

**SCHOOL DISTRICT
OF THE
BOROUGH OF FRANKLIN LAKES**

**Borough of Franklin Lakes School District
Franklin Lakes, New Jersey**

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

**Comprehensive Annual
Financial Report**

of the

Borough of Franklin Lakes School District

Franklin Lakes, New Jersey

For the Fiscal Year Ended June 30, 2010

Prepared by

**Borough of Franklin Lakes School District
Board of Education**

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INTRODUCTORY SECTION

FRANKLIN LAKES PUBLIC SCHOOLS

490 Pulis Avenue, Franklin Lakes, New Jersey 07417

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Roger W. Bayersdorfer, Ed.D.
Superintendent of Schools

Michael J. Solokas
Board Secretary and
Business Administrator

October 18, 2010

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

Dear Board Members:

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

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

1) REPORTING ENTITY AND ITS SERVICES: The Borough of Franklin Lakes School District is an independent reporting entity within the criteria adopted by the Government Accounting Standards Board ("GASB") in codification section 2100. All funds of the District are included in this report. The Borough of Franklin Lakes School District and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre-K through 8. These include regular, vocational as well as special education for handicapped youngsters. The District completed the 2009-2010 fiscal year with an average daily enrollment of 1,458 students, which is an decrease of 34 students from the previous year's enrollment. The following details the changes in the average daily student enrollment of the District over the last five years:

<u>Fiscal Year</u>	<u>Average Daily Enrollment</u>	
	<u>Student Enrollment</u>	<u>Percent Change</u>
2009-2010	1,458	-2.28 %
2008-2009	1,492	0.20 %
2007-2008	1,489	-2.10 %
2006-2007	1,521	-0.85 %
2005-2006	1,534	-1.35 %

2) ECONOMIC CONDITION AND OUTLOOK: Currently the District is in good financial condition. Everyone associated with Franklin Lakes School District is grateful for the community support, as evidenced by the successful passage of the District's annual budget in 14 of the last 15 years.

The primary factors considered by the District's Administration during the process of developing the fiscal year 2010-11 budget were the projected declining student population, loss of State aid as well as increasing salary and related benefit costs.

3) MAJOR INITIATIVES: During the 2009-2010 school year curriculum committees reviewed and recommended a new Singapore Math curriculum. The District continued to expand Bright Horizons, a regular education pre-school program. The voters also approved a \$1.5 million facilities upgrade referendum.

4) INTERNAL ACCOUNTING CONTROLS: Management of the District is responsible for establishing and maintaining an internal control system 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 system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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

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

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

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

The Honorable President and Members of
the Board of Education
Borough of Franklin Lakes School District
Page 3
October 18, 2010

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

7) DEBT ADMINISTRATION: At June 30, 2010, the District had \$9,464,000 in outstanding bonded debt. Bond referendums were approved by the affirmative vote of a majority of the legal voters present and voting at the School District elections, which authorized the issuance of the school bonds. The proceeds of these bond issues were placed in the District's capital projects fund for use to provide funds for various capital improvements to the District's buildings and grounds.

At June 30, 2010, the District had no debt authorized but not issued.

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

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

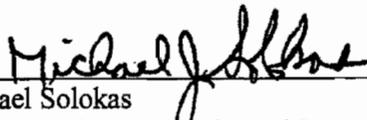
10) OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia & Company LLP, CPAs, was selected by the Board of Education. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related Federal OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and the New Jersey OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditors' report on the basic financial statements and specific required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

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

Respectfully submitted,



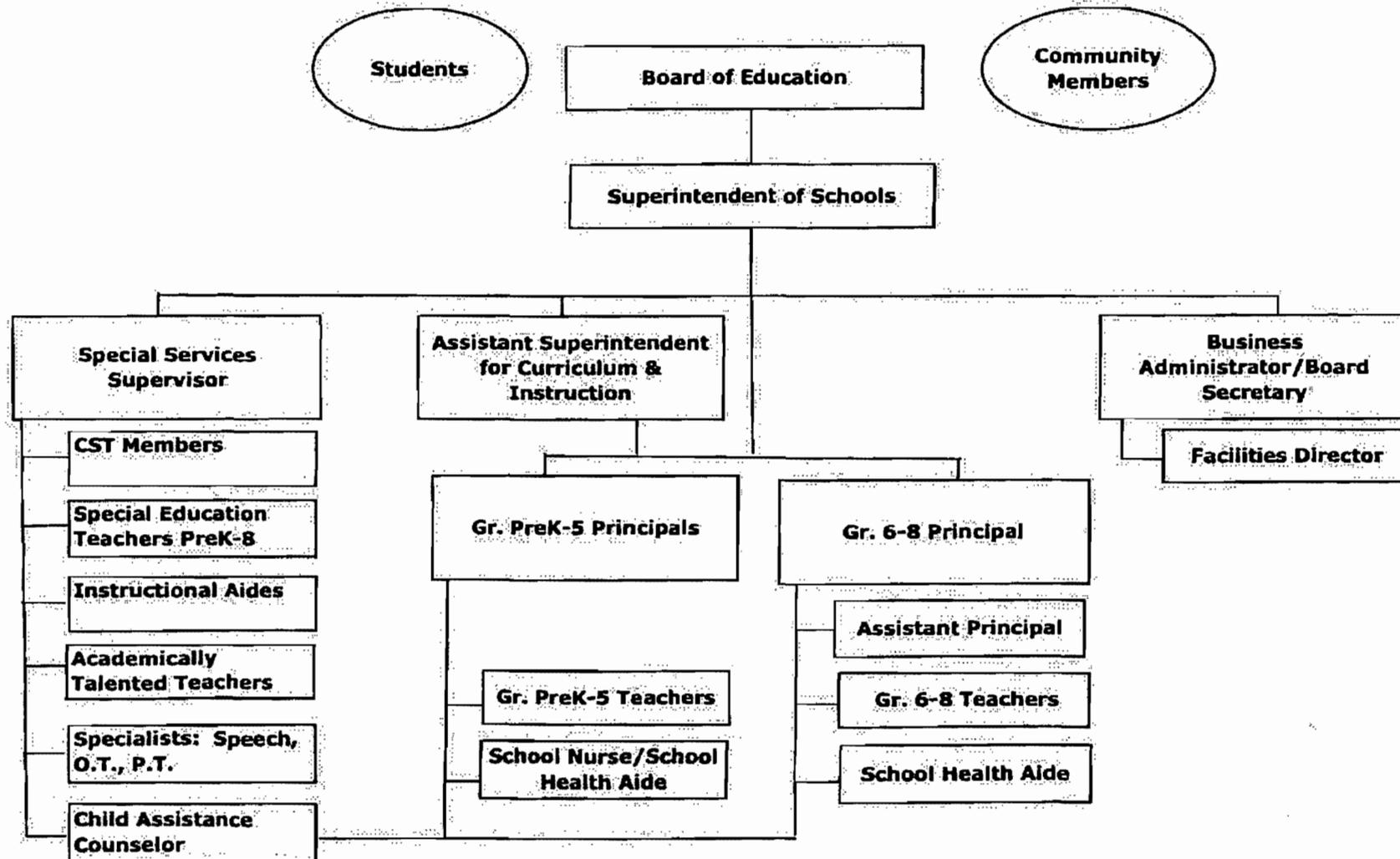
Dr. Frank Romano
Superintendent



Michael Solokas
Business Administrator/Board Secretary

**FRANKLIN LAKES SCHOOLS
FRANKLIN LAKES, NEW JERSEY**

PROFESSIONAL STAFF



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

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Kathleen Schwartz, President	2012
Barbara Capozzi	2011
Margaret Bennett	2012
Joseph Conti	2012
Carolyn Reitz	2011
Richard Koenigsberg	2013
Lisa Sciancalepore	2011
Christine Christopoul	2013
Gabrielle Gutierrez	2013

Other Officials

Title

Roger Bayersdorfer	Superintendent of Schools
Michael Solokas	Board Secretary/School Business Administrator
Nancy Ciavaglia	Treasurer

Attorney

Fogarty & Hara
16-00 Route 208 South
Fair Lawn, NJ 07410

Audit Firm

Nisivoccia & Company, LLP, CPAs
Mount Arlington Corporate Center
200 Valley Road, Suite 300
Mount Arlington, NJ 07856

Official Depository

TD Banknorth, N.A.
805 Franklin Lakes Road
Franklin Lakes, NJ 07417

FINANCIAL SECTION

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

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

Independent Auditors' Report

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2010 on our consideration of the Board of Education of the Borough of Franklin Lakes School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

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

Nisivoccia & Company, LLP

Mount Arlington, New Jersey
October 18, 2010

NISIVOCCLA & COMPANY, LLP

Kathryn L. Mantell

Kathryn L. Mantell
Licensed Public School Accountant #884
Certified Public Accountant

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)**

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

Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* adopted in June, 1999. Certain comparative information between the current year (2009-2010) and the prior year (2008-2009) is required to be presented in the MD&A.

Financial Highlights

- The District's net assets increased \$2,003,553 during the fiscal year.
- Overall revenue was \$29,544,077.
- Overall expenditures were \$27,540,524.
- Actual local revenue was \$223,157 higher than expected, primarily in tuition and facilities rental income.
- Enrollment in the District decreased slightly in the current year after a few years of increasing enrollment but cost per pupil remains relatively stable.
- The District's outstanding long-term debt was reduced to \$9,464,000 due to the retirement of \$1,715,000 of general obligation bonds during the current fiscal year.

Overview of the Financial Statements

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

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

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

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)**

Figure A-1

Organization of the Board of Education of the Borough of Franklin Lakes' Financial Report

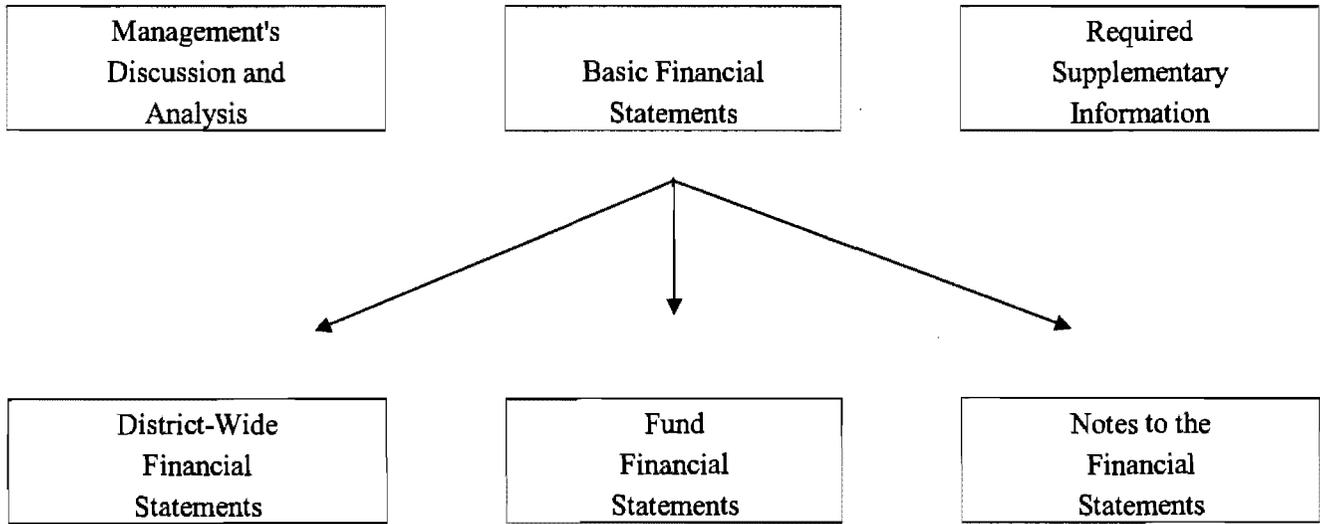


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents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

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)**

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

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

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)**

District-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)**

Fund Financial Statements

- *Fiduciary funds:* The District is the trustee, or *fiduciary*, for assets that belong to others, such as scholarship funds and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Notes to Financial Statements

Provide additional information essential to a full understanding of District-wide and fund financial statements.

Financial Analysis of the District as a Whole

Net Assets. The District's combined net assets were \$19,367,450 on June 30, 2010, \$2,003,553 or 11.54% more than they were the year before (See Figure A-3). Net Assets Invested in Capital Assets net of related debt increased \$1,190,609, Restricted Net Assets increased \$815,639, and Unrestricted Net Assets decreased \$2,695.

**Figure A-3
Condensed Statement of Net Assets**

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2009/10
	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09	
Current and Other Assets	4,029,654	1,762,925	\$ 27,077	\$ 22,568	\$ 4,056,731	\$ 1,785,493	127.21%
Capital Assets, Net	27,410,998	28,015,964			27,410,998	28,015,964	-2.16%
Total Assets	<u>31,440,652</u>	<u>29,778,889</u>	<u>27,077</u>	<u>22,568</u>	<u>31,467,729</u>	<u>29,801,457</u>	5.59%
Long-Term Debt Outstanding	10,201,512	11,940,216			10,201,512	11,940,216	-14.56%
Other Liabilities	1,898,767	497,344			1,898,767	497,344	281.78%
Total Liabilities	<u>12,100,279</u>	<u>12,437,560</u>			<u>12,100,279</u>	<u>12,437,560</u>	-2.71%
Net Assets:							
Invested in Capital Assets, Net of Related Debt	17,688,410	16,497,801			17,688,410	16,497,801	7.22%
Restricted	1,795,817	980,178			1,795,817	980,178	83.21%
Unrestricted (Deficit)	<u>(143,854)</u>	<u>(136,650)</u>	<u>27,077</u>	<u>22,568</u>	<u>(116,777)</u>	<u>(114,082)</u>	-2.36%
Total Net Assets	<u>\$ 19,340,373</u>	<u>\$ 17,341,329</u>	<u>\$ 27,077</u>	<u>\$ 22,568</u>	<u>\$ 19,367,450</u>	<u>\$ 17,363,897</u>	11.54%

The increase in Net Assets Invested in Capital Assets net of related debt was the result of the combination of capital assets acquisitions of \$57,702 and the retirement of \$1,795,575 in related debt, offset by depreciation of \$662,668. The increase in Restricted Net Assets was the result of a \$1,719,831 increase in open purchase orders, a \$95,433 increase in the combination of current and prior year excess surplus, a \$1,800 increase in the Capital Reserve Account, a \$1,001,459 decrease in the Capital Projects Fund due to current year projects and receivables, and a \$34 increase in Debt Service Funds.

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
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Changes in Net Assets. The District's net assets from governmental activities increased \$1,999,044 while net assets from business-type activities increased \$4,509 (See Figure A-4).

**Figure A-4
Changes in Net Assets from Operating Results**

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2009/10
	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09	
Revenue:							
Program Revenue:							
Charges for Services	\$ 1,757,801	\$ 1,920,427	\$ 10,886	\$ 11,404	\$ 1,768,687	\$ 1,931,831	-8.45%
Grants and Contributions:							
Operating	3,461,607	3,432,958	11,997	13,663	3,473,604	3,446,621	0.78%
General Revenue:							
Property Taxes	24,023,397	23,254,602			24,023,397	23,254,602	3.31%
Federal and State Aid Not Restricted	152,765	211,870			152,765	211,870	-27.90%
Other	125,624	116,576			125,624	116,576	7.76%
Total Revenue	29,521,194	28,936,433	22,883	25,067	29,544,077	28,961,500	2.01%
Expenses:							
Instruction	17,363,850	17,225,932			17,363,850	17,225,932	0.80%
Pupil and Instruction Services	3,323,869	3,521,958			3,323,869	3,521,958	-5.62%
Administrative and Business	2,440,012	2,473,579			2,440,012	2,473,579	-1.36%
Maintenance and Operations	2,928,186	4,006,142			2,928,186	4,006,142	-26.91%
Transportation	846,818	869,598			846,818	869,598	-2.62%
Other	619,415	984,137	18,374	17,949	637,789	1,002,086	-36.35%
Total Expenses	27,522,150	29,081,346	18,374	17,949	27,540,524	29,099,295	-5.36%
Increase/(Decrease) in Net Assets	\$ 1,999,044	\$ (144,913)	\$ 4,509	\$ 7,118	\$ 2,003,553	\$ (137,795)	1554.01%

Revenue Sources. The District's total revenue for the 2009/2010 school year was \$29,544,077 (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$24,023,397 of the total, or 81.31% (See Figure A-5). Another 12.28% came from state and federal aid for specific programs and the remaining 6.41% came from miscellaneous sources and charges for services.

**Figure A-5
Sources of Revenue for Fiscal Year 2010**

Sources of Income:	Amount	Percentage
State Formula Aid	\$ 905,665	3.07%
Property Taxes	24,023,397	81.31%
Federal and State Categorical Grants	2,720,704	9.21%
Charges for Services	1,768,687	5.99%
Other	125,624	0.42%
	\$ 29,544,077	100.00%

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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The total cost of all programs and services was \$27,540,524. The District's expenses are predominantly related to instructing, caring for (pupil and instruction services) and transporting students (78.19%) (See Figure A-6). The District's administrative and business activities accounted for 8.86% of total costs. The most significant contributors to the cost of maintenance and operations were higher energy costs (including fuel), snow removal costs and insurance.

**Figure A-6
Expenses for Fiscal Year 2010**

Expense Category:	<u>Amount</u>	<u>Percentage</u>
Instruction	\$ 17,363,850	63.05%
Pupil and Instruction Services	3,323,869	12.07%
Administrative and Business	2,440,012	8.86%
Maintenance and Operations	2,928,186	10.63%
Transportation	846,818	3.07%
Other	637,789	2.32%
	<u>\$ 27,540,524</u>	<u>100.00%</u>

Governmental Activities

As discussed elsewhere in this commentary, the financial position of the District increased slightly in this past year. Maintaining existing programs with decreasing regular pupil enrollment and the provision of a multitude of special programs and services for disabled pupils place great demands on the District's resources. Veteran teachers continue to retire and have been replaced by teachers of less experience. Such changes continue to generate salary savings.

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

- The District has utilized part-time aides to assist the special education students and provide more support for those students.
- Standard practice has been to maintain lower costs by seeking competitive proposals each year and seeking opportunities for shared services.
- The District and the Teachers agreed to participate in the State Health Benefits Plan generating significant health care savings.

It is crucial that the District monitor its expenditures carefully throughout the year. District resources are at their tightest level in a decade, while State aid has been reduced to almost zero.

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)**

Governmental Activities

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

**Figure A-7
Net Cost of Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2009/10	2008/09	2009/10	2008/09
Instruction	\$ 17,363,850	\$ 17,225,932	\$ 12,531,882	\$ 14,127,714
Pupil and Instruction Services	3,323,869	3,521,958	3,323,869	1,665,191
Administrative and Business	2,440,012	2,473,579	2,440,012	2,473,579
Maintenance and Operations	2,928,186	4,006,142	2,928,186	4,006,142
Transportation	846,818	869,598	531,318	471,198
Other	619,415	984,137	547,475	984,137
	<u>\$ 27,522,150</u>	<u>\$ 29,081,346</u>	<u>\$ 22,302,742</u>	<u>\$ 23,727,961</u>

- The cost of all governmental activities this year was \$27,522,150.
- The federal and state governments subsidized certain programs with grants and contributions (\$3,626,369).
- Most of the District's costs (\$24,023,397) were financed by District taxpayers.
- Charges for services (tuition and transportation) totaled \$1,768,687.

Business-Type Activities

Net assets from the District's business-type activity increased \$4,509 (Refer to Figure A-4). Factors contributing to these results included:

- Milk revenues exceeded expenses by \$4,509, accounting for the entire increase in the net assets of the business-type activities. The Federal Special Milk Program reimbursements help offset the costs of the District's milk purchases.

Financial Analysis of the District's Funds

The District's financial position increased due to changes in the student needs. Expenditures during the recent year increased as a result of higher than expected increase in health care costs.

Difficult economic times have had a direct impact upon the District's revenue sources. Interest from General Fund investments continued to plummet and remained unfavorable as compared to years past. Subscription busing revenue declined over 18% due to lower ridership. However, ratables in the municipality increased which softened the impact of the local tax levy increase.

These factors are likely to continue for the next few years. To maintain a stable financial position, the District must continue to practice sound fiscal management and seek alternative revenue sources.

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
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General Fund Budgetary Highlights

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

- Changes made within budgetary line items for changes in school-based needs for programs, supplies and equipment.
- The preparation of the 2009/2010 budget was difficult as a result of rising costs and the state mandated 4% tax levy increase cap. This resulted in the need for numerous line item transfers during the year.
- Allowable appropriations of additional unexpected tuition revenue.

Capital Asset and Debt Administration

**Figure A-8
Capital Assets (Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2009/10
	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09	
	Land	\$ 1,807,879	\$ 1,807,879			\$ 1,807,879	
Buildings and Building Improvements	25,523,879	26,174,853			25,523,879	26,174,853	-2.49%
Machinery and Equipment	79,240	33,232			79,240	33,232	138.44%
Total Capital Assets	\$ 27,410,998	\$ 28,015,964	\$ -0-	\$ -0-	\$ 27,410,998	\$ 28,015,964	-2.16%

The District acquired \$57,702 of capital assets and incurred \$662,668 in depreciation expense during the current fiscal year. More detailed information about the District's capital assets is presented in Note 7 to the Basic Financial Statements.

Long-term Debt

At year-end, the District had \$9,464,000 in general obligation bonds – a decrease of \$1,715,000 from last year – as shown in Figure A-9. More detailed information about the District's long-term liabilities is presented in Note 8 to the Basic Financial Statements.

**Figure A-9
Outstanding Long-Term Debt**

	Total School District		Percentage Change 2009/10
	2009/10	2008/09	
General Obligation Bonds (Financed with Property Taxes)	\$ 9,464,000	\$ 11,179,000	-15.34%
Other Long Term Liabilities	737,512	761,216	-3.11%
	\$ 10,201,512	\$ 11,940,216	-14.56%

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)**

Long-term Debt

- The District continued to pay down its existing debt, retiring \$1,715,000 of bonded debt and \$80,575 of capital leases payable.
- The District accrued the net amount of \$56,871 of compensated absences payable.

Factors Bearing on the District's Future Revenue/Expense Changes

Currently, the District is in good financial condition. Everyone associated with the Borough of Franklin Lakes School District is grateful for the community support, as evidenced by the successful passage of the District's annual budget for 14 out of the last 15 years.

Many factors were considered by the District's administration during the process of developing the fiscal year 2009/2010 budget. The primary factors were the District's projected student population, anticipated state and federal aids as well as increasing salary and related benefit costs.

These indicators were considered when adopting the budget for the fiscal year 2009/2010. Budgeted expenditures in the general fund increased 3.8% to \$25,162,523 in the fiscal year 2009/2010. Increases in contractual payroll and employee benefits costs are the primary reasons for the increase.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers and customers with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board of Education Office, 490 Pulis Avenue, Franklin Lakes, New Jersey 07417.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

Exhibit A-1

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

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 2,760,709	\$ 8,240	\$ 2,768,949
Receivables From Federal Government	782,807	974	783,781
Receivables From State Government	177,793		177,793
Receivables From Other Governments	42,079		42,079
Receivables - Other	27,300		27,300
Internal Balances	(17,863)	17,863	
Restricted Assets:			
Capital Reserve Account - Cash	206,829		206,829
Emergency Reserve Account - Cash	50,000		50,000
Capital Assets, Net:			
Sites (Land)	1,807,879		1,807,879
Depreciable Buildings and Building Improvements and Furniture, Machinery and Equipment	25,603,119		25,603,119
Total Assets	<u>31,440,652</u>	<u>27,077</u>	<u>31,467,729</u>
LIABILITIES			
Current Liabilities:			
Deposits Payable	47,553		47,553
Accounts Payable	17,896		17,896
Notes Payable	796,740		796,740
Interfund Payable	7,789		7,789
Accrued Interest Payable	166,023		166,023
Payable to State Government	21,047		21,047
Deferred Revenue	841,719		841,719
Noncurrent Liabilities:			
Due Within One Year	1,748,322		1,748,322
Due Beyond One Year	8,453,190		8,453,190
Total Liabilities	<u>12,100,279</u>		<u>12,100,279</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	17,688,410		17,688,410
Restricted for:			
Capital Projects (Deficit)	(282,524)		(282,524)
Debt Service	34		34
Other Purposes	2,078,307		2,078,307
Unrestricted (Deficit)	(143,854)	27,077	(116,777)
Total Net Assets	<u>\$ 19,340,373</u>	<u>\$ 27,077</u>	<u>\$ 19,367,450</u>

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

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

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities:						
Instruction:						
Regular	\$ 12,045,778		\$ 1,250,742	\$ (10,795,036)		\$ (10,795,036)
Special Education	4,730,524	\$ 1,757,801	1,762,551	(1,210,172)		(1,210,172)
Other Special Instruction	445,005		47,769	(397,236)		(397,236)
Other Instruction	142,543		13,105	(129,438)		(129,438)
Support Services:						
Tuition	87,232			(87,232)		(87,232)
Student & Instruction Related Services	3,236,637			(3,236,637)		(3,236,637)
General Administrative Services	692,663			(692,663)		(692,663)
School Administrative Services	1,178,475			(1,178,475)		(1,178,475)
Central Services	380,407			(380,407)		(380,407)
Administration Information Technology	188,467			(188,467)		(188,467)
Plant Operations and Maintenance	2,928,186			(2,928,186)		(2,928,186)
Pupil Transportation	846,818		315,500	(531,318)		(531,318)
Capital Outlay	187,935		71,940	(115,995)		(115,995)
Interest on Long-Term Debt	431,480			(431,480)		(431,480)
Total Governmental Activities	27,522,150	1,757,801	3,461,607	(22,302,742)		(22,302,742)

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

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Business-Type Activities:						
Milk	\$ 18,374	\$ 10,886	\$ 11,997		\$ 4,509	\$ 4,509
Total Business-Type Activities	18,374	10,886	11,997		4,509	4,509
Total Primary Government	<u>\$ 27,540,524</u>	<u>\$ 1,768,687</u>	<u>\$ 3,473,604</u>	\$ (22,302,742)	4,509	(22,298,233)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, Net				21,844,912		21,844,912
Taxes Levied for Debt Service				2,178,485		2,178,485
Federal and State Aid Not Restricted				152,765		152,765
Interest and Miscellaneous Income				125,624		125,624
Total General Revenues, Special Items, Extraordinary Items and Transfers				<u>24,301,786</u>		<u>24,301,786</u>
Change in Net Assets				1,999,044	4,509	2,003,553
Net Assets - Beginning				<u>17,341,329</u>	<u>22,568</u>	<u>17,363,897</u>
Net Assets - Ending				<u>\$ 19,340,373</u>	<u>\$ 27,077</u>	<u>\$ 19,367,450</u>

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

FUND FINANCIAL STATEMENTS

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 2,011,016		\$ 749,693		\$ 2,760,709
Interfund Receivables	250,184			\$ 34	250,218
Receivables from Federal Government		\$ 36,743			36,743
Receivables from State Government	177,793				177,793
Receivables from Other Governments	42,079				42,079
Receivables - Other	27,300				27,300
Restricted Cash and Cash Equivalents:					
Capital Reserve Account - Cash	206,829				206,829
Emergency Reserve Account - Cash	50,000				50,000
Total Assets	\$ 2,765,201	\$ 36,743	\$ 749,693	\$ 34	\$ 3,551,671
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 17,896				\$ 17,896
Notes Payable			\$ 796,740		796,740
Deposits Payable	47,553				47,553
Interfund Payable	25,652	\$ 14,741	235,477		275,870
Payable to State Government		21,047			21,047
Deferred Revenue	94,700	955			95,655
Total Liabilities	185,801	36,743	1,032,217		1,254,761
Fund Balances:					
Reserved for:					
Encumbrances	1,037,087		876,059		1,913,146
Capital Reserve Account	206,829				206,829
Emergency Reserve Account	50,000				50,000
Excess Surplus	320,739				320,739
Excess Surplus - Designated for Subsequent Year's Expenditures	463,652				463,652
Unreserved/(Deficit), Reported in:					
General Fund	501,093				501,093
Capital Projects Fund			(1,158,583)		(1,158,583)
Debt Service Fund				\$ 34	34
Total Fund Balances	2,579,400		(282,524)	34	2,296,910
Total Liabilities and Fund Balances	\$ 2,765,201	\$ 36,743	\$ 749,693	\$ 34	\$ 3,551,671

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

Net Assets (A-1) are Different Because:

Total Fund Balances From Above	\$ 2,296,910
Capital Assets Used in Governmental Activities are not financial resources and therefore are not reported in the Funds. The cost of the assets is \$38,848,906 and the accumulated depreciation is \$11,437,908.	27,410,998
Interest on Long-Term Debt is not Accrued in the Governmental Funds, but rather is recognized as an expenditure when due.	(166,023)
Long-Term Liabilities, Including Bonds Payable, are not due and payable in the current period and therefore are not reported as liabilities in the Funds.	(10,201,512)
Net Assets of Governmental Activities	\$ 19,340,373

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

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

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local Sources:					
Local Tax Levy	\$ 21,844,912			\$ 2,178,485	\$ 24,023,397
Other Local Governmental Units - Restricted	88,532				88,532
Tuition	1,757,801				1,757,801
Transportation Fees from Individuals	101,905				101,905
Interest on Capital Reserve	1,800				1,800
Miscellaneous	34,920	\$ 62,140	\$ 372		97,432
Total - Local Sources	23,829,870	62,140	372	2,178,485	26,070,867
State Sources	2,758,933	116,999			2,875,932
Federal Sources		574,395			574,395
Total Revenues	26,588,803	753,534	372	2,178,485	29,521,194
EXPENDITURES					
Current:					
Regular Instruction	8,479,244	31,875			8,511,119
Special Education Instruction	2,820,785	645,719			3,466,504
Other Special Instruction	305,762				305,762
Other Instruction	97,007				97,007
Support Services and Undistributed Costs:					
Tuition	87,232				87,232
Student & Instruction Related Services	2,567,125				2,567,125
General Administrative Services	587,332				587,332
School Administrative Services	921,275				921,275
Central Services	305,162				305,162
Administration Information Technology	149,470				149,470
Plant Operations and Maintenance	2,231,063				2,231,063

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
EXPENDITURES					
Current:					
Support Services and Undistributed Costs:					
Pupil Transportation	\$ 839,918	\$ 4,000			\$ 843,918
Unallocated Benefits	6,110,227				6,110,227
Capital Outlay	128,872	71,940	\$ 125,400		326,212
Debt Service:					
Principal				\$ 1,715,000	1,715,000
Interest and Other Charges				463,485	463,485
Total Expenditures	<u>25,630,474</u>	<u>753,534</u>	<u>125,400</u>	<u>2,178,485</u>	<u>28,687,893</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>958,329</u>		<u>(125,028)</u>		<u>833,301</u>
OTHER FINANCING SOURCES/(USES)					
Transfers In	338			34	372
Transfers Out			(372)		(372)
Total Other Financing Sources/(Uses)	<u>338</u>		<u>(372)</u>	<u>34</u>	
Net Change in Fund Balances	958,667		(125,400)	34	833,301
Fund Balance—July 1	<u>1,620,733</u>		<u>(157,124)</u>		<u>1,463,609</u>
Fund Balance—June 30	<u>\$ 2,579,400</u>	<u>\$ -0-</u>	<u>\$ (282,524)</u>	<u>\$ 34</u>	<u>\$ 2,296,910</u>

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

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

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2) \$ 833,301

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

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

	Depreciation expense	\$ (662,668)	
	Capital outlays	<u>57,702</u>	
			(604,966)

Repayment of debt service principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities. 1,715,000

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when accrued, regardless of when due. In the governmental funds, interest is reported when due. When the accrued interest exceeds the interest paid, the difference is a reduction in the reconciliation (-); when the interest paid exceeds the accrued interest, the difference is an addition to the reconciliation (+). 32,005

Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities. 80,575

In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+). (56,871)

Change in Net Assets of Governmental Activities (Exhibit A-2) \$ 1,999,044

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

	<u>Business-type Activities - Enterprise Funds</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 8,240
Accounts Receivable:	
Federal Government	974
Interfund Receivable - General Fund	<u> 17,863</u>
Total Current Assets	<u> 27,077</u>
Total Assets	<u> 27,077</u>
 NET ASSETS:	
Unrestricted	<u> 27,077</u>
Total Net Assets	<u><u> \$ 27,077</u></u>

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

Exhibit B-5

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

	<u>Business-type Activities - Enterprise Funds</u>
Operating Revenue:	
Charges for Services:	
Daily Sales:	
Special Milk Program	\$ 10,886
Total Operating Revenue	<u>10,886</u>
Operating Expenses:	
Cost of Sales	<u>18,374</u>
Total Operating Expenses	<u>18,374</u>
Operating (Loss)	(7,488)
Non-Operating Revenue:	
Federal Sources:	
Special Milk Program	<u>11,997</u>
Total Non-Operating Revenue	<u>11,997</u>
Change in Net Assets	4,509
Net Assets - Beginning of Year	<u>22,568</u>
Net Assets - End of Year	<u>\$ 27,077</u>

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

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

	<u>Business-type Activities - Enterprise Funds</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 10,886
Payments to Suppliers	<u>(18,374)</u>
Net Cash (Used for) Operating Activities	<u>(7,488)</u>
Cash Flows from Noncapital Financing Activities:	
Interfund Returned - General Fund	<u>8,739</u>
Net Cash Provided by Noncapital Financing Activities	<u>8,739</u>
Net Increase in Cash and Cash Equivalents	1,251
Cash and Cash Equivalents, July 1	<u>6,989</u>
Cash and Cash Equivalents, June 30	<u>\$ 8,240</u>
Reconciliation of Operating (Loss) to Net Cash (Used for) Operating Activities:	
Operating (Loss)	<u>\$ (7,488)</u>
Net Cash (Used for) Operating Activities	<u>\$ (7,488)</u>

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

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

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Trust</u>
ASSETS:			
Cash and Cash Equivalents	\$ 242,729	\$ 94,318	\$ 5,221
Interfund Receivable - General Fund	7,789		
Total Assets	<u>250,518</u>	<u>94,318</u>	<u>5,221</u>
LIABILITIES:			
Accounts Payable - Vendors	75		
Payroll Deductions and Withholdings	204,310		
Due to Student Groups	46,133		
Total Liabilities	<u>250,518</u>		
NET ASSETS:			
Held in Trust for:			
Unemployment Claims		94,318	
Renovations			5,221
Total Net Assets	<u>\$ -0-</u>	<u>\$ 94,318</u>	<u>\$ 5,221</u>

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

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

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Trust</u>
ADDITIONS:		
Contributions:		
District	\$ 103,000	
Total Contributions	<u>103,000</u>	
Investment Earnings:		
Interest	41	\$ 302
Net Investment Earnings	<u>41</u>	<u>302</u>
Total Additions	<u>103,041</u>	<u>302</u>
DEDUCTIONS:		
State of New Jersey Unemployment Claims	131,628	
Other		1,860
Total Deductions	<u>131,628</u>	<u>1,860</u>
Change in Net Assets	(28,587)	(1,558)
Net Assets - Beginning of the Year	<u>122,905</u>	<u>6,779</u>
Net Assets - End of the Year	<u>\$ 94,318</u>	<u>\$ 5,221</u>

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

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

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

B. Basis of Presentation:

District-Wide Financial Statements:

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

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

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

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

B. Basis of Presentation: (Cont'd)

Fund Financial Statements:

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

The District reports the following governmental funds:

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

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

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

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

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.

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

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

B. Basis of Presentation: (Cont'd)

The District reports the following proprietary fund:

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

Additionally, the District reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the General, 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 N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions or the annual budgets during the year).

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

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

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 26,571,768	\$ 749,491
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis recognizes Encumbrances as Revenue and Expenditures while the GAAP Basis does not.		4,043
State Aid Payment Recognized for GAAP Statements, not Recognized for Budgetary Purposes	130,319	
State Aid Payment Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(113,284)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 26,588,803	\$ 753,534

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

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

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

	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 25,630,474	\$ 749,491
Differences - Budget to GAAP:		
Encumbrances for Supplies and Equipment Ordered but Not Received are Reported in the Year the Order is Placed for Budgetary Purposes, but in the Year the Supplies are Received for Financial Reporting Purposes.		4,043
	<u>\$ 25,630,474</u>	<u>\$ 753,534</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds		<u>\$ 753,534</u>
		Capital Projects Fund
Fund Balance per Summary Schedule of Revenue, Expenditures and Changes in Fund Balance (Budgetary Basis)		\$ 463,540
Reconciliation to Governmental Funds Statement (GAAP):		
SDA Grants not Recognized on GAAP Basis		(746,064)
Fund Balance per Governmental Funds (GAAP)		\$ (282,524)

E. Cash and Cash Equivalents and Investments:

Cash and cash equivalents include petty cash and cash in banks. Certificates of deposit with maturities of one year or less when purchased are stated at cost.

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

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

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

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

F. Interfund Transactions:

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

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

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

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

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

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

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

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

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

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

K. Capital Assets:

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

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

	<u>Estimated Useful Life</u>
Buildings	30 years
Site Improvements	20 years
Machinery and Equipment	10 to 15 years
Computer and Related Technology	5 years
Vehicles	8 years

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

L. Long Term Liabilities:

In the District-wide and enterprise fund statements of net assets, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or enterprise funds. Bond issuance costs, as well as applicable bond premium and discounts, are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements, governmental fund types recognize bond discounts, as well as bond issuance costs, as expenditures in the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

M. Accrued Salaries and Wages:

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

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

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

N. Compensated Absences:

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

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

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

O. Deferred Revenue:

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

P. Fund Balance Appropriated:

General Fund: The \$2,579,400 General Fund balance at June 30, 2010, is comprised of \$1,037,087 reserved for encumbrances; \$206,829 reserved in the capital reserve account; \$50,000 reserved in the emergency reserve account; \$463,652 prior year excess surplus that has been appropriated and included in as anticipated revenue for the fiscal year ending June 30, 2011; \$320,739 reserved for excess surplus in accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2004, C.73 (S1701) and will be appropriated and included as anticipated revenue for the fiscal year ending June 30, 2012; and \$501,093 unreserved and undesignated, which is \$113,284 less on the GAAP basis (due to the final two state aid payments which are not recognized until the fiscal year ending June 30, 2011) than the calculated maximum unreserved fund balance (budgetary basis).

Capital Projects Fund: The \$282,524 deficit in Capital Projects Fund balance at June 30, 2010, is comprised of \$876,059 reserved for encumbrances and \$1,158,583 unreserved and designated deficit and is \$746,064 less than the budgetary basis due to Schools Development Authority grant receivable which is not recognized on the GAAP basis of accounting until expended and submitted for reimbursement.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, C.73 (S1701), the designation for Reserved Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The excess fund balance at June 30, 2010 is \$320,739. The District has excess surplus at June 30, 2010 as outlined above.

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

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

P. Fund Balance Appropriated: (Cont'd)

The District's unreserved/undesignated fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$113,284 as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the last two state aid payments as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district cannot recognize the last two state aid payments in the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the final two state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments.

Q. Fund Balance Reserves:

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

R. Deficit Fund Balances/Net Assets

The District has a deficit in unrestricted net assets for governmental activities of \$143,854 due to the accrual of \$166,023 in interest and \$478,924 in compensated absences payable and a \$282,524 deficit in fund balance and net assets for Capital Projects Fund as of June 30, 2010 due to the issuance of \$796,740 of temporary notes which do not constitute revenue and \$746,064 of Schools Development Authority grants receivable which are not recognized on a GAAP basis. These deficits do not indicate that the District is having financial difficulties and is a permitted practice under generally accepted accounting principles.

S. Net Assets:

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

T. Revenue - Exchange and Nonexchange Transactions:

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

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

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

T. Revenue - Exchange and Nonexchange Transactions: (Cont'd)

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

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

U. Operating Revenue and Expenses:

Operating revenue are those revenues that are generated directly from the primary activity of the Enterprise Fund. These revenues are generated from the sale of milk to students. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the respective Enterprise Fund.

V. Management Estimates:

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

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

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

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

Credit Risk – The Board limits its investments to those authorized in its formal cash management plan which are those permitted under state statute as detailed below and on the following page.

Deposits:

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

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

The market value of the collateral must equal 5% of the average daily balance of public funds on deposit, and

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

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

Investments

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund; or

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

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

Investments (Cont'd)

- (7) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in statute; and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

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

	Cash and Cash Equivalents	Capital Reserve Account	Emergency Reserve Account	Total
Checking Accounts	\$ 3,111,217	\$ 206,829	\$ 50,000	\$ 3,368,046

During the period ended June 30, 2010, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2010 was \$3,368,046 and the bank balance was \$3,781,457.

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by Board resolution on June 30, 2000 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

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

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

NOTE 4. CAPITAL RESERVE ACCOUNT (Cont'd)

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

Beginning Balance, July 1, 2009	\$ 205,029
Interest Earnings	<u>1,800</u>
Ending Balance, June 30, 2010	<u>\$ 206,829</u>

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

NOTE 5: EMERGENCY RESERVE ACCOUNT

An emergency reserve account was established by Board resolution on June 24, 2008 by inclusion of \$50,000 for the accumulation of funds for use as unanticipated General Fund expenditures in subsequent fiscal years. The emergency reserve account is maintained in the General Fund and its activity is included in the General Fund annual budget.

The emergency reserve is used to accumulate funds in accordance with N.J.S.A. 18A:7F-41c(1) to finance unanticipated general fund expenditures required for a through and efficient education. The maximum balance permitted at any time in this reserve is the greater of \$250,000 or 1% of the general fund budget not to exceed one million dollars. Deposits may be made to the emergency reserve account by board resolution between June 1st and June 30th of any unanticipated revenue or unexpended line item appropriation or both. Withdrawals from the reserve require the approval of the Commissioner unless the withdrawal is necessary to meet an increase in total health care costs in excess of four percent.

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

Beginning Balance, July 1, 2009	<u>\$ 50,000</u>
Ending Balance, June 30, 2010	<u>\$ 50,000</u>

NOTE 6: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2010, the District transferred \$23,603 from equipment and \$64,891 to facilities acquisition and construction - a net transfer of \$41,288 to the capital outlay accounts. The transfers were made from equipment and for approved facilities projects and did not require County Superintendent approval.

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

NOTE 7. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 1,807,879			\$ 1,807,879
Total Capital Assets Not Being Depreciated	<u>1,807,879</u>			<u>1,807,879</u>
Capital Assets Being Depreciated:				
Buildings and Building Improvements	35,494,997			35,494,997
Machinery and Equipment	1,488,328	\$ 57,702		1,546,030
Total Capital Assets Being Depreciated	<u>36,983,325</u>	<u>57,702</u>		<u>37,041,027</u>
Governmental Activities Capital Assets	<u>38,791,204</u>	<u>57,702</u>		<u>38,848,906</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(9,320,144)	(650,974)		(9,971,118)
Machinery and Equipment	(1,455,096)	(11,694)		(1,466,790)
	<u>(10,775,240)</u>	<u>(662,668)</u>		<u>(11,437,908)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 28,015,964</u>	<u>\$ (604,966)</u>	<u>\$ -0-</u>	<u>\$ 27,410,998</u>

The increases totaling \$57,702 represent current year equipment additions.

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 3,134
Student and Instruction Related Services	1,899
Plant Operations and Maintenance	<u>657,635</u>
	<u>\$ 662,668</u>

NOTE 8. LONG-TERM LIABILITIES

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

	<u>Balance 6/30/2009</u>	<u>Added</u>	<u>Retired</u>	<u>Balance 6/30/2010</u>
Serial Bonds Payable	\$11,179,000		\$1,715,000	\$ 9,464,000
Compensated Absences Payable	422,053	\$ 58,769	1,898	478,924
Capital Leases Payable	339,163		80,575	258,588
	<u>\$11,940,216</u>	<u>\$ 58,769</u>	<u>\$1,797,473</u>	<u>\$ 10,201,512</u>

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

NOTE 8. LONG-TERM LIABILITIES (Cont'd)

A. Bonds Payable:

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

The District had bonds outstanding as of June 30, 2010 as follows:

<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Amount</u>
08/01/22	3.625% - 4.625%	\$ 8,449,000
02/01/11	2.65% - 5.00%	1,015,000
		<u>\$ 9,464,000</u>

Principal and interest due on serial bonds outstanding are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,665,000	\$ 386,673	\$ 2,051,673
2012	650,000	312,360	962,360
2013	650,000	288,391	938,391
2014	650,000	264,016	914,016
2015	650,000	238,828	888,828
Thereafter:			
2016-2020	3,250,000	794,390	4,044,390
2021-2023	1,949,000	164,758	2,113,758
	<u>\$ 9,464,000</u>	<u>\$ 2,449,416</u>	<u>\$ 11,913,416</u>

B. Bonds Authorized But Not Issued:

As of June 30, 2010, the Board had \$600 of bonds authorized but not issued relative to a bond referendum authorized on April 16, 2002 for the construction of an addition to and upgrading of existing facilities.

C. Compensated Absences:

The liability for compensated absences of the Governmental Fund types is recorded in the current and long-term liabilities. The long-term liability balance of compensated absences is \$478,924. No portion of the compensated absences balance represents a current liability. The General Fund will be used to liquidate Compensated Absences Payable.

There is no liability for compensated absences in the District's Enterprise Fund.

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

NOTE 8. LONG-TERM LIABILITIES (Cont'd)

D. Capital Leases Payable:

The District has entered into a capital lease to finance the installation of a fiber optic network throughout the District. The capital lease is for a term of five years and will be retired through the General Fund. The following is a schedule of the future minimum lease payments under the capital leases, and the present value of the net minimum lease payments at June 30, 2010.

2011	\$ 92,140
2012	92,140
2013	92,141
	<hr/> 276,421
Less: Amount Representing Interest	<hr/> (17,833)
Present Value of Net Minimum Lease Payments	<hr/> <u>\$ 258,588</u>

The current portion of capital leases is \$83,322 and the long term portion is \$175,266.

NOTE 9. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey. These systems are sponsored and administered by the State of New Jersey. The TPAF is considered a cost-sharing, multiple employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Board and the system's other noncontribution employers. The PERS is also considered a cost-sharing, multiple-employer plan.

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

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

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

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

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

NOTE 9. PENSION PLANS (Cont'd)

<u>Three-Year Trend for TPAF (Paid On-Behalf of District)</u>			
<u>Year Funding</u> <u>June 30,</u>	<u>Annual</u> <u>Pension Cost</u> <u>(APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
2010	\$ - 0 -	100.00%	\$ - 0 -
2009	- 0 -	100.00%	- 0 -
2008	909,573	100.00%	909,573

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

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

<u>Three-Year Trend for PERS</u>			
<u>Year Funding</u> <u>June 30,</u>	<u>Annual</u> <u>Pension Cost</u> <u>(APC)</u>	<u>Percentage of</u> <u>APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
2010	\$ 174,843	100.00%	\$ 174,843
2009	149,797	100.00%	149,797
2008	133,083	80.00%	106,466

The annual pension cost differs from the annual required contribution due to the enactment of Chapter 114, P.L. 1997.

NOTE 10. POST-RETIREMENT BENEFITS

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

The State is also responsible for the cost attributed to P.L. 1992, c.126 which provides free health benefits to members of PERS, TPAF and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$116.9 million toward Chapter 126 benefits for 13,320 eligible retired members for Fiscal Year 2009.

The State's on behalf Post Retirement Medical Contributions to TPAF for the District amounted to \$808,736, \$799,781 and \$628,984 for 2010, 2009 and 2008 respectively.

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

NOTE 11. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The District has health benefits coverage for employees with Horizon Blue Cross Blue Shield in a traditionally funded plan.

Property and Liability Insurance

The District maintains commercial insurance coverage for property, liability, student accident and surety bonds. A complete schedule of insurance coverage can be found on Exhibit J-20 in the statistical section of this Comprehensive Annual Financial Report.

New Jersey Unemployment Compensation Insurance

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the District is required to reimburse the New Jersey 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, interest earned, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District's expendable trust fund for the current and previous two years.

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Interest Earned</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2009-2010	\$ 103,000	\$ 41	\$ -0-	\$ 131,628	\$ 94,318
2008-2009	90,000	-0-	21,683	17,872	122,905
2007-2008	-0-	-0-	-0-	31,260	29,094

NOTE 12. ECONOMIC DEPENDENCY

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

NOTE 13. INTERFUND RECEIVABLES AND PAYABLES

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 250,184	\$ 25,652
Special Revenue Fund		14,741
Capital Projects Fund		235,477
Debt Service Fund	34	
Enterprise Fund	17,863	
Agency Fund	7,789	
	<u>\$ 275,870</u>	<u>\$ 275,870</u>

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

NOTE 13. INTERFUND RECEIVABLES AND PAYABLES (Cont'd)

The interfund receivable in General Fund is comprised of an interfund loan to the Capital Projects Fund for cash flow purposes while awaiting collection of Schools Development Authority grants offset by interest earnings in Capital Projects Fund. The interfund receivable in the General Fund is also comprised of an interfund loan to the Special Revenue Fund for cash flow purposes due to the receivables for federal grants. The interfund receivable in the Debt Service Fund is comprised on interest earnings in the Capital Projects Fund. The interfund receivable in the Enterprise Fund is primarily comprised of Federal Special Milk Program reimbursements received in the General Fund for the 2007/2008 and 2009/2010 school years which have not been turned over to the Enterprise Fund. The interfund receivable in the Agency Fund is primarily due to a transfer error between the General Fund and the Payroll Agency account.

NOTE 14. 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:

- | | |
|---------------|---------------------|
| AXA Equitable | Mainstay Funds |
| Valic | Lincoln Investments |

NOTE 15. TAX CALENDAR

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

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

NOTE 16. ACCOUNTS PAYABLE

The following accounts payable balances existed as of June 30, 2010:

	Governmental Activities		
	General Fund	Total Governmental Funds	Fiduciary Funds
Vendors	\$ 17,896	17,896	\$ 75
	\$ 17,896	\$ 17,896	\$ 75

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

NOTE 17. COMMITMENTS AND CONTINGENCIES

The Board is periodically involved in claims or lawsuits arising in the normal course of business, including a claim regarding employment matters. The Board does not believe that the ultimate outcome of these cases will have a material adverse effect on the District's financial position.

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

NOTE 18: SUBSEQUENT EVENT – REFUNDING OF OUTSTANDING SERIAL BONDS

The District refunded \$6,499,000 its School Bonds dated August 1, 2002 which represents the callable portion of that issue and consists of original maturities due August 1, 2013 through 2022 with interest rates ranging from 3.75% to 4.625%. The District issued \$6,390,000 refunding bonds (with an original issue premium of \$718,748) dated September 30, 2010 with maturities from August 1, 2013 through 2022 with interest rates ranging from 3.0% to 4.5%. The transaction constituted an advance refunding of the old bonds and generated \$422,611 in cash savings and \$382,596 in net present value savings, or 5.99% of the refunding issue.

Principal and interest due on serial bonds outstanding (after the effect of the refunding) are as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 1,665,000	\$ 327,843	\$ 1,992,843
2012	650,000	272,006	922,006
2013	650,000	248,038	898,038
2014	660,000	225,950	885,950
2015	655,000	206,225	861,225
Thereafter:			
2016-2020	3,190,000	711,275	3,901,275
2021-2023	1,885,000	114,475	1,999,475
	<u>\$ 9,355,000</u>	<u>\$ 2,105,812</u>	<u>\$ 11,460,812</u>

BUDGETARY COMPARISON SCHEDULES

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

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 21,844,912		\$ 21,844,912	\$ 21,844,912	
Other Local Governmental Units - Restricted	65,000		65,000	88,532	\$ 23,532
Tuition	1,550,001		1,550,001	1,757,801	207,800
Transportation Fees from Individuals	115,000		115,000	101,905	(13,095)
Interest Earned on Capital Reserve Funds	1,800		1,800	1,800	
Miscellaneous	30,000		30,000	34,920	4,920
Total - Local Sources	23,606,713		23,606,713	23,829,870	223,157
State Sources:					
Categorical Transportation Aid	309,276		309,276	201,029	(108,247)
Categorical Special Education Aid	812,936		812,936	571,379	(241,557)
Categorical Security Aid	106,024		106,024	68,916	(37,108)
Adjustment Aid	72,778		72,778	47,306	(25,472)
Extraordinary Special Education Costs Aid				119,708	119,708
Nonpublic School Transportation Costs				16,403	16,403
TPAF Noncontributory Insurance (On-Behalf - Non-Budgeted)				43,060	43,060
TPAF Post Retirement Benefits (On-Behalf - Non-Budgeted)				808,736	808,736
TPAF Social Security (Reimbursed - Non-Budgeted)				865,361	865,361
Total State Sources	1,301,014		1,301,014	2,741,898	1,440,884
TOTAL REVENUES	24,907,727		24,907,727	26,571,768	1,664,041

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 580,000	\$ 27,000	\$ 607,000	\$ 541,827	\$ 65,173
Grades 1-5 - Salaries of Teachers	4,384,020	(232,283)	4,151,737	3,909,606	242,131
Grades 6-8 - Salaries of Teachers	3,366,437	84,692	3,451,129	3,250,283	200,846
Regular Programs - Home Instruction:					
Salaries of Teachers	31,000	25,000	56,000	52,584	3,416
Regular Programs - Undistributed Instruction:					
Other Purchased Services (400-500 series)	101,000	40,437	141,437	129,304	12,133
General Supplies	578,171	86,708	664,879	563,642	101,237
Textbooks	85,916	(53,918)	31,998	31,998	
Total Regular Programs - Instruction	9,126,544	(22,364)	9,104,180	8,479,244	624,936
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	268,376		268,376	246,951	21,425
Other Salaries for Instruction	305,148	17,356	322,504	322,504	
General Supplies	29,000	(660)	28,340	28,340	
Total Learning and/or Language Disabilities	602,524	16,696	619,220	597,795	21,425
Resource Room/Resource Center:					
Salaries of Teachers	1,325,084	(158)	1,324,926	1,255,679	69,247
General Supplies	9,000	(185)	8,815	8,815	
Total Resource Room/Resource Center	1,334,084	(343)	1,333,741	1,264,494	69,247

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

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Autism:					
Salaries of Teachers	\$ 167,039	\$ (806)	\$ 166,233	\$ 144,316	\$ 21,917
Other Salaries for Instruction	600,264	(17,356)	582,908	557,049	25,859
Total Autism	767,303	(18,162)	749,141	701,365	47,776
Preschool Disabilities - Part-time:					
Salaries of Teachers	153,054	42,078	195,132	185,132	10,000
Other Salaries for Instruction	88,928	(13,767)	75,161	71,161	4,000
General Supplies	4,000	(3,162)	838	838	
Total Preschool Disabilities - Part-time	245,982	25,149	271,131	257,131	14,000
Total Special Education Instruction	2,949,893	23,340	2,973,233	2,820,785	152,448
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	238,300	(15,040)	223,260	205,470	17,790
Textbooks	635	(217)	418	418	
Total Basic Skills/Remedial - Instruction	238,935	(15,257)	223,678	205,888	17,790
Bilingual Education - Instruction:					
Salaries of Teachers	100,678	2,757	103,435	98,435	5,000
General Supplies	1,593		1,593	1,439	154
Total Bilingual Education - Instruction	102,271	2,757	105,028	99,874	5,154

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	\$ 64,014	\$ (691)	\$ 63,323	\$ 57,755	\$ 5,568
Supplies and Materials	2,277	(9)	2,268	2,268	
Other Objects		700	700	700	
	<u>66,291</u>		<u>66,291</u>	<u>60,723</u>	<u>5,568</u>
Total School-Sponsored Cocurricular Activities - Instruction					
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	35,000		35,000	25,611	9,389
Purchased Services (300-500 series)	15,000		15,000	10,673	4,327
	<u>50,000</u>		<u>50,000</u>	<u>36,284</u>	<u>13,716</u>
Total School-Sponsored Cocurricular Athletics - Instruction					
Total Instruction					
	<u>12,533,934</u>	<u>(11,524)</u>	<u>12,522,410</u>	<u>11,702,798</u>	<u>819,612</u>
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Special	94,392	(72,280)	22,112	20,200	1,912
Tuition to County Special Services Schools and Regional Day Schools	45,000	73,000	118,000	51,693	66,307
Other Tuition	15,228	536	15,764	15,339	425
	<u>154,620</u>	<u>1,256</u>	<u>155,876</u>	<u>87,232</u>	<u>68,644</u>
Total Undistributed Expenditures - Instruction					

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

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Health Services:					
Salaries	\$ 239,590	\$ 14,150	\$ 253,740	\$ 238,446	\$ 15,294
Purchased Professional and Technical Services	9,000	(9,000)			
Supplies and Materials	4,700	(237)	4,463	4,463	
Total Health Services	<u>253,290</u>	<u>4,913</u>	<u>258,203</u>	<u>242,909</u>	<u>15,294</u>
Speech, OT, PT and Related Services:					
Salaries	600,010	(78,510)	521,500	493,562	27,938
Purchased Professional - Educational Services	10,000	69,391	79,391	72,069	7,322
Supplies and Materials	13,000	(10,203)	2,797	2,797	
Total Speech, OT, PT and Related Services	<u>623,010</u>	<u>(19,322)</u>	<u>603,688</u>	<u>568,428</u>	<u>35,260</u>
Other Support Services - Students - Extraordinary Services:					
Salaries	111,160	9,397	120,557	93,557	27,000
Purchased Professional - Educational Services		22,975	22,975	22,975	
Total Other Support Services - Students - Extraordinary Services	<u>111,160</u>	<u>32,372</u>	<u>143,532</u>	<u>116,532</u>	<u>27,000</u>
Guidance:					
Salaries of Other Professional Staff	337,000		337,000	308,147	28,853
Other Purchased Professional and Technical Services	20,000	(9,729)	10,271	7,272	2,999
Total Guidance	<u>357,000</u>	<u>(9,729)</u>	<u>347,271</u>	<u>315,419</u>	<u>31,852</u>

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

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Child Study Team:					
Salaries of Other Professional Staff	\$ 621,000	\$ 2,443	\$ 623,443	\$ 595,730	\$ 27,713
Salaries of Secretarial and Clerical Assistants	83,300	12,525	95,825	82,551	13,274
Purchased Professional - Educational Services	67,000		67,000	65,627	1,373
Purchased Professional and Technical Services	10,000	1,000	11,000	11,000	
Supplies and Materials	41,000	(8,810)	32,190	31,553	637
Other Objects	2,000	(158)	1,842	1,842	
Total Child Study Team	824,300	7,000	831,300	788,303	42,997
Improvement of Instructional Services:					
Salaries of Other Professional Staff	51,200	(2,375)	48,825	46,107	2,718
Total Improvement of Instructional Services	51,200	(2,375)	48,825	46,107	2,718
Educational Media Services/School Library:					
Salaries	384,500	5,001	389,501	368,360	21,141
Other Purchased Services		20,009	20,009	20,009	
Supplies and Materials	47,350	(23,669)	23,681	23,681	
Other Objects	1,350		1,350	1,350	
Total Educational Media Services/School Library	433,200	1,341	434,541	413,400	21,141

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

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Instructional Staff Training Services:					
Salaries of Other Professional Staff	\$ 79,492	\$ (3,465)	\$ 76,027	\$ 76,027	
Supplies and Materials	4,500	(1,008)	3,492		\$ 3,492
Total Instructional Staff Training Services	83,992	(4,473)	79,519	76,027	3,492
Support Services - General Administration:					
Salaries	337,600	21,384	358,984	353,984	5,000
Legal Services	54,718	40,075	94,793	92,513	2,280
Audit Fees	30,000	11,986	41,986	41,986	
Architectural/Engineering Services	10,000	(10,000)			
Other Purchased Professional Services	22,300	(4,945)	17,355	17,355	
Communications/Telephone	34,000	(10,804)	23,196	23,196	
Other Purchased Services (400-500 series)	20,400	2,385	22,785	22,785	
General Supplies	20,700	(3,546)	17,154	15,548	1,606
Miscellaneous Expenditures	16,500	3,465	19,965	19,965	
Total Support Services - General Administration	546,218	50,000	596,218	587,332	8,886

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

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	\$ 652,400	\$ 1,105	\$ 653,505	\$ 636,668	\$ 16,837
Salaries of Other Professional Staff	8,840		8,840	7,370	1,470
Salaries of Secretarial and Clerical Assistants	252,000	11,197	263,197	249,547	13,650
Other Salaries	10,000	(10,000)			
Supplies and Materials	24,600	(487)	24,113	20,495	3,618
Other Objects	8,000	(805)	7,195	7,195	
Total Support Services - School Administration	955,840	1,010	956,850	921,275	35,575
Central Services:					
Salaries	231,695	31,214	262,909	256,069	6,840
Miscellaneous Purchased Services (400-500 series)	69,915	(43,737)	26,178	25,889	289
Supplies and Materials	6,000	11,753	17,753	11,639	6,114
Interest on Lease Purchase Agreement		11,565	11,565	11,565	
Total Central Services	307,610	10,795	318,405	305,162	13,243
Administration Information Technology:					
Salaries	109,000	2,644	111,644	106,644	5,000
Other Purchased Services (400-500 Series)	10,135	(2,500)	7,635	7,601	34
Supplies and Materials	35,225		35,225	35,225	
Total Administration Information Technology	154,360	144	154,504	149,470	5,034

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

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Required Maintenance of School Facilities:					
Cleaning, Repair and Maintenance Services	\$ 122,175	\$ 279,355	\$ 401,530	\$ 395,360	\$ 6,170
General Supplies	18,316	(4,000)	14,316	14,316	
Total Required Maintenance of School Facilities	140,491	275,355	415,846	409,676	6,170
Custodial Services:					
Salaries	18,305	(18,305)			
Salaries of Non-Instructional Aides	153,222	18,305	171,527	136,189	35,338
Purchased Professional and Technical Services	58,665	(2,686)	55,979	50,450	5,529
Cleaning, Repair and Maintenance Services	1,054,944	(45,409)	1,009,535	984,935	24,600
Other Purchased Property Services	23,000	(15,295)	7,705	7,705	
Insurance	112,498	(4,592)	107,906	107,906	
General Supplies	14,294	(3,985)	10,309	10,309	
Energy (Heat and Electricity)	760,480	(112,856)	647,624	523,893	123,731
Total Custodial Services	2,195,408	(184,823)	2,010,585	1,821,387	189,198
Care and Upkeep of Grounds					
Cleaning, Repair and Maintenance Services	10,000	(10,000)			
Total Care and Upkeep of Grounds	10,000	(10,000)			

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

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Student Transportation Services:					
Salaries for Transportation - Between Home and School - Regular	\$ 10,000		\$ 10,000	\$ 10,000	
Management Fee:					
ESC and CTSA Transportation Program	3,600	\$ 560	4,160	4,160	
Contracted Services:					
Between Home and School - Vendors	435,000	(10,407)	424,593	400,970	\$ 23,623
Other Than Between Home and School - Vendors	32,000	7,015	39,015	39,015	
Special Education Students - Vendors	310,425	(6,819)	303,606	303,606	
Aid in Lieu - Non Public Schools	111,000	(28,833)	82,167	82,167	
Total Student Transportation Services	902,025	(38,484)	863,541	839,918	23,623
Unallocated Benefits:					
Social Security Contributions	210,000	40,073	250,073	249,610	463
Other Retirement Contributions - Regular	145,500	29,343	174,843	174,843	
Unemployment Compensation		103,000	103,000	103,000	
Workmen's Compensation	212,000	(34,375)	177,625	177,625	
Health Benefits	3,928,737	(291,518)	3,637,219	3,633,532	3,687
Tuition Reimbursement	30,000	18,613	48,613	48,613	
Other Employee Benefits	8,838	87,120	95,958	5,847	90,111
Total Unallocated Benefits	4,535,075	(47,744)	4,487,331	4,393,070	94,261

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

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
On-Behalf Contributions:					
TPAF Noncontributory Insurance (On-Behalf - Non-Budgeted)				\$ 43,060	\$ (43,060)
TPAF Post Retirement Benefits (On-Behalf - Non-Budgeted)				808,736	(808,736)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				865,361	(865,361)
Total On-Behalf Contributions				1,717,157	(1,717,157)
Total Personal Services - Employee Benefits	\$ 4,535,075	\$ (47,744)	\$ 4,487,331	6,110,227	(1,622,896)
Total Undistributed Expenses	12,638,799	67,236	12,706,035	13,798,804	(1,092,769)
TOTAL GENERAL CURRENT EXPENSE	25,172,733	55,712	25,228,445	25,501,602	(273,157)
CAPITAL OUTLAY					
Undistributed Expenditures:					
Instruction	108,626	(90,191)	18,435	18,435	18,435
Support Services - Instructional Staff		7,572	7,572		7,572
Operation and Maintenance of Plant Services		59,016	59,016	51,391	7,625
Total Equipment	108,626	(23,603)	85,023	69,826	33,632
Facilities Acquisition and Construction Services:					
General Supplies	72,679	64,891	137,570	59,046	78,524
Total Facilities Acquisition and Construction Services	72,679	64,891	137,570	59,046	78,524
TOTAL CAPITAL OUTLAY	181,305	41,288	222,593	128,872	112,156

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

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
TOTAL EXPENDITURES	\$ 25,354,038	\$ 97,000	\$ 25,451,038	\$ 25,630,474	\$ (161,001)
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(446,311)	(97,000)	(543,311)	941,294	1,484,605
Other Financing Sources/(Uses):					
Operating Transfers In/(Out):					
Interest Earned in Capital Projects Fund				338	338
Total Other Financing Sources/(Uses)		-		338	338
Excess/(Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing (Uses)	(446,311)	(97,000)	(543,311)	941,632	1,484,943
Fund Balance, July 1	1,751,052		1,751,052	1,751,052	
Fund Balance, June 30	<u>\$ 1,304,741</u>	<u>\$ (97,000)</u>	<u>\$ 1,207,741</u>	<u>\$ 2,692,684</u>	<u>\$ 1,484,943</u>
Recapitulation:					
Reserve for Encumbrances				\$ 1,037,087	
Reserve for Excess Surplus				320,739	
Reserve for Excess Surplus - Designated for Subsequent Year's Expenditures				463,652	
Capital Reserve				206,829	
Emergency Reserve				50,000	
Unreserved - Undesignated				614,377	
				<u>2,692,684</u>	
Reconciliation to Governmental Fund Statement (GAAP):					
Last State Aid Payment not Recognized on GAAP Basis				(113,284)	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 2,579,400</u>	

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

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources	\$ 65,000	\$ (2,860)	\$ 62,140	\$ 62,140	
State Sources	135,980	(18,095)	117,885	112,955	\$ (4,930)
Federal Sources	345,000	363,939	708,939	574,396	(134,543)
Total Revenues	<u>545,980</u>	<u>342,984</u>	<u>888,964</u>	<u>749,491</u>	<u>(139,473)</u>
EXPENDITURES:					
Instruction					
Salaries of Other Professional Staff		16,000	16,000	16,000	
Purchased Professional and Technical Services	8,400	(2,400)	6,000		6,000
Tuition	345,000	151,355	496,355	402,794	93,561
General Supplies		103,415	103,415	89,439	13,976
Textbooks	13,178	1,404	14,582	14,582	
Total Instruction	<u>366,578</u>	<u>269,774</u>	<u>636,352</u>	<u>522,815</u>	<u>113,537</u>
Support Services					
Personal Services - Employee Benefits		1,224	1,224		1,224
Purchased Professional - Educational Services	114,402	59,846	174,248	154,736	19,512
Total Support Services	<u>114,402</u>	<u>61,070</u>	<u>175,472</u>	<u>154,736</u>	<u>20,736</u>
Facilities Acquisition and Construction Services:					
Non-Instructional Equipment		15,000	15,000	9,800	5,200
Lease Purchase Agreements - Principal	65,000	(2,860)	62,140	62,140	
Total Facilities Acquisition and Construction Services	<u>65,000</u>	<u>12,140</u>	<u>77,140</u>	<u>71,940</u>	<u>5,200</u>
Total Expenditures	<u>545,980</u>	<u>342,984</u>	<u>888,964</u>	<u>749,491</u>	<u>139,473</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

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

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 26,571,768	\$ 749,491
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis recognizes Encumbrances as Revenue and Expenditures while the GAAP Basis does not.		4,043
State Aid Payment Recognized for GAAP Statements, not Recognized for Budgetary Purposes	130,319	
State Aid Payment Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(113,284)	
	<u>\$ 26,588,803</u>	<u>\$ 753,534</u>
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 26,588,803</u>	<u>\$ 753,534</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 25,630,474	\$ 749,491
Differences - Budget to GAAP:		
Encumbrances for Supplies and Equipment Ordered but Not Received are Reported in the Year the Order is Placed for Budgetary Purposes, but in the Year the Supplies are Received for Financial Reporting Purposes.		4,043
	<u>\$ 25,630,474</u>	<u>\$ 753,534</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 25,630,474</u>	<u>\$ 753,534</u>

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

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 N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions or the annual budgets during the year).

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

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

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

**SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)**

SPECIAL REVENUE FUND

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

	No Child Left Behind			
	Title IIA	Title IV	Carryover Title IIA	Carryover Title IV
REVENUE:				
Local Sources				
State Sources				
Federal Sources	\$ 22,782	\$ 2,403	\$ 281	\$ 2,169
Total Revenue	<u>22,782</u>	<u>2,403</u>	<u>281</u>	<u>2,169</u>
EXPENDITURES:				
Instruction:				
Salaries of Other Professional Staff				
Tuition				
General Supplies				
Textbooks				
Total Instruction				
Support Services:				
Purchased Professional - Educational Services	22,782	2,403	281	2,169
Total Support Services	<u>22,782</u>	<u>2,403</u>	<u>281</u>	<u>2,169</u>
Facilities Acquisition and Construction Services:				
Non-Instructional Equipment				
Lease Purchase Agreements - Principal				
Total Facilities Acquisition and Construction Services				
Total Expenditures	<u>\$ 22,782</u>	<u>\$ 2,403</u>	<u>\$ 281</u>	<u>\$ 2,169</u>

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

	<u>IDEA, Part B</u>		<u>American Recovery and Reinvestment Act</u>	
	<u>IDEA, Part B</u>		<u>IDEA, Part B</u>	
	<u>Basic Regular</u>	<u>Preschool</u>	<u>Basic Regular</u>	<u>Preschool</u>
REVENUE:				
Local Sources				
State Sources				
Federal Sources	\$ 304,276	\$ 16,807	\$ 214,558	\$ 11,120
Total Revenue	<u>304,276</u>	<u>16,807</u>	<u>214,558</u>	<u>11,120</u>
EXPENDITURES:				
Instruction:				
Salaries of Other Professional Staff			16,000	
Tuition	276,128	16,227	110,439	
General Supplies			78,319	11,120
Textbooks				
Total Instruction	<u>276,128</u>	<u>16,227</u>	<u>204,758</u>	<u>11,120</u>
Support Services:				
Purchased Professional - Educational Services	28,148	580		
Total Support Services	<u>28,148</u>	<u>580</u>		
Facilities Acquisition and Construction Services:				
Non-Instructional Equipment			9,800	
Lease Purchase Agreements - Principal				
Total Facilities Acquisition and Construction Services			<u>9,800</u>	
Total Expenditures	<u>\$ 304,276</u>	<u>\$ 16,807</u>	<u>\$ 214,558</u>	<u>\$ 11,120</u>

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

	Nonpublic		Nonpublic Handicapped Services (Chapter 193)		
	Nursing	Textbooks	Supplementary Instruction	Examination and Classification	Corrective Speech
	REVENUE:				
Local Sources					
State Sources	\$ 17,293	\$ 14,582	\$ 10,738	\$ 15,355	\$ 6,696
Federal Sources					
Total Revenue	17,293	14,582	10,738	15,355	6,696
EXPENDITURES:					
Instruction:					
Salaries of Other Professional Staff					
Tuition					
General Supplies					
Textbooks		14,582			
Total Instruction		14,582			
Support Services:					
Purchased Professional - Educational Services	17,293		10,738	15,355	6,696
Total Support Services	17,293		10,738	15,355	6,696
Facilities Acquisition and Construction Services:					
Non-Instructional Equipment					
Lease Purchase Agreements - Principal					
Total Facilities Acquisition and Construction Services					
Total Expenditures	\$ 17,293	\$ 14,582	\$ 10,738	\$ 15,355	\$ 6,696

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

	Nonpublic Auxiliary Services (Chapter 192)		Franklin Lakes Education Foundation	Totals June 30, 2010
	Compensatory Education	Transportation		
REVENUE:				
Local Sources			\$ 62,140	\$ 62,140
State Sources	\$ 44,291	\$ 4,000		112,955
Federal Sources				574,396
Total Revenue	<u>44,291</u>	<u>4,000</u>	<u>62,140</u>	<u>749,491</u>
EXPENDITURES:				
Instruction:				
Salaries of Other Professional Staff				16,000
Tuition				402,794
General Supplies				89,439
Textbooks				14,582
Total Instruction				<u>522,815</u>
Support Services:				
Purchased Professional - Educational Services	44,291	4,000		154,736
Total Support Services	<u>44,291</u>	<u>4,000</u>		<u>154,736</u>
Facilities Acquisition and Construction Services:				
Non-Instructional Equipment				9,800
Lease Purchase Agreements - Principal			62,140	62,140
Total Facilities Acquisition and Construction Services			<u>62,140</u>	<u>71,940</u>
Total Expenditures	<u>\$ 44,291</u>	<u>\$ 4,000</u>	<u>\$ 62,140</u>	<u>\$ 749,491</u>

CAPITAL PROJECTS FUND

Exhibit F-1

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
SUMMARY SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGETARY BASIS
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2010

Revenue and Other Financing Sources:	
State Sources - SDA Grant	\$ 531,160
Interest Revenue	372
	<hr/>
Total Revenue and Other Financing Sources	531,532
	<hr/>
Expenditures and Other Financing Uses:	
Legal Services	1,691
Architectural/Engineering Services	88,272
Purchased Professional and Technical Services	10,500
Construction Services	24,937
Operating Transfers Out:	
General Fund - Interest Earned	338
Debt Service Fund - Interest Earned	34
	<hr/>
Total Expenditures and Other Financing Uses	125,772
	<hr/>
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	405,760
	<hr/>
Fund Balance - Beginning	57,780
	<hr/>
Fund Balance - Ending	\$ 463,540
	<hr/> <hr/>
Recapitulation:	
Reserve for Encumbrances	\$ 876,059
Unreserved - Undesignated (Deficit)	(412,519)
	<hr/>
	463,540
Reconciliation to Governmental Funds Statement (GAAP):	
SDA Grants not Recognized on GAAP Basis	(746,064)
	<hr/>
Fund Balance per Governmental Funds (GAAP)	\$ (282,524)
	<hr/> <hr/>

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
CONSTRUCTION OF AN ADDITION TO AND UPGRADING OF EXISTING FACILITIES
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 3,570,400		\$ 3,570,400	\$ 3,570,400
Bond Proceeds	12,029,000		12,029,000	12,029,600
Transfer from Capital Reserve	1,102,000		1,102,000	1,102,000
Total Revenue and Other Financing Sources	16,701,400		16,701,400	16,702,000
Expenditures:				
Legal Services	41,099		41,099	50,434
Purchased Professional and Technical Services	1,580,433		1,580,433	1,625,625
Construction Services	14,590,068		14,590,068	14,590,068
Equipment Purchases	424,873		424,873	424,873
Other Objects	7,147		7,147	11,000
Total Expenditures	16,643,620		16,643,620	16,702,000
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under) Expenditures	<u>\$ 57,780</u>	<u>\$ -0-</u>	<u>\$ 57,780</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number(s)	SP-202266, 202529, 202559, 202558
Grant Date	2002
Bond Authorization Date	April 16, 2002
Bonds Authorized	\$ 12,029,600
Bonds Issued	\$ 12,029,000
Original Authorized Cost	\$ 16,502,000
Change Orders	\$ 200,000
Revised Authorized Cost	\$ 16,702,000
Change Order Percentage	1.21%
Percentage Completion	99.65%

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
HIGH MOUNTAIN ROAD SCHOOL - ADA COMPLIANT DOOR LOCKS
AND HARDWARE ON ALL EXTERIOR DOORS
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant		\$ 13,000	\$ 13,000	\$ 13,000
Bonds and Notes Authorized				19,500
Total Revenue and Other Financing Sources		13,000	13,000	32,500
Expenditures:				
Legal Services		41	41	1,000
Architectural/Engineering Services		3,301	3,301	5,000
Construction Services		427	427	20,000
Other Objects				6,500
Total Expenditures		3,769	3,769	32,500
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under) Expenditures	\$ -0-	\$ 9,231	\$ 9,231	\$ -0-

Additional Project Information:

Project Number(s)	1580-020-09-1002/OZBX
Grant Date	12/30/09
Original Authorized Cost	\$ 32,500
Percentage Completion	11.60%
Original Target Completion Date	9/15/2010

Exhibit F-1c

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
WOODSIDE AVENUE SCHOOL - BOILER AND ADA COMPLIANT DOOR LOCKS
AND HARDWARE ON ALL EXTERIOR DOORS
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant		\$ 163,200	\$ 163,200	\$ 163,200
Bonds and Notes Authorized				244,800
Total Revenue and Other Financing Sources		<u>163,200</u>	<u>163,200</u>	<u>408,000</u>
Expenditures and Other Financing Uses:				
Legal Services		520	520	2,500
Architectural/Engineering Services		23,229	23,229	44,000
Purchased Professional and Technical Services		8,250	8,250	8,250
Construction Services		427	427	337,000
Other Objects				16,250
Total Expenditures and Other Financing Uses		<u>32,426</u>	<u>32,426</u>	<u>408,000</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under) Expenditures	<u>\$ -0-</u>	<u>\$ 130,774</u>	<u>\$ 130,774</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number(s)	1580-030-09-1003/0ZBY
Grant Date	12/30/09
Original Authorized Cost	\$ 408,000
Percentage Completion	7.95%
Original Target Completion Date	9/15/2010

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
FRANKLIN AVENUE MIDDLE SCHOOL - PARTIAL ROOF REPLACEMENT,
LOCKER ROOM RENOVATIONS, AND ADA COMPLIANT DOOR LOCKS AND
HARDWARE ON ALL EXTERIOR DOORS
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant		\$ 354,960	\$ 354,960	\$ 354,960
Bonds and Notes Authorized				532,440
Total Revenue and Other Financing Sources		354,960	354,960	887,400
Expenditures:				
Legal Services		1,130	1,130	5,000
Architectural/Engineering Services		61,742	61,742	103,810
Purchased Professional and Technical Services		2,250	2,250	2,250
Construction Services		24,083	24,083	709,000
Other Objects				67,340
Total Expenditures		89,205	89,205	887,400
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under) Expenditures	\$ -0-	\$ 265,755	\$ 265,755	\$ -0-

Additional Project Information:

Project Number(s)	1580-015-09-1001/0ZPV
Grant Date	12/30/09
Original Authorized Cost	\$ 887,400
Percentage Completion	10.05%
Original Target Completion Date	9/15/2010

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE

<u>Referendum Date</u>	<u>Referendum Description</u>	<u>Date of</u>		<u>Interest Rate</u>	<u>Balance</u>	<u>Issued</u>	<u>Balance</u>
		<u>Issue</u>	<u>Maturity</u>		<u>July 1, 2009</u>		<u>June 30, 2010</u>
09/29/09	Rehabilitation of School Facilities	01/19/10	01/19/11	0.92%	\$ -0-	\$ 796,740	\$ 796,740

PROPRIETARY FUNDS

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
AS OF JUNE 30, 2010

	<u>Milk</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 8,240
Accounts Receivable:	
Federal	974
Interfund Receivable - General Fund	<u>17,863</u>
Total Current Assets	<u>27,077</u>
Total Assets	<u>27,077</u>
NET ASSETS:	
Unrestricted	<u>27,077</u>
Total Net Assets	<u>\$ 27,077</u>

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

	Milk
Operating Revenue:	
Charges for Services:	
Daily Sales:	
Special Milk Program	\$ 10,886
Total Operating Revenue	10,886
Operating Expenses:	
Cost of Sales	18,374
Total Operating Expenses	18,374
Operating (Loss)	(7,488)
Non-Operating Revenue:	
Federal Sources:	
Special Milk Program	11,997
Total Non-Operating Revenue	11,997
Change in Net Assets	4,509
Net Assets - Beginning of Year	22,568
Net Assets - End of Year	\$ 27,077

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

	Milk
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 10,886
Payments to Suppliers	(18,374)
Net Cash (Used for) Operating Activities	(7,488)
Cash Flows from Noncapital Financing Activities:	
Interfund Returned - General Fund	8,739
Net Cash Provided by Noncapital Financing Activities	8,739
Net Increase/(Decrease) in Cash and Cash Equivalents	1,251
Cash and Cash Equivalents, July 1	6,989
Cash and Cash Equivalents, June 30	\$ 8,240
Reconciliation of Operating (Loss) to Net Cash (Used for) Operating Activities:	
Operating (Loss)	\$ (7,488)
Net Cash (Used for) Operating Activities	\$ (7,488)

FIDUCIARY FUNDS

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF NET ASSETS
AS OF JUNE 30, 2010

	<u>Agency</u>			<u>Unemployment Compensation Trust</u>	<u>Private Purpose Trust</u>	<u>Total</u>
	<u>Student Activities</u>	<u>Payroll</u>	<u>Total</u>			
ASSETS:						
Cash and Cash Equivalents	\$ 46,208	\$ 196,521	\$ 242,729	\$ 94,318	\$ 5,221	\$ 342,268
Interfund Receivable - General Fund		7,789	7,789			7,789
Total Assets	46,208	204,310	250,518	94,318	5,221	342,268
LIABILITIES:						
Accounts Payable	75		75			75
Payroll Deductions and Withholdings		204,310	204,310			204,310
Due to Student Groups	46,133		46,133			46,133
Total Liabilities	46,208	204,310	250,518			250,518
NET ASSETS:						
Held in Trust for:						
Unemployment Claims				94,318		94,318
Renovations					5,221	5,221
Total Net Assets	\$ -0-	\$ -0-	\$ -0-	\$ 94,318	\$ 5,221	\$ 99,539

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

	Unemployment Compensation Trust	Private Purpose Trust	Totals
ADDITIONS:			
Contributions:			
District	\$ 103,000		\$ 103,000
Total Contributions	103,000		103,000
Investment Earnings:			
Interest	41	\$ 302	343
Net Investment Earnings	41	302	343
Total Additions	103,041	302	103,343
DEDUCTIONS:			
State of New Jersey Unemployment Claims	131,628		131,628
Other		1,860	1,860
Total Deductions	131,628	1,860	133,488
Change in Net Assets	(28,587)	(1,558)	(30,145)
Net Assets - Beginning of the Year	122,905	6,779	129,684
Net Assets - End of the Year	\$ 94,318	\$ 5,221	\$ 99,539

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
ASSETS:				
Cash and Cash Equivalents	\$ 52,108	\$ 109,131	\$ 115,031	\$ 46,208
Total Assets	<u>\$ 52,108</u>	<u>\$ 109,131</u>	<u>\$ 115,031</u>	<u>\$ 46,208</u>
LIABILITIES:				
Accounts Payable	\$ 1,080	\$ 75	\$ 1,080	\$ 75
Due to Student Groups	<u>51,028</u>	<u>109,056</u>	<u>113,951</u>	<u>46,133</u>
Total Liabilities	<u>\$ 52,108</u>	<u>\$ 109,131</u>	<u>\$ 115,031</u>	<u>\$ 46,208</u>

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Accounts</u> <u>Payable</u>	<u>Balance</u> <u>June 30, 2010</u>
Elementary Schools:					
Colonial Road School	\$ 2,100	\$ 17,655	\$ 16,979		\$ 2,776
High Mountain Road School	2,715	17,159	15,400		4,474
Woodside Avenue School	4,064	10,393	10,783	\$ 75	3,599
Total Elementary Schools	<u>8,879</u>	<u>45,207</u>	<u>43,162</u>	<u>75</u>	<u>10,849</u>
Middle Schools:					
Franklin Avenue Middle School	30,829	57,393	63,890		24,332
Yearbook Account	5,819	242			6,061
Snapple - Peer Leadership	5,501	6,289	6,899		4,891
Total Middle Schools	<u>42,149</u>	<u>63,924</u>	<u>70,789</u>		<u>35,284</u>
Total All Schools	<u>\$ 51,028</u>	<u>\$ 109,131</u>	<u>\$ 113,951</u>	<u>\$ 75</u>	<u>\$ 46,133</u>

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
ASSETS:				
Cash and Cash Equivalents	\$ 212,681	\$ 16,223,441	\$ 16,239,601	\$ 196,521
Interfund Receivable - General Fund		27,956	20,167	7,789
Total Assets	<u>\$ 212,681</u>	<u>\$ 16,251,397</u>	<u>\$ 16,259,768</u>	<u>\$ 204,310</u>
LIABILITIES:				
Payroll Deductions and Withholdings	\$ 212,681	\$ 16,251,397	\$ 16,259,768	\$ 204,310
Total Liabilities	<u>\$ 212,681</u>	<u>\$ 16,251,397</u>	<u>\$ 16,259,768</u>	<u>\$ 204,310</u>

LONG-TERM DEBT

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS
FISCAL YEAR ENDED JUNE 30, 2010

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding June 30, 2010		Interest Rate	Balance June 30, 2009	Retired or Matured	Balance June 30, 2010
			Date	Amount				
School District Bonds	08/01/02	\$ 12,029,000	08/01/10-11	\$ 650,000	3.625 %			
			08/01/12-13	650,000	3.750 %			
			08/01/14-15	650,000	4.000 %			
			08/01/16	650,000	4.100 %			
			08/01/17	650,000	4.200 %			
			08/01/18	650,000	4.300 %			
			08/01/19	650,000	4.400 %			
			08/01/20	650,000	4.500 %			
			08/01/21	650,000	4.625 %			
			08/01/22	649,000	4.625 %			
Refunding School Bonds	11/17/04	5,485,000	02/01/11	1,015,000	5.000 %	2,080,000	1,065,000	1,015,000
						<u>\$ 11,179,000</u>	<u>\$ 1,715,000</u>	<u>\$ 9,464,000</u>

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FISCAL YEAR ENDED JUNE 30, 2010

<u>Item</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Balance July 1, 2009</u>	<u>Matured</u>	<u>Balance June 30, 2010</u>
2009 Fiber Optic Project	3.41%	\$ 430,000	\$ 339,163	\$ 80,575	\$ 258,588
			<u>\$ 339,163</u>	<u>\$ 80,575</u>	<u>\$ 258,588</u>

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

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 2,178,485		\$ 2,178,485	\$ 2,178,485	
Total Revenues	<u>2,178,485</u>		<u>2,178,485</u>	<u>2,178,485</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest	463,485		463,485	463,485	
Redemption of Principal	1,715,000		1,715,000	1,715,000	
Total Regular Debt Service	<u>2,178,485</u>		<u>2,178,485</u>	<u>2,178,485</u>	
Total Expenditures	<u>2,178,485</u>		<u>2,178,485</u>	<u>2,178,485</u>	
Excess/(Deficiency) of Revenues Over/(Under) Expenditures					
Other Financing Sources:					
Operating Transfers In:					
Capital Projects Fund - Interest				34	\$ 34
Total Other Financing Sources				<u>34</u>	<u>34</u>
Excess/(Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures				34	34
Fund Balance, July 1	-0-		-0-	-0-	
Fund Balance, June 30	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 34</u>	<u>\$ 34</u>
Recapitulation:					
Unreserved - Undesignated				<u>\$ 34</u>	

STATISTICAL SECTION

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

Contents

	<u>Exhibit</u>
<p>Financial Trends</p> <p>These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.</p>	J-1 thru J-5
<p>Revenue Capacity</p> <p>These schedules contain information to help the reader assess the factors affecting the District's ability to generate its property taxes.</p>	J-6 thru J-9
<p>Debt Capacity</p> <p>These schedules present 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.</p>	J-10 thru J-13
<p>Demographic and Economic Information</p> <p>These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other governments.</p>	J-14 thru J-15
<p>Operating Information</p> <p>These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.</p>	J-16 thru J-20

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year. The District implemented Statement 34 in a previous fiscal year. Schedules presenting government-wide information include information beginning in the fiscal year ended June 30, 2003.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
NET ASSETS BY COMPONENT
LAST EIGHT FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,							
	2003	2004	2005	2006	2007	2008	2009	2010
Governmental Activities:								
Invested in Capital Assets, Net of Related Debt	\$ 10,644,842	\$ 13,754,197	\$ 15,925,387	\$ 14,391,964	\$ 15,498,547	\$ 16,688,892	\$ 16,497,801	\$ 17,688,410
Restricted	527,491	233,651	21,417	52,617	73,578	1,009,846	980,178	1,795,817
Unrestricted/(Deficit)	221,796	1,378,713	539,423	(220,137)	552,656	(212,496)	(136,650)	(143,854)
Total Governmental Activities Net Assets	\$ 11,394,129	\$ 15,366,561	\$ 16,486,227	\$ 14,224,444	\$ 16,124,781	\$ 17,486,242	\$ 17,341,329	\$ 19,340,373
Business-Type Activities:								
Unrestricted	\$ 16,866	\$ 17,943	\$ 22,650	\$ 16,010	\$ 18,633	\$ 21,709	\$ 28,069	\$ 27,077
Total Business-Type Activities Net Assets	\$ 16,866	\$ 17,943	\$ 22,650	\$ 16,010	\$ 18,633	\$ 21,709	\$ 28,069	\$ 27,077
District-Wide:								
Invested in Capital Assets, Net of Related Debt	\$ 10,644,842	\$ 13,754,197	\$ 15,925,387	\$ 14,391,964	\$ 15,498,547	\$ 16,688,892	\$ 16,497,801	\$ 17,688,410
Restricted	527,491	233,651	21,417	52,617	73,578	1,009,846	980,178	1,795,817
Unrestricted/(Deficit)	238,662	1,396,656	562,073	(204,127)	571,289	(190,787)	(108,581)	(116,777)
Total District Net Assets	\$ 11,410,995	\$ 15,384,504	\$ 16,508,877	\$ 14,240,454	\$ 16,143,414	\$ 17,507,951	\$ 17,369,398	\$ 19,367,450

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006 retroactive to the fiscal year ending June 30, 2003.

Source: Borough of Franklin Lakes School District Financial Reports

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
CHANGES IN NET ASSETS
LAST EIGHT FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,							
	2003	2004	2005	2006	2007	2008	2009	2010
Expenses:								
Governmental Activities:								
Instruction:								
Regular	\$ 8,191,116	\$ 8,403,634	\$ 10,578,679	\$ 11,348,750	\$ 11,914,952	\$ 12,834,091	\$ 12,086,630	\$ 12,045,778
Special Education	2,087,427	2,552,854	2,584,747	3,118,735	3,497,458	3,735,787	4,340,749	4,730,524
Other Special Instruction	210,163	498,553	230,357	296,888	602,771	538,425	647,574	445,005
Other Instruction	111,471	109,712	115,324	114,941	110,267	142,060	150,979	142,543
Support Services:								
Tuition						20,499	166,231	87,232
Student & Instruction Related Services	2,944,258	3,013,884	3,733,540	3,835,338	4,004,282	3,633,681	3,355,727	3,236,637
General Administrative Services	470,318	469,102	567,089	588,718	608,725	599,627	611,581	692,663
School Administrative Services	922,393	953,683	1,225,630	1,212,696	1,320,483	1,268,673	1,282,228	1,178,475
Central Services/Administrative Technology	269,163	278,592	357,481	555,432	541,848	608,894	579,770	568,874
Plant Operations and Maintenance	1,968,380	2,058,658	2,522,408	2,491,749	2,659,892	3,012,230	4,006,142	2,928,186
Pupil Transportation	572,267	724,372	789,865	850,387	838,590	811,236	869,598	846,818
Capital Outlay						18,915	576,442	187,935
Interest on Long-Term Debt	899,056	875,545	690,476	674,327	612,949	561,882	407,695	431,480
Total Governmental Activities Expenses	18,646,012	19,938,589	23,395,596	25,087,961	26,712,217	27,786,000	29,081,346	27,522,150
Business-Type Activities:								
Other Enterprise Funds	35,880	32,548	44,698	40,670	33,909	28,308	25,519	18,374
Total Business-Type Activities Expenses	35,880	32,548	44,698	40,670	33,909	28,308	25,519	18,374
Total District Expenses	18,681,892	19,971,137	23,440,294	25,128,631	26,746,126	27,814,308	29,106,865	27,540,524

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
CHANGES IN NET ASSETS
LAST EIGHT FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,							
	2003	2004	2005	2006	2007	2008	2009	2010
Program Revenues:								
Governmental Activities:								
Charges for Services:								
Special Education								\$ 1,757,801
Tuition	\$ 827,677	\$ 748,762	\$ 801,870	\$ 1,352,191	\$ 1,392,942	\$ 1,507,097	\$ 1,794,627	
Student and Instruction Related Services			50,117					
School Administrative Services			150,350					
Pupil Transportation		106,435	120,000	150,500	163,800	129,900	125,800	
Operating Grants and Contributions	2,391,673	2,686,802	2,874,147	3,183,972	4,046,175	4,204,136	3,432,958	3,461,607
Capital Grants and Contributions	17,856	2,856,320	437,220		44,100			
Total Governmental Activities Program Revenues	3,237,206	6,398,319	4,433,704	4,686,663	5,647,017	5,841,133	5,353,385	5,219,408
Business-Type Activities:								
Charges for Services:								
Other Enterprise Funds	20,038	24,030	36,790	22,990	25,714	19,151	18,216	10,886
Operating Grants and Contributions	9,586	9,595	12,615	11,040	10,818	12,233	13,663	11,997
Total Business-Type Activities Revenues	29,624	33,625	49,405	34,030	36,532	31,384	31,879	22,883
Total District Program Revenues	3,266,830	6,431,944	4,483,109	4,720,693	5,683,549	5,872,517	5,385,264	5,242,291
Net (Expense)/Revenue								
Governmental Activities	(15,408,806)	(13,540,270)	(18,961,892)	(20,401,298)	(21,065,200)	(21,944,867)	(23,727,961)	(22,302,742)
Business-Type Activities	(6,256)	1,077	4,707	(6,640)	2,623	3,076	6,360	4,509
Total District Net (Expense)/Revenue	(15,415,062)	(13,539,193)	(18,957,185)	(20,407,938)	(21,062,577)	(21,941,791)	(23,721,601)	(22,298,233)

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
CHANGES IN NET ASSETS
LAST EIGHT FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,							
	2003	2004	2005	2006	2007	2008	2009	2010
General Revenues and Other Changes in Net Assets:								
Governmental Activities:								
Property Taxes Levied for General Purposes	\$ 13,892,333	\$ 15,004,185	\$ 17,670,266	\$ 18,614,242	\$ 20,267,099	\$ 20,576,202	\$ 21,014,827	\$ 21,844,912
Taxes Levied for Debt Service	1,822,474	2,327,285	2,271,881	2,278,534	2,287,311	2,288,142	2,239,775	2,178,485
Federal and State Aid not Restricted	59,061	86,398	122,984	125,411	191,337	229,552	211,870	152,765
Interest and Miscellaneous Income	164,224	94,834	16,427	68,140	219,790	212,432	116,576	125,624
Loss on Disposal of Capital Assets				(254,979)				
Total Governmental Activities	15,938,092	17,512,702	20,081,558	20,831,348	22,965,537	23,306,328	23,583,048	24,301,786
Business-Type Activities:								
Investment Earnings	25							
Total Business-Type Activities	25							
Total District	15,938,117	17,512,702	20,081,558	20,831,348	22,965,537	23,306,328	23,583,048	24,301,786
Change in Net Assets:								
Governmental Activities	529,286	3,972,432	1,119,666	430,050	1,900,337	1,361,461	(144,913)	1,999,044
Business-Type Activities	(6,231)	1,077	4,707	(6,640)	2,623	3,076	6,360	4,509
Total District	\$ 523,055	\$ 3,973,509	\$ 1,124,373	\$ 423,410	\$ 1,902,960	\$ 1,364,537	\$ (138,553)	\$ 2,003,553

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006 retroactive to the fiscal year ending June 30, 2003.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
FUND BALANCES - GOVERNMENTAL FUNDS
LAST EIGHT FISCAL YEARS
UNAUDITED
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,							
	2003	2004	2005	2006	2007	2008	2009	2010
General Fund:								
Reserved	\$ 11,147,236	\$ 1,595,013	\$ 783,367	\$ 273,177	\$ 828,144	\$ 1,145,680	\$ 1,137,302	\$ 2,078,307
Unreserved	904,464	881,482	575,315	394,265	568,551	456,150	483,431	501,093
Total General Fund	\$ 12,051,700	\$ 2,476,495	\$ 1,358,682	\$ 667,442	\$ 1,396,695	\$ 1,601,830	\$ 1,620,733	\$ 2,579,400
All Other Governmental Funds:								
Unreserved, Reported in:								
Capital Projects Fund (Deficit)	\$ (2,064,096)	\$ (450,196)	\$ (103,902)	\$ (139,599)	\$ (132,216)	\$ (157,124)	\$ (157,124)	\$ (282,524)
Debt Service Fund				329	21,290	21,290		34
Total All Other Governmental Funds	\$ (2,064,096)	\$ (450,196)	\$ (103,902)	\$ (139,270)	\$ (110,926)	\$ (135,834)	\$ (157,124)	\$ (282,490)
Total Governmental Funds:								
Reserved	\$ 11,147,236	\$ 1,595,013	\$ 783,367	\$ 273,177	\$ 828,144	\$ 1,145,680	\$ 1,137,302	\$ 2,078,307
Unreserved/(Deficit)	(1,159,632)	431,286	471,413	254,995	457,625	320,316	326,307	218,603
Total Governmental Funds	\$ 9,987,604	\$ 2,026,299	\$ 1,254,780	\$ 528,172	\$ 1,285,769	\$ 1,465,996	\$ 1,463,609	\$ 2,296,910

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006 retroactive to the fiscal year ending June 30, 2003.

Source: Borough of Franklin Lakes School District Financial Reports.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST EIGHT FISCAL YEARS
UNAUDITED
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,							
	2003	2004	2005	2006	2007	2008	2009	2010
Revenues:								
Tax Levy	\$ 15,714,807	\$ 17,331,470	\$ 19,942,147	\$ 20,892,776	\$ 22,554,410	\$ 22,864,344	\$ 23,254,602	\$ 24,023,397
Tuition Charges	827,677	748,762	1,002,337	1,352,191	1,392,942	1,507,097	1,794,627	1,757,801
Interest Earnings	143,807	49,807	6,812	68,140	132,577	101,704	19,835	1,800
Transportation Fees from Individuals						129,900	125,800	101,905
Miscellaneous	5,854	151,462	129,615	150,500	251,013	207,455	210,518	185,964
State Sources	2,209,552	5,308,523	3,100,081	2,915,435	3,927,290	3,985,158	3,185,753	2,875,932
Federal Sources	259,038	320,997	334,270	393,948	354,322	351,803	345,298	574,395
Total Revenues	19,160,735	23,911,021	24,515,262	25,772,990	28,612,554	29,147,461	28,936,433	29,521,194
Expenditures:								
Instruction:								
Regular Instruction	8,062,662	8,303,720	10,459,365	11,101,477	11,707,778	8,932,277	8,773,440	8,511,119
Special Education Instruction	2,087,427	2,552,854	2,584,747	3,118,735	3,497,458	2,728,191	3,167,135	3,466,504
Other Special Instruction	210,163	498,553	230,357	296,888	602,771	370,887	459,074	305,762
Other Instruction	111,471	109,712	115,324	114,941	110,267	100,055	115,852	97,007
Support Services:								
Tuition						20,499	166,231	87,232
Student & Instruction Related Services	2,866,860	2,936,486	3,636,191	3,737,989	3,906,933	3,018,677	2,733,763	2,567,125
General Administrative Services	461,423	460,207	546,270	555,976	575,983	519,648	535,667	587,332
School Administrative Services	903,878	935,168	1,199,226	1,255,642	1,303,387	1,028,248	1,020,578	921,275
Central Services/Administrative Technology	316,256	346,972	356,861	560,812	541,228	528,395	489,914	454,632
Plant Operations and Maintenance	1,537,879	1,638,405	2,087,334	2,056,675	2,224,818	2,542,666	2,389,017	2,231,063
Pupil Transportation	564,877	716,982	782,475	842,997	831,200	803,846	866,043	843,918
Unallocated Benefits						5,762,781	5,812,000	6,110,227
Capital Outlay	4,633,347	11,045,982	971,812	578,932	228,033	322,593	579,041	326,212
Debt Service:								
Principal	1,100,000	1,425,000	1,570,000	1,560,000	1,675,188	1,695,000	1,745,000	1,715,000
Interest and Other Charges	722,474	902,285	1,105,159	718,534	649,913	593,471	516,065	463,485
Total Expenditures	23,578,717	31,872,326	25,645,121	26,499,598	27,854,957	28,967,234	29,368,820	28,687,893

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST EIGHT FISCAL YEARS
UNAUDITED
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,							
	2003	2004	2005	2006	2007	2008	2009	2010
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (4,417,982)	\$ (7,961,305)	\$ (1,129,859)	\$ (726,608)	\$ 757,597	\$ 180,227	\$ (432,387)	\$ 833,301
Other Financing Sources (Uses)								
Proceeds From Borrowing	12,043,563		323,340					
Capital Leases (Non-Budgeted)	102,746						430,000	
Proceeds From Refunding			5,485,000					
Payments to Escrow Agent			(5,450,000)					
Transfers In	1,053,860	43,177	235,516		1,319	329		372
Transfers Out	(1,053,860)	(43,177)	(235,516)		(1,319)	(329)		(372)
Total Other Financing Sources (Uses)	12,146,309	- 0 -	358,340	- 0 -	- 0 -	- 0 -	430,000	- 0 -
Net Change in Fund Balances	<u>\$ 7,728,327</u>	<u>\$ (7,961,305)</u>	<u>\$ (771,519)</u>	<u>\$ (726,608)</u>	<u>\$ 757,597</u>	<u>\$ 180,227</u>	<u>\$ (2,387)</u>	<u>\$ 833,301</u>
Debt Service as a Percentage of Noncapital Expenditures	10.6 %	12.6 %	12.2 %	9.6 %	9.2 %	8.7 %	8.5 %	8.3 %

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006 retroactive to the fiscal year ending June 30, 2003.

Source: Borough of Franklin Lakes School District Financial Reports.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
UNAUDITED
(Modified Accrual Basis of Accounting)

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Tuition</u>	<u>Transportation</u> <u>Fees</u>	<u>Other</u>	<u>Total</u>
2001	\$ 263,034	\$ 255,446		\$ 101,082	\$ 619,562
2002	121,751	513,911		167,713	803,375
2003	6,510	827,677		5,854	840,041
2004	51,657	748,762		106,435	906,854
2005	2,000	1,002,337		129,615	1,133,952
2006	63,245	1,352,191		150,500	1,565,936
2007	131,258	1,392,942		163,800	1,688,000
2008	101,375	1,507,097	\$ 129,900	110,728	1,849,100
2009	19,835	1,794,627	125,800	96,741	2,037,003
2010	14,240	1,757,801	101,905	111,012	1,984,958

Source: Borough of Franklin Lakes School District Financial Reports.

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

Year Ended December 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Add: Public Utilities ^a	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2000	\$ 48,401,100	\$1,728,147,052	\$ 3,520,700	\$ 20,800	\$276,044,384	\$13,538,000		\$2,069,672,036	\$2,343,730	\$2,072,015,766	\$144,932,000	\$ 0.66	\$2,501,199,539
2001	52,089,500	1,746,797,352	4,521,700	21,700	275,379,207	13,538,000		2,092,347,459	2,192,488	2,094,539,947	144,932,000	0.68	2,525,634,130
2002	54,487,800	1,769,300,252	5,010,800	16,800	272,893,630	13,538,000		2,115,247,282	1,979,365	2,117,226,647	145,068,000	0.71	2,766,170,168
2003	47,667,300	1,800,096,652	5,034,800	16,800	275,064,230	13,538,000		2,141,417,782	1,922,034	2,143,339,816	150,655,700	0.78	2,990,019,988
2004	43,873,800	1,822,549,052	4,192,500	19,000	274,931,030	13,438,000	\$ 9,783,000	2,168,786,382	1,671,736	2,170,458,118	150,923,700	0.86	3,332,089,833
2005	46,127,800	1,845,092,402	3,681,300	19,000	274,931,030	13,438,000	9,783,000	2,193,072,532	1,402,055	2,194,474,587	150,719,500	0.93	3,676,494,569
2006	39,168,100	1,887,092,102	3,681,300	19,000	246,418,000	13,438,000	9,783,000	2,199,599,502	1,333,619	2,200,933,121	150,719,500	0.99	4,024,313,596
2007 *	80,998,400	4,379,627,600	6,344,900	21,200	384,240,500	23,568,000	18,139,400	4,892,940,000	1,333,619	4,894,273,619	220,364,900	0.47	4,465,718,841
2008	90,703,100	4,349,987,800	6,344,900	21,200	384,240,500	23,568,000	30,856,600	4,885,722,100	3,416,228	4,889,138,328	219,249,100	0.47	4,650,202,081
2009	90,999,700	4,388,465,100	5,317,500	18,800	401,034,300	23,429,400	30,856,600	4,940,121,400	5,581,035	4,945,702,435	219,249,100	0.48	4,869,232,530

Note: Real property is required to be assessed at some percentage of true value (fair or market value) established by each County Board of Taxation.
 Reassessment occurs when ordered by the County Board of Taxation.

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

^b Tax rates are per \$100 of assessed value.

* Year in which revaluation was effective.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN YEARS
UNAUDITED
(Rate per \$100 of Assessed Value)

Year Ended December 31,	Franklin Lakes School District Direct Rate			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct School Tax Rate	Borough of Franklin Lakes	Ramapo- Indian Hills Regional School	Bergen County	
2000	\$ 0.59	\$ 0.07	\$ 0.66	\$ 0.33	\$ 0.54	\$ 0.28	\$ 1.80
2001	0.61	0.07	0.68	0.33	0.57	0.29	1.87
2002	0.64	0.07	0.71	0.33	0.60	0.32	1.96
2003	0.67	0.11	0.78	0.34	0.62	0.30	2.04
2004	0.76	0.10	0.86	0.35	0.63	0.31	2.15
2005	0.83	0.10	0.93	0.36	0.66	0.33	2.28
2006	0.89	0.10	0.99	0.38	0.68	0.32	2.37
2007 *	0.42	0.05	0.47	0.17	0.31	0.17	1.11
2008	0.41	0.05	0.47	0.18	0.33	0.17	1.15
2009	0.44	0.04	0.48	0.19	0.34	0.19	1.20

Note: NJSA 18A:7F-5d limits the amount that the district can submit for a general fund tax levy . The levy when added to other components of the District's net budget may not exceed the prebudget year net budget by more than the spending growth limitation calculation.

^a The District's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net Valuation Taxable.

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

* Year in which revaluation was effective.

Source: Borough of Franklin Lakes Tax Collector and School Business Administrator.

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

Taxpayer	2009		Taxpayer	2000	
	Taxable Assessed Value	% of Total District Net Valuation Taxable		Taxable Assessed Value	% of Total District Net Valuation Taxable
Becton Dickinson & Company	\$ 157,747,600	3.19 %	Becton Dickinson & Company	\$ 136,559,884	6.59 %
Merck Medco Managed Care, LLC	117,057,800	2.37 %	Merck Medco Managed Care, LLC	78,723,100	3.80 %
1st Real Estate Investment Trust	19,724,200	0.40 %	Urban Farms, Inc.	11,199,500	0.54 %
East Coast Horizon @ Franklin Lakes	18,139,400	0.37 %	1st Real Estate Investment Trust	7,425,000	0.36 %
Urban Farms Acquisition	16,470,200	0.33 %	Franklin Farms Associates, LLC	7,253,600	0.35 %
University Heights, LLC	12,000,000	0.24 %	Individual Taxpayer #1	6,074,100	0.29 %
ITC Holdings LLC	8,749,800	0.18 %	Franklin Lakes Estates	3,813,800	0.18 %
Individual Taxpayer #1	8,166,800	0.17 %	High Mountain Golf Course	3,793,800	0.18 %
Individual Taxpayer #2	8,115,400	0.16 %	Individual Taxpayer #2	3,325,000	0.16 %
GS Realty Corp.	7,480,000	0.15 %			
Total	\$ 373,651,200	18.03 %	Total	\$ 258,167,784	12.46 %

Note: Individual taxpayers may be different in 2009 and 2000.

Source: Borough of Franklin Lakes Tax Assessor.

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

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Taxes Levied</u> <u>for the</u> <u>Fiscal Year</u>	<u>Collected Within the</u> <u>Fiscal Year of the Levy^a</u>		<u>Collections in</u> <u>Subsequent</u> <u>Years</u>
		<u>Amount</u>	<u>Percentage</u> <u>of Levy</u>	
2001	\$ 12,548,414	\$ 12,548,414	100.00 %	- 0 -
2002	13,009,746	13,009,746	100.00 %	- 0 -
2003	15,714,807	15,714,807	100.00 %	- 0 -
2004	17,331,470	17,331,470	100.00 %	- 0 -
2005	19,942,147	19,942,147	100.00 %	- 0 -
2006	20,892,776	20,892,776	100.00 %	- 0 -
2007	22,554,410	22,554,410	100.00 %	- 0 -
2008	22,864,344	22,864,344	100.00 %	- 0 -
2009	23,254,602	23,254,602	100.00 %	- 0 -
2010	24,023,397	24,023,397	100.00 %	- 0 -

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

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

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	Governmental Activities		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Capital Leases			
2001	\$ 10,850,000		\$ 10,850,000	2.03 %	\$ 1,037.98
2002	25,450,000		25,450,000	4.62 %	2,411.41
2003	20,779,000		20,779,000	3.66 %	1,888.83
2004	19,354,000		19,354,000	3.44 %	1,748.64
2005	17,819,000	\$ 114,747	17,933,747	2.97 %	1,611.73
2006	16,259,000	43,652	16,302,652	2.57 %	1,462.65
2007	17,819,000	8,464	17,827,464	2.58 %	1,599.31
2008	16,259,000		16,259,000	2.11 %	1,413.58
2009	17,819,000	339,163	18,158,163	2.33 %	1,562.80
2010	16,259,000	339,163	16,598,163	2.13 %	1,428.54

Note: Details regarding the District's outstanding debt can be found in the notes to the basic financial statements.

^a See Exhibit J-14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

Source: Borough of Franklin Lakes School District Financial Reports.

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Net Taxable Value of Property ^a	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2001	\$ 10,850,000	\$ - 0 -	\$ 10,850,000	0.52 %	\$ 1,037.98
2002	25,450,000	- 0 -	25,450,000	1.22 %	2,411.41
2003	20,779,000	- 0 -	20,779,000	0.98 %	1,888.83
2004	19,354,000	- 0 -	19,354,000	0.90 %	1,748.64
2005	17,819,000	- 0 -	17,819,000	0.82 %	1,601.42
2006	16,259,000	- 0 -	16,259,000	0.74 %	1,458.73
2007	17,819,000	- 0 -	17,819,000	0.81 %	1,598.55
2008	16,259,000	- 0 -	16,259,000	0.33 %	1,413.58
2009	17,819,000	- 0 -	17,819,000	0.36 %	1,533.61
2010	16,259,000	- 0 -	16,259,000	0.33 %	1,399.35

Note: Details regarding the District's outstanding debt can be found in the notes to the basic financial statements.

- ^a See Exhibit J-6 for property tax data. This ratio is calculated using valuation data for the prior calendar year.
- ^b See Exhibit J-14 for population data. This ratio is calculated using population for the prior calendar year.

Source: Borough of Franklin Lakes School District Financial Reports.

FRANKLIN LAKES BOARD OF EDUCATION
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2009
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Borough of Franklin Lakes	\$ 15,683,280	100.00 %	\$ 15,683,280
Bergen County General Obligation Debt	681,875,430	2.60 %	<u>17,700,228</u>
Subtotal, Overlapping Debt			33,383,508
Franklin Lakes Board of Education Direct Debt			<u>10,529,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 43,912,508</u></u>

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 residents and businesses of Franklin Lakes. This process recognizes that, when considering the District's ability to issue and repay long-term, the entire debt burden borne by the residents and businesses should be taken into account. However this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping unit.

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

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

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

Legal Debt Margin Calculation for Fiscal Year 2010

<u>Year Ended</u> <u>December 31,</u>	<u>Equalized</u> <u>Valuation Basis</u>
2007	\$ 4,647,549,392
2008	4,804,053,196
2009	4,714,507,160
	<u>\$14,166,109,748</u>
Average Equalized Valuation of Taxable Property	<u>\$ 4,722,036,583</u>
Debt Limit (3% of Average Equalization Value) ^a	\$ 141,661,097
Net Bonded School Debt @ June 30, 2010	<u>16,259,000</u>
Legal Debt Margin	<u>\$ 125,402,097</u>

	<u>Fiscal Year</u>				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Debt Limit	\$ 69,627,724	\$ 75,356,179	\$ 81,778,637	\$ 89,700,600	\$ 98,655,552
Total Net Debt Applicable to Limit	<u>10,850,000</u>	<u>25,450,000</u>	<u>20,779,600</u>	<u>19,354,600</u>	<u>17,819,600</u>
Legal Debt Margin	<u>\$ 58,777,724</u>	<u>\$ 49,906,179</u>	<u>\$ 60,999,037</u>	<u>\$ 70,346,000</u>	<u>\$ 80,835,952</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	15.58 %	33.77 %	25.41 %	21.58 %	18.06 %

	<u>Fiscal Year</u>				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Debt Limit	\$ 109,181,485	\$ 116,496,242	\$ 130,629,438	\$ 138,613,851	\$ 141,661,097
Total Net Debt Applicable to Limit	<u>16,259,600</u>	<u>14,619,600</u>	<u>12,924,000</u>	<u>11,179,000</u>	<u>16,259,000</u>
Legal Debt Margin	<u>\$ 92,921,885</u>	<u>\$ 101,876,642</u>	<u>\$ 117,705,438</u>	<u>\$ 127,434,851</u>	<u>\$ 125,402,097</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	14.89 %	12.55 %	9.89 %	8.06 %	11.48 %

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

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

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

<u>Year</u>	<u>Borough Population ^a</u>	<u>Bergen County Per Capita Personal Income ^b</u>	<u>Borough Personal Income ^c</u>	<u>Borough Unemployment Rate ^d</u>
2001	10,554	52,189	550,802,706	2.70 %
2002	11,001	51,620	567,871,620	3.70 %
2003	11,068	50,820	562,475,760	3.70 %
2004	11,127	54,288	604,062,576	3.00 %
2005	11,146	56,877	633,951,042	2.30 %
2006	11,147	62,007	691,192,029	2.30 %
2007	11,502	67,125	772,071,750	2.00 %
2008	11,619	67,125 *	779,925,375	2.70 %
2009	11,619 **	67,125 *	779,925,375	4.90 %
2010	11,619 **	67,125 *	779,925,375	N/A

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

** Latest population data available (2009) was used for calculation purposes.

Sources:

^a Population information provided by the US Department of Census - Population Division.

^b Per Capita Personal Income information provided by the US Department of Commerce - Bureau of Economic Analysis.

^c Personal Income information provided by the US Department of Commerce - Bureau of Economic Analysis.

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

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

Employer	2009		Employer	2000	
	Employees	Percentage of Total Employment		Employees	Percentage of Total Employment
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
Total	N/A	N/A	Total	N/A	N/A

N/A - Information is not available.

NOTE: The District was unsuccessful in its attempt to obtain information regarding the principal employers of the Borough.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST SEVEN FISCAL YEARS
UNAUDITED

<u>Function/Program</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Instruction:							
Regular	104.00	126.00	126.00	128.00	128.00	126.00	125.00
Support Services:							
Student & Instruction Related Services	38.00	40.00	39.00	40.00	40.00	39.00	39.00
General Administrative Services	3.00	3.00	3.00	4.00	4.00	4.00	4.00
School Administrative Services	11.00	13.00	13.00	13.00	13.00	12.00	12.00
Central Services	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Total	<u>158.00</u>	<u>184.00</u>	<u>183.00</u>	<u>187.00</u>	<u>187.00</u>	<u>183.00</u>	<u>182.00</u>

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

Source: Borough of Franklin Lakes School District Personnel Records.

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

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil ^b	Percentage Change	Teaching Staff ^c	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^d	Average Daily Attendance (ADA) ^d	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School				
2001	1,369	\$ 14,427,969	\$ 10,539	9.35 %	129	1:14		1,369	1,324	7.04 %	96.71 %
2002	1,393	15,457,859	11,097	5.29 %	131	1:14		1,397	1,347	2.05 %	96.42 %
2003	1,445	17,122,896	11,850	6.79 %	134	1:12		1,434	1,373	2.65 %	95.75 %
2004	1,494	18,499,059	12,382	4.49 %	145	1:12		1,494	1,442	4.18 %	96.52 %
2005	1,555	21,998,150	14,147	14.25 %	145	1:12		1,555	1,505	4.08 %	96.78 %
2006	1,535	23,642,132	15,402	8.87 %	130	1:12	1:12	1,534	1,480	-1.35 %	96.48 %
2007	1,521	25,301,823	16,635	8.01 %	138	1:10	1:12	1,521	1,462	-0.85 %	96.12 %
2008	1,489	26,356,170	17,701	6.41 %	138	1:12	1:12	1,489	1,436	-2.10 %	96.44 %
2009	1,492	26,528,714	17,781	0.45 %	137	1:12	1:12	1,492	1,416	0.20 %	94.91 %
2010	1,464	26,183,196	17,885	0.59 %	136	1:12	1:12	1,458	1,381	-2.28 %	94.72 %

Note: Enrollment based on annual October District count.

^a Operating expenditures equal total expenditures less debt service and capital outlay.

^b Cost per pupil is calculated based upon the enrollment and operating expenditures presented above which may not be the same as other cost per pupil calculations.

^c Teaching staff includes only full-time equivalents of certificated staff.

^d Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

Source: Borough of Franklin Lakes School District Records.

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

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<u>District Building</u>										
Colonial Road School (2004):										
Square Feet					59,645	59,645	59,645	59,645	59,645	59,645
Capacity (Students)					373	373	373	373	373	373
Enrollment					377	372	364	363	364	353
High Mountain Road School:										
Square Feet	47,173	47,173	47,173	47,173	47,173	47,173	47,173	47,173	47,173	47,173
Capacity (Students)	359	359	359	359	359	359	359	359	359	359
Enrollment	480	479	494	524	296	291	285	277	280	267
Woodside Avenue School:										
Square Feet	53,409	53,409	53,409	53,409	53,409	53,409	53,409	53,409	53,409	53,409
Capacity (Students)	363	363	363	363	363	363	363	363	363	363
Enrollment	430	455	479	465	346	341	335	330	331	334
Franklin Avenue Middle School:										
Square Feet	74,806	74,806	74,806	74,806	78,806	78,806	78,806	78,806	78,806	78,806
Capacity (Students)	525	525	525	525	540	540	540	540	540	540
Enrollment	459	459	472	505	536	531	537	519	517	510

Number of Schools at June 30, 2010:

Elementary = 3
Middle School = 1

Note: Year of original construction is shown in parentheses. Increases in square footage and capacity are the result of additions. Enrollment is based on the annual October District count.

Source: Borough of Franklin Lakes School District Facilities Office.

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

Undistributed Expenditures - Required Maintenance
 For School Facilities - Account #11-000-261-XXX:

Fiscal Year Ending June 30	Colonial Road Elementary School	High Mountain Road Elementary School	Woodside Avenue Elementary School	Franklin Avenue Middle School	Total School Facilities*
2001		\$ 33,126	\$ 35,675	\$ 58,608	\$ 127,409
2002		34,130	38,069	59,072	131,271
2003		42,255	44,932	61,045	148,232
2004		59,249	49,211	59,167	167,627
2005	\$ 24,041	71,905	57,091	65,707	218,744
2006	26,008	57,745	64,216	104,936	252,905
2007	22,027	88,980	131,428	94,310	336,745
2008	27,755	113,153	173,131	184,715	498,754
2009	18,404	80,870	133,877	240,025	473,176
2010	39,591	90,399	129,192	150,494	409,676

* School facilities as defined under EFCFA (N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3).

Source: Borough of Franklin Lakes School District Records.

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

	<u>Coverage</u>	<u>Deductible</u>
American Zurich Insurance Company:		
General Liability:		
General Aggregate	\$ 2,000,000	
Each Occurrence	1,000,000	
Production/Completed Operations	2,000,000	
Personal Injury	1,000,000	
Fire Damage	100,000	
Medical Expense	5,000	
Employee Benefits Liability	1,000,000	\$ 1,000
Commercial Property Coverage:		
Property Building & Contents Replacement		
Cost Values	54,547,701	5,000
Business Income & Extra Expense	5,000,000	
Earthquake and Volcanic Eruption	5,000,000	5%
Flood (Outside Zones A, V or B)	5,000,000	\$ 50,000
Flood (Zone B)	2,000,000	100,000
Flood (Zones A or V)	1,000,000	500,000
Valuable Papers	1,000,000	
Electronic Data Processing Equipment	1,000,000	
Boiler and Machinery:		
Blanket Property Damage	20,000,000	5,000
Crime:		
Employee Dishonesty with Faithful Performance	500,000	1,000
Forgery & Alteration	50,000	1,000
Theft - Inside	50,000	1,000
Theft - Outside	50,000	1,000
Computer Fraud	50,000	1,000
Commercial Automobile:		
Automobile Coverage	1,000,000	
Combined Single Limit	1,000,000	
Hired/Non-Owned	1,000,000	
Owned Auto Physical Damage	1,000,000	1,000
School Board Legal Liability Coverage:		
Each Loss	1,000,000	5,000
Aggregate	1,000,000	
Employment Practices Liability	1,000,000	5,000

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

	<u>Coverage</u>	<u>Deductible</u>
Catastrophic Liability Coverage - American Guarantee & Liability:		
Per Occurrence	\$ 10,000,000	
Aggregate Limit	10,000,000	
Retained Limit	10,000	
Fidelity Bonds - Western Surety Company:		
Board Secretary/Business Administrator:	250,000	
Treasurer of School Monies:	250,000	
Workers' Compensation - Manufacturers Alliance Insurance Co.:		
Covered Payrolls - Professional	16,806,568	

Source: Borough of Franklin Lakes School District Records.

SINGLE AUDIT SECTION

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

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Borough of Franklin Lakes School District, in the County of Bergen (the "Board") as of, and for the fiscal year ended June 30, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 18, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey (the "Department").

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Board's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. However, we have noted certain matters that we have reported to the Board in a separate report, the *Auditor's Management Report on Administrative Findings – Financial, Compliance, and Performance*, dated October 18, 2010.

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

Nisivoccia & Company, LLP

Mount Arlington, New Jersey
October 18, 2010

NISIVOCCIA & COMPANY, LLP

Kathryn L. Mantell

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

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

Compliance

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey (the "Department"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*, and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, OMB Circular A-133, and New Jersey OMB Circular NJOMB 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and state programs occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Board's compliance with those requirements.

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

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

Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Nisivoccia & Company, LLP

Mount Arlington, New Jersey
October 18, 2010

NISIVOCCIA & COMPANY, LLP

Kathryn L. Mantell

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

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period		Program or Award Amount	Balance June 30, 2009		Cash Received	Budgetary Expenditures	Balance June 30, 2010	
			From	To		Deferred Revenue/ (Accounts Receivable)	Due to Grantor			(Accounts Receivable)	Deferred Revenue
U.S. Department of Agriculture -											
Passed-through State Department of Education:											
Child Nutrition Cluster:											
Special Milk Program	10.556	N/A	7/1/09	6/30/10	\$ 11,997			\$ 11,023	\$ (11,997)	\$ (974)	
Special Milk Program	10.556	N/A	7/1/08	6/30/09	13,663	\$ (2,605)		2,605			
Total Child Nutrition Cluster						(2,605)		13,628	(11,997)	(974)	
Total Enterprise Fund						(2,605)		13,628	(11,997)	(974)	
Total U.S. Department of Agriculture						(2,605)		13,628	(11,997)	(974)	
U.S. Department of Education -											
Passed-through State Department of Education:											
No Child Left Behind:											
Title II	84.281	NCLB-2180-10	9/1/09	8/31/10	22,782				(22,782)	(22,782)	
Title IV	84.186A	NCLB-2180-10	9/1/09	8/31/10	2,403				(2,403)	(2,403)	
Title II - Carryover	84.281	NCLB-2180-09	9/1/08	8/31/09	22,720	281			(281)		
Title IV - Carryover	84.186A	NCLB-2180-09	9/1/08	8/31/09	2,520	2,169			(2,169)		
						2,450			(27,635)	(25,185)	
Special Education Cluster:											
I.D.E.A. Part B, Basic	84.027	IDEA-2180-10	9/1/09	8/31/10	304,276			304,276	(304,276)		
I.D.E.A. Part B, Preschool	84.173	IDEA-2180-10	9/1/09	8/31/10	16,807			16,807	(16,807)		
American Recovery and Reinvestment Act:											
I.D.E.A. Part B, Basic	84.391	IDEA-2180-10	7/1/09	8/31/11	333,564			203,000	(214,558)	(11,558)	
I.D.E.A. Part B, Preschool	84.392	IDEA-2180-10	7/1/09	8/31/11	12,075			12,075	(11,120)		\$ 955
Total Special Education Cluster								536,158	(546,761)	(11,558)	955
Total U.S. Department of Education						2,450		536,158	(574,396)	(36,743)	955
Total Special Revenue Fund						2,450		536,158	(574,396)	(36,743)	955

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

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period		Program or Award Amount	Balance June 30, 2009		Cash Received	Budgetary Expenditures	Balance June 30, 2010	
			From	To		Deferred Revenue/ (Accounts Receivable)	Due to Grantor			(Accounts Receivable)	Deferred Revenue
U.S. Department of Labor - Passed-through State Department of Education: American Recovery and Reinvestment Act: COBRA Premium Assistance	17.151	N/A	7/1/09	6/30/10	\$ 10,605			\$ 10,605	\$ (10,605)		
Total U.S. Department of Labor								10,605	(10,605)		
Total General Fund								10,605	(10,605)		
TOTAL FEDERAL AWARDS						<u>\$ (155)</u>	<u>\$ -0-</u>	<u>\$ 560,391</u>	<u>\$ (596,998)</u>	<u>\$ (37,717)</u>	<u>\$ 955</u>

N/A - Not Available/Applicable

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

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

State Grantor/Program Title	Grant or State Project Number	Grant Period		Program or Award Amount	Balance June 30, 2009		Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance June 30, 2010			MEMO Cumulative Total Expenditures	
		From	To		Budgetary Deferred Revenue/ (Accounts Receivable)	Due to Grantor				GAAP (Accounts Receivable)	Budgetary (Accounts Receivable)	Due to Grantor		
State Department of Education:														
General Fund:														
Transportation Aid	10-495-034-5120-014	7/1/09	6/30/10	\$ 201,029			\$ 174,099	\$ (201,029)			\$ (26,930)		\$ 201,029	
Special Education Categorical Aid	10-495-034-5120-089	7/1/09	6/30/10	571,379			500,594	(571,379)			(70,785)		571,379	
Security Aid	10-495-034-5120-084	7/1/09	6/30/10	68,916			59,684	(68,916)			(9,232)		68,916	
Adjustment Aid	10-495-034-5120-085	7/1/09	6/30/10	47,306			40,969	(47,306)			(6,337)		47,306	
Extraordinary Special Education Costs Aid	10-495-034-5120-044	7/1/09	6/30/10	119,708				(119,708)		\$ (119,708)	(119,708)		119,708	
Nonpublic School Transportation Costs	N/A	7/1/09	6/30/10	16,403				(16,403)		(16,403)	(16,403)		16,403	
Reimbursed TPAF Social Security Aid	10-495-034-5095-002	7/1/09	6/30/10	865,361			823,679	(865,361)		(41,682)	(41,682)		865,361	
Transportation Aid	09-495-034-5120-014	7/1/08	6/30/09	255,579	\$ (19,093)		19,093							
Special Education Categorical Aid	09-495-034-5120-089	7/1/08	6/30/09	791,296	(59,114)		59,114							
Security Aid	09-495-034-5120-084	7/1/08	6/30/09	103,801	(7,755)		7,755							
Adjustment Aid	09-495-034-5120-085	7/1/08	6/30/09	125,980	(44,357)		44,357							
Extraordinary Special Education Costs Aid	09-495-034-5120-044	7/1/08	6/30/09	75,198	(75,198)		75,198							
Nonpublic School Transportation Costs	N/A	7/1/08	6/30/09	22,369	(22,369)		22,369							
Total General Fund State Aid					(227,886)		1,826,911	(1,890,102)			(177,793)	(291,077)	1,890,102	
Special Revenue Fund:														
NJ Nonpublic Aid:														
Textbook Aid (Chapter 194)	10-100-034-5120-086	7/1/09	6/30/10	14,582			14,582	(14,582)					14,582	
Nursing Services (Chapter 226)	10-100-034-5120-070	7/1/09	6/30/10	19,293			17,293	(17,293)					17,293	
Auxiliary Services (Chapter 192):														
Transportation	10-100-034-5120-068	7/1/09	6/30/10	5,909			5,909	(4,000)				\$ 1,909	4,000	
Compensatory Education	10-100-034-5120-067	7/1/09	6/30/10	44,722			44,722	(44,291)				431	44,291	
Handicapped Services (Chapter 193):														
Supplementary Instruction	10-100-034-5120-066	7/1/09	6/30/10	14,336			14,336	(10,738)				3,598	10,738	
Examination and Classification	10-100-034-5120-066	7/1/09	6/30/10	21,020			21,020	(15,355)				5,665	15,355	
Corrective Speech	10-100-034-5120-066	7/1/09	6/30/10	16,140			16,140	(6,696)				9,444	6,696	
Auxiliary Services (Chapter 192):														
Compensatory Education	09-100-034-5120-067	7/1/08	6/30/09	41,804		\$ 6,768			\$ (6,768)					
Handicapped Services (Chapter 193):														
Supplementary Instruction	09-100-034-5120-066	7/1/08	6/30/09	18,750		5,451			(5,451)					
Examination and Classification	09-100-034-5120-066	7/1/08	6/30/09	21,808		8,151			(8,151)					
Corrective Speech	09-100-034-5120-066	7/1/08	6/30/09	25,110		16,833			(16,833)					
Total Special Revenue Fund						37,203	134,002	(112,955)	(37,203)				21,047	112,955
Total State Department of Education					(227,886)	37,203	1,960,913	(2,003,057)	(37,203)	(177,793)	(291,077)	21,047	2,003,057	

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

State Grantor/Program Title	Grant or State Project Number	Grant Period		Program or Award Amount	Balance June 30, 2009			Repayment of Prior Years' Balances	Balance June 30, 2010			MEMO Cumulative Total Expenditures		
		From	To		Budgetary Deferred Revenue/ (Accounts Receivable)	Due to Grantor	Cash Received		Budgetary Expenditures	GAAP (Accounts Receivable)	Budgetary (Accounts Receivable)		Due to Grantor	
Schools Development Authority:														
Capital Projects Fund:														
Educational Facilities Construction & Financing	Colonial Road ES	N/A	N/A	\$ 2,539,200	\$ (70,164)						\$ (70,164)			
Educational Facilities Construction & Financing	High Mountain Road ES	N/A	N/A	294,000	(57,330)						(57,330)			
Educational Facilities Construction & Financing	Woodside Avenue ES	N/A	N/A	361,600	(70,510)						(70,510)			
Educational Facilities Construction & Financing	Franklin Avenue MS	N/A	N/A	375,600	(16,900)						(16,900)			
Educational Facilities Construction & Financing	High Mountain Road ES	12/30/09	6/30/11	13,000							(13,000)			
Educational Facilities Construction & Financing	Woodside Avenue ES	12/30/09	6/30/11	163,200							(163,200)			
Educational Facilities Construction & Financing	Franklin Avenue MS	12/30/09	6/30/11	354,960							(354,960)			
Total Capital Projects Fund						(214,904)					(746,064)			
Total Schools Development Authority						(214,904)					(746,064)			
TOTAL STATE AWARDS						\$ (442,790)	\$37,203	\$1,960,913	\$(2,003,057)	\$ (37,203)	\$(177,793)	\$ (1,037,141)	\$21,047	\$2,003,057

N/A - Not Available

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

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

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

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

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last two state aid payments in the current budget year, which is mandated pursuant to P.L. 2003, C.97. For GAAP purposes those payments are not recognized until the subsequent budget year due to the state deferral and recording of the last state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not. The capital projects fund is presented in the accompanying schedules on the budgetary basis with the exception of the revenue recognition of the Schools Development Authority grants which are realized as revenue upon their award, whereas the GAAP basis recognizes the revenue to the extent of expenditures which have been submitted for reimbursement.

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

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (Cont'd)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$17,035 for the General Fund, \$4,043 for the Special Revenue Fund and \$746,064 for the Capital Projects 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 and Exhibit F-1 for Capital Projects Fund. Additionally, the schedule of expenditures of state awards does not include the on-behalf TPAF Noncontributory Insurance and Post Retirement Contributions revenue of \$43,060 and \$808,736 respectively and does include expenditures of \$10,605 for COBRA Premium Assistance that was posted as a refund to the expenditures in the General Fund. Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 2,758,933	\$ 2,758,933
Special Revenue Fund	\$ 116,999	574,395	691,394
Proprietary Fund	11,997		11,997
Total Financial Assistance	<u>\$ 128,996</u>	<u>\$ 3,333,328</u>	<u>\$ 3,462,324</u>

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

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2010.

NOTE 6. SCHOOLS DEVELOPMENT AUTHORITY (SDA) GRANT

The District has been awarded grants in the amount of \$4,101,560 from the Schools Development Authority (SDA) under the Educational Facilities Construction and Financing Act. As of June 30, 2010, \$3,355,496 of the grant funds have been expended and \$746,064 is receivable on the budgetary basis.

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

Summary of Auditors' Results:

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

	<u>Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
<u>Federal:</u>				
Special Education Cluster:				
I.D.E.A. Part B, Basic	84.027	9/1/09-8/31/10	\$ 304,276	\$ 304,276
I.D.E.A. Part B, Preschool	84.173	9/1/09-8/31/10	16,807	16,807
American Recovery and Reinvestment Act:				
I.D.E.A. Part B, Basic	84.391	7/1/09-8/31/11	333,564	214,558
I.D.E.A. Part B, Preschool	84.392	7/1/09-8/31/11	12,075	11,120
<u>State:</u>				
State Aid Public:				
Special Education				
Categorical Aid	10-495-034-5120-089	7/1/09-6/30/10	\$ 571,379	\$ 571,379
Security Aid	10-495-034-5120-084	7/1/09-6/30/10	68,916	68,916
Adjustment Aid	10-495-034-5120-085	7/1/09-6/30/10	47,306	47,306
Reimbursed TPAF Social Security Aid				
	10-495-034-5095-002	7/1/09-6/30/10	865,361	865,361

- The threshold for distinguishing Type A and Type B programs was \$300,000.
- The single audit threshold identified in Federal OMB Circular A-133 and New Jersey OMB Circular NJOMB 04-04 was \$500,000.
- The District qualified as a "low-risk" auditee under the provisions of section 530 of the Circular.

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

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

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

Findings and Questioned Costs for Federal Awards:

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

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in section 510(a) of the federal Circular A-133 and New Jersey OMB Circular NJOMB 04-04.

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

Status of Prior Year Findings:

There were no findings or questioned costs for the year ended June 30, 2009.