

FRANKLIN TOWNSHIP
BOARD OF EDUCATION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

OF THE

**FRANKLIN TOWNSHIP BOARD OF EDUCATION
FRANKLIN TOWNSHIP, NEW JERSEY
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**Prepared by
FRANKLIN TOWNSHIP BOARD OF EDUCATION
DEPARTMENT OF ADMINISTRATION**

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
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INTRODUCTORY SECTION

**FRANKLIN TOWNSHIP BOARD OF EDUCATION
226 QUAKERTOWN ROAD, PO BOX 368
QUAKERTOWN, NEW JERSEY 08868
908-735-7929 Telephone
908-735-0368 Facsimile**

Dr. James Dwyer
Superintendent

Barbara A. Tudek
Business Administrator/Board Secretary

November 11, 2008

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

Dear Board Members:

State law requires that school districts publish a complete set of financial statements presented in conformity with accounting principals generally accepted in the United States of America (GAAP) and audited by a firm of licensed certified public accountants in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Pursuant to that requirement, we hereby issue the comprehensive annual financial report (CAFR) of the Franklin Township School District for the fiscal year ended June 30, 2008.

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

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

The comprehensive annual financial report is presented in four sections:

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

The district is required to undergo an annual single audit in conformity with the provisions of the 1996 Single Audit Act and the U.S. Office of Management and Budget Circular A-133. "Audits of States, Local Governments, and Non-Profit Organizations" and New Jersey OMC's Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid." Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations are included in the single audit section of this report.

REPORTING ENTITY AND ITS SERVICES

Franklin Township School District is an independent reporting entity within the criteria adopted by the GASB as established by NCGA Statement No. 3. All funds and account groups of the District are included in this report. The Franklin Township Board of Education and its school constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels K through 8. These include regular programs as well as programs for students with special educational needs. The District completed the 2007-08 fiscal year with an enrollment of 345 students, which is 9 students less than the previous year's enrollment. The following details the changes in the average daily student enrollment of the District over the last ten years.

Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
1998-99	343	0
1999-00	346	.87%
2000-01	367	6.07%
2001-02	379	3.27%
2002-03	387	2.11%
2003-04	406	4.91%
2004-05	398	(1.97%)
2005-06	377	(5.28%)
2006-07	354	(6.10%)
2007-08	347	(1.98%)

ECONOMIC CONDITION AND OUTLOOK

Franklin Township has a solid reputation for farmland preservation based on its record. The voters of Franklin Township approved a Bond referendum for farmland preservation in the general election of 1988. Following this referendum, the township committee adopted an ordinance for permanent preservation of farmland. 1174 acres is permanently reserved under this program. In addition, Cook College of Agriculture contains 310 acres within the Township. The Township also purchased 140 acres dedicated for the Green Acres program. Therefore, there is a total area of 1,624 acres permanently reserved for farmland. There is a dedicated commitment by residents to preserve the Township's rural nature. As part of the COAH requirement, Franklin Township has sold 10 acres to the Midland School to build a group home for the disabled to farm the land and purchased 11 acres to provide senior housing. The Master Plan adopted by the Franklin Township Planning Board in December 1995 recommended residential density to one unit per 3 acres, one unit per 5 acres or one unit per 7 acres, depending on the carrying capacity of the aquifer recharge characteristics specific to the area. The current Township's zoning allows for a minimum three acre, five acre and seven acre lot according to the current zoning requirements. The Township Committee has adopted enabling ordinances, which are consistent with the Master Plan's recommendations. In addition, the voters approved a referendum in November 1999 for an annual five cent open space tax, to be collected by the local municipality. The Franklin Township Planning Board added an open space element to the master plan. Certain properties in Franklin Township have been recommended by the Open Space Advisory Committee to be considered for the Open Space program. There are several applications pending approval by the state and county for the Planning Incentive Grant Program and various relationships.

Walmart Plaza includes a restaurant, stores and a hotel. The Cracker Barrel Restaurant and Old Country Store opened in the fall of 1998 and the Hampton Inn opened in the Spring of 1999.

The Township has completed a reassessment process. This produced an increase in ratables and a decrease in the tax rate. The largest taxpayers are National Project Resources and Franklin Hotel Associates.

MAJOR INITIATIVES

During the school year 2007-08, the district achieved the following major goals:

1. Implementation of a new K-8 Language Arts Series.
2. Upgrading of mathematics curriculum.
3. Restructuring of the Gifted and Talented Education Program.
4. Reorganization of the technology department.
5. Expansion of the Basic Skills Services.
6. Technology system updates and purchase of additional technology for student use.
7. Continue to work with construction manager and architectural firm in regard to the construction and renovation project.

INTERNAL ACCOUNTING CONTROLS

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

to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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

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

BUDGETARY CONTROLS

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2008.

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.

FINANCIAL INFORMATION AT FISCAL YEAR-END

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet responsibility for sound financial management. The following schedule presents a summary of the general fund and special revenue fund, revenues and expenditures for the fiscal year ended June 30, 2008 and the amount and percentage of increases in relation to prior year revenues and expenditures. (see chart on next page)

<u>Revenue</u>	<u>Amount</u>	Percent of <u>Total</u>	<u>Inc./(Dec.) from 2007</u>	Percent of <u>Inc./(Dec.)</u>
Local Sources:				
Tax Levy:				
•General	\$4,744,466	80.94%	\$(36,605)	-0.77%
•Debt Service	463,929	7.92%	46,500	11.14%
Other Revenues	64,996	1.11%	28,621	78.68%
State Aid	425,436	7.26%	15,580	3.80%
Federal Aid	162,528	2.77%	46,211	39.73%
Total	<u>\$5,861,355</u>	<u>100.00%</u>	<u>\$100,307</u>	<u>1.74%</u>

There is a decrease in the general tax levy of \$36,605 and an increase of \$46,500 in debt service tax levy. The debt service tax levy started in the 2005-06 year.

<u>Expenditures</u>	<u>Amount</u>	Percent of <u>Total</u>	<u>Inc.(Dec.) from 2007</u>	Percent of <u>Inc.(Dec.)</u>
Current Expense	\$5,149,854	88.37%	\$128,268	2.55%
Capital Outlay	--	0.00%	(2,897)	-100.00%
Special Projects	213,518	3.66%	51,450	31.75%
Debt Service:				
•Principal	150,000	2.57%	50,000	50.00%
•Interest	313,929	5.39%	(3,500)	-1.10%
	<u>\$5,827,301</u>	<u>100.00%</u>	<u>\$223,321</u>	<u>3.99%</u>

Note: Excludes "on behalf" Payments, Lease Purchase Acquisitions and Capital Projects.

This year we had an increase in current expenditures. We had increases in heating, transportation and maintenance projects.

DEBT ADMINISTRATION

As a result of the successful passage of the bond referendum in December 2004, the district has \$7,994,000 of bonds outstanding.

CASH MANAGEMENT

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

RISK MANAGEMENT

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

INDEPENDENT AUDIT

State statutes require an annual audit by independent Certified Public Accountants or registered municipal accounts. William M. Colantano, Jr., a licensed Certified Public Accountant with a team of CPA's, audited the District's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2008 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the District's financial statements for the fiscal year ended June 30, 2008 are fairly represented in conformity with GAAP.

ACKNOWLEDGMENTS

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

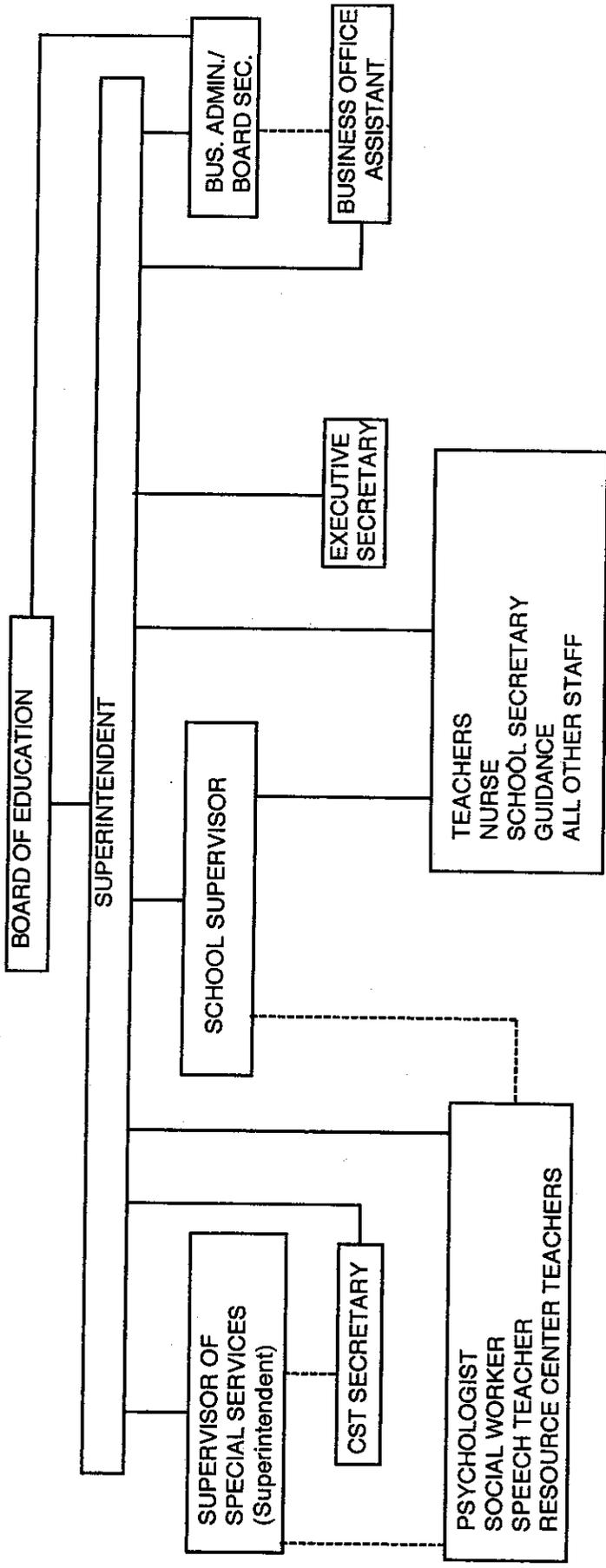
Respectfully submitted,



Dr. James Dwyer
Interim Superintendent



Barbara A. Tudek
Interim Business Administrator/Board Secretary



**FRANKLIN TOWNSHIP BOARD OF EDUCATION
QUAKERTOWN, NEW JERSEY 08868**

ROSTER OF OFFICIALS
JUNE 30, 2008

Members of the Board of Education

Term Expires

Dolores Wright, President	2009
James Campbell, Vice President	2009
Donna Cook	2009
Alba Burdick	2010
Nancy Reed	2010
Toni Wolak	2010
Peter DiGiambattista	2011
Lori Vail	2011
Kenneth Weiss	2011

Other Officials

Dr. James Dwyer, Interim Superintendent

Barbara A. Tudek, Interim Business Administrator/Board Secretary

Ronald F. Mathews, Treasurer

FRANKLIN TOWNSHIP BOARD OF EDUCATION
Consultants and Advisors

Audit Firm

William Colantano, Jr.
100 Rt. 31
Washington, NJ 07882

Attorney

Porzio, Bromberg, & Newman
163 Madison Avenue
Morristown, NJ 07962-1997

Official Depository

Bank of America
Main Street
Clinton, NJ 08809

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

August 22, 2008

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

I 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 Franklin Township School District in the County of Hunterdon, as of and for the fiscal year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Franklin Township Board of Education management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinion.

In my 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 Franklin Township Board of Education in the County of Hunterdon, as of June 30, 2008, 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, I have also issued a report dated August 22, 2008 on my consideration of the Franklin Township Board of Education's internal control over financial reporting and on my 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 my 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 my 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. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Franklin Township 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 my 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, I 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 my 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

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
QUAKERTOWN, NEW JERSEY**

10.0

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

The discussion and analysis of the Franklin Township School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the transmittal letter, the basic financial statements and notes to enhance their understanding of the District's financial performance.

The Management's Discussion and Analysis (MD&A) is a new element of Required Supplementary Information specified in Governmental Accounting Standards Board's (GASB) Statement No. 34 – Basic Financial Statements and Management's Discussion and Analysis of comparative information between the current year (07-08) and the prior year (06-07) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

KEY FINANCIAL HIGHLIGHTS ARE AS FOLLOWS:

•In total, net assets increased \$459,954 which is a 14.86% increase over 2007. The reason for this increase is primarily due to interest income in the Capital Projects Fund.

•General revenue accounted for \$6,501,490 in revenue or 95.7% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$294,659 or 4.3% of the total revenue of \$6,796,149.

•The School District had \$6,336,195 in expenses; only \$294,659 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primary tax levy) were adequate to provide for these programs.

Among governmental funds, the General Fund had \$5,670,812 in revenues and \$5,637,647 in expenditures and a transfer in of \$140,000. from the accumulated interest income of the capital projects fund. The General Fund's balance increased by \$173,165 over 2007.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED

**USING THIS COMPREHENSIVE ANNUAL
FINANCIAL REPORT (CAFR)**

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

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

REPORTING THE DISTRICT AS A WHOLE

STATEMENT OF NET ASSETS AND THE STATEMENT OF ACTIVITIES (CHANGES IN NET ASSETS)

While this document contains the various funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2007-08? The Statement of Net Assets and the Statement of Activities answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net 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 positions of the School District have improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the School District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

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

**REPORTING THE SCHOOL DISTRICT'S
MOST SIGNIFICANT FUNDS**

FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL FUNDS

The School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future years. These funds 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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

THE SCHOOL DISTRICT AS A WHOLE

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 in 2008.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
QUAKERTOWN, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

**TABLE 1
NET ASSETS**

ASSETS	<u>6/30/2008</u>	<u>6/30/2007</u>	Variance	
			<u>Dollars</u>	<u>Percent</u>
Current & Other Assets	\$9,256,678	\$8,969,942	\$286,736	3.20%
Capital Assets	<u>2,761,966</u>	<u>2,783,820</u>	<u>(21,854)</u>	-0.79%
Total Assets	<u>12,018,644</u>	<u>11,753,762</u>	<u>264,882</u>	2.25%
LIABILITIES				
Long Term Liabilities	\$8,067,662	\$8,218,605	(150,943)	-1.84%
Other Liabilities	<u>396,662</u>	<u>440,791</u>	<u>(44,129)</u>	-10.01%
Total Liabilities	<u>8,464,324</u>	<u>8,659,396</u>	<u>(195,072)</u>	-2.25%
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	(5,232,034)	(5,360,180)	128,146	-2.39%
Restricted	7,933,930	7,475,913	458,017	6.13%
Unrestricted	<u>852,424</u>	<u>978,633</u>	<u>(126,209)</u>	(12.90%
	<u>\$3,554,320</u>	<u>\$3,094,366</u>	<u>\$459,954</u>	14.86%

Table 2 shows the changes in net assets for fiscal year 2008.

**TABLE 2
CHANGES IN NET ASSETS**

REVENUES	<u>6/30/2008</u>	<u>6/30/2007</u>	Variance	
			<u>Dollars</u>	<u>Percent</u>
Program Revenues:				
Charges for Services	\$ 76,537	\$ 68,445	\$ 8,092	11.82%
Operating Grants & Contributions	218,122	165,767	52,355	31.58%
Capital Grants		283,609	(283,609)	(a)
General Revenues:				
Property Taxes	5,208,395	5,198,500	9,895	0.19%
Unrestricted Grants	862,235	820,791	41,444	5.05%
Other	<u>430,860</u>	<u>440,961</u>	<u>(10,101)</u>	-2.29%
Total Revenues	<u>6,796,149</u>	<u>6,978,073</u>	<u>(181,924)</u>	-2.61%
PROGRAM EXPENSES				
Instruction:				
Regular	2,534,733	2,432,727	102,006	4.19%
Special	912,503	925,821	(13,318)	-1.44%
Other	24,055	18,287	5,768	31.54%
Support Services:				
Tuition	313,554	270,255	43,299	16.02%
Student & Instructional Staff	606,321	601,534	4,787	0.80%
General & Business Administration	529,587	522,163	7,424	1.42%
School Administration	108,648	125,925	(17,277)	-13.72%
Maintenance	508,126	467,274	40,852	8.74%
Transportation	407,501	398,657	8,844	2.22%

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
QUAKERTOWN, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

Food Service/Summer Program	75,548	67,003	8,545	12.75%
	<u>6/30/2008</u>	<u>6/30/2007</u>	<u>Variance</u>	
			<u>Dollars</u>	<u>Percent</u>
Interest on Long Term Debt	315,619	319,775	(4,156)	-1.30%
Total Expenses	<u>6,336,195</u>	<u>6,149,421</u>	<u>186,774</u>	3.04%
Increase (Decrease) Before Special Items	<u>459,954</u>	<u>828,652</u>	<u>(375,790)</u>	-44.49%

Governmental Activities

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District's operations. Property taxes made up 89% of revenues for governmental activities for the Franklin Township School District for the fiscal year 2008.

Instruction comprises 54.7% of the District's expenses. Support services expenses make up 45.3% of the District's expenses.

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

Table 3 provides a summary of the School District's costs of governmental services in 2008.

TABLE 3
COST OF GOVERNMENTAL SERVICES

	TOTAL COST OF SERVICES		NET COSTS OF SERVICES	
	<u>6/30/2008</u>	<u>6/30/2007</u>	<u>6/30/2008</u>	<u>6/30/2007</u>
Instruction	\$3,471,291	\$3,376,835	\$3,365,808	\$3,088,168
Support Services:				
Tuition	313,554	270,255	277,160	265,444
Student & Instructional Staff	606,321	601,534	534,679	487,991
General & Business Administration	529,587	522,163	539,587	490,603
School Administration	108,648	125,925	108,648	118,829
Plant Operations & Maintenance	508,126	467,274	508,126	467,274
Pupil Transportation	407,501	398,657	407,501	398,657
Food Services/Summer Program	75,548	67,003	(5,592)	(5,141)
Interest on Long Term Debt	<u>315,619</u>	<u>319,775</u>	<u>315,619</u>	<u>319,775</u>
	<u>\$6,336,195</u>	<u>\$6,149,421</u>	<u>\$6,041,536</u>	<u>\$5,631,600</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

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

Students 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 activities involve keeping the school grounds, buildings and equipment in an effective working condition.

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

Table 4 provides a summary of School District's capital assets net of depreciation for 2008.

**TABLE 4
CAPITAL ASSETS AT YEAR END (Net of Depreciation)**

	<u>6/30/2008</u>	<u>6/30/2007</u>	<u>Variances</u>	
			<u>Dollars</u>	<u>Percent</u>
Land	\$ 285,100	\$ 285,100	\$ -	0.00%
Land Improvements	16,855	20,539	(3,684)	-17.94%
Building and Improvements	1,305,770	1,371,260	(65,490)	- 4.78%
Machinery and Equipment	115,228	141,037	(25,809)	-18.30%
Construction in Progress	<u>1,039,013</u>	<u>965,884</u>	<u>73,129</u>	7.57%
	<u>\$2,761,966</u>	<u>\$2,783,820</u>	<u>\$(21,854)</u>	<u>-0.79%</u>

Table 5 provides outstanding Bonded Debt at June 30, 2008.

**TABLE 5
OUTSTANDING DEBT AT YEAR END**

	<u>6/30/2008</u>	<u>6/30/2007</u>	<u>Variances</u>	
			<u>Dollars</u>	<u>Percent</u>
2005 General Obligation Bonds	<u>\$7,994,000</u>	<u>\$8,144,000</u>	<u>\$ (150,000)</u>	-1.84%
	<u>\$7,994,000</u>	<u>\$8,144,000</u>	<u>\$ (150,000)</u>	-1.84%

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
QUAKERTOWN, NEW JERSEY**

10.6

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

GENERAL FUND BUDGETING HIGHLIGHTS

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

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

During the course of the 2008 fiscal year, the district amended its general fund budget by transferring funds as needed to prevent over-expenditures in specific line item accounts. The most significant need for changes was the result of higher fuel and transportation charges due to the escalation in oil prices and maintenance projects of the school facility.

CAPITAL ASSETS

At the end of the fiscal year 2008, the School District had \$2,761,966 invested in land, buildings, furniture and equipment. Table 4 shows fiscal 2008 balances compared to 2007.

LONG TERM LIABILITIES-DEBT ADMINISTRATION

As of June 30, 2008, the district had \$8,067,662 of long-term liabilities. Of this amount, \$73,662 is for compensated absences. As of June 30, 2008, as a result of the December 2004 referendum, there is new debt in the amount of \$7,994,000 of bonds payable. Table 5 shows fiscal year 2008 balances compared to 2007.

FOR THE FUTURE

The Franklin Township School District is in good financial condition. A major concern is the increased reliance on local property taxes. Future finances are not without challenges as our community continues to grow and State funding remains flat or is decreased.

Franklin Township's budget has been defeated for four years in a row. The contributing factors for the defeats are thought to be the funding formula, the downturn in the economy and inequities in distribution of state aid with the bulk of the funding going to 31 special needs districts while districts

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
QUAKERTOWN, NEW JERSEY**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

like Franklin Township must rely on local property taxes to support 92.6% of their general fund budget.

New Jersey school districts have no taxing authority. Municipalities collect all property taxes for their respective community and pay over to the other government agencies whatever is collected on their behalf and pay over to school districts the exact amount approved by the voters or, in the case of a defeat, the amount agreed to by the municipalities and Board of Education.

In conclusion, Franklin Township School District has committed itself to financial excellence for many years. In addition, the 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

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

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.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Govern- mental Activities	Business- Type Activities	Total
ASSETS			
Cash & Cash Equivalents	\$ 1,163,363	\$ 17,127	\$ 1,180,490
Receivables, Net	59,437	321	59,758
Interfunds Receivable	16,802	4,504	21,306
Bond Issuance Costs-Net	60,821		60,821
Inventory		373	373
Restricted Assets:			
Capital Projects	7,933,930		7,933,930
Capital Assets, Net (Note 4)	2,758,833	3,133	2,761,966
Total Assets	11,993,186	25,458	12,018,644
LIABILITIES			
Accounts Payable	230,331		230,331
Accrued Interest on Bonds	115,755		115,755
Payable to Governments	19,304		19,304
Deferred Revenue	31,272		31,272
Long-Term Liabilities (Note 5):			
Due Within One Year	250,000		250,000
Due Beyond One Year	7,744,000		7,744,000
Compensated Absences	73,662		73,662
Total Liabilities	8,464,324	-	8,464,324
NET ASSETS			
Invested in Capital Assets, Net of Related Debt-(Deficit)	(5,235,167)	3,133	(5,232,034)
Restricted For:			
Capital Projects	7,933,929		7,933,929
Capital Reserve	1		1
Unrestricted	830,099	22,325	852,424
TOTAL NET ASSETS	\$ 3,528,862	\$ 25,458	\$ 3,554,320

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

FRANKLIN TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Functions/Programs	Direct Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue & Changes in Net Assets		
			Charges for Services	Operating Grants & Contribution	Capital Grants & Contribution	Governmental Activities	Business-Types Activities	Total
Government Activities:								
Instruction:								
Regular	\$ 1,856,919	\$ 677,814	\$	\$ 76,637		\$	\$ (2,458,096)	\$ (2,458,096)
Special Education	581,860	213,557		28,846		(766,571)	(766,571)	(766,571)
Other Special Education	73,011	44,075				(117,086)	(117,086)	(117,086)
Other Instruction	23,429	626				(24,055)	(24,055)	(24,055)
Support Services:								
Tuition	313,554			36,354				
Students & Instruction Related Services	442,649	163,672		71,842		(277,160)	(277,160)	(277,160)
General & Business Administration Services	434,125	95,462				(534,679)	(534,679)	(534,679)
School Administration Services	80,525	28,123				(529,587)	(529,587)	(529,587)
Plant Operations & Maintenance	506,703	1,423				(108,648)	(108,648)	(108,648)
Pupil Transportation	407,501					(508,126)	(508,126)	(508,126)
Interest on Long Term Debt	315,619					(407,501)	(407,501)	(407,501)
Total Government Activities	5,035,895	1,224,752	\$ -	213,519	\$ -	(315,619)	(315,619)	(315,619)
Business-Type Activities:								
Food Service	75,548			4,603				
Total Business-Type Activities	75,548	-	76,537	4,603	-	-	5,592	5,592
Total Primary Government	\$ 5,111,443	\$ 1,224,752	\$ 76,537	\$ 218,122	\$ -	(6,047,128)	(6,047,128)	(6,047,128)
Business-Types:								
General Revenues								
Property Taxes Levied for General Purposes						4,744,466	4,744,466	4,744,466
Property Taxes Levied for Debt Service						463,929	463,929	463,929
Federal & State Aid not Restricted						862,235	862,235	862,235
Investment Earnings						381,194	381,194	381,194
Miscellaneous Income						48,920	48,920	48,920
Total General Revenues, Special Items & Transfers						6,500,744	6,500,744	6,500,744
Change in Net Assets						453,616	453,616	453,616
Net Assets-Beginning						3,075,246	3,075,246	3,075,246
Net Assets-Ending						\$ 3,528,862	\$ 3,528,862	\$ 3,528,862

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

FUND FINANCIAL STATEMENTS

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash & Cash Equivalents	\$ 738,541	\$ 21,061	\$ 403,761		\$ 1,163,363
Receivables from Other Governments:					
State	22,151				22,151
Federal		35,754			35,754
Interfund Receivable	21,306				21,306
Other Receivables	1,532				1,532
Restricted Cash & Equivalents	1		7,933,929		7,933,930
TOTAL ASSETS	\$ 783,531	\$ 56,815	\$ 8,337,690	\$ -	\$ 9,178,036
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 224,092	\$ 6,239			\$ 230,331
Payables to Governments:					
State		1,440			1,440
Federal		17,864			17,864
Interfund Payable	4,504				4,504
Deferred Revenue		31,272			31,272
Total Liabilities	228,596	56,815	-	\$ -	285,411

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

FRANKLIN TOWNSHIP SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008
(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	\$ 16,817				\$ 16,817
Excess Surplus	191,554				191,554
Capital Reserve Account	1				1
Unreserved:					
Designated for Subsequent Year's Expenditures			\$ 7,933,929		7,933,929
Designated for Subsequent Year's Budget	100,000		372,213		472,213
Undesignated	246,563		31,548		278,111
Total Fund Balances	<u>554,935</u>	<u>\$ -</u>	<u>8,337,690</u>	<u>\$ -</u>	<u>8,892,625</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 783,531	\$ 56,815	\$ 8,337,690	\$ -	

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

\$ 5,263,422
2,504,589

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

2,758,833
(8,067,662)

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

(115,755)

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

73,167
12,346

Total Net Assets of Governmental Activities

\$ 3,528,862

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

FRANKLIN TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

REVENUES	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Local Sources:					
Local Tax Levy	\$ 4,744,466			\$ 463,929	\$ 5,208,395
Interest on Investments	15,191		\$ 366,003		381,194
Miscellaneous	48,920	\$ 874			49,794
Total	4,808,577	874	366,003	463,929	5,639,383
State Sources	862,235	50,116			912,351
Federal Sources	162,529	162,529			162,529
Total Revenues	5,670,812	213,519	366,003	463,929	6,714,263

EXPENDITURES

Current :	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Instructional:					
Regular Instruction	1,780,282	76,637			1,856,919
Special Education Instruction	553,014	28,846			581,860
Other Special Instruction	73,011				73,011
Other Instruction	23,429				23,429
Support Service & Undistributed Costs:					
Tuition	277,160	36,394			313,554
Student & Instruction Related Services	371,007	71,642			442,649
General & Business Administrative Services	434,125				434,125
School Administrative Services	80,525				80,525
Plant Operations & Maintenance	506,703				506,703
Pupil Transportation	407,501				407,501
Unallocated Benefits	1,130,890				1,130,890

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

FRANKLIN TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
EXPENDITURES (Cont'd)					
Capital Outlay			\$ 73,129		\$ 73,129
Debt Service:					
Principal				150,000	150,000
Interest & Other Charges				313,929	313,929
Total Expenditures	\$ 5,637,647	\$ 213,519	73,129	463,929	6,388,224
Excess (Deficiency) of Revenues Over (Under) Expenditures	33,165	-	292,874	-	326,039
Other Financing Sources (Uses):					
Operating Transfer In	671,146		531,146		1,202,292
Operating Transfer Out	(531,146)		(671,146)		(1,202,292)
	140,000	-	(140,000)	-	-
Net Change in Fund Balance	173,165	-	152,874	-	326,039
Fund Balances, July 1	381,770		8,184,816		8,566,586
Fund Balances, June 30	\$ 554,935	\$ -	\$ 8,337,690	\$ -	\$ 8,892,625

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

FRANKLIN TOWNSHIP SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Total Net Changes in Fund Balances-Governmental Fund (from B-2) \$ 326,039

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 outlay in the period:

Capital Outlays	\$ 73,129	
Depreciation Expense	<u>94,805</u>	
		(21,676)

Repayment of debt principal and capital leases are expendi-
tures 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:

Debt Principal Payments	150,000
-------------------------	---------

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	(3,658)
-------------------------------------	---------

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.

	1,968
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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.

	<u>943</u>
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Change in Net Assets of Governmental Activities

	<u><u>\$ 453,616</u></u>
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FRANKLIN TOWNSHIP SCHOOL DISTRICT
COMBINING STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

	Food Service Fund	Summer Program	Total
ASSETS			
Current Assets:			
Cash & Cash Equivalents	\$ 13,488	\$ 3,639	\$ 17,127
Accounts Receivable:			
Intergov't-Federal	321		321
Interfund Receivable	4,504		4,504
Inventories	373		373
Total Current Assets	<u>18,686</u>	<u>3,639</u>	<u>22,325</u>
Fixed Assets:			
Capital Assets	8,572		8,572
Accumulated Depreciation	5,439		5,439
Total Fixed Assets	<u>3,133</u>	<u>-</u>	<u>3,133</u>
Total Assets	<u>21,819</u>	<u>3,639</u>	<u>25,458</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	3,133		3,133
Unrestricted	18,686	3,639	22,325
TOTAL NET ASSETS	<u>\$ 21,819</u>	<u>\$ 3,639</u>	<u>\$ 25,458</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

FRANKLIN TOWNSHIP SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Food Service Fund	Summer Program	Total
Operating Revenues:			
Charges for Services:			
Daily Sales-Reimbursable Programs	\$ 3,822		\$ 3,822
Daily Sales-Nonreimbursable Programs	72,715		72,715
Total Operating Revenues	<u>76,537</u>	<u>\$ -</u>	<u>76,537</u>
Operating Expenses:			
Costs of Sales	38,322		38,322
Salaries	19,737		19,737
Employee Benefits	2,956		2,956
Insurance	2,750		2,750
Management Fees	7,450		7,450
Other Purchased Services	554		554
General Supplies	1,922		1,922
Depreciation	692		692
Miscellaneous	1,165		1,165
Total Operating Expenses	<u>75,548</u>	<u>-</u>	<u>75,548</u>
Operating Income (Loss)	<u>989</u>	<u>-</u>	<u>989</u>
Nonoperating Revenues:			
Federal Sources:			
Special Milk Program	4,603		4,603
Prior Year Refunds	405		405
Interest Earned on Investments	341		341
Total Nonoperating Revenues	<u>5,349</u>	<u>-</u>	<u>5,349</u>
Change in Net Assets	6,338	-	6,338
Total Net Assets, Beginning	<u>15,481</u>	<u>3,639</u>	<u>19,120</u>
Total Net Assets, Ending	<u>\$ 21,819</u>	<u>\$ 3,639</u>	<u>\$ 25,458</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

FRANKLIN TOWNSHIP SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Food Service Fund	Summer Program	Total
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 76,537		\$ 76,537
Payments to Food Services Management Co	(78,375)		(78,375)
Payments to Vendors (Net)	(171)		(171)
Interfund Advanced	(4,504)		(4,504)
Net Cash Provided by (Used For) Operating Activities	(6,513)	\$ -	(6,513)
Cash Flows from Noncapital Financing Activities:			
Federal Sources	4,504		4,504
Prior Year Refunds	405		405
Net Cash Provided by (Used For) Noncapital Financing Activities	4,909	-	4,909
Cash Flows from Capital Financing Activities:			
Acquisition of Equipment	(514)		(514)
Net Cash Provided by (Used For) Capital Financing Activities	(514)	-	(514)
Cash Flows from Investing Activities:			
Interest Earned on Investments	341	-	341
Net Increase (Decrease) in Cash and Cash Equivalents	(1,777)	-	(1,777)
Cash and Cash Equivalents, July 1, 2007	15,265	3,639	18,904
Cash and Cash Equivalents, June 30, 2008	<u>\$ 13,488</u>	<u>\$ 3,639</u>	<u>\$ 17,127</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:			
Operating Income (Loss)	\$ 989		\$ 989
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:			
Depreciation	692		692
(Increase) Decrease in Inventory	(144)		(144)
(Increase) Decrease in Interfund Receivable	(4,504)		(4,504)
Increase (Decrease) in Accounts Payable	(3,546)		(3,546)
Net Cash Provided by (Used For) Operating Activities	\$ (6,513)	\$ -	\$ (6,513)

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

FRANKLIN TOWNSHIP SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2008

	Unemployment Compensation Fund	Student Activity Agency Fund	Payroll Agency Fund
ASSETS			
Cash & Cash Equivalents	\$ 95,525	\$ 3,722	\$ 11,192
TOTAL ASSETS	<u>95,525</u>	<u>\$ 3,722</u>	<u>\$ 11,192</u>
LIABILITIES			
Interfund Payable Due to Student Groups	21,306	\$ 3,722	
Payroll Deductions & Withholdings			\$ 11,192
TOTAL LIABILITIES	<u>21,306</u>	<u>\$ 3,722</u>	<u>\$ 11,192</u>
NET ASSETS	<u>\$ 74,219</u>		

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

FRANKLIN TOWNSHIP SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Unemployment Compensation Fund</u>
ADDITIONS	
Investment Earnings-Interest	<u>\$ 2,420</u>
Total Additions	<u>2,420</u>
DEDUCTIONS	
Unemployment Claims	<u>9,007</u>
Total Deductions	<u>9,007</u>
Change in Net Assets	(6,587)
Net Assets, Beginning of the Year	<u>80,806</u>
Net Assets, End of the Year	<u>\$ 74,219</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

FRANKLIN TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (Board) of the Franklin Township 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 overall 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, 2008 of 347 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.

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.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)

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

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.

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.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2008
 (Continued)

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

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

General Fund (Cont'd)

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.

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.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)

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

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

Enterprise Fund (Cont'd)

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

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, 2008 were insignificant.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)

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

D. Budgets/Budgetary Control (Cont'd)

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

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

E. Encumbrances

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

Open encumbrances in the Special Revenue Fund for which the District has received advances are reflected in the balance sheet as 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 2007-2008 and 2006-2007 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.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2008
 (Continued)

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

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. Prepaid items in the Enterprise Fund represent payments made to vendors for services that will benefit periods beyond June 30, 2008.

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	40
Building Improvements & Storage Sheds	20-50
Land Improvements	20
Furniture	20
Maintenance Equipment	15
Musical Instruments	10
Athletic Equipment	10
Audio Visual Equipment	10
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.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)

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

K. Compensated Absences

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

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

L. 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. Prepaid lunch debit card revenue balances at year-end are also included in deferred revenue.

M. Long-Term Obligations

In the government-wide financial statements and in internal service fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net 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 at June 30, 2008 consists entirely of reserves for capital projects.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008
(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.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2008
 (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, 2008 appear in the financial statements as summarized below:

Cash and Cash Equivalents		<u>\$ 9,224,859</u>
	<u>Ref.</u>	
Cash and Cash Equivalents:		
Governmental Funds, Statement of Net Assets	B-1	\$ 9,097,293
Enterprise Fund, Statement of Net Assets	B-4	17,127
Fiduciary Funds, Statement of Net Assets	B-7	<u>110,439</u>
Total Cash		<u>\$ 9,224,859</u>

Deposits – The District's carrying amount of bank deposits at June 30, 2008 is \$9,224,859 and the bank balance is \$9,393,794. Of the bank balance, \$100,000 is covered by federal depository insurance and \$9,293,794 is insured by GUDPA.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008
(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, 2008, the district has no investments.

NOTE 4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008 is as follows:

GOVERNMENTAL ACTIVITIES	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, Not Being Depreciated:				
Land	\$ 285,100			\$ 285,100
Construction in Progress	965,884	\$ 73,129		1,039,013
	<u>1,250,984</u>	<u>73,129</u>	<u>\$ -0-</u>	<u>1,324,113</u>
Capital Assets, Being Depreciated:				
Land Improvements	107,643			107,643
Building & Improvements	2,963,785			2,963,785
Furniture & Equipment	867,881			867,881
Total	<u>3,939,309</u>	<u>-0-</u>	<u>-0-</u>	<u>3,939,309</u>

FRANKLIN TOWNSHIP SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2008
 (Continued)

NOTE 4. CAPITAL ASSETS (Cont'd)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES				
Accumulated Depreciation:				
Land Improvements	\$ 87,104	\$ 3,684		\$ 90,788
Building & Improvements	1,592,525	65,490		1,658,015
Furniture & Equipment	<u>730,155</u>	<u>25,631</u>		<u>755,786</u>
Total	<u>2,409,784</u>	<u>94,805</u>	<u>\$ -0-</u>	<u>2,504,589</u>
 Total Capital Assets, Being Depreciated, Net	 <u>1,529,525</u>	 <u>(94,805)</u>	 <u>-0-</u>	 <u>1,434,720</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,780,509</u>	<u>\$ (21,676)</u>	<u>\$ -0-</u>	<u>\$ 2,758,833</u>
 Business-Type Activities:				
Furniture & Equipment	\$ 8,058	\$ 514		\$ 8,572
Less: Accum Depreciation	<u>4,747</u>	<u>692</u>		<u>5,439</u>
Business-Type Activities Capital Assets, Net	<u>\$ 3,311</u>	<u>\$ (178)</u>	<u>\$ -0-</u>	<u>\$ 3,133</u>

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

Instruction:	
Regular	\$ 49,650
Special Education	15,557
Other Special Instruction	1,952
Co-curricular Activities	626
Support Services:	
Student & Instruction	11,835
General & Business Admin	11,607
School Administration	2,153
Plant Maintenance	<u>1,425</u>
Total Depreciation Expense, Governmental Activities	<u>\$ 94,805</u>

FRANKLIN TOWNSHIP SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2008
 (Continued)

NOTE 5. LONG-TERM DEBT

Long-Term Liability Activity for the Year Ended June 30, 2008 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	\$ 8,144,000		\$ 150,000	\$ 7,994,000	\$ 250,000
Compensated Absences Payable	<u>74,605</u>	<u>\$ 11,652</u>	<u>12,595</u>	<u>73,662</u>	
Total Governmental Activities Long-Term Liabilities	<u>\$ 8,218,605</u>	<u>\$ 11,652</u>	<u>\$ 162,595</u>	<u>\$ 8,067,662</u>	<u>\$ 250,000</u>

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

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2008 including interest payments are listed as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 250,000	\$ 308,679	\$ 558,679
2010	355,000	299,929	654,929
2011	370,000	287,060	657,060
2012	385,000	273,185	658,185
2013	400,000	258,747	658,747
2014-2018	2,245,000	1,056,925	3,301,925
2019-2023	2,735,000	587,600	3,322,600
2024-2025	<u>1,254,000</u>	<u>75,720</u>	<u>1,329,720</u>
Total	<u>\$ 7,994,000</u>	<u>\$ 3,147,845</u>	<u>\$ 11,141,845</u>

FRANKLIN TOWNSHIP SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2008
 (Continued)

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

General Obligation Bonds – General obligation school building bonds at June 30, 2008, with their outstanding balances are comprised of the following individual issues:

\$8,244,000 - 2005 general obligation bonds, interest from 3.50% to 4.00% due in annual installments beginning Feb 15, 2008 through Feb 15, 2025	<u>\$ 7,994,000</u>
--	---------------------

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, 2008 is \$18,639,496. General obligation debt at June 30, 2008 is \$10,532,415, resulting in a legal debt margin of \$8,107,081.

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).

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).

FRANKLIN TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)

NOTE 6. PENSION PLANS (Cont'd)

B. Public Employees' Retirement System (Cont'd)

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.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)

NOTE 6. PENSION PLANS (Cont'd)

Contribution Requirements (Cont'd)

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

<u>Year</u> <u>Funding</u>	Annual Pension Cost (APC)/ Post Retire Medical Bene	Percentage of APC Contributed
06/30/08	\$ 300,206	100%
06/30/07	274,352	100%
06/30/06	110,363	100%

Three-Year Trend Information for PERS

<u>Year</u> <u>Funding</u>	Annual Pension Cost (APC)	Percentage of APC Contributed
06/30/08	\$ 19,913	100%
06/30/07	11,072	100%
06/30/06	7,896	100%

During the year ended June 30, 2008, the State of New Jersey contributed \$108,531 to the TPAF for post-retirement medical benefits and \$191,675 for the normal pension contribution on behalf of the Board. Also, in accordance with NJSA 18A:66-66 the State of New Jersey reimbursed the Board \$187,593 during the year ended June 30, 2008 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. As of June 30, 2007, there were 75,860 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 with an additional contribution beginning in fiscal year 1996 to maintain a medical reserve of one half of 1% of the active State payroll.

The State made post-retirement (PRM) contributions of \$592.7 million for TPAF and \$224.3 million for PERS in fiscal year 2007.

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 2007, the State paid \$110.3 million toward Ch 126 benefits for 11,747 eligible retired members.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)

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:

VALIC
Syracusa Benefits
Lincoln Investment Planning

NOTE 9. INTERFUND RECEIVABLE AND PAYABLES

The following interfund balances remained on the various balance sheets at June 30, 2008:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 16,802	
Fiduciary Fund:		
Unemployment Compensation		\$ 21,306
Proprietary Fund:		
Food Service Fund	4,504	
	\$ 21,306	\$ 21,306

NOTE 10. INVENTORY

Inventory in the Food Service Fund June 30, 2008 consisted of the following:

Food	\$ 199
Supplies	174
	\$ 373

NOTE 11. CONTINGENT LIABILITIES

The District is involved in various legal proceedings that are incidental to its operations. In the opinion of management, the ultimate resolution of these matters will not have a material adverse effect on the financial position of the 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.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008
(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>Other Contrib</u>	<u>Interest Earnings</u>	<u>Employee Contrib</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2007-2008	\$ -0-	\$ 2,420	\$ -0-	\$ 9,007	\$ 74,219
2006-2007	-0-	2,640	1,600	12,299	80,806
2005-2006	-0-	2,049	3,000	18,811	88,865

NOTE 13. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the District by inclusion of \$1 on September 25, 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 at any time 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.

NOTE 14. CAPITAL PROJECT

On December 14, 2004 the voters of the school district approved a capital project for renovations and improvements to the Franklin Township Elementary School in the amount of \$11,080,205. Of this amount the District expects to receive a maximum amount of \$2,836,092 from the State of New Jersey in the form of a direct grant or debt service aid in lieu of the grant. Exhibit F-1A reflects an analysis of the project as of June 2008 and Exhibit I-1 reflects the status of Long Term Debt which has been issued as of June 30, 2008 to partially finance the authorized project. During the year ended June 30, 2008 the District transferred \$531,146 of project interest earnings to the General Fund which was appropriated to increase the project.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)

NOTE 15. CAPITAL PROJECTS INTEREST EARNINGS

New Jersey statutes require that interest earned on the investments in the Capital Projects Fund be credited to the General Fund or Debt Service Fund based on Board resolution. As of June 30, 2008 interest earnings in the amount of \$403,761 have not been transferred to either the General or Debt Service Fund. \$372,213 of the \$403,761 has been anticipated in the 2008-2009 debt service budget as an anticipated revenue to off-set tax requirements. The balance of \$31,548 is to be transferred to either the General or Debt Service Fund.

In addition to the \$531,146 reflected in Note 14 the District transferred \$140,000 to the General Fund which was anticipated in the 2007-2008 budget to off-set tax requirements.

NOTE 16. 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, 2008 and 2007 is as follows:

	<u>2008</u>	<u>2007</u>
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	\$ 16,817	\$ 38,392
Excess Surplus-Represents amount in excess of allowable percentage In accordance with state statute NJSA 18A: 7 F-7 the excess surplus is designated for utilization in succeeding years budgets	124,959	66,595
Excess Surplus-Designated for Subsequent Year's Expenditures-Amount appropriated in the succeeding year's budget to reduce tax requirements	66,595	30,018
Capital Reserve Account-represents funds restricted to capital projects in the Districts Long Range Facilities Plan	1	1
Unreserved:		
Designated for Subsequent Year's Expenditures-Represents amount appropriated in the succeeding year's budget to reduce tax requirements	100,000	
Undesignated-represents fund balance which has not been reserved or designated	<u>263,708</u>	<u>263,025</u>
Total Fund Balance	<u>\$ 572,080</u>	<u>\$ 398,031</u>

NOTE 17. 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, 2008 is \$124,959.

REQUIRED SUPPLEMENTARY INFORMATION-PART II

BUDGETARY COMPARISON SCHEDULES

FRANKLIN TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES					
Local Sources:					
Local Tax Levy	\$ 4,744,466		\$ 4,744,466	\$ 4,744,466	
Interest on Investments	15,000		15,000	15,191	\$ 191
Miscellaneous- unrestricted				48,920	48,920
Total	4,759,466	\$ -	4,759,466	4,808,577	49,111
State Sources:					
Transportation Aid	93,188		93,188	93,188	
Special Education Aid	201,241		201,241	201,241	
Consolidated Aid	44,107		44,107	44,107	
Bilingual Education	2,318		2,318	2,318	
Additional Formula Aid	20,758		20,758	20,758	
Non Public Transportation Aid				6,616	6,616
Extraordinary Aid				7,092	7,092
On-Behalf TPAF Pension Contributions				300,206	300,206
Reimbursed TPAF Social Security Contributions				187,593	187,593
Total	361,612	-	361,612	863,119	501,507
TOTAL REVENUES	\$ 5,121,078	\$ -	\$ 5,121,078	\$ 5,671,696	\$ 550,618
EXPENDITURES					
Current:					
Instruction-Regular Program:					
Salaries of Teachers:					
Kindergarten	\$ 97,978	\$ 11,630	\$ 109,608	\$ 109,607	\$ 1
Grades 1-5	871,193	33,214	904,407	904,407	
Grades 6-8	540,603	84,136	624,739	624,591	148
Home Instruction:					
Salaries	1,000		1,000	67	933
Regular Programs-Undistributed Instruction:					
Other Salaries for Instruction	26,751		26,751	26,650	101
Purchased Technical Services	27,800	(6,517)	21,283	11,841	9,442
Other Purchased Services	12,364	600	12,964	12,581	383
General Supplies	102,000	27,510	129,510	78,673	50,837
Textbooks	25,000	202	25,202	9,764	15,438
Other Objects	2,000	122	2,122	2,101	21
Total	1,706,689	150,897	1,857,586	1,780,282	77,304
Special Education:					
Resource Room:					
Salaries for Teachers	352,030	(71)	351,959	351,883	76
Other Salaries-Instruction	207,378	(7,113)	200,265	200,265	
General Supplies	2,500		2,500	866	1,634
Textbooks	3,500	(3,009)	491		491
Total	565,408	(10,193)	555,215	553,014	2,201
Basic Skills for Remedial:					
Salaries of Teachers	133,858	(60,847)	73,011	73,011	
General Supplies	1,000		1,000		1,000
Total	134,858	(60,847)	74,011	73,011	1,000

FRANKLIN TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (Cont'd)					
Currents: (cont'd)					
School Sponsored Cocurricular Activities:					
Salaries	\$ 18,000	\$ 495	\$ 18,495	\$ 18,495	\$ -
School Sponsored Athletic Activities:					
Purchased Services	6,000	(495)	5,505	4,934	571
Total Instruction Regular	\$ 2,430,955	\$ 79,857	\$ 2,510,812	\$ 2,429,736	\$ 81,076
Undistributed Expenditures:					
Tuition Other LEAs Special Within the State	\$ 197,769	\$ (53,242)	\$ 144,527	\$ 144,469	\$ 58
Tuition Private School Disabled Within the State	170,508	(12,042)	158,466	129,891	28,575
State Facilities		2,800	2,800	2,800	
Total	368,277	(62,484)	305,793	277,160	28,633
Health Services:					
Salaries	39,347	5,544	44,891	44,891	
Purchased Professional & Technical Services	2,000	(800)	1,200	1,200	
Other Purchased Services		175	175	161	14
Supplies & Materials	3,000	(64)	2,936	2,265	671
Total	44,347	4,855	49,202	48,517	685
Other Support Services-Students-Related Services:					
Salaries	44,848		44,848	44,848	
Purchased Professional Educational Services	45,000	(5,324)	39,676	34,802	4,874
Supplies & Materials	500	463	963	300	663
Total	90,348	(4,861)	85,487	79,950	5,537
Other Support Services-Students-Regular:					
Salaries of Other Professional Staff	45,668	369	46,037	46,037	
Purchased Professional Educational Services	500		500	319	181
Supplies & Materials	500	(369)	131		131
Total	46,668	-	46,668	46,356	312
Other Support Services-Students-Special:					
Salaries of Other Professional Staff	158,094	(43,954)	114,140	112,668	1,472
Salaries of Secretarial & Clerical Assistants	36,691		36,691	36,627	64
Other Purchased Professional & Technical Services	3,000		3,000	1,530	1,470
Miscellaneous Purchased Services	1,000		1,000	664	336
Supplies & Materials	1,000		1,000	804	196
Other Objects	1,300	117	1,417	1,102	315
Total	201,085	(43,837)	157,248	153,395	3,853

FRANKLIN TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)

EXPENDITURES (Cont'd)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Currents: (cont'd)					
Improvement of Instructional Services:					
Salaries of Other Professional Staff	\$ 38,938	\$ 155	\$ 39,093	\$ 39,093	
Other Purchased Services	1,200	(155)	1,045	115	\$ 930
Supplies & Materials	1,000		1,000	36	964
Total	41,138	-	41,138	39,244	1,894
Educational Media Service / School Library:					
Supplies & Materials	3,200		3,200	2,036	1,164
Total	3,200	-	3,200	2,036	1,164
Instructional Staff Training Services:					
Other Purchased Services	1,000		1,000	917	83
Other Objects	600		600	592	8
Total	1,600	-	1,600	1,509	91
Support Services- General Administration:					
Salaries	168,489	199	168,688	168,688	
Legal Services	19,000	46,647	65,647	65,647	
Audit Fees	12,000	1,800	13,800	13,800	
Other Purchased Professional Services	3,000	(1,200)	1,800	609	1,191
Communication & Telephone	16,500	(1,965)	14,535	13,001	1,534
Board of Education Other Purchased Services	3,200		3,200	2,670	530
Other Purchased Services	23,699	3,757	27,456	26,723	733
General Supplies	7,000	(2,566)	4,434	3,991	443
Board of Education In-House Training/Meeting Supplies	800		800	523	277
Miscellaneous Expenditures	1,700	437	2,137	1,219	918
Board of Education Membership Dues & Fees	3,762		3,762	3,762	
Total	259,150	47,109	306,259	300,633	5,626
Support Services- School Administration:					
Salaries of Other Professional Staff	48,938	(3,404)	45,534	42,233	3,301
Salaries of Secretarial & Clerical Assistants	41,144		41,144	38,292	2,852
Total	90,082	(3,404)	86,678	80,525	6,153
Central Services:					
Salaries	125,962		125,962	124,297	1,665
Purchased Professional Services	2,500	237	2,737	2,737	
Miscellaneous Purchased Services	1,550		1,550	1,126	424
Supplies & Materials	2,000	646	2,646	1,019	1,627
Miscellaneous Expenditures	1,250		1,250	1,233	17
Total	133,262	883	134,145	130,412	3,733
Administration Info Technology:					
Purchased Professional Services	3,325		3,325	3,035	290
Purchased Technical Services	1,000		1,000	45	955
Total	4,325	-	4,325	3,080	1,245
Required Maintenance for School Facilities:					
Cleaning, Repair & Maintenance Services	45,000		45,000	42,264	2,736

FRANKLIN TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (Cont'd)					
Currents: (cont'd)					
Other Operation & Maintenance:					
Purch Professional & Technical Services	\$ 262,095		\$ 262,095	\$ 259,950	\$ 2,145
Cleaning Repair & Maintenance Services	29,000	\$ (9,698)	19,302	13,319	5,983
Insurance	17,680	(1,312)	16,368	16,368	
General Supplies	14,000	340	14,340	14,208	132
Energy (Heat & Electric)	121,791	38,803	160,594	160,594	
Total	444,566	28,133	472,699	464,439	8,260
Student Transportation Services:					
Management Fees: ESC & CTSA	9,204	55	9,259	9,259	
Contracted Services (Other Than Between Home & Schools)-Vendors	8,000		8,000	7,984	16
Contracted Services (Between Home & School)-Joint Agreements	191,146	1,945	193,091	191,128	1,963
Contracted Services (Special Education Students)-ESCA & CTSAS	165,346		165,346	164,393	953
Contracted Services-Aid In Lieu of Payments	27,000	8,219	35,219	34,737	482
Total	400,696	10,219	410,915	407,501	3,414
Allocated Benefits:					
Employee Benefits:					
Regular Programs:					
Social Security Contributions	9,500		9,500	8,204	1,296
Other Retirement Contributions	893	1,935	2,828	2,828	
Workmen's Compensation	13,285	(1,847)	11,438	11,438	
Health Benefits	297,100	(88)	297,012	286,824	10,188
Tuition Reimbursement	10,000		10,000	1,699	8,301
Other Employee Benefits	4,170		4,170	1,636	2,534
Total	334,948	-	334,948	312,629	22,319
Special Programs:					
Social Security Contributions	17,300		17,300	17,087	213
Other Retirement Contributions	7,918	2,266	10,184	10,184	
Workmen's Compensation	4,701		4,701	4,701	
Health Benefits	136,750	(2,266)	134,484	132,225	2,259
Other Employee Benefits	7,016	(1,700)	5,316	4,556	760
Total	173,685	(1,700)	171,985	168,753	3,232
Health Services					
Workmen's Compensation	306		306	306	
Health Benefits	7,427		7,427	7,161	266
Other Employee Benefits	440		440	298	142
Total	8,173	-	8,173	7,765	408
Other Support Serv-Students-Related:					
Workmen's Compensation	383		383	383	
Health Benefits	16,002		16,002	15,702	300
Other Employee Benefits	450		450	263	187
Total	16,835	-	16,835	16,348	487

FRANKLIN TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (Cont'd)					
Currents: (cont'd)					
Allocated Benefits: (cont'd)					
Employee Benefits: (cont'd)					
Other Support Serv-Students-Regular:					
Workmen's Compensation	\$ 383		\$ 383	\$ 383	
Health Benefits	5,205		5,205	5,023	\$ 182
Other Employee Benefits	457		457	315	142
Total	6,045	\$ -	6,045	5,721	324
Other Support Serv-Students-Special:					
Social Security Contributions	2,800	206	3,006	3,006	
Other Retirement Contributions	1,295	949	2,244	2,244	
Workmen's Compensation	1,542		1,542	1,542	
Health Benefits	31,952	(1,272)	30,680	29,065	1,615
Other Employee Benefits	2,039		2,039	701	1,338
Total	39,628	(117)	39,511	36,558	2,953
Improvement of Instruction Services:					
Workmen's Compensation	332		332	332	
Health Benefits	32,078		32,078	31,999	79
Other Employee Benefits	780		780	580	200
Total	33,190	-	33,190	32,911	279
Support Services-General Administration:					
Social Security Contributions	4,025	41	4,066	4,066	
Other Retirement Contributions	1,905		1,905	1,905	
Workmen's Compensation	3,013		3,013	3,013	
Health Benefits	22,104	(3,041)	19,063	18,984	79
Other Employee Benefits	1,619		1,619	850	769
Total	32,666	(3,000)	29,666	28,818	848
Support Services-School Administration:					
Social Security Contributions	3,080	183	3,263	3,263	
Other Retirement Contributions	1,488		1,488	1,488	
Workmen's Compensation	816		816	816	
Health Benefits	11,288	(183)	11,105	9,986	1,119
Other Employee Benefits	402		402	302	100
Total	17,074	-	17,074	15,855	1,219
Support Services-Central Services:					
Social Security Contributions	3,100	1,346	4,446	4,446	
Other Retirement Contributions	1,443		1,443	1,443	
Workmen's Compensation	1,198		1,198	1,198	
Health Benefits	17,152	(1,583)	15,569	10,360	5,209
Other Employee Benefits	1,260		1,260	286	974
Total	24,153	(237)	23,916	17,733	6,183
Total Allocated Benefits	686,397	(5,054)	681,343	643,091	38,252

FRANKLIN TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (Cont'd)					
Currents: (cont'd)					
On-Behalf TPAF Pension Contribution				\$ 300,206	\$ (300,206)
Reimbursement TPAF Social Security Contribution				187,593	(187,593)
Total	\$ -	\$ -	\$ -	487,799	(487,799)
Total Undistributed Expenditures	\$ 2,860,141	\$ (28,441)	\$ 2,831,700	\$ 3,207,911	\$ (376,211)
TOTAL CURRENT	\$ 5,291,096	\$ 51,416	\$ 5,342,512	\$ 5,637,647	\$ (295,135)
TOTAL EXPENDITURES	\$ 5,291,096	\$ 51,416	\$ 5,342,512	\$ 5,637,647	\$ (295,135)
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (170,018)	\$ (51,416)	\$ (221,434)	\$ 34,049	\$ 255,483
Other Financing Sources (Uses):					
Transfers Out-Capital Projects Fund	(531,146)		(531,146)	(531,146)	
Transfers In-Capital Projects Fund Interest	140,000		140,000	140,000	
Transfers In-Capital Projects Fund	531,146		531,146	531,146	
Total Other Financing Sources (Uses)	140,000	-	140,000	140,000	-
Excess (Deficiency) of Revenues & Other Financing Sources Over (Under) Expenditures & Other Financing Uses	(30,018)	(51,416)	(81,434)	174,049	255,483
Fund Balances, July 1	398,031		398,031	398,031	
Fund Balances, June 30	\$ 368,013	\$ (51,416)	\$ 316,597	\$ 572,080	\$ 255,483
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures					
Adjustment for Prior Year Encumbrances Budgeted Fund Balance	\$ (30,018)	\$ (38,392)	\$ (38,392)	\$ (38,392)	\$ 255,483
TOTAL	\$ (30,018)	\$ (51,416)	\$ (81,434)	\$ 174,049	\$ 255,483
RECAPITULATION OF FUND BALANCE					
Reserved:					
Reserve for Encumbrances				\$ 16,817	
Capital Reserve				1	
Excess Surplus:					
Prior Year-Designated for 2008-2009 Budget				66,595	
Current Year-Designated for 2009-2010 Budget				124,959	\$ 208,372
Unreserved:					
Designated for Subsequent Year's Expenditures				100,000	
Undesignated-Free				263,708	
					363,708
					572,080
Reconciliation to Governmental Statements (GAAP):					
Last State Aid Payment not Recognized on GAAP Basis					(17,145)
Fund Balance Per Governmental Funds (GAAP)					\$ 554,935

FRANKLIN TOWNSHIP SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES					
Local Sources	\$ 874	\$	\$ 874	\$ 874	
State Sources	51,722	(854)	50,868	50,283	\$ (585)
Federal Sources	139,027	49,587	188,614	173,371	(15,243)
TOTAL REVENUES	\$ 191,623	\$ 48,733	\$ 240,356	\$ 224,528	\$ (15,828)
EXPENDITURES					
Instruction:					
Salaries for Teachers	\$ 2,760	\$ 585	\$ 3,345	\$ 2,760	\$ 585
Purchased Professional & Technical Services	15,525	400	15,925	15,925	
Other Purchased Services	8,874	(991)	7,883	7,883	
General Supplies	44,947	41,876	86,823	84,021	2,802
Textbooks	8,439	(423)	8,016	8,016	
Totals	80,545	41,447	121,992	118,605	3,387
Support Services:					
Salaries of Other Professional Staff	25,000		25,000	25,000	
Personal Services Employee Benefits	6,441	6,000	12,441		12,441
Purchased Professional Educational Services	37,243	(853)	36,390	36,390	
Purchased Professional & Technical Services	6,000	1,500	7,500	1,500	
Other Purchased Services	36,394	638	37,032	6,638	
Tuition				36,394	
Supplies & Materials		1	1	1	
Totals	111,078	7,286	118,364	105,923	12,441
TOTAL EXPENDITURES	\$ 191,623	\$ 48,733	\$ 240,356	\$ 224,528	\$ 15,828

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION

FRANKLIN TOWNSHIP SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY 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	\$ 5,671,696	\$ 224,528
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		4,435
Outstanding Encumbrances Current Year		(15,444)
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	16,261	
State Aid Receivable Current Year	(17,145)	
Total Revenues (GAAP Basis)	\$ 5,670,812	\$ 213,519
<u>Uses/Outflows of Resources</u>		
Actual Amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 5,637,647	\$ 224,528
Difference-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		4,435
Outstanding Encumbrances Current Year		(15,444)
Total Expenditures (GAAP Basis)	\$ 5,637,647	\$ 213,519

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.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES-BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	NJ Character Education	Municipal Alliance	NCLB Title I, IIA, IV & V	IDEIA Basic	IDEIA Pre School	Rural Education Achieve Program	NJ Non- Public	Total
REVENUES								
Local Sources		\$ 874						\$ 874
State Sources	1		\$ 16,656	\$ 74,925	\$ 4,754	\$ 77,036	\$ 50,282	50,283
Federal Sources								173,371
TOTAL REVENUES	1	\$ 874	\$ 16,656	\$ 74,925	\$ 4,754	\$ 77,036	\$ 50,282	\$ 224,528
EXPENDITURES								
Instruction:								
Salaries for Teachers				\$ 2,760				\$ 2,760
Purchased Professional & Technical Services			\$ 400	15,525				15,925
Other Purchased Services		\$ 874	7,009					7,883
General Supplies			1,109			\$ 77,036	\$ 5,876	84,021
Textbooks							8,016	8,016
Totals	-	874	8,518	18,285	-	77,036	13,892	118,605
Support Services:								
Salaries of Other Professional Staff				25,000				25,000
Purchased Professional Educational Services							36,390	36,390
Other Purchased Services			1,500					1,500
Tuition	1		6,638	31,640	4,754			6,638
Supplies & Materials								36,394
Total	1	-	8,138	56,640	4,754	-	36,390	105,923
TOTAL EXPENDITURES	1	\$ 874	\$ 16,656	\$ 74,925	\$ 4,754	\$ 77,036	\$ 50,282	\$ 224,528

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.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE-BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Revenues and Other Financing Sources:	
Local Sources:	
Interest Income	\$ 366,003
Budget Transfer	531,146
Total Revenues	<u>897,149</u>
Expenditures and Other Financing Uses:	
Capital Project Expenditures	73,129
Transfer out to General Fund	671,146
Total Expenditures and Other Financing Uses:	<u>744,275</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	152,874
Fund Balance-Beginning	<u>8,184,816</u>
Fund Balance-Ending	<u><u>\$ 8,337,690</u></u>
<u>Analysis of Fund Balance</u>	
Accumulated Interest Income	\$ 403,761
Capital Project	7,933,929
Total Fund Balance	<u><u>\$ 8,337,690</u></u>

FRANKLIN TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND
PROJECT STATUS-BUDGETARY BASIS- RENOVATIONS AND CONSTRUCTION
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources:				
State Sources-SCC Grant	\$ 297,789		\$ 297,789	\$ 2,836,092
Local Sources:				
Bond Proceeds	8,244,000		8,244,000	8,244,000
Budget Transfer		\$ 531,146	531,146	531,146
Other Financing				113
Total Revenues	8,541,789	531,146	9,072,935	11,611,351
Expenditures and Other Financing Uses:				
Architect	507,033		507,033	
Legal Fees	27,198	32,704	59,902	
Construction Manager	92,255	30,000	122,255	
Fees & Permits	55,134		55,134	
Financing Fees	73,167		73,167	
Advertising	3,359	873	4,232	
Engineering	24,992		24,992	
Soft Costs-Architect & Construction Mgr.	22,127	4,532	26,659	
Demolition & Removal	18,975		18,975	
Historic Preservation Studies	14,568		14,568	
Cafeteria Equipment	15,842		15,842	
Miscellaneous Construction	11,669		11,669	
Asbestos Abatement	173,131		173,131	
Library Partitions	9,367		9,367	
Lab Counters & Cabinets	1,617		1,617	
Storage Rentals	13,800	5,020	18,820	
Miscellaneous Other	1,643		1,643	
Total Expenditures	1,065,877	73,129	1,139,006	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 7,475,912	\$ 458,017	\$ 7,933,929	\$ 11,611,351

Additional Project Information:

Project Number	SP1600050041000
Bond Authorized Date	10/18/2004
Bonds Authorized	\$ 11,080,205
Bonds Issued	\$ 8,244,000
Original Authorized Cost	\$ 11,080,205
Additional Authorized Cost	\$ 531,146
Revised Authorized Cost	\$ 11,611,351
Percentage Complete	9.81%

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
COMBINING STATEMENT OF FUND NET ASSETS
ENTERPRISE FUND
JUNE 30, 2008

	<u>Food Service Fund</u>	<u>Summer Program</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash & Cash Equivalents	\$ 13,488	\$ 3,639	\$ 17,127
Accounts Receivable:			
Intergov't-Federal	321		321
Interfund Receivable	4,504		4,504
Inventories	373		373
Total Current Assets	<u>18,686</u>	<u>3,639</u>	<u>22,325</u>
Fixed Assets:			
Capital Assets	8,572		8,572
Accumulated Depreciation	5,439		5,439
Total Fixed Assets	<u>3,133</u>	<u>-</u>	<u>3,133</u>
Total Assets	<u>21,819</u>	<u>3,639</u>	<u>25,458</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	3,133		3,133
Unrestricted	<u>18,686</u>	<u>3,639</u>	<u>22,325</u>
TOTAL NET ASSETS	<u>\$ 21,819</u>	<u>\$ 3,639</u>	<u>\$ 25,458</u>

FRANKLIN TOWNSHIP SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 ENTERPRISE FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Food Service Fund	Summer Program	Total
Operating Revenues:			
Charges for Services:			
Daily Sales-Reimbursable Programs	\$ 3,822		\$ 3,822
Daily Sales-Nonreimbursable Programs	72,715		72,715
Total Operating Revenues	<u>76,537</u>	<u>\$ -</u>	<u>76,537</u>
Operating Expenses:			
Costs of Sales	38,322		38,322
Salaries	19,737		19,737
Employee Benefits	2,956		2,956
Insurance	2,750		2,750
Management Fees	7,450		7,450
Other Purchased Services	554		554
General Supplies	1,922		1,922
Depreciation	692		692
Miscellaneous	1,165		1,165
Total Operating Expenses	<u>75,548</u>	<u>-</u>	<u>75,548</u>
Operating Income (Loss)	<u>989</u>	<u>-</u>	<u>989</u>
Nonoperating Revenues:			
Federal Sources:			
Special Milk Program	4,603		4,603
Prior Year Refunds	405		405
Interest Earned on Investments	341		341
Total Nonoperating Revenues	<u>5,349</u>	<u>-</u>	<u>5,349</u>
Change in Net Assets	6,338	-	6,338
Total Net Assets, Beginning	<u>15,481</u>	<u>3,639</u>	<u>19,120</u>
Total Net Assets, Ending	<u>\$ 21,819</u>	<u>\$ 3,639</u>	<u>\$ 25,458</u>

FRANKLIN TOWNSHIP SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Food Service Fund	Summer Program	Total
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 76,537		\$ 76,537
Payments to Food Services Management Co	(78,375)		(78,375)
Payments to Vendors (Net)	(171)		(171)
Interfund Advanced	(4,504)		(4,504)
Net Cash Provided by (Used For) Operating Activities	(6,513)	\$ -	(6,513)
Cash Flows from Noncapital Financing Activities:			
Federal Sources	4,504		4,504
Prior Year Refunds	405		405
Net Cash Provided by (Used For) Noncapital Financing Activities	4,909	-	4,909
Cash Flows from Capital Financing Activities:			
Acquisition of Equipment	(514)		(514)
Net Cash Provided by (Used For) Capital Financing Activities	(514)	-	(514)
Cash Flows from Investing Activities:			
Interest Earned on Investments	341	-	341
Net Increase (Decrease) in Cash and Cash Equivalents	(1,777)	-	(1,777)
Cash and Cash Equivalents, July 1, 2007	15,265	3,639	18,904
Cash and Cash Equivalents, June 30, 2008	\$ 13,488	\$ 3,639	\$ 17,127
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:			
Operating Income (Loss)	\$ 989		\$ 989
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:			
Depreciation	692		692
(Increase) Decrease in Inventory	(144)		(144)
(Increase) Decrease in Interfund Receivable	(4,504)		(4,504)
Increase (Decrease) in Accounts Payable	(3,546)		(3,546)
Net Cash Provided by (Used For) Operating Activities	\$ (6,513)	\$ -	\$ (6,513)

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.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY FUND NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2008

	Unemployment Compensation Fund	Student Activity Agency Fund	Payroll Agency Fund	Totals
ASSETS				
Cash & Cash Equivalents	\$ 95,525	\$ 3,722	\$ 11,192	\$ 110,439
TOTAL ASSETS	95,525	3,722	11,192	110,439
LIABILITIES				
Interfund Payable	21,306			21,306
Due to Student Groups		3,722		3,722
Payroll Deductions & Withholdings			11,192	11,192
TOTAL LIABILITIES	21,306	3,722	11,192	36,220
NET ASSETS				
Held in Trust for Unemployment Claims & Other Purposes	\$ 74,219	\$ -	\$ -	\$ 74,219

FRANKLIN TOWNSHIP SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Unemployment Compensation Fund</u>
ADDITIONS	
Investment Earnings-Interest	<u>\$ 2,420</u>
Total Additions	<u>2,420</u>
DEDUCTIONS	
Unemployment Claims	<u>9,007</u>
Total Deductions	<u>9,007</u>
Change in Net Assets	(6,587)
Net Assets, Beginning of the Year	<u>80,806</u>
Net Assets, End of the Year	<u><u>\$ 74,219</u></u>

FRANKLIN TOWNSHIP SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Balance 07/01/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/08</u>
School Activities:				
Franklin Township School	\$ 4,710	\$ 38,101	\$ 39,089	\$ 3,722

FRANKLIN TOWNSHIP SCHOOL DISTRICT
PAYROLL AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Balance 07/01/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/08</u>
ASSETS				
Cash and Cash Equivalents	\$ 6,121	\$ 3,224,663	\$ 3,219,592	\$ 11,192
TOTAL ASSETS	<u>\$ 6,121</u>	<u>\$ 3,224,663</u>	<u>\$ 3,219,592</u>	<u>\$ 11,192</u>
LIABILITIES				
Payroll Deductions & Withholdings	\$ 5,476	\$ 1,356,939	\$ 1,352,774	\$ 9,641
Net Payroll	645	1,867,724	1,866,818	1,551
TOTAL LIABILITIES	<u>\$ 6,121</u>	<u>\$ 3,224,663</u>	<u>\$ 3,219,592</u>	<u>\$ 11,192</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.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS
JUNE 30, 2008

Issue	Date of Issue	Amount of Issue	Annual Maturities		Interest Rate	Balance 07/01/07	Issued	Retired	Balance 06/30/08
			Date	Amount					
School Addition & Renovations	2/15/2005	\$ 8,244,000	02/15/09	\$ 250,000	3.500%				
			02/15/10	355,000	3.625%				
			02/15/11	370,000	3.750%				
			02/15/12	385,000	3.750%				
			02/15/13	400,000	3.750%				
			02/15/14	415,000	3.750%				
			02/15/15	430,000	3.750%				
			02/15/16	450,000	3.750%				
			02/15/17	465,000	3.750%				
			02/15/18	485,000	3.750%				
			02/15/19	505,000	4.000%				
			02/15/20	525,000	4.000%				
			02/15/21	545,000	4.000%				
			02/15/22	570,000	4.000%				
			02/15/23	590,000	4.000%				
		02/15/24	615,000	4.000%					
		02/15/25	639,000	4.000%					
						\$ 8,144,000		\$ 150,000	\$ 7,994,000
						\$ 8,144,000	\$ -	\$ 150,000	\$ 7,994,000

FRANKLIN TOWNSHIP SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 DEBT SERVICE FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES					
Local Sources:					
Local Tax Levy	\$ 463,929		\$ 463,929	\$ 463,929	
Total Revenues	<u>463,929</u>	<u>\$ -</u>	<u>463,929</u>	<u>463,929</u>	<u>\$ -</u>
EXPENDITURES					
Regular Debt Service:					
Redemption of Principal	150,000		150,000	150,000	
Interest on Bonds	313,929		313,929	313,929	
Total Expenditures	<u>463,929</u>	<u>-</u>	<u>463,929</u>	<u>463,929</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	-	-	-	-	-
Fund Balance, July 1	-	-	-	-	-
Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

STATISTICAL SECTION

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
STATISTICAL SECTION J SERIES**

CONTENTS	PAGE
FINANCIAL TRENDS	
These Schedules Contain Trend Information to Help the Reader Understand how the District's Financial Performance and Well Being have Changed Over Time.	J-1 to J-5
REVENUE CAPACITY	
These Schedules Contain Trend Information to Help the Reader Assess the District's most Significant Local Revenue Sources, the Property Tax.	J-6 to J-9
DEBT CAPACITY	
These Schedules Contain Trend Information to Help the Reader Assess the Affordability of the District's Current Levels of Outstanding Debt and the District's Ability to Issue Additional Debt in the Future.	J-10 to J-13
DEMOGRAPHIC AND ECONOMIC INFORMATION	
These Schedules Offer Demographic and Economic Indicators to Help the Reader Understand the Environment Within Which the District's Financial Activities Take Place.	J-14 to J-15
OPERATING INFORMATION	
These Schedules Contain Service and Infrastructure Data to Help the Reader Understand how the Information in the District's Financial Report Relates to the Services the District Provides and the Activities it Performs.	J-16 to J-20

Sources: Unless Otherwise noted, the Information in these Schedules 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.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
NET ASSETS BY COMPONENT
LAST FIVE FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year Ending June 30,				
	2004	2005	2006	2007	2008
GOVERNMENT ACTIVITIES					
Invested in Capital Assets, Net of Related Debt	\$ 2,105,554	\$ (5,996,298)	\$ (5,536,230)	\$ (5,363,491)	\$ (5,235,167)
Restricted		7,921,659	7,356,079	7,475,913	7,933,930
Unrestricted	122,622	150,711	432,228	962,824	830,099
TOTAL GOVERNMENTAL ACTIVITIES NET ASSETS	\$ 2,228,176	\$ 2,076,072	\$ 2,252,077	\$ 3,075,246	\$ 3,528,862
BUSINESS-TYPE ACTIVITIES					
Invested in Capital Assets, Net of Related Debt	\$ 5,326	\$ 4,654	\$ 3,983	\$ 3,311	\$ 3,133
Unrestricted	9,121	11,231	9,654	15,809	22,325
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 14,447	\$ 15,885	\$ 13,637	\$ 19,120	\$ 25,458
DISTRICT-WIDE					
Invested in Capital Assets, Net of Related Debt	\$ 2,110,880	\$ (5,991,644)	\$ (5,532,247)	\$ (5,360,180)	\$ (5,232,034)
Restricted		7,921,659	7,356,079	7,475,913	7,933,930
Unrestricted	131,743	161,942	441,882	978,633	852,424
TOTAL DISTRICT-WIDE	\$ 2,242,623	\$ 2,091,957	\$ 2,265,714	\$ 3,094,366	\$ 3,554,320

FRANKLIN TOWNSHIP SCHOOL DISTRICT
CHANGES IN NET ASSETS
LAST FIVE FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year Ending June 30,				
	2004	2005	2006	2007	2008
EXPENSES					
Governmental Activities:					
Instruction:					
Regular	\$ 2,423,666	\$ 2,385,613	\$ 2,382,347	\$ 2,432,727	\$ 2,534,733
Special Education	667,968	638,560	648,913	773,387	795,417
Other Special Education	133,622	124,441	95,570	152,434	117,086
Other Instruction	58,800	26,983	22,336	18,287	24,055
Support Services:					
Tuition	88,784	240,794	284,311	270,255	313,554
Student & Instruction Related Services	445,131	556,185	574,500	601,534	606,321
General & Business Administrative Services	498,172	442,434	471,085	522,163	529,587
School Administration	106,405	118,072	117,101	125,925	108,648
Plant Operations & Maintenance	426,667	496,799	437,476	467,274	508,126
Pupil Transportation	226,857	299,983	354,282	398,657	407,501
Interest on Long-Term Debt		120,407	321,087	319,775	315,619
Total Governmental Activities Expenses	<u>5,076,072</u>	<u>5,450,271</u>	<u>5,709,008</u>	<u>6,082,418</u>	<u>6,260,647</u>
Business-Type Activities:					
Food Services	84,177	81,690	77,197	67,003	75,548
Summer Program		7,934	9,997		
Total Business-Type Activities	<u>84,177</u>	<u>89,624</u>	<u>87,194</u>	<u>67,003</u>	<u>75,548</u>
TOTAL DISTRICT EXPENSES	<u>\$ 5,160,249</u>	<u>\$ 5,539,895</u>	<u>\$ 5,796,202</u>	<u>\$ 6,149,421</u>	<u>\$ 6,336,195</u>

FRANKLIN TOWNSHIP SCHOOL DISTRICT
CHANGES IN NET ASSETS
LAST FIVE FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(Continued)

	Fiscal Year Ending June 30,				
	2004	2005	2006	2007	2008
PROGRAM REVENUES					
Governmental Activities:					
Operating Grants & Contributions	\$ 268,724	\$ 148,757	\$ 182,704	\$ 162,068	\$ 213,519
Capital Grants & Contributions		14,180		283,609	
Total Governmental Activities Program Revenues	<u>268,724</u>	<u>162,937</u>	<u>182,704</u>	<u>445,677</u>	<u>213,519</u>
Business-Type Activities:					
Charges for Services:					
Food Service	86,373	75,837	71,715	68,445	76,537
Summer Program		12,132	9,438		
Operating Grants & Contributions	2,326	3,006	3,565	3,699	4,603
Total Business-Type Activities Program Revenues	<u>88,699</u>	<u>90,975</u>	<u>84,718</u>	<u>72,144</u>	<u>81,140</u>
TOTAL DISTRICT-PROGRAM REVENUES	<u>\$ 357,423</u>	<u>\$ 253,912</u>	<u>\$ 267,422</u>	<u>\$ 517,821</u>	<u>\$ 294,659</u>
NET (EXPENSE) REVENUES					
Governmental Activities	\$ (4,807,348)	\$ (5,287,334)	\$ (5,526,304)	\$ (5,636,741)	\$ (6,047,128)
Business-Type Activities	4,522	1,351	(2,476)	5,141	5,592
TOTAL DISTRICT-WIDE NET EXPENSES	<u>\$ (4,802,826)</u>	<u>\$ (5,285,983)</u>	<u>\$ (5,528,780)</u>	<u>\$ (5,631,600)</u>	<u>\$ (6,041,536)</u>
GENERAL REVENUES & OTHER CHANGES IN NET ASSETS					
Governmental Activities:					
Property Taxes Levied for General Purposes, Net	\$ 4,072,517	\$ 4,416,752	\$ 4,431,214	\$ 4,781,071	\$ 4,744,466
Taxes Levied for Debt Service			317,429	417,429	463,929
Unrestricted Grants & Contributions	586,819	614,530	684,010	820,791	862,235
Tuition Income	13,383				
Investment Earnings	6,023	88,954	251,755	425,398	381,194
Miscellaneous Income	10,351	14,994	15,897	15,221	48,920
Prior Year Accounts Receivable Cancelled	(8,062)				
Gain (Loss) on Sale of Assets			2,004		
Total Governmental Activities	<u>4,681,031</u>	<u>5,135,230</u>	<u>5,702,309</u>	<u>6,459,910</u>	<u>6,500,744</u>

FRANKLIN TOWNSHIP SCHOOL DISTRICT
 CHANGES IN NET ASSETS
 LAST FIVE FISCAL YEARS
 (ACCRUAL BASIS OF ACCOUNTING)
 (Continued)

	Fiscal Year Ending June 30,				
	2004	2005	2006	2007	2008
GENERAL REVENUES & OTHER CHANGES IN NET ASSETS (Cont'd)					
Business-Type Activities:					
Investment Earnings	\$ 4	\$ 87	\$ 228	\$ 342	\$ 341
Miscellaneous Income					405
Total Business-Type Activities	<u>4</u>	<u>87</u>	<u>228</u>	<u>342</u>	<u>746</u>
TOTAL DISTRICT-WIDE	<u>\$4,681,035</u>	<u>\$ 5,135,317</u>	<u>\$ 5,702,537</u>	<u>\$ 6,460,252</u>	<u>\$ 6,501,490</u>
CHANGE IN NET ASSETS					
Governmental Activities	\$ (126,317)	\$ (152,104)	\$ 176,005	\$ 823,169	\$ 453,616
Business-Type Activities	4,526	1,438	(2,248)	5,483	6,338
TOTAL DISTRICT	<u>\$ (121,791)</u>	<u>\$ (150,666)</u>	<u>\$ 173,757</u>	<u>\$ 828,652</u>	<u>\$ 459,954</u>

FRANKLIN TOWNSHIP SCHOOL DISTRICT
 FUND BALANCES, GOVERNMENTAL FUNDS,
 LAST FIVE FISCAL YEARS
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year Ending June 30,				
	2004	2005	2006	2007	2008
General Fund:					
Reserved	\$ 55,409	\$ 42,770	\$ 107,525	\$ 135,006	\$ 208,372
Unreserved	118,947	129,707	116,943	246,764	346,563
Total General Fund	\$ 174,356	\$ 172,477	\$ 224,468	\$ 381,770	\$ 554,935
All Other Governmental Funds:					
Unreserved, Reported In:					
Capital Projects Fund	\$ -	\$ 7,994,833	\$ 7,660,741	\$ 8,184,816	\$ 8,337,690
Total All Other Governmental Funds	\$ -	\$ 7,994,833	\$ 7,660,741	\$ 8,184,816	\$ 8,337,690

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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues:										
Tax Levy	\$ 2,977,880	\$ 3,167,805	\$ 3,341,413	\$ 3,821,740	\$ 4,001,079	\$ 4,072,517	\$ 4,416,752	\$ 4,748,643	\$ 5,198,500	\$ 5,208,395
Tuition Changes	7,839	8,554	6,500	11,804	13,383					
Interest Earnings	22,725	31,239	31,473	7,918	6,023	88,954	251,755	425,398	381,194	381,194
Miscellaneous	12,493	6,908	11,522	6,550	4,502	10,004	18,397	15,221	49,794	49,794
State Sources	505,592	463,469	494,885	564,378	622,757	671,409	734,297	1,150,151	912,351	912,351
Federal Sources	41,473	40,721	45,811	58,642	98,824	239,105	106,058	132,417	116,317	162,529
Total Revenues	3,568,002	3,718,696	3,925,104	4,401,377	4,688,305	4,960,586	5,293,177	5,885,509	6,905,587	6,714,263
Expenditures:										
Instruction:										
Regular Instruction	1,311,829	1,379,730	1,461,495	1,685,496	1,686,771	1,843,981	1,761,575	1,730,935	1,773,541	1,780,282
Special Education Instruction	163,859	178,688	227,313	224,412	282,416	356,566	428,016	427,934	492,817	553,014
Other Special Instruction	54,747	56,775	63,958	63,179	98,323	98,960	87,922	81,303	124,794	73,011
Other Instruction	21,241	17,562	19,544	23,186	23,995	24,458	25,735	21,240	17,810	23,429
Support Services:										
Tuition	68,375	52,813	120,382	179,762	121,290	85,994	237,922	279,539	285,444	277,160
Student & Instruction Related Services	230,066	233,696	254,694	280,538	315,369	341,061	382,408	371,563	392,417	371,007
General Administration	164,108	178,036	218,493	212,210	230,753	299,552	250,951	241,805	277,822	300,633
School Administration	69,016	77,523	74,854	75,954	83,381	81,386	88,582	82,861	91,970	80,525
Central Services	82,371	89,393	116,716	120,993	129,014	131,775	130,087	136,621	131,212	130,412
Admin Information Technology							3,590	6,470	3,080	3,080
Plant Operations & Maintenance	269,026	254,023	271,468	319,491	338,524	376,466	496,799	436,051	467,274	506,703
Pupil Transportation	228,372	209,276	232,270	251,413	233,530	226,857	299,983	354,282	398,657	407,501
Employee Benefits	309,693	336,307	348,413	429,063	515,004	591,683	612,725	614,592	587,831	643,091
On-Behalf TPAF Pension & Soc Sec Contributions	223,634	170,375	184,248	162,963	230,795	245,441	252,669	310,701	456,452	487,799
Capital Outlay	160,205	114,722	117,143	100,112	50,053	5,210		6,000	2,897	
Capital Projects							336,522	565,580	163,775	73,129
Special Revenue Funds	68,175	75,510	74,554	105,132	139,188	275,043	148,757	182,704	162,068	213,519
Debt Service:										
Principal	200,000	200,000	200,000	200,000	200,000				100,000	150,000
Interest & Other Charges	61,000	48,800	36,600	24,400	12,200				317,429	313,929
Total Expenditures	3,685,717	3,673,229	4,022,145	4,458,304	4,690,626	4,984,223	5,544,223	6,167,610	6,224,210	6,388,224
Excess (Deficiency) of Revenues	(117,715)	45,467	(97,041)	(56,927)	(2,321)	(23,637)	(251,046)	(282,101)	681,377	328,039
Over (Under) Expenditures	106,704									
Other Financing Sources (Uses):										
Capital Leases (Non-Budgeted)			3,000	5,000			8,244,000			
Proceeds from Bond Issue			3,000	5,000			8,244,000			
Transfers In (Out)										
Total Other Financing Sources (Uses)	(11,011)	\$ 45,467	\$ (94,041)	\$ (51,927)	\$ (2,321)	\$ (23,637)	\$ 7,992,954	\$ (282,101)	\$ 681,377	\$ 328,039
Net Change in Fund Balances										
Debt Service as a Percentage of Non-capital Expenditures	8.00%	7.52%	6.45%	5.43%	4.79%	0.00%	0.00%	6.01%	7.40%	7.93%

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.

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

Description	Fiscal Year Ending June 30,									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Interest Income	\$ 22,725	\$ 31,239	\$ 31,473	\$ 10,623	\$ 7,918	\$ 6,023	\$ 15,799	\$ 20,267	\$ 21,157	\$ 15,191
Tuition				6,500	11,804	13,383				
Building Use Fees / Land Rent	640	640	670	710	670	910	579	400	430	400
Insurance Rebates	9,108	1,598								
Prior Year Refunds	1,115	291	9,130	4,438	1,407	3,024			11,815	31,268
Photo Commissions		1,154	1,349	1,230	1,228	1,332	1,283	1,762	2,287	3,234
Vending Machine Commissions										60
Outstanding Checks Voided					850		105	381	150	
Book Fines					103				5	98
Accounts Payable Cancelled	1,605	1,194	248	82	64	589	7,835	13,133		13,077
Donations		2,000					166		205	354
Miscellaneous Other		31	125	90	180	156	16	221	169	280
Miscellaneous Refunds	25					790				
Copy Fees										
Sale of Surplus Equipment								2,500		149
Annual Totals	\$ 35,218	\$ 38,147	\$ 42,995	\$ 23,673	\$ 24,224	\$ 26,207	\$ 25,783	\$ 38,664	\$ 36,378	\$ 64,111

Source: District Records

FRANKLIN TOWNSHIP SCHOOL DISTRICT
 ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY,
 LAST TEN FISCAL YEARS

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Vacant Land	\$ 8,573,900	\$ 7,245,300	\$ 4,958,373	\$ 3,607,200	\$ 2,715,200	\$ 6,038,927	\$ 8,714,400	\$ 6,760,100	\$ 6,839,800	\$ 6,368,400
Residential	192,217,700	195,768,500	202,863,900	209,889,900	212,481,000	358,422,200	359,765,100	367,051,600	376,527,500	377,968,800
Farm Regular	58,508,100	60,631,500	61,757,400	63,485,800	64,997,292	110,173,300	110,437,600	112,912,500	115,173,900	118,769,600
Q Farm	4,257,865	4,319,029	4,313,736	4,253,941	4,223,648	5,087,070	4,184,687	4,188,743	4,178,822	4,278,739
Commercial	27,371,300	28,065,100	38,165,900	38,193,400	38,193,400	35,114,800	39,024,100	39,060,500	38,788,000	38,588,100
Industrial	3,293,100	3,293,100	3,293,100	3,238,100	3,238,100	4,314,400	3,712,400	3,712,400	3,712,400	2,308,800
Apartment	525,600	525,600	525,600	485,400	485,400	1,253,800	1,246,700	1,246,700	1,113,400	1,113,400
Total Assessed Value	294,747,565	299,848,129	315,878,009	323,153,741	326,334,040	520,404,497	527,084,987	534,932,543	546,333,822	549,395,839
Public Utilities (a)	1,529,875	1,548,069	1,579,822	1,440,227	789,322	1,188,265	1,163,976	1,044,552	977,880	2,270,558
Net Valuation Taxable	\$ 296,277,440	\$ 301,396,198	\$ 317,457,831	\$ 324,593,968	\$ 327,123,362	\$ 521,592,762	\$ 528,248,963	\$ 535,977,095	\$ 547,311,702	\$ 551,666,397
Estimated Actual County Equalized Value	\$ 325,799,451	\$ 335,633,960	\$ 395,021,039	\$ 440,107,320	\$ 491,045,308	\$ 518,591,821	\$ 550,516,596	\$ 623,505,922	\$ 681,514,191	\$ 660,805,182
Percentage of Net Valuations to Estimated Actual County Equalized Value	90.94%	89.80%	80.36%	73.75%	66.62%	100.58%	95.96%	85.96%	80.31%	83.48%
Total Direct School Tax Rate (b)	\$ 1.04	\$ 1.08	\$ 1.13	\$ 1.21	\$ 1.24	\$ 0.81	\$ 0.87	\$ 0.93	\$ 0.95	\$ 0.94

*

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

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

Assessment Year	School District Direct Rate										Total Direct & Overlapping Tax Rate	
	(From J-6)						Overlapping Rates					
	Basic Rate (a)	General Obligation Service (b)	Debt Service (b)	Direct School Tax Rate	Regional School Debt	Municipality	County	Fire District				
1999	\$ 0.95	\$ 0.09		\$ 1.04	\$ 0.54	\$ 0.42	\$ 0.48				\$	2.48
2000	0.99	0.09		1.08	0.64	0.46	0.53					2.71
2001	1.05	0.08		1.13	0.62	0.45	0.57					2.77
2002	1.14	0.07		1.21	0.66	0.46	0.61					2.94
2003	1.17	0.07		1.24	0.73	0.44	0.65			\$ 0.07		3.13
2004	0.81	-		0.81	0.47	0.32	0.41			0.04		2.05
2005	0.87	-		0.87	0.51	0.31	0.37			0.05		2.11
2006	0.87	0.06		0.93	0.57	0.31	0.41			0.05		2.27
2007	0.87	0.08		0.95	0.60	0.31	0.42			0.05		2.33
2008	0.88	0.06		0.94	0.62	0.31	0.40			0.05		2.32

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 prebudget 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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
 PRINCIPAL PROPERTY TAXPAYERS,
 CURRENT YEAR AND NINE YEARS AGO

	2008			1999		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
National Project Resources	\$ 20,000,000	1	3.63%	\$ 16,000,000	1	5.40%
Franklin Hotel Associates	7,000,000	2	1.27%	1,500,000	4	0.51%
AT & T Communications	3,125,000	3	0.57%	5,500,000	2	1.86%
Individual Property Owner	2,550,700	4	0.46%	1,461,500	5	0.49%
Individual Property Owner	1,960,227	5	0.36%	1,200,800	7	0.41%
Individual Property Owner	1,945,127	6	0.35%	1,075,231	9	0.36%
Individual Property Owner	1,786,086	7	0.32%	940,200	10	0.32%
Individual Property Owner	1,773,300	8	0.32%			
Individual Property Owner	1,729,134	9	0.31%			
Individual Property Owner	1,586,300	10	0.29%			
United Telephone Co of N J				1,529,875	3	0.52%
Hunterdon Transformer				1,221,000	6	0.41%
Transcontinental Gas				1,115,600	8	0.38%
	<u>\$ 43,455,874</u>		<u>7.88%</u>	<u>\$ 31,544,206</u>		<u>10.65%</u>

Source: Municipal Tax Assessor

FRANKLIN TOWNSHIP 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
1998	\$ 6,935,710	\$ 6,705,973	96.69%
1999	7,469,830	7,270,075	97.33%
2000	8,576,175	8,368,560	97.58%
2001	9,017,697	8,799,060	97.58%
2002	9,620,517	9,422,881	97.95%
2003	10,344,458	10,183,781	98.45%
2004	10,895,776	10,709,228	98.29%
2005	11,253,819	11,142,134	99.01%
2006	12,327,111	12,184,562	98.84%
2007	12,872,150	12,700,519	98.67%

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 municipality (a) is required to remit to the school district the entire property tax balance, in the amount voted upon or certified prior to the end of the school year.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
 RATIOS OF OUTSTANDING DEBT BY TYPE
 LAST TEN FISCAL YEARS

Fiscal Year 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				
1999	\$ 800,000		\$ 103,775			\$ 903,775	0.59%	\$ 271	
2000	600,000		88,095			688,095	0.48%	230	
2001	400,000		52,636			452,636	0.28%	151	
2002	200,000		42,463			242,463	0.14%	79	
2003						0	0.00%	0	
2004						0	0.00%	0	
2005	8,244,000					8,244,000	4.56%	2,664	
2006	8,244,000					8,244,000	4.42%	2,647	
2007	8,144,000					8,144,000	4.08%	2,616	
2008	7,994,000					7,994,000	N/A	2,563	

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

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

Fiscal Year Ending June 30,	General Bonded Debt Outstanding			% of Actual Taxable Value (a) of Property	Per Capita (a)
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
1999	\$ 800,000		\$ 800,000	0.27%	\$ 268
2000	600,000		600,000	0.20%	200
2001	400,000		400,000	0.13%	130
2002	200,000		200,000	0.06%	64
2003			-	0.00%	-
2004			-	0.00%	-
2005	8,244,000		8,244,000	1.56%	2,647
2006	8,244,000		8,244,000	1.54%	2,648
2007	8,144,000		8,144,000	1.49%	2,611
2008	7,994,000		7,994,000	1.45%	2,563

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2007

GOVERNMENTAL UNIT	<u>Debt Outstanding</u>	<u>Estimated % Applicable (a)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Municipality	\$ 5,834,050	100.00	\$ 5,834,050
Regional High School	6,487,000	6.83	442,959
County General Obligation Debt	151,240,039	2.60	<u>3,932,241</u>
Subtotal, Overlapping Debt			10,209,250
School District Direct Debt			<u>10,682,415</u>
Total Direct and Overlapping Debt			<u>\$ 20,891,665</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.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN FISCAL YEARS

Year	Population (a)	Personal Income (b)	Per Capita Personal Income (c)	Unemployment Rate (d)
1999	2,990	\$ 144,132,950	\$ 48,205	2.3%
2000	3,006	158,912,190	52,865	1.8%
2001	3,067	167,274,180	54,540	2.3%
2002	3,107	173,292,925	55,775	4.0%
2003	3,111	177,364,332	57,012	4.3%
2004	3,095	180,670,625	58,375	3.6%
2005	3,115	186,317,495	59,813	3.6%
2006	3,113	199,524,622	64,094	4.0%
2007	3,119	N/A	N/A	3.5%
2008	3,119	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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

Employer	2008			1999		
	Employees	Rank	Percentage of Total Municipal Employment	Employees	Rank	Percentage of Total Municipal Employment

INFORMATION IS NOT AVAILABLE FOR THIS SCHOOL DISTRICT

FRANKLIN TOWNSHIP SCHOOL DISTRICT
 FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS

FUNCTION/PROGRAM	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Instruction:										
Regular	27.6	27.6	28.6	28.8	29.5	29.5	28.1	26.5	25.8	22.7
Special Education	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.9	6.3
Other Special Education	2.5	2.4	4.0	4.9	7.4	8.4	9.0	8.5	7.7	7.8
Vocational										
Other Instruction-Aides										
Nonpublic School Programs										
Adult/Continuing Education Programs										
Support Services:										
Student and Instruction Related Services	5.6	5.7	5.8	6.1	6.2	8.6	6.9	7.0	8.8	8.7
General Administration	1.5	1.5	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
School Administration Services	1.5	1.5	1.5	1.5	1.5	1.5	1.7	1.7	1.7	1.7
Other Administrative Services	1.5	1.5	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Central Services										
Administrative Information Technology										
Plant Operations and Maintenance	3.5	3.5	3.5	3.5	3.5	3.5				
Pupil Transportation										
Other Support Services										
Special Schools										
Food Service										
Child Care										
Total	47.7	47.7	51.4	52.8	56.1	59.5	53.7	51.7	52.9	51.2

Sources: District Personnel Records

FRANKLIN TOWNSHIP 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
1999	343	\$ 3,264,512	\$ 9,518	9.20%	28.7	1 to 11.95	342.4	329.2	-0.09%	96.14%
2000	346	3,309,707	9,566	0.51%	29.3	1 to 11.81	346.3	330.7	1.14%	95.50%
2001	367	3,668,402	9,996	4.50%	30.2	1 to 12.15	367.2	351.7	6.04%	95.78%
2002	379	4,133,792	10,907	9.12%	31.4	1 to 12.07	379.0	361.7	3.21%	95.44%
2003	387	4,428,373	11,443	4.91%	32.4	1 to 11.94	387.1	367.4	2.14%	94.91%
2004	406	4,979,013	12,264	7.17%	31.5	1 to 12.89	406.2	398.8	4.93%	98.18%
2005	398	5,207,701	13,085	6.70%	31.2	1 to 12.76	398.0	379.9	-2.02%	95.45%
2006	376	5,278,601	14,039	7.29%	31.1	1 to 12.09	377.5	355.0	-5.15%	94.04%
2007	354	5,640,109	15,933	13.49%	38.8	1 to 9.12	352.6	337.9	-6.60%	95.83%
2008	347	5,851,166	16,862	5.83%	39.4	1 to 8.81	346.9	332.0	-1.62%	95.70%

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).

FRANKLIN TOWNSHIP SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS

DISTRICT BUILDING	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<u>Elementary (1936)</u>										
Square Feet	52,142	52,142	52,142	52,142	52,142	52,142	52,142	52,142	52,142	52,142
Capacity (Students)	346	346	346	346	346	346	346	346	346	346
Enrollment	343	346	367	379	387	406	398	377	354.0	347.0
<u>Other-Temporary Trailer</u>										
Square Feet				480	480	480	480			
Number of Schools at June 30, 2008:										
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.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF REQUIRED MAINTENANCE
LAST SEVEN FISCAL YEARS

UNDISTRIBUTED EXPENDITURES - REQUIRED
MAINTENANCE FOR SCHOOL FACILITIES

*School Facilities

	<u>Amount</u>	<u>Total</u>
2002	\$ 26,113	\$ 26,113
2003	32,384	32,384
2004	59,293	59,293
2005	43,151	43,151
2006	26,468	26,468
2007	48,949	48,949
2008	42,264	42,264
Total School Facilities	<u>\$ 278,622</u>	<u>\$ 278,622</u>

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

Source: District Records

FRANKLIN TOWNSHIP SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2008
(UNAUDITED)

	<u>Coverage</u>	<u>Deductible</u>
School Alliance Insurance Fund Coverage:		
Property Loss or Damage, Any One Loss or Disaster (Group Policy Limit)	\$ 250,000,000	\$ 1,000
General Liability Per Occurrence	5,000,000	
Bodily Injury Property Damages & Personal Injury Liability:		
Per Occurrence	5,000,000	1,000
Workers Compensation:		
Bodily Injury by Accident or Disease Per Accident, Employee & Policy Limit	5,000,000	
Blanket Dishonesty Bond:		
Per Loss	400,000	
School Board Legal Liability:		
Per Occurrence	5,000,000	5,000
Public Employees' Faithful Performance- Selective Insurance:		
Treasurer of School Monies	155,000	
School Board Secretary	155,000	

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**

August 22, 2008

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

I have audited the financial statements of the Board of Education of the Franklin School District in the County of Hunterdon as of and for the year ended June 30, 2008, and have issued my report thereon dated August 22, 2008. I conducted my 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 my audit, I considered the Board of Education's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my 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, I 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.

My 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. I did not identify any deficiencies in internal control over financial reporting that I 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, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 and state audit agencies 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

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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

August 22, 2008

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

Compliance

I have audited the compliance of the Board of Education of the Franklin 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, 2008. 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. My responsibility is to express an opinion on the Board of Education's compliance based on my audit.

I conducted my 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 I 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 I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Board of Education's compliance with those requirements.

In my 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, 2008.

Internal Control Over Compliance

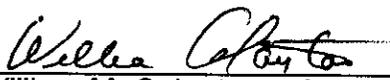
The management of the Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing my audit I considered the Board of 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 my audit procedures for the purpose of expressing my opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I 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.

My 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. I did not identify any deficiencies in internal control over compliance that I 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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, SCHEDULE A
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Grantor/Program Title	Federal CFDA Number	Project Number	Program or Award Amount	Grant Period From To	Balance June 30, 2007		Cash Received	Budgetary Expenditure	Adjustment	Repay of Prior Year Balance	Balance June 30, 2008		
					(Acct. Rec) Def Revenue	Carryover Amount					Accounts Receivable	Deferred Revenue	Due to Grantor
US Department of Education Passed Through State Department of Education: Special Revenue Fund													
NCLB Title I													
	84-010A	NCLB 160007	\$ 8,092	09/01/2006- 8/31/2007	\$ 493		\$ 493						
NCLB Title II A	84-281A	NCLB 160003	11,159	09/01/2002- 8/31/2003	1,194					\$ 1,194			
NCLB Title II A	84-281A	NCLB 160005	10,738	09/01/2004- 8/31/2005	182					182			
NCLB Title II A	84-367A	NCLB 160007	10,055	09/01/2006- 8/31/2007	8,638		6,638					\$ 2,000	
NCLB Title II A	84-367A	NCLB 160006	10,529	09/01/2005- 8/31/2006	5,244					5,244			
NCLB Title II A	84-367A	NCLB 160008	10,163	09/01/2007- 8/31/2008		\$ 10,163	8,000				\$ 2,163		
NCLB Title II D	84-318X	NCLB 160007	26	09/01/2006- 8/31/2007	26								
NCLB Title IV	84-184	NCLB 160007	793	09/01/2006- 8/31/2007	400		400					26	
NCLB Title IV	84-184	NCLB 160005	1,204	09/01/2004- 8/31/2005	590					590			
NCLB Title IV	84-184	NCLB 160008	616	09/01/2007- 8/31/2008		616							
NCLB Title V	84-298A	NCLB 160005	1,833	09/01/2004- 8/31/2005	1,833		616			1,833			
NCLB Title V	84-298A	NCLB 160007	509	09/01/2006- 8/31/2007	509		509						
NCLB Title V	84-298A	NCLB 160006	1,151	09/01/2005- 8/31/2006	580					580			
NCLB Title V	84-298A	NCLB 160008	374	09/01/2007- 8/31/2008		374					374	15,838	
IDEIA Basic	84-027	IDEIA 160007	88,399	09/01/2005- 8/31/2007	15,838								
IDEIA Basic	84-027A	IDEIA 160005	72,230	09/01/2004- 8/31/2005	663					663			
IDEIA Basic	84-027	IDEIA 160008	73,997	09/01/2005- 8/31/2006	1,462					1,462			
IDEIA Basic	84-027	IDEIA 160008	87,366	09/01/2007- 8/31/2008			74,925					12,441	
IDEIA Pre School	84-173	IDEIA 160008	4,754	09/01/2007- 8/31/2008			4,754						
Rural Education Achievement Program	84-358B	S358A C52489	43,264	07/01/2005- 9/30/2006	(7,012)								
Rural Education Achievement Program	84-358B	S358A C62489	41,547	07/01/2006- 9/30/2007			41,547						
Rural Education Achievement Program	84-358B	S358A C72489	35,754	07/01/2007- 9/30/2008			35,489					265	
Total Special Revenue Fund					30,840	\$ 151,832	173,371	\$ 11,748			(35,754)	15,243	17,864
US Department of Agriculture Passed Through State Department of Education: Enterprise Fund: Special Milk Program													
Special Milk Program	10-556	N/A	4,603	07/01/2007- 6/30/2008			4,603				(321)		
Special Milk Program	10-556	N/A	3,699	07/01/2006- 6/30/2007	(222)		4,603				(321)		
Total Enterprise Fund					\$ 30,418	\$ 156,336	177,974	\$ 11,748			(36,075)	\$ 15,243	\$ 17,864
TOTAL FEDERAL FINANCIAL ASSISTANCE													

SEE ACCOMPANYING NOTES TO SCHEDULES OF FINANCIAL ASSISTANCE

FRANKLIN TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE, SCHEDULE B
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

State Department of Education	Grantor/Program Title	Project Number	Program or Award Amount	Grant Period From To	Balance 6/30/2007 (Acct Rec) Def Revenue	Cash Received	Budgetary Expenditure	Repay of Prior Year Balance	Balance June 30, 2008		Memo Budgetary Receivable	Cumulative Expenditures
									Accounts Receivable	Deferred Revenue		
General Fund:												
	Transportation Aid	08-495-034	\$ 93,188	07/01/2007-6/30/2008		\$ 88,770	\$ 93,188		\$ (4,418)		\$ (4,418)	\$ 93,188
	Special Education Aid	-5120-014	201,241	07/01/2007-6/30/2008		191,699	201,241		(9,542)		(9,542)	201,241
	Bilingual Education Aid	-5120-011	2,318	07/01/2007-6/30/2008		2,208	2,318		(110)		(110)	2,318
	Consolidated Aid	08-495-034	44,107	07/01/2007-6/30/2008		42,016	44,107		(2,091)		(2,091)	44,107
	Additional Formula Aid	-5120-057	20,758	07/01/2007-6/30/2008		19,774	20,758		(984)		(984)	20,758
	Transportation Aid	-5120-058	93,188	07/01/2006-6/30/2007	\$ (4,316)	4,316						
	Special Education Aid	07-495-034	201,241	07/01/2006-6/30/2007	(9,321)	9,321						
	Bilingual Educational Aid	-5120-011	2,318	07/01/2006-6/30/2007	(107)	107						
	Consolidated Aid	07-495-034	44,107	07/01/2006-6/30/2007	(2,043)	2,043						
	Additional Formula Aid	-5120-057	10,228	07/01/2006-6/30/2007	(474)	474						
	Extraordinary Special Education Cost Aid	07-100-034	8,385	07/01/2006-6/30/2007	(8,385)	8,385						
	Extraordinary Special Education Cost Aid	-5120-473	7,092	07/01/2007-6/30/2008			7,092		(7,092)		(7,092)	7,092
	Nonpublic Remote Transportation Aid	-5120-473	6,616	07/01/2007-6/30/2008			6,616		(6,616)		(6,616)	6,616
	Nonpublic Remote Transportation Aid	-5120-014	4,640	07/01/2006-6/30/2007	(4,640)	4,640						
	On-Behalf TPAF Post Retirement Medical	08-495-034	108,531	07/01/2007-6/30/2008		108,531	108,531					108,531
	On-Behalf TPAF Pension Contribution	-5095-001	191,675	07/01/2007-6/30/2008		191,675	191,675					191,675
	Reimbursement TPAF Social Security Contribution	08-495-034	187,593	07/01/2007-6/30/2008		179,150			(8,443)		(8,443)	187,593
	Total General Fund				(29,286)	853,109	675,526	\$ -	(39,296)	\$ -	(39,296)	863,119
Special Revenue Fund:												
	Character Education	06-495-034	4,000	07/01/2005-6/30/2006	1		1					4,000
	Teacher Quality Mentoring	-5120-053	585	07/01/2005-6/30/2006	585					585		

SEE ACCOMPANYING NOTES TO SCHEDULES OF FINANCIAL ASSISTANCE

FRANKLIN TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE, SCHEDULE B
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)

Grantor/Program Title	Project Number	Program or Award Amount	Grant Period From To	Balance 6/30/2007 (Acct Rec) Def Revenue	Cash Received	Budgetary Expenditure	Repay of Prior Year Balance	Balance June 30, 2008		Memo	
								Accounts Receivable	Deferred Revenue	Budgetary Receivable	Cumulative Expenditures
State Department of Education											
Special Revenue Fund: (Continued)											
NJ Nonpublic Aid:											
Examination & Classification	07-100-034	\$ 20,950	07/01/2006-6/30/2007	\$ 9,800			\$ 9,800				
Examination & Classification	-5120-066	15,356	07/01/2007-6/30/2008		\$ 15,356	\$ 14,596		\$ 760			\$ 14,596
Corrective Speech	07-100-034	10,230	07/01/2006-6/30/2007	2,790			2,790				
Corrective Speech	-5120-066	10,230	07/01/2007-6/30/2008		10,230	10,137			93		10,137
Technology Initiative	07-100-034	6,360	07/01/2006-6/30/2007	303			303				
Technology Initiative	-5120-373	6,040	07/01/2007-6/30/2008		6,040	5,876			164		5,876
Non Public Nursing	08-100-034	11,657	07/01/2007-6/30/2008		11,657	11,657					11,657
Textbook Aid	-5120-070	8,874	07/01/2006-6/30/2007	4,979			4,979				
Textbook Aid	07-100-034	8,439	07/01/2007-6/30/2008			8,016			423		8,016
Total Special Revenue Fund				18,458	51,722	50,283	17,872	\$ -	\$ 585	\$ 1,440	\$ 54,282
Economic Development Authority											
Capital Projects Fund:											
Franklin Twp Elementary School	1600-050	2,836,092									297,789
	04-1000										
TOTAL STATE FINANCIAL ASSISTANCE				\$ (10,828)	\$ 904,831	\$ 725,809	\$ 17,872	\$ (39,296)	\$ 585	\$ 1,440	\$ 1,215,190

SEE ACCOMPANYING NOTES TO SCHEDULES OF FINANCIAL ASSISTANCE

FRANKLIN TOWNSHIP SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF AWARDS AND FINANCIAL ASSISTANCE
JUNE 30, 2008

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, Franklin Township 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 general purpose 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 2003, 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 \$884 for the general fund and \$11,009 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>Local</u>	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund			\$ 862,235	\$ 862,235
Special Revenue Fund	\$ 874	\$ 162,529	50,116	213,519
Food Service Fund		4,603		4,603
	<u>\$ 874</u>	<u>\$ 167,132</u>	<u>\$ 912,351</u>	<u>\$ 1,080,357</u>

FRANKLIN TOWNSHIP SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF AWARDS AND FINANCIAL ASSISTANCE
JUNE 30, 2008

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

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, 2008. 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, 2008.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(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:

<u>GMIS Numbers</u>	<u>Amount</u>	<u>Name of State Program</u>
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NOT APPLICABLE – NONE OVER \$300,000

FRANKLIN TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

SECTION II-FINANCIAL STATEMENT FINDINGS

There were no findings or questioned costs for the year ended June 30, 2008.

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, 2008.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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There were no prior year findings or questioned costs.