agmnts	4,000	(2,625)	1,375		1,375
Contracted Services-ALL of Payments-Non Public	4,570	(1,034)	3,536	3,536	
Supplies and Materials	4,000		4,000	4,000	
Other Objects	1,500		1,500		1,500
Total	41,337	(34)	41,303	36,891	4,412
Allocated Benefits-Employee:					
Regular Programs:					
Social Security Contributions	1,121	1,684	2,805	2,305	500
Other Retirement Contributions-Regular	5,520	(1,520)	4,000	4,000	
Workmen's Compensation	9,205		9,205	9,205	
Health Benefits	124,637	39,882	164,519	164,054	465
Tuition Reimbursement	10,746	(10,746)			
Total	151,229	29,300	180,529	179,564	965
Special Programs:					
Social Security Contributions	3,858	1,475	5,333	4,614	719
Other Retirement Contributions-Regular	3,975	(1,475)	2,500	2,500	
Workmen's Compensation	3,109	(999)	2,110	2,110	
Health Benefits	45,128	(959)	44,169	43,986	183
Total	56,070	(1,958)	54,112	53,210	902
Other Instructional Programs:					
Social Security Contributions	500		500	500	
Total	500	-	500	500	-
Health Services:					
Workmen's Compensation	567		567	567	
Health Benefits	9,208		9,208	9,208	
Total	9,775	-	9,775	9,775	-
Speech, Occ Therapy, Phys Therapy & Related Serv:					
Workmen's Compensation	629		629	629	
Health Benefits	8,570	(2,978)	5,592	5,266	326
Total	9,199	(2,978)	6,221	5,895	326
Guidance:					
Workmen's Compensation	156		156	156	
Total	156	-	156	156	-

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (Cont'd)					
Current: (cont'd)					
Allocated Benefits-Employee: (cont'd)					
Child Study Team:					
Social Security Contributions	\$ 4,500	\$ 833	\$ 5,333	\$ 5,333	
Other Retirement Contributions-Regular	2,633	(833)	1,800	1,800	
Workmen's Compensation	725		725	725	
Health Benefits	7,618		7,618	7,568	\$ 50
Other Employee Benefits	1,860	(1,860)			
Total	17,336	(1,860)	15,476	15,426	50
Educational Media Services / School Library:					
Workmen's Compensation	275		275	275	
Health Benefits	8,233		8,233	8,133	100
Total	8,508	-	8,508	8,408	100
Support Services-General Administration:					
Workmen's Compensation	225		225	225	
Health Benefits	2,599		2,599	2,596	3
Total	2,824	-	2,824	2,821	3
Support Services-School Administration:					
Social Security Contributions	800		800	800	
Other Retirement Contributions-Regular	475		475	475	
Workmen's Compensation	375		375	375	
Health Benefits	2,599		2,599	2,559	40
Total	4,249	-	4,249	4,209	40
Central Services:					
Social Security Contributions	250		250	250	
Other Retirement Contributions-Regular	200		200	200	
Workmen's Compensation	525		525	525	
Health Benefits	5,981		5,981	5,981	
Total	6,956	-	6,956	6,956	-
Other Operation & Maintenance of Plant Services:					
Social Security Contributions	6,600	2,701	9,301	8,118	1,183
Other Retirement Contributions-Regular	6,547	(2,701)	3,846	3,846	
Workmen's Compensation	1,853		1,853	1,821	32
Health Benefits	11,266	7,707	18,973	18,968	5
Total	26,266	7,707	33,973	32,753	1,220
Student Transportation Services:					
Social Security Contributions	1,500	1,100	2,600	2,600	
Other Retirement Contributions-Regular	3,100	(1,100)	2,000	2,000	
Workmen's Compensation	1,000	(1,000)			
Health Benefits	1,650	1,034	2,684	2,290	394
Total	7,250	34	7,284	6,890	394
Total Allocated Benefits	300,318	30,245	330,563	326,563	4,000

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (Cont'd)					
Current: (cont'd)					
Food Services:					
Transfer to Cover Deficit-(Enterprise Fund)	\$ 2,500	\$ -	\$ 2,500	\$ -	\$ 2,500
On-Behalf TPAF Pensions Contribution				100,538	(100,538)
Reimbursed TPAF Social Security Contribution				114,913	(114,913)
Total				215,451	(215,451)
Total Undistributed Expenditures	\$ 1,146,686	\$ 4,919	\$ 1,151,605	\$ 1,321,647	(170,042)
<b>TOTAL CURRENT</b>	<b>\$ 2,425,347</b>	<b>\$ 41,587</b>	<b>\$ 2,466,934</b>	<b>\$ 2,615,900</b>	<b>\$ (148,966)</b>
CAPITAL OUTLAY					
Equipment:					
Undistributed Expenditures:					
School Bus-Regular	\$ 11,000	\$ (1,470)	\$ 9,530	\$ 9,530	
Facilities Acquisition & Construction Services:					
Architectural/Engineering Services		1,470	1,470		\$ 1,470
<b>TOTAL CAPITAL OUTLAY</b>	<b>\$ 11,000</b>	<b>\$ -</b>	<b>\$ 11,000</b>	<b>\$ 9,530</b>	<b>\$ 1,470</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 2,436,347</b>	<b>\$ 41,587</b>	<b>\$ 2,477,934</b>	<b>\$ 2,625,430</b>	<b>\$ (147,496)</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 1,000	\$ (41,587)	\$ (40,587)	\$ (7,944)	\$ 32,643
Fund Balances, July 1	360,360		360,360	360,360	
Fund Balances, June 30	\$ 361,360	\$ (41,587)	\$ 319,773	\$ 352,416	\$ 32,643
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures					
Adjustment for Prior Year Encumbrances		\$ (41,587)	\$ (41,587)	\$ (41,587)	
Increase in Capital Reserve	\$ 1,000		1,000	4,317	\$ 3,317
Budgeted Fund Balance				29,326	29,326
<b>TOTAL</b>	<b>\$ 1,000</b>	<b>\$ (41,587)</b>	<b>\$ (40,587)</b>	<b>\$ (7,944)</b>	<b>\$ 32,643</b>

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

RECAPITULATION OF FUND BALANCE

Reserved:

Reserve for Encumbrances  
Capital Reserve

\$ 18,266  
108,794

127,060

Unreserved:

Designated for Subsequent Year's Expenditures  
Undesignated - Free

\$ 75,000  
150,356

225,356

352,416

Reconciliation to Governmental Statements (GAAP):

Last State Aid Payment not Recognized on GAAP Basis

(64,965)

Fund Balance Per Governmental Funds (GAAP)

\$ 287,451

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
 BUDGETARY COMPARISON ARRA SUPPLEMENTARY SCHEDULE  
 GENERAL FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES</b>					
Federal Sources:					
ARRA Education Stabilization Funds Aid		\$ 96,192	\$ 96,192	\$ 96,192	
ARRA Government Services Funds Aid		3,724	3,724	3,724	
<b>TOTAL REVENUES</b>	<b>\$ -</b>	<b>\$ 99,916</b>	<b>\$ 99,916</b>	<b>\$ 99,916</b>	<b>\$ -</b>
<b>EXPENDITURES</b>					
Fund 16 ARRA SFSF ESF:					
Regular Programs:					
Instruction-Salaries of Teachers:					
Grades 1-5		\$ 96,192	\$ 96,192	\$ 96,192	
Total	\$ -	96,192	96,192	96,192	\$ -
Fund 17 ARRA SFSF GSF:					
Regular Programs:					
Instruction-Salaries of Teachers:					
Grades 1-5		3,724	3,724	3,724	
Total	-	3,724	3,724	3,724	-
<b>TOTAL EXPENDITURES</b>	<b>\$ -</b>	<b>\$ 99,916</b>	<b>\$ 99,916</b>	<b>\$ 99,916</b>	<b>\$ -</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balances, July 1	-	-	-	-	-
Fund Balances, June 30	\$ -	\$ -	\$ -	\$ -	\$ -

FRENCHTOWN BOROUGH 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
<b>REVENUES</b>					
Federal Sources	\$ 112,449	\$ 12,498	\$ 124,947	\$ 85,469	\$ (39,478)
<b>TOTAL REVENUES</b>	<u>\$ 112,449</u>	<u>\$ 12,498</u>	<u>\$ 124,947</u>	<u>\$ 85,469</u>	<u>\$ (39,478)</u>
<b>EXPENDITURES</b>					
Instruction:					
Salaries for Teachers	\$ 22,532	\$ (1,040)	\$ 21,492	\$ 21,492	
Purchase Professional & Technical Services	369		369	369	
Supplies & Materials	8,334	(3,236)	5,098	4,798	\$ 300
Total	<u>31,235</u>	<u>(4,276)</u>	<u>26,959</u>	<u>26,659</u>	<u>300</u>
Support Services:					
Personal Service Employee Benefits	1,121	1,040	2,161	2,078	83
Purchased Professional Educational Services	25,989	5,418	31,407	20,768	10,639
Tuition	40,538		40,538	20,538	20,000
Other Purchased Services	13,566	10,316	23,882	15,426	8,456
Total	<u>81,214</u>	<u>16,774</u>	<u>97,988</u>	<u>58,810</u>	<u>39,178</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 112,449</u>	<u>\$ 12,498</u>	<u>\$ 124,947</u>	<u>\$ 85,469</u>	<u>\$ 39,478</u>

**NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION**

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE

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

	General Fund	Special Revenue Fund
<u>Sources/Inflows of Resources</u>		
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	\$ 2,617,486	\$ 85,469
Difference-Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures and the related revenue is recognized:		
Outstanding Encumbrances Prior Year		9,401
Outstanding Encumbrances Current Year		(6,538)
The last State aid payment is recognized as revenue for budgetary purposes, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expenses (GASB 33):		
State Aid Receivable Prior Year	63,662	
State Aid Receivable Current Year	(64,965)	
Total Revenues (GAAP Basis)	\$ 2,616,183	\$ 88,332
<u>Uses/Outflows of Resources</u>		
Actual Amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 2,625,430	\$ 85,469
Differences-Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes:		
Outstanding Encumbrances Prior Year		9,401
Outstanding Encumbrances Current Year		(6,538)
Total Expenditures (GAAP Basis)	\$ 2,625,430	\$ 88,332

**OTHER SUPPLEMENTAL INFORMATION**

**SCHOOL LEVEL SCHEDULES**  
(NOT APPLICABLE TO THIS REPORT)

## **SPECIAL REVENUE FUND**

### **DETAIL STATEMENTS**

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
 COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES-BUDGETARY BASIS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	ARRA	NCLB	NCLB	NCLB	NCLB	NCLB	NCLB	IDEA	IDEA	IDEA	REAP	Total
	IDEA	Title I	Title IIA	Title IID	Title IV	Basic	Pre-School	Basic	Pre-School	Basic		2010
<b>REVENUES</b>												
Federal Sources												
	\$ 2,201	\$ 14,274	\$ 4,768	\$ 145	\$ 369	\$ 36,538	\$ 1,079	\$ 36,538	\$ 1,079	\$ 26,095	\$	\$ 85,469
<b>TOTAL REVENUES</b>	<b>\$ 2,201</b>	<b>\$ 14,274</b>	<b>\$ 4,768</b>	<b>\$ 145</b>	<b>\$ 369</b>	<b>\$ 36,538</b>	<b>\$ 1,079</b>	<b>\$ 36,538</b>	<b>\$ 1,079</b>	<b>\$ 26,095</b>	<b>\$</b>	<b>\$ 85,469</b>
<b>EXPENDITURES</b>												
Instruction:												
Salaries for Teachers	\$ 2,122	\$ 11,500			\$ 369					\$ 7,870	\$	\$ 21,492
Purchase Professional & Technical Services		61										369
Supplies & Materials									\$ 1,079	3,658		4,798
Totals	2,122	11,561			369				1,079	11,528		26,659
Support Services:												
Personal Service Employee Benefits	79	1,999										2,078
Purchased Professional Educational Services			4,768			16,000						20,768
Tuition		714				20,538						20,538
Other Purchased Services				145						14,567		15,426
Totals	79	2,713	4,768	145		36,538				14,567		58,810
<b>TOTAL EXPENDITURES</b>	<b>\$ 2,201</b>	<b>\$ 14,274</b>	<b>\$ 4,768</b>	<b>\$ 145</b>	<b>\$ 369</b>	<b>\$ 36,538</b>	<b>\$ 1,079</b>	<b>\$ 36,538</b>	<b>\$ 1,079</b>	<b>\$ 26,095</b>	<b>\$</b>	<b>\$ 85,469</b>

## **CAPITAL PROJECTS FUND**

### **DETAIL STATEMENTS**

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

(NOT APPLICABLE TO THIS REPORT)

## **PROPRIETARY FUND**

### **DETAIL STATEMENTS**

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
STATEMENT OF FUND NET ASSETS  
FOOD SERVICE ENTERPRISE FUND  
JUNE 30, 2010

ASSETS

Current Assets:

Cash & Cash Equivalents	\$ 4,372
Receivables from Other Governments:	
State	58
Federal	1,099
Other	1,402
Interfund Receivable	1,818
Inventory	2,404
Total Current Assets	<u>11,153</u>

Noncurrent Assets:

Capital Assets	27,228
Less: Accumulated Depreciation	24,126
Total Noncurrent Assets	<u>3,102</u>

Total Assets	<u>14,255</u>
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LIABILITIES

Current Liabilities:

Deferred Revenues	1,746
Total Liabilities	<u>1,746</u>

NET ASSETS

Invested in Capital Assets, Net of Related Debt	3,102
Unrestricted	<u>9,407</u>

TOTAL NET ASSETS	<u>\$ 12,509</u>
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FRENCHTOWN BOROUGH SCHOOL DISTRICT  
STATEMENT OF REVENUES EXPENSES, AND  
CHANGES IN FUND NET ASSETS  
FOOD SERVICE ENTERPRISE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Operating Revenues:	
Charges for Services:	
Daily Sales-Reimbursable Programs	\$ 15,658
Daily Sales-Nonreimbursable Programs	6,516
Satellite Sales	18,122
Total Operating Revenues	<u>40,296</u>
Other Expenses:	
Costs of Sales	25,380
Salaries	18,547
Employee Benefits	2,587
Insurance	1,911
Management Fees	6,240
Other Purchased Services	1,506
Supplies & Materials	2,405
Office Expense	140
Depreciation	364
Total Operating Expenses	<u>59,080</u>
Operating Income (Loss)	<u>(18,784)</u>
Nonoperating Revenues (Expenses):	
State Sources:	
State School Lunch Program	611
Federal Sources:	
National School Lunch Program	11,140
Food Distribution Program	6,435
Interest Earned on Investments	14
Total Nonoperating Revenues (Expenses)	<u>18,200</u>
Change in Net Assets	(584)
Net Assets, Beginning	<u>13,093</u>
Net Assets, Ending	<u>\$ 12,509</u>

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

<b>Cash Flows from Operating Activities:</b>	
Operating Income (Loss)	\$ (18,784)
Adjustments to Reconcile Operating Income (Loss) to	
Net Cash Provided by (Used For) Operating Activities:	
Depreciation	364
Federal Food Distribution Program	7,151
(Increase) Decrease in Interfund Receivable	4,907
(Increase) Decrease in Other Receivables	(385)
(Increase) Decrease in Inventory	(895)
Increase (Decrease) in Accounts Payable	(4,258)
Net Cash Provided by (Used For) Operating Activities	<u>(11,900)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>	
Cash Received from State & Federal Reimbursements	11,487
Net Cash Provided by (Used For) Noncapital Financing Activities	<u>11,487</u>
<b>Cash Flows from Investing Activities:</b>	
Interest Earned on Investments	<u>14</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(399)
Cash and Cash Equivalents, July 1, 2009	<u>4,771</u>
Cash and Cash Equivalents, June 30, 2010	<u>\$ 4,372</u>

**FIDUCIARY FUND**

**DETAIL STATEMENTS**

Fiduciary Fund are used to account for funds received by the school district as an agent for individuals, private organizations, other governments and/or other funds.

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

	Unemployment Compensation Fund	Student Activity Agency Fund	Payroll Agency Fund	Totals
<b>ASSETS</b>				
Cash & Cash Equivalents	\$ 37,394	\$ 21,688	\$ 25,819	\$ 84,901
Total Assets	<u>37,394</u>	<u>21,688</u>	<u>25,819</u>	<u>84,901</u>
<b>LIABILITIES</b>				
Due to Student Groups		21,688		21,688
Payroll Deductions & Withholdings			25,819	25,819
Total Liabilities	<u>-</u>	<u>21,688</u>	<u>25,819</u>	<u>47,507</u>
<b>NET ASSETS</b>				
Held in Trust for Unemployment Claims & Other Purposes	<u>37,394</u>	<u>-</u>	<u>-</u>	<u>37,394</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 37,394</u>	<u>\$ 21,688</u>	<u>\$ 25,819</u>	<u>\$ 84,901</u>

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

	<u>Unemployment Compensation Fund</u>
<b>ADDITIONS</b>	
Contributions:	
Employee Withholdings	\$ 2,705
Investment Earnings-Interest	<u>204</u>
Total Additions	2,909
<b>DEDUCTIONS</b>	
Unemployment Claims	<u>3,448</u>
Change in Net Assets	(539)
Net Assets, Beginning of the Year	<u>37,933</u>
Net Assets, End of the Year	<u><u>\$ 37,394</u></u>

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
 STUDENT ACTIVITY AGENCY FUND  
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Balance 07/01/09</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/10</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	<u>\$ 22,030</u>	<u>\$ 15,435</u>	<u>\$ 15,777</u>	<u>\$ 21,688</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 22,030</u></u>	<u><u>\$ 15,435</u></u>	<u><u>\$ 15,777</u></u>	<u><u>\$ 21,688</u></u>
<b>LIABILITIES</b>				
Due to Students Groups	<u>\$ 22,030</u>	<u>\$ 15,435</u>	<u>\$ 15,777</u>	<u>\$ 21,688</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 22,030</u></u>	<u><u>\$ 15,435</u></u>	<u><u>\$ 15,777</u></u>	<u><u>\$ 21,688</u></u>

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
PAYROLL AGENCY FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Balance 07/01/09</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/10</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 25,399	\$ 3,182,844	\$ 3,182,424	\$ 25,819
<b>TOTAL ASSETS</b>	<u>\$ 25,399</u>	<u>\$ 3,182,844</u>	<u>\$ 3,182,424</u>	<u>\$ 25,819</u>
<b>LIABILITIES</b>				
Payroll Deductions & Withholding	\$ 23,774	\$ 2,018,119	\$ 2,017,625	\$ 24,268
Net Payroll	<u>1,625</u>	<u>1,164,725</u>	<u>1,164,799</u>	<u>1,551</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 25,399</u>	<u>\$ 3,182,844</u>	<u>\$ 3,182,424</u>	<u>\$ 25,819</u>

## **LONG-TERM DEBT SCHEDULES**

The long-term debt schedules are used to reflect the outstanding principal balances of the general long-term liabilities of the school district. This includes serial bonds outstanding, obligations under capital leases, and early retirement program.

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
 LONG-TERM DEBT  
 SCHEDULE OF SERIAL BONDS  
 JUNE 30, 2010

Issue	Date of Issue	Amount of Issue	Annual Maturities		Interest Rate	Balance 07/01/09	Retired	Balance 06/30/10
			Date	Amount				
Series 2001	05/01/01	\$ 1,439,000	03/01/11	\$ 110,000	4.625%			
			03/01/12	110,000				
			03/01/13	115,000				
			03/01/14	125,000				
			03/01/15	135,000				
			03/01/16	139,000		\$ 834,000	\$ 100,000	\$ 734,000
						\$ 834,000	\$ 100,000	\$ 734,000

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
 LONG-TERM DEBT  
 SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES  
 JUNE 30, 2010

	Interest Rate Payable	Amount of Original Issue	Balance 07/01/09	Issued	Retired	Balance 06/30/10
24 Passenger School Bus	3.99%	\$ 44,650	\$ 34,600		\$ 8,149	\$ 26,451
		\$ 44,650	\$ 34,600	\$ -	\$ 8,149	\$ 26,451

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 DEBT SERVICE FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES</b>					
Local Sources:					
Local Tax Levy	\$ 138,573		\$ 138,573	\$ 138,573	
Total Revenues	138,573	\$ -	138,573	138,573	\$ -
<b>EXPENDITURES</b>					
Regular Debt Service:					
Interest on Bonds	38,573		38,573	38,573	
Redemption of Bond Principal	100,000		100,000	100,000	
Total Expenditures	138,573	-	138,573	138,573	-
Net Change in Fund Balance	-	-	-	-	-
Fund Balance, July 1	4,810	-	4,810	4,810	-
Fund Balance, June 30	\$ 4,810	\$ -	\$ 4,810	\$ 4,810	\$ -

**STATISTICAL SECTION**

**FRENCHTOWN BOROUGH SCHOOL DISTRICT  
STATISTICAL SECTION J SERIES**

<b>CONTENTS</b>	<b>PAGE</b>
<b>FINANCIAL TRENDS</b>	
These Schedules Contain Trend Information to Help the Reader Understand how the District's Financial Performance and Well Being have Changed Over Time.	J-1 to J-5
<b>REVENUE CAPACITY</b>	
These Schedules Contain Trend Information to Help the Reader Assess the District's most Significant Local Revenue Sources, the Property Tax.	J-6 to J-9
<b>DEBT CAPACITY</b>	
These Schedules Contain Trend Information to Help the Reader Assess the Affordability of the District's Current Levels of Outstanding Debt and the District's Ability to Issue Additional Debt in the Future.	J-10 to J-13
<b>DEMOGRAPHIC AND ECONOMIC INFORMATION</b>	
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<b>OPERATING INFORMATION</b>	
These Schedules Contain Service and Infrastructure Data to Help the Reader Understand how the Information in the District's Financial Report Relates to the Services the District Provides and the Activities it Performs.	J-16 to J-20

Sources: Unless Otherwise noted, the Information in these Schedules is Derived from the Comprehensive Annual Financial Reports (CAFR) for the Relevant Year. The District Implemented GASB Statement 34 in the Fiscal Year Ending June 30, 2004; Schedules Presenting District-Wide Information Include Information Beginning in That Year.

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
 NET ASSETS BY COMPONENT  
 LAST SEVEN FISCAL YEARS  
 (ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year Ending June 30,						
	2004	2005	2006	2007	2008	2009	2010
<b>GOVERNMENT ACTIVITIES</b>							
Invested in Capital Assets, Net of Related Debt	\$ 1,269,974	\$ 1,349,934	\$ 1,368,953	\$ 1,393,464	\$ 1,423,180	\$ 1,483,848	\$ 1,527,013
Restricted	94,701	98,002	100,550	104,791	109,159	109,287	113,604
Unrestricted	379,881	351,841	143,602	179,186	203,235	120,254	64,083
<b>TOTAL GOVERNMENTAL ACTIVITIES NET ASSETS</b>	<b>\$ 1,744,556</b>	<b>\$ 1,799,777</b>	<b>\$ 1,613,105</b>	<b>\$ 1,677,441</b>	<b>\$ 1,735,574</b>	<b>\$ 1,713,389</b>	<b>\$ 1,704,700</b>
<b>BUSINESS-TYPE ACTIVITIES</b>							
Invested in Capital Assets, Net of Related Debt	\$ 3,954	\$ (1,366)	\$ 2,834	\$ 4,196	\$ 3,831	\$ 3,466	\$ 3,102
Unrestricted				(613)	7,374	9,627	9,407
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>\$ 3,954</b>	<b>\$ (1,366)</b>	<b>\$ 2,834</b>	<b>\$ 3,583</b>	<b>\$ 11,205</b>	<b>\$ 13,093</b>	<b>\$ 12,509</b>
<b>DISTRICT-WIDE</b>							
Invested in Capital Assets, Net of Related Debt	\$ 1,269,974	\$ 1,349,934	\$ 1,368,953	\$ 1,397,660	\$ 1,427,011	\$ 1,487,314	\$ 1,530,115
Restricted	94,701	98,002	100,550	104,791	109,159	109,287	113,604
Unrestricted	383,835	350,475	146,436	178,573	210,609	129,881	73,490
<b>TOTAL DISTRICT-WIDE</b>	<b>\$ 1,748,510</b>	<b>\$ 1,798,411</b>	<b>\$ 1,615,939</b>	<b>\$ 1,681,024</b>	<b>\$ 1,746,779</b>	<b>\$ 1,726,482</b>	<b>\$ 1,717,209</b>

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
CHANGES IN NET ASSETS  
LAST SEVEN FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year Ending June 30,						
	2004	2005	2006	2007	2008	2009	2010
<b>EXPENSES</b>							
Governmental Activities:							
Instruction:							
Regular	\$ 992,943	\$ 1,033,950	\$ 1,194,332	\$ 1,268,495	\$ 1,283,758	\$ 1,252,784	\$ 1,361,462
Special Education	145,159	214,793	292,387	322,633	325,980	371,898	356,717
Other Special Education	41,140	41,845	48,128	23,459	39,677	55,755	51,969
Other Instruction	30,260	19,235	25,189	37,853	24,811	22,525	17,509
Support Services:							
Tuition	1,325	34,342	47,397	25,696	52,030	23,416	52,799
Student & Instruction Related Services	256,463	299,225	350,114	406,115	414,783	439,504	469,155
General & Business Administrative Services	238,122	193,462	179,767	156,569	165,854	179,702	164,062
School Administration	111,885	117,152	88,491	65,542	74,063	70,792	63,896
Plant Operations & Maintenance	175,936	168,226	238,484	231,226	201,102	268,369	224,628
Pupil Transportation	11,580	18,344	30,250	20,026	35,784	51,538	49,362
Interest on Long-Term Debt	69,982	60,096	56,165	52,156	47,924	44,436	40,218
Total Governmental Activities Expenses	<u>2,074,795</u>	<u>2,200,670</u>	<u>2,550,704</u>	<u>2,609,770</u>	<u>2,665,766</u>	<u>2,780,719</u>	<u>2,851,777</u>
Business-Type Activities:							
Food Services	45,391	42,677	46,093	66,535	66,898	67,892	59,080
Total Business-Type Activities	<u>45,391</u>	<u>42,677</u>	<u>46,093</u>	<u>66,535</u>	<u>66,898</u>	<u>67,892</u>	<u>59,080</u>
<b>TOTAL DISTRICT EXPENSES</b>	<u>\$ 2,120,186</u>	<u>\$ 2,243,347</u>	<u>\$ 2,596,797</u>	<u>\$ 2,676,305</u>	<u>\$ 2,732,664</u>	<u>\$ 2,848,611</u>	<u>\$ 2,910,857</u>

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
CHANGES IN NET ASSETS  
LAST SEVEN FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)  
(Continued)

	Fiscal Year Ending June 30,						
	2004	2005	2006	2007	2008	2009	2010
<b>PROGRAM REVENUES</b>							
Governmental Activities:							
Charges for Services	\$ 96,240	\$ 90,362	\$ 91,107	\$ 125,608	\$ 136,829	\$ 220,382	\$ 206,007
Operating Grants & Contributions	74,451	70,814	51,202	95,053	70,374	62,089	88,332
Capital Grants & Contributions	143,997			43,199			
Total Governmental Activities Program Revenues	<u>314,688</u>	<u>161,176</u>	<u>142,309</u>	<u>263,860</u>	<u>207,203</u>	<u>282,471</u>	<u>294,339</u>
Business-Type Activities:							
Charges for Services:							
Food Service	27,164	24,878	27,917	44,320	45,781	43,262	40,296
Operating Grants & Contributions	9,844	8,080	9,273	12,564	14,773	17,838	18,186
Total Business-Type Activities Program Revenues	<u>37,008</u>	<u>32,958</u>	<u>37,190</u>	<u>56,884</u>	<u>60,554</u>	<u>61,100</u>	<u>58,482</u>
<b>TOTAL DISTRICT-PROGRAM REVENUES</b>	<u>\$ 351,696</u>	<u>\$ 194,134</u>	<u>\$ 179,499</u>	<u>\$ 320,744</u>	<u>\$ 267,757</u>	<u>\$ 343,571</u>	<u>\$ 352,821</u>
<b>NET (EXPENSE) REVENUES</b>							
Governmental Activities	\$ (1,760,107)	\$ (2,039,494)	\$ (2,408,395)	\$ (2,345,910)	\$ (2,458,563)	\$ (2,498,248)	\$ (2,557,438)
Business-Type Activities	(8,383)	(9,719)	(8,903)	(9,651)	(6,344)	(6,792)	(598)
<b>TOTAL DISTRICT-WIDE NET EXPENSES</b>	<u>\$ (1,768,490)</u>	<u>\$ (2,049,213)</u>	<u>\$ (2,417,298)</u>	<u>\$ (2,355,561)</u>	<u>\$ (2,464,907)</u>	<u>\$ (2,505,040)</u>	<u>\$ (2,558,036)</u>
<b>GENERAL REVENUES &amp; OTHER CHANGES IN NET ASSETS</b>							
Governmental Activities:							
Property Taxes Levied for General Purposes, Net	\$ 1,171,000	\$ 1,223,141	\$ 1,283,310	\$ 1,352,227	\$ 1,423,722	\$ 1,494,908	\$ 1,547,230
Taxes Levied for Debt Service	147,813	146,613	140,454	141,523	142,360	137,967	138,573
Unrestricted Grants & Contributions	744,368	722,297	798,181	904,541	948,897	822,528	851,842
Investment Earnings	6,802	6,532	11,798	18,028	13,342	4,060	6,020
Miscellaneous Income	2,518	531	1,083	4,327	1,875	7,652	5,084
Contribution-Parent Teacher Organization						17,603	
Operating Transfer	(14,426)	(4,399)	(13,103)	(10,400)	(13,500)	(8,655)	
Total Governmental Activities	<u>2,058,075</u>	<u>2,094,715</u>	<u>2,221,723</u>	<u>2,410,246</u>	<u>2,516,696</u>	<u>2,476,063</u>	<u>2,548,749</u>

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
CHANGES IN NET ASSETS  
LAST SEVEN FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)  
(Continued)

		Fiscal Year Ending June 30,						
		2004	2005	2006	2007	2008	2009	2010
<b>GENERAL REVENUES &amp; OTHER CHANGES IN NET ASSETS (Cont'd)</b>								
	Business-Type Activities:							
	Investment Earnings					\$ 466	\$ 25	\$ 14
	Miscellaneous Income	9,426	4,399	13,103	10,400	13,500	8,655	
	Transfers	9,429	4,399	13,103	10,400	13,966	8,680	14
	Total Business-Type Activities	\$ 2,067,504	\$ 2,099,114	\$ 2,234,826	\$ 2,420,646	\$ 2,530,662	\$ 2,484,743	\$ 2,548,763
<b>TOTAL DISTRICT-WIDE</b>								
<b>CHANGE IN NET ASSETS</b>								
	Governmental Activities	\$ 297,968	\$ 55,221	\$ (186,672)	\$ 64,336	\$ 58,133	\$ (22,185)	\$ (8,689)
	Business-Type Activities	1,046	(5,320)	4,200	749	7,622	1,888	(584)
	<b>TOTAL DISTRICT</b>	\$ 299,014	\$ 49,901	\$ (182,472)	\$ 65,085	\$ 65,755	\$ (20,297)	\$ (9,273)

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
 FUND BALANCES, GOVERNMENTAL FUNDS,  
 LAST SEVEN FISCAL YEARS  
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year Ending June 30,						
	2004	2005	2006	2007	2008	2009	2010
General Fund:							
Reserved	\$ 234,099	\$ 253,751	\$ 288,750	\$ 166,469	\$ 192,011	\$ 146,064	\$ 127,060
Unreserved	291,418	267,682	100,924	165,579	186,183	150,634	160,391
Total General Fund	\$ 525,517	\$ 521,433	\$ 389,674	\$ 332,048	\$ 378,194	\$ 296,698	\$ 287,451
All Other Governmental Funds:							
Unreserved, Reported In:							
Special Revenue Fund	\$ (9,720)	\$ (28,393)	\$ (42,245)	\$ (112)	\$ (112)		
Capital Projects Fund	3,046	5,274	5,274	4,811	4,810	4,810	4,810
Debt Service Fund	(6,674)	(23,119)	(36,971)	4,699	4,698	4,810	4,810
Total All Other Governmental Funds	\$ (6,674)	\$ (23,119)	\$ (36,971)	\$ 4,699	\$ 4,698	\$ 4,810	\$ 4,810

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,  
 LAST TEN FISCAL YEARS  
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Revenues:</b>										
Tax Levy	\$ 1,020,788	\$ 1,069,190	\$ 1,271,431	\$ 1,318,813	\$ 1,369,754	\$ 1,423,764	\$ 1,493,750	\$ 1,566,082	\$ 1,632,875	\$ 1,685,803
Tuition Charges			5,000	6,225	25,025	54,519	60,660	67,305	83,683	75,211
Interest Earnings	32,576	45,110	13,058	6,802	6,532	11,798	18,028	13,342	4,060	6,020
Miscellaneous	11,599	28,266	32,042	92,533	65,868	37,671	70,870	71,795	161,954	135,880
State Sources	787,589	488,296	1,465,809	896,048	729,151	804,463	951,763	951,129	822,640	751,926
Federal Sources	48,671	38,789	51,765	66,788	63,960	44,920	89,435	67,746	61,977	186,248
<b>Total Revenues</b>	<b>1,901,223</b>	<b>1,669,651</b>	<b>2,839,105</b>	<b>2,387,189</b>	<b>2,260,290</b>	<b>2,377,135</b>	<b>2,684,506</b>	<b>2,737,399</b>	<b>2,767,189</b>	<b>2,843,088</b>
<b>Expenditures:</b>										
<b>Instruction:</b>										
Regular Instruction	712,743	725,241	754,564	743,299	770,789	881,395	906,450	918,099	968,116	983,222
Special Education Instruction	100,007	106,704	113,815	106,000	196,606	210,323	188,000	211,171	249,139	281,690
Other Special Instruction	28,774	30,114	30,323	31,791	33,290	34,516	17,689	29,225	38,748	32,429
Other Instruction	13,253	20,682	15,397	19,956	18,731	24,204	27,568	23,887	21,761	16,912
<b>Support Services:</b>										
Tuition	3,866	11,770	9,887	1,325	2,707	19,430	8,306	36,790	23,416	24,855
Student & Inst Related Services	155,454	167,579	196,323	184,304	228,519	268,218	278,617	256,159	336,285	337,419
General Administration	119,076	81,794	92,866	105,722	98,878	85,042	72,477	66,443	77,521	78,493
School Administration Services	72,834	82,310	89,740	94,610	98,550	63,882	55,446	59,387	65,348	57,652
Central Services / Business Services	50,772	71,095	84,864	90,477	61,324	51,575	56,951	59,812	62,564	48,559
Admin Information Technology										
Plant Operations & Maintenance	124,776	114,531	146,367	157,172	144,507	215,708	203,510	179,984	241,074	195,764
Pupil Transportation	9,476	15,948	11,549	11,580	18,344	30,250	19,596	34,354	53,407	36,891
Employee Benefits	126,851	138,793	150,070	218,942	262,909	278,609	297,199	275,837	265,098	326,563
On-Behalf TPAF Pension & Soc Sec Contributions	105,477	75,664	131,175	148,369	149,737	185,537	289,344	313,871	209,894	215,451
Capital Outlay	96,379	38,966	1,272	36,458	16,338					
Capital Projects	33,540	252,891	1,979,957	113,062	18,991		1,509		72,253	9,530
Special Revenue Funds	59,422	49,815	64,461	74,451	70,814	51,202	95,165	70,374	61,977	88,332
<b>Principal Interest &amp; Other Charges</b>										
Principal			75,000	80,000	85,000	85,000	90,000	95,000	95,000	100,000
Interest & Other Charges			117,578	79,205	59,385	55,454	51,523	47,361	42,967	38,573
<b>Total Expenditures</b>	<b>1,812,500</b>	<b>1,963,897</b>	<b>4,065,208</b>	<b>2,296,724</b>	<b>2,276,419</b>	<b>2,540,355</b>	<b>2,659,350</b>	<b>2,677,754</b>	<b>2,884,566</b>	<b>2,852,335</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>88,723</b>	<b>(314,246)</b>	<b>(1,226,103)</b>	<b>90,465</b>	<b>(16,129)</b>	<b>(163,220)</b>	<b>25,156</b>	<b>59,645</b>	<b>(117,379)</b>	<b>(9,247)</b>
<b>Other Financing Sources (Uses):</b>										
Proceeds from Bond Issue	1,439,000									
Capital Leases (Non-Budgeted)	(13,397)	(9,952)	(18,025)	(14,426)	(4,399)	(13,103)	(10,400)	(13,500)	44,650	
Transfers Out	1,425,603	(9,952)	(18,025)	(14,426)	(4,399)	(13,103)	(10,400)	(13,500)	(6,655)	
<b>Total Other Financing Sources (Uses)</b>	<b>1,514,326</b>	<b>(324,208)</b>	<b>(1,244,128)</b>	<b>76,039</b>	<b>(20,528)</b>	<b>(176,323)</b>	<b>14,756</b>	<b>46,145</b>	<b>(81,384)</b>	<b>(9,247)</b>
<b>Net Change in Fund Balances</b>	<b>0.00%</b>	<b>0.00%</b>	<b>9.24%</b>	<b>6.01%</b>	<b>6.89%</b>	<b>5.85%</b>	<b>5.62%</b>	<b>5.61%</b>	<b>5.16%</b>	<b>5.12%</b>
<b>Debt Service as a Percentage of Non-capital Expenditures</b>										

Source: District Records

NOTE: Noncapital expenditures are total expenditures less capital outlay, capital projects and debt service.

Central Service and Administrative Information Technology account classifications were added beginning with year end June 30, 2005

Prior to June 30, 2005, Central Service and Administrative Information Technology were combined in Other Support Services as Business and Other Support Services.

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
 GENERAL FUND-OTHER LOCAL REVENUES BY SOURCE  
 LAST TEN FISCAL YEARS  
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)

Description	Fiscal Year Ending June 30,									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Interest Income	\$ 26,943	\$ 15,957	\$ 6,152	\$ 4,549	\$ 6,213	\$ 11,384	\$ 17,936	\$ 13,342	\$ 4,060	\$ 6,020
Tuition		19,905	5,000	6,225	25,025	54,519	60,660	67,305	83,683	75,211
Other School Districts-Shared Services		258	29,094	86,523	65,337	34,588	64,948	69,524	136,699	130,796
Prior Year Refunds	9,525			609			797		549	3,639
Summer Music Project							1,494			
Outstanding Checks Voided			920				1,486		14	
Miscellaneous Other	23	398	403	329	219	4		729	274	18
Medicaid Initiative	272	72								
Milford Algebra Fee	1,000	1,000	1,000	1,000		2,000				
Textbook Sales & Fines	6	5		80						
Summer Enrichment Program		2,300								
Use of Facilities		650	75	1,926	312		50	1,044	1,065	1,187
Sale of Bid Specifications		3,750								
Contributions						600	500		211	89
Play Tickets									896	
Transportation Reimbursement									4,643	
Joint Insurance Fund-Surplus Refund									17,603	
Contribution-Parent Teacher Organization										
Sale of Surplus Equipment & Materials						479		102		151
<b>Annual Totals</b>	<b>\$ 37,769</b>	<b>\$ 44,295</b>	<b>\$ 42,644</b>	<b>\$ 103,307</b>	<b>\$ 97,106</b>	<b>\$ 103,574</b>	<b>\$ 147,871</b>	<b>\$ 152,046</b>	<b>\$ 249,697</b>	<b>\$ 217,111</b>

Source: District Records

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
 ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY,  
 LAST TEN FISCAL YEARS

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Vacant Land	\$ 1,307,500	\$ 1,739,300	\$ 1,757,000	\$ 3,806,500	\$ 2,704,600	\$ 2,617,100	\$ 2,554,500	\$ 2,554,500	\$ 2,608,300	\$ 2,505,100
Residential	58,521,200	59,069,500	59,255,100	108,585,800	108,135,800	108,765,800	108,162,700	108,094,600	108,052,500	109,384,700
Farm Regular	268,300	268,300	441,200	898,600	898,600	898,600	898,600	898,600	898,600	898,600
Q Farm	26,830	18,200	19,700	27,705	76,805	76,805	52,749	52,749	14,200	14,700
Commercial	15,408,500	15,667,200	15,521,500	26,794,400	26,621,400	26,689,600	26,662,500	28,085,300	27,687,500	26,861,900
Industrial	2,288,750	2,238,750	2,238,750	3,622,350	3,726,350	3,726,350	3,726,350	3,726,350	3,726,350	3,726,350
Apartment	3,572,900	3,572,900	3,319,900	6,867,600	6,867,600	6,834,300	6,119,980	6,119,880	6,446,500	6,045,500
<b>Total Assessed Value</b>	<b>81,393,980</b>	<b>82,574,150</b>	<b>82,553,150</b>	<b>150,602,955</b>	<b>149,031,155</b>	<b>149,618,555</b>	<b>148,177,279</b>	<b>149,531,979</b>	<b>149,433,950</b>	<b>149,436,850</b>
Public Utilities (a)	782,903	901,453	969,810	611,511	881,591	970,914	945,769	1,059,003	1,130,900	889,485
<b>Net Valuation Taxable</b>	<b>\$ 82,176,883</b>	<b>\$ 83,475,603</b>	<b>\$ 83,522,960</b>	<b>\$ 151,214,466</b>	<b>\$ 149,912,746</b>	<b>\$ 150,589,469</b>	<b>\$ 149,123,048</b>	<b>\$ 150,590,982</b>	<b>\$ 150,564,850</b>	<b>\$ 150,326,335</b>
Estimated Actual County Equalized Value	\$ 94,158,218	\$ 113,247,563	\$ 124,833,989	\$ 129,596,570	\$ 142,156,740	\$ 166,760,565	\$ 180,920,032	\$ 189,110,834	\$ 182,114,565	\$ 177,418,076
Percentage of Net Valuations to Estimated Actual County Equalized Value	87.28%	73.71%	66.91%	116.68%	105.46%	90.30%	82.42%	79.63%	82.68%	84.73%
Total Direct School Tax Rate (b)	\$ 1.302	\$ 1.525	\$ 1.579	\$ 0.905	\$ 0.950	\$ 0.991	\$ 1.051	\$ 1.084	\$ 1.120	\$ 1.170

\*

Source: Municipal Tax Assessor

NOTE

Real property is required to be assessed at some percentage of true value (fair or market value) established by each county board of taxation.

Reassessment occurs when the County Board of Taxation requests Treasury to order a reassessment

(a) Taxable Value of Machinery, Implements and Equipments of Telephone and Messenger System Companies

(b) Tax rates are per \$100

\* Revalued/Reassessed

**FRENCHTOWN BOROUGH SCHOOL DISTRICT  
DIRECT AND OVERLAPPING PROPERTY TAX RATES  
LAST TEN FISCAL YEARS  
(RATE PER \$100 OF ASSESSED VALUE)**

Assessment Year	School District Direct Rate (From J-6)										Total Direct & Overlapping Tax Rate
	Basic Rate (a)	General		Total Direct School Tax Rate	Regional School Tax Rate	Overlapping Rates		Fire District	Municipality	County	
		Obligation Service (b)	Debt Service (b)			County	Municipality				
2001	\$ 1.302	\$ -		1.302	\$ 0.747	\$ 0.617	\$ 0.534				\$ 3.20
2002	1.315	0.210		1.525	0.620	0.612	0.623				3.38
2003	1.400	0.179		1.579	0.668	0.644	0.649				3.54
2004	0.808	0.097	*	0.905	0.475	0.397	0.353				2.13
2005	0.856	0.094		0.950	0.497	0.440	0.363				2.25
2006	0.898	0.094		0.992	0.531	0.496	0.396				2.42
2007	0.955	0.096		1.051	0.605	0.549	0.405				2.61
2008	0.992	0.092		1.084	0.502	0.542	0.422				2.55
2009	1.028	0.092		1.120	0.498	0.563	0.419				2.60
2010	1.071	0.095		1.166	0.473	0.601	0.407				2.65

Sources: Municipal Tax Collector

**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 pre-budget by more than the spending growth limitation calculated as follows: the prebudget year net budget increased by the cost of living or 2.5 percent, whichever is greater, plus any spending growth adjustments.

(a) The district's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net valuation taxable.

(b) Rates for debt service are based on each year's requirements.

\* Revalued/Reassessed

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
 PRINCIPAL PROPERTY TAXPAYERS,  
 CURRENT YEAR AND NINE YEARS AGO

	2010			2001		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Frenchtown Associates LLC	\$ 2,950,000	1	1.96%	\$ 1,900,000	1	2.31%
Frenchtown Properties LLC	2,145,200	2	1.43%			
Frenchtown Barn Center LLC	1,500,000	3	1.00%	800,000	4	0.97%
Davon LLC	977,200	4	0.65%			
Bridge Race Properties LLC	972,200	5	0.65%	875,700	3	1.07%
United Telephone Co of NJ	889,485	6	0.59%			
Individual Property Owner	830,800	7	0.55%	1,200,000	2	1.46%
Warren House LLC	809,900	8	0.54%			
Traub Holdings LLC	758,400	9	0.50%			
B & B Properties LLC	748,500	10	0.50%			
Individual Property Owner				773,700	5	0.94%
Individual Property Owner				722,500	6	0.88%
T2 Services Inc				576,800	7	0.70%
RAM Enterprises				544,100	8	0.66%
FP Realty				531,350	9	0.65%
Individual Property Owner				516,500	10	0.63%
	<u>\$ 12,581,685</u>		<u>8.37%</u>	<u>\$ 8,440,650</u>		<u>10.27%</u>

Source: Municipal Tax Assessor

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS

Year Ending December 31,	Taxes Levied for the Year	Collected Within the Fiscal Year of the Levy (a)	
		Amount	Percentage of Levy
2000	\$ 2,464,459	\$ 2,331,198	94.59%
2001	2,651,546	2,546,432	96.04%
2002	2,876,119	2,785,793	96.86%
2003	2,961,135	2,876,298	97.13%
2004	3,221,596	3,065,440	95.15%
2005	3,380,115	3,276,470	96.93%
2006	3,648,964	3,459,905	94.82%
2007	3,920,222	3,736,078	95.30%
2008	3,852,232	3,741,707	97.13%
2009	3,925,744	3,642,780	92.79%

Sources: District records including the Certificate and Report of School Taxes (A4F form)

School taxes are collected by the Municipal Tax Collector. Under New Jersey State Statute, a (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.

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
 RATIOS OF OUTSTANDING DEBT BY TYPE  
 LAST TEN FISCAL YEARS

Fiscal Year Ending June 30,	Governmental Activities			Business-Type Activities		Total District	% of Personal Income (a)	Per Capita (a)
	General Obligation Bonds (b)	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases			
2001	\$ 1,439,000	\$ -	\$ -	\$ -	\$ -	\$ 1,439,000	1.81%	\$ 964
2002	1,439,000	-	-	-	-	1,439,000	1.72%	956
2003	1,364,000	-	-	-	-	1,364,000	1.58%	905
2004	1,284,000	-	-	-	-	1,284,000	1.45%	851
2005	1,199,000	-	-	-	-	1,199,000	1.34%	802
2006	1,114,000	-	-	-	-	1,114,000	1.26%	750
2007	1,024,000	-	-	-	-	1,024,000	1.08%	693
2008	929,000	-	-	-	34,600	929,000	0.93%	631
2009	834,000	-	-	-	26,451	868,600	0.86%	592
2010	734,000	-	-	-	-	760,451	N/A	518

**NOTE**

Details regarding the district's outstanding debt can be found in the notes to the financial statements.

- (a) See Exhibit NJ J-14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.
- (b) Includes Early Retirement Incentive Plan (ERIP) refunding

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

Fiscal Year Ending June 30,	General Bonded Debt Outstanding			% of Actual	
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding	Value (a) of Property	Per Capita (a)
2001	\$ 1,439,000		\$ 1,439,000	1.75%	\$ 956
2002	1,439,000		1,439,000	1.72%	955
2003	1,364,000		1,364,000	1.63%	904
2004	1,284,000		1,284,000	0.85%	859
2005	1,199,000		1,199,000	0.80%	807
2006	1,114,000		1,114,000	0.74%	754
2007	1,024,000		1,024,000	0.69%	695
2008	929,000		929,000	0.62%	633
2009	834,000		834,000	0.55%	569
2010	734,000		734,000	0.49%	500

**NOTE** Details regarding the district's outstanding debt can be found in the notes to the financial statements.

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

\* Revalued/Reassessed

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF DECEMBER 31, 2009

	<u>Debt Outstanding</u>	<u>Estimated % Applicable (a)</u>	<u>Estimated Share of Overlapping Debt</u>
GOVERNMENTAL UNIT			
Debt Repaid with Property Taxes:			
Municipality	\$ 2,099,964	100.00	\$ 2,099,964
Regional High School	4,884,000	6.60	322,176
County General Obligation Debt	115,572,465	0.76	<u>878,351</u>
Subtotal, Overlapping Debt			3,300,491
School District Direct Debt			<u>834,000</u>
Total Direct and Overlapping Debt			<u>\$ 4,134,491</u>

Sources: Assessed Value Data Used to Estimate Applicable Percentages  
 Provided by the County Board of Taxation. Debt Outstanding Data  
 Provided by Each Governmental Unit.

Note: Overlapping Governments are those that Coincide, at least in Part, with the Geographic Boundaries of the District. This Schedule Estimates the Portion of the Outstanding Debt of Those Overlapping Governments that is Borne by the Residents and Businesses of the Municipality. This Process Recognizes that, when Considering the District's Ability to Issue and Repay Long-Term Debt, the Entire Debt Burden Borne by the Residents and Businesses Should be Taken into Account. However this Does Not Imply that Every Taxpayer is a resident, and Therefore Responsible for Repaying the Debt, of Each Overlapping Payment.

(a) For Debt Repaid with Property Taxes, the Percentage of Overlapping Debt Applicable is Estimated Using Taxable Assessed Property Values. Applicable Percentages were Estimated by Determining the Portion of Another Governmental Unit's Taxable Value that is Within the District's Boundaries and Dividing it by Each Unit's Total Taxable Value.

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
 LEGAL DEBT MARGIN INFORMATION,  
 LAST TEN FISCAL YEARS

Legal Debt Margin Calculation for Fiscal Year 2010

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt Limit	\$ 2,540,376	\$ 2,645,521	\$ 2,815,652	\$ 3,122,978	\$ 3,647,223	\$ 4,202,670	\$ 4,759,376	\$ 5,213,702	\$ 5,534,083	\$ 5,531,279
Total Net Debt Applicable	2,399,950	2,395,150	1,552,166	1,328,169	1,243,169	1,158,169	1,024,000	929,000	834,000	734,000
Legal Debt Margin	\$ 140,426	\$ 250,371	\$ 1,263,486	\$ 1,794,809	\$ 2,404,054	\$ 3,044,501	\$ 3,735,376	\$ 4,284,702	\$ 4,700,083	\$ 4,797,279
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	94.47%	90.54%	55.13%	42.53%	34.09%	27.56%	21.52%	17.82%	15.07%	13.27%

	2009	2008	2007
Equalized Valuation Basis	\$ 176,364,865	187,830,648	188,932,363
Average Equalized Valuation of Taxable Property	\$ 553,127,876	184,375,959	184,375,959
Debt Limit (3.0% of Average Equalization Value)	\$ 5,531,279	5,531,279	5,531,279
Total Net Debt Applicable to Limit	734,000	734,000	734,000
Legal Debt Margin	\$ 4,797,279	4,797,279	4,797,279

Source: Equalized Valuation Bases were Obtained from the Annual Report of the State of New Jersey, Department of Treasury, Division of Taxation

(a) Limit Set by NJSA 18A:24-19

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
 DEMOGRAPHIC AND ECONOMIC STATISTICS  
 LAST TEN FISCAL YEARS

Year	Population (a)	Personal Income (b)	Per Capita Personal Income (c)	Unemployment Rate (d)
2001	1,505	\$ 83,422,150	\$ 55,430	2.3%
2002	1,507	86,064,770	57,110	4.0%
2003	1,509	88,526,994	58,666	4.4%
2004	1,495	89,575,915	59,917	3.6%
2005	1,486	88,553,712	59,592	4.1%
2006	1,477	95,009,502	64,326	3.1%
2007	1,473	100,390,842	68,154	2.7%
2008	1,467	100,907,595	68,785	3.5%
2009	1,467	N/A	N/A	6.4%
2010	1,467	N/A	N/A	N/A

Sources:

- (a) Population Information Provided by the NJ Dept of Labor and Workforce Development
- (b) Personal Income has Been Estimated Based Upon the Municipal Population and Per Capita Personal Income Presented
- (c) Per Capita Personal Income by County Estimated Based Upon the 2000 Census Published by the US Bureau of Economic Analysis.
- (d) Unemployment Data Provided by the NJ Dept of Labor and Workforce Development

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
PRINCIPAL EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO

Employer	2010			2001		
	Employees	Rank	Percentage of Total Municipal Employment	Employees	Rank	Percentage of Total Municipal Employment

INFORMATION IS NOT AVAILABLE FOR THIS SCHOOL DISTRICT

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
 FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM  
 LAST TEN FISCAL YEARS

FUNCTION / PROGRAM	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Instruction	17.0	17.4	18.9	17.7	18.6	15.4	15.6	16.2	16.4	17.7
Health Services	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Related Services	0.4	0.4	0.4	1.0	1.0	1.0	1.0	0.5	0.5	0.5
Guidance	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Child Study Team	0.9	0.9	0.9	0.9	1.6	1.5	1.5	1.5	1.5	1.5
Media Center	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
General Administration	0.5	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.4
School Administration	1.4	1.4	1.4	1.4	0.5	0.7	0.7	0.7	0.7	0.7
Business Office	1.0	1.0	1.5	1.5	0.9	0.8	0.8	0.8	0.8	0.8
Building Maintenance	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.4
Transportation					0.1	0.1	0.1	0.1	0.1	0.7
Cafeteria					0.1	0.1	0.1	0.1	0.1	0.1
<b>Total</b>	<b>24.9</b>	<b>25.3</b>	<b>27.3</b>	<b>26.7</b>	<b>26.9</b>	<b>23.7</b>	<b>23.9</b>	<b>24.0</b>	<b>24.2</b>	<b>25.5</b>

Sources: District Personnel Records

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
OPERATING STATISTICS  
LAST TEN FISCAL YEARS

Fiscal Year	Enrollment	Operating Expenditures (a)	Cost Per Pupil	Percentage Change	Teaching Staff (b)	Teacher Ratio	Average Daily Enrollment (ADE) (c)	Average Daily Attendance (ADA) (c)	% Change in Average Daily Enrollment	Student Attendance Percentage
2001	134	\$ 1,682,581	12,557	40.73%	21.3	1 to 6.29	134.4	127.2	-18.69%	94.64%
2002	126	1,692,040	13,429	6.95%	21.4	1 to 5.89	125.6	119.3	-6.55%	94.98%
2003	129	1,891,401	14,662	9.18%	21.4	1 to 6.03	129.3	123.1	2.95%	95.20%
2004	123	1,987,998	16,163	10.23%	21.1	1 to 5.83	124.1	118.7	-4.02%	95.65%
2005	121	2,096,705	17,328	7.21%	25.0	1 to 4.84	129.3	122.4	4.19%	94.66%
2006	138	2,399,901	17,391	0.36%	25.0	1 to 5.52	131.6	126.4	1.78%	96.05%
2007	141	2,516,318	17,846	2.62%	24.0	1 to 5.88	142.6	136.0	8.36%	95.37%
2008	143	2,535,393	17,730	-0.65%	24.0	1 to 5.96	146.3	139.0	2.59%	95.01%
2009	158	2,674,348	16,926	-4.53%	24.0	1 to 6.59	158.9	150.6	8.61%	94.78%
2010	158	2,704,232	17,115	1.12%	24.0	1 to 6.59	157.5	148.6	-0.88%	94.35%

Source: District Records

(a) Operating Expenditures Equal Total Expenditures Less Debt Service and Capital Outlay.

(b) Teaching Staff Includes Only Full-Time Equivalents or Certificated Staff.

(c) Average Daily Enrollment and Average Daily Attendance are Obtained from the School Register Summary (SRS).

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
SCHOOL BUILDING INFORMATION  
LAST TEN FISCAL YEARS

DISTRICT BUILDING	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<u>Elementary (1925)</u>										
Square Feet	35,992	35,992	35,992	35,992	35,992	35,992	35,992	35,992	35,992	35,992
Capacity (Students)	179.1	179.1	179.1	179.1	179.1	179.1	179.1	179.1	179.1	179.1
Enrollment	134.0	126.0	127.0	123.0	121.0	138.0	141.0	148.0	158.0	158.0
Number of Schools at June 30, 2010:										
Elementary	1									
Middle School	0									
High School	0									
Other	0									

District Facilities Office

Year of Original Construction is shown in Parentheses. Increase in Square Footage and Capacity are the Result of Renovations and Additions. Enrollment is Based on the Annual October District Count.

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
SCHEDULE OF REQUIRED MAINTENANCE  
LAST TEN FISCAL YEARS

UNDISTRIBUTED EXPENDITURES - REQUIRED  
MAINTENANCE FOR SCHOOL FACILITIES

\*School Facilities

	<u>Amount</u>	<u>Total</u>
2001	\$ 8,649	\$ 8,649
2002	6,302	6,302
2003	2,623	2,623
2004	8,243	8,243
2005	12,158	12,158
2006	14,339	14,339
2007	18,971	18,971
2008	21,309	21,309
2009	19,519	19,519
2010	<u>15,265</u>	<u>15,265</u>
 Total School Facilities	 <u>\$ 127,378</u>	 <u>\$ 127,378</u>

\* School Facilities as Defined Under EFCFA.  
(NJAC 6A:26-1.2 and NJAC 6A:26A-1.3)

Source: District Records

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
INSURANCE SCHEDULE  
JUNE 30, 2010  
(UNAUDITED)

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy-School Alliance Ins Fund:		
Property-Blanket Building & Contents (Fund Limit)	\$ 250,000,000	\$ 1,000
Comprehensive General Liability	5,000,000	1,000
Comprehensive Automobile Liability	5,000,000	1,000
Umbrella Liability-School Alliance Ins Fund:		
Umbrella Policy	10,000,000	
Student Accident-Monumental Life Ins Co	1,000,000	
Workers Compensation- School Alliance Insurance Fund:		
Per Accident Per Employee	250,000	
Per Disease Per Employee	250,000	
Per Disease Policy Limit	250,000	
Public Employees' Faithful Performance-Selective Insurance:		
Treasurer of School Monies Bond	150,000	
School Board Secretary Bond	150,000	
School Alliance Insurance Fund:		
Employee's Blanket Bond	100,000	1,000

Source: District Records

**SINGLE AUDIT SECTION**

Certified Public Accountant  
Public School Accountant  
Registered Municipal Accountant

100 Route 31 North  
Washington, NJ 07882 - 1530  
Fax # (908) 689-8388  
(908) 689-5002

**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**

November 15, 2010

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

We have audited the financial statements of the Board of Education of the Frenchtown School District in the County of Hunterdon as of and for the year ended June 30, 2010, and have issued our report thereon dated November 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

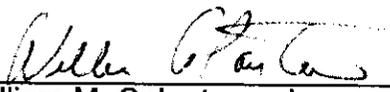
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these 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 that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

This report is intended solely for the information of the management of the Board of Education federal and 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.

  
\_\_\_\_\_  
William M. Colantano, Jr.  
Public School Accountant  
No. CS 0128

Certified Public Accountant  
Public School Accountant  
Registered Municipal Accountant

100 Route 31 North  
Washington, NJ 07882 - 1530  
Fax # (908) 689-8388  
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND  
NEW JERSEY OMB CIRCULAR 04-04

November 15, 2010

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

Compliance

We have audited the compliance of the Board of Education of the Frenchtown School District in the County of Hunterdon, with the types of compliance requirements described in the US Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and New Jersey OMB's Circular 04-04 that are applicable to its major federal and state programs for the year ended June 30, 2010. The Board of Education's major federal and state programs are identified in the summary of auditor's 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 is the responsibility of the Board of Education's management. Our responsibility is to express an opinion on the Board of Education'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; the standards applicable to financial audits contained in "Government Auditing Standards," issued by the Comptroller General of the United States; the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; and New Jersey OMB's Circular 04-04 "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid;" and OMB Circular A-133 "Audits of States, Local Governments, and Non-Profit Organizations". Those Standards, OMB Circular A-133 and New Jersey OMB's Circular 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 and state program occurred. An audit includes examining, on a test basis, evidence about the Board of Education'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 of Education's compliance with those requirements.

In our opinion the Board of Education complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the fiscal year ended June 30, 2010.

### Internal Control Over Compliance

The management of the Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit we considered the Board of Education's internal control over compliance with requirements that could have a direct and material effect on a major federal and state programs in order to determine our audit procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness on internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board of Education's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal and state program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal or state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal or state program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 for the information of the Board of Education, the New Jersey State Department of Education (the cognizant audit agency) and other state and federal awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.

  
\_\_\_\_\_  
William M. Colantano, Jr.  
Public School Accountant  
No. CS 0128

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS SCHEDULE A  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Grantor/Program Title	Federal CFDA Number	Project Number	Program or Award Amount	Grant Period From To	Balance June 30, 2009 (Acct Rec) Def Revenue	Cash Received	Budgetary Expenditure	Repay of Prior Year Balance	Balance June 30, 2010	
									Accounts Receivable	Deferred Revenue
US Department of Education Passed Through State Department of Education:										
General Fund:										
ARRA SFSE ESF (Educ State Grants)	84.394	ARRA-168010	\$ 96,192	07/01/2009-6/30/2011		\$ 96,192	\$ 96,192			
ARRA SFSE GSF (Government Services)	84.397	ARRA-168010	3,724	07/01/2009-6/30/2011		3,724	3,724			
<b>Total General Fund</b>						<b>99,916</b>	<b>99,916</b>			<b>\$ -</b>
Special Revenue Fund:										
NCLB Title I	84.010A	NCLB 168010	14,274	09/01/2009-8/31/2010			14,274		(14,274)	
NCLB Title I	84.010A	NCLB 168010	11,221	09/01/2009-8/31/2010	(7,763)					
NCLB Title IIA	84.367A	NCLB 168009	5,418	09/01/2009-8/31/2010		6,409			(1,374)	
NCLB Title IIA	84.367A	NCLB 168010	5,505	09/01/2009-8/31/2010		2,988	4,768		(2,430)	650
NCLB Title IID	84.318X	NCLB 168009	145	09/01/2009-8/31/2010	(801)	801				
NCLB Title IID	84.318X	NCLB 168010	93	09/01/2009-8/31/2010	(93)		145		(145)	
NCLB Title IV	84.186A	NCLB 168009	369	09/01/2009-8/31/2010		93			(369)	
NCLB Title IV	84.186A	NCLB 168010	330	09/01/2009-8/31/2010	(330)	330				
Rural Education	84.358B	S358A	22,053	07/01/2009-9/30/2010		11,377	13,597		(10,876)	8,456
Rural Education	84.358B	S358A	21,781	07/01/2009-9/30/2009	(9,283)	21,781	12,498			
ARRA IDEA Basic	84.391	ARRA-168010	31,438	09/01/2009-8/31/2011			2,201		(31,438)	29,237
ARRA IDEA Pre School	84.392	ARRA-168010	1,135	09/01/2009-8/31/2011					(1,135)	1,135
IDEA Basic	84.027	IDEA-168010	36,538	09/01/2009-8/31/2010			36,538		(36,538)	
IDEA Basic	84.027	IDEA-168009	34,736	09/01/2009-8/31/2009	(34,736)	34,736				
IDEA Pre School	84.173	IDEA-168010	1,079	09/01/2009-8/31/2010			1,079		(1,079)	
IDEA Pre School	84.173	IDEA-168009	1,056	8/31/2009	(1,056)	1,056				
<b>Total Special Revenue Fund</b>					<b>(54,082)</b>	<b>79,571</b>	<b>85,469</b>		<b>(99,458)</b>	<b>39,478</b>
US Department of Agriculture Passed Through State Department of Agriculture:										
Enterprise Fund:										
Food Distribution Program	10.550-	N/A	7,151	07/01/2009-6/30/2010			5,405			1,746
Food Distribution Program	10.550-	N/A	6,540	07/01/2009-6/30/2009	1,030		1,030			
National School Lunch Program	10.555-	N/A	11,140	07/01/2009-6/30/2010		10,041	11,140		(1,099)	
National School Lunch Program	10.555-	N/A	10,306	07/01/2009-6/30/2009	(844)	844				
<b>Total Enterprise Fund</b>					<b>186</b>	<b>18,036</b>	<b>17,575</b>		<b>(1,099)</b>	<b>1,746</b>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>					<b>\$ (53,896)</b>	<b>\$ 197,523</b>	<b>\$ 202,960</b>		<b>\$ (100,557)</b>	<b>\$ 41,224</b>

SEE ACCOMPANYING NOTES TO SCHEDULES OF FINANCIAL ASSISTANCE

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE SCHEDULE B  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Grantor/Program Title	Project Number	Program or Award Amount	Grant Period From To	Balance 6/30/2009 (Acct Rec) Def Revenue	Cash Received	Budgetary Expenditure	Adjustment	Balance June 30, 2010		Memo		
								Accounts Receivable	Deferred Revenue	Budgetary Receivable	Cumulative Expenditures	
<b>State Department of Education</b>												
<b>General Fund:</b>												
Equalization Aid	09-495-034	\$ 302,324	07/01/2008-6/30/2009	\$ (29,925)	\$ 29,925							
Equalization Aid	-5120-078	431,262	07/01/2009-6/30/2010			\$ 431,262		\$ (53,504)		\$ (53,504)	\$ 431,262	
Transportation Aid	-5120-078	4,017	07/01/2008-6/30/2009	(398)	398							
Transportation Aid	09-495-034	2,667	07/01/2009-6/30/2010		2,336	2,667		(331)		(331)	2,667	
Special Education Aid	-5120-014	72,079	07/01/2008-6/30/2009	(7,134)	7,134							
Special Education Aid	09-495-034	80,064	07/01/2009-6/30/2010		70,131	80,064		(9,933)		(9,933)	80,064	
Security Aid	-5120-089	11,199	07/01/2008-6/30/2009	(1,108)	1,108							
Security Aid	09-495-034	9,649	07/01/2009-6/30/2010		8,452	9,649		(1,197)		(1,197)	9,649	
Adjustment Aid	-5120-084	245,556	07/01/2008-6/30/2010		24,306							
Adjustment Aid	09-495-034	7,995	07/01/2008-6/30/2009	(24,306)	24,306							
Extraordinary Special Education Costs Aid	-5120-085	13,572	07/01/2009-6/30/2010	(791)	791							
Extraordinary Special Education Costs Aid	09-100-034	564	07/01/2009-6/30/2010			13,572		(13,572)		(13,572)	13,572	
Nonpublic Remote Transportation Aid	-5120-473	1,392	07/01/2008-6/30/2009	(1,392)	1,392							
Nonpublic Remote Transportation Aid	09-495-034	116,701	07/01/2008-6/30/2009	(5,204)	5,204							
Reimbursement TPAF Social Security Contribution	-5120-014	114,913	07/01/2009-6/30/2010		114,913	114,913					114,913	
Reimbursement TPAF Social Security Contribution	09-495-034	95,456	07/01/2009-6/30/2010		95,456	95,456					95,456	
TPAF Post Retirement Medical	-5095-002	5,082	07/01/2009-6/30/2010		5,082	5,082					5,082	
TPAF Non-contributory Insurance	10-495-034											
<b>Total General Fund</b>		<b>(70,258)</b>		<b>744,386</b>	<b>753,229</b>	<b>5,082</b>	<b>\$ -</b>	<b>(79,101)</b>	<b>\$ -</b>	<b>(79,101)</b>	<b>753,229</b>	
<b>State Department of Agriculture</b>												
<b>Enterprise Fund:</b>												
National School Lunch Program (State Share)	09-100-010	600	07/01/2008-6/30/2009	(46)	49							
National School Lunch Program (State Share)	-3350-023	611	07/01/2009-6/30/2010	(49)	553	611		(58)		(58)	611	
<b>Total Enterprise Fund</b>		<b>(70,307)</b>		<b>744,888</b>	<b>753,840</b>	<b>5,082</b>	<b>\$ -</b>	<b>(79,159)</b>	<b>\$ -</b>	<b>(79,159)</b>	<b>753,840</b>	

SEE ACCOMPANYING NOTES TO SCHEDULES OF FINANCIAL ASSISTANCE

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
NOTES TO THE SCHEDULES OF FINANCIAL ASSISTANCE  
JUNE 30, 2010

**NOTE 1. GENERAL**

The accompanying schedules of financial assistance present the activity of all federal and state financial assistance programs of the Board of Education, Frenchtown Borough School District. The Board of Education is defined in Note 1 (A) to the Board's financial statements. All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other government agencies, is included on the schedule of federal financial assistance.

**NOTE 2. BASIS OF ACCOUNTING**

The accompanying schedules of financial assistance are presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Notes 1 (C) and 1 (D) to the Board's financial statements.

**NOTE 3. RELATIONSHIP OF GENERAL-PURPOSE FINANCIAL STATEMENTS**

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last state aid payment in the current budget year, which is mandated pursuant to PL 2004, Ch 97 (A3521). For GAAP purposes, that payment is not recognized until the subsequent budget year due to the state deferred and recording of the last state aid payment 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 revenues, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$1,303) for the general fund and (\$2,863) for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds.

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 99,916	\$ 751,926	\$ 851,842
Special Revenue Fund	88,332		88,332
Food Service Fund	<u>17,575</u>	<u>611</u>	<u>18,186</u>
	<u>\$ 205,823</u>	<u>\$ 752,537</u>	<u>\$ 958,360</u>

FRENCHTOWN BOROUGH SCHOOL DISTRICT  
NOTES TO THE SCHEDULES OF FINANCIAL ASSISTANCE  
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**

Revenues and expenditures reported under the USDA Commodities Program represent current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the district for the year ended June 30, 2010. TPAF Social Security Contribution represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the year ended June 30, 2010.

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

SECTION I-SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Auditor's Report Issued: Unqualified

Internal Control Over Financial Reporting:

1. Material weakness(es) identified?        Yes   X   No

2. Reportable conditions identified that are not considered to be material weaknesses?        Yes   X   No

Noncompliance Material to Financial Statements Noted?        Yes   X   No

Federal Awards NOT APPLICALE

Internal Control Over Major Programs:

1. Material weakness(es) identified?        Yes        No

2. Reportable conditions identified that are not considered to be material weaknesses?        Yes        No

Type of Auditor's Report Issued on Compliance for Major Programs?       

Any Audit Findings Disclosed that are Required to be Reported in Accordance with Section .510 (a) of Circular A-133        Yes        No

Identification of Major Programs:

<u>CFDA Numbers</u>	<u>Amount</u>	<u>Name of Federal Program</u>
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FRENCHTOWN BOROUGH SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

SECTION I-SUMMARY OF AUDITOR'S RESULTS

Federal Awards (Cont'd)

NOT APPLICABLE

Dollar Threshold used to Distinguish Between  
Type A and Type B Programs:

Auditee qualified as a low-risk auditee

           Yes               No

State Awards

Dollar Threshold used to Distinguish Between  
Type A and Type B Programs:

\$300,000

Auditee Qualified as low-risk auditee

  X   Yes               No

Type of Auditor's Report Issued on Compliance  
for Major Programs:

Unqualified

Internal Control Over Major Programs:

1. Material weakness(es) identified?

           Yes      X   No

2. Reportable conditions identified  
that are not considered to be material  
weaknesses?

           Yes      X   No

Any Audit Findings Disclosed That are Required  
to be Reported in Accordance with NJ OMB  
Circular Letter 04-04?

           Yes      X   No

Identification of Major Programs:

GMIS Numbers  
10-495-034-5120-078

Amount  
\$ 431,262

Name of State Program  
Equalization Aid

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

SECTION II-FINANCIAL STATEMENT FINDINGS

There were no findings or questioned costs for the year ended June 30, 2010.

SECTION III-FEDERAL AWARDS AND STATE FINANCIAL  
ASSISTANCE FINDINGS AND QUESTIONED COSTS

There were no findings or questioned costs for the year ended June 30, 2010.

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

K-7

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There were no prior year findings or questioned costs.