

**The School District
of**

FRANKFORD TOWNSHIP

**Frankford Township Board of Education
Branchville, New Jersey**

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2011**

Comprehensive Annual Financial Report

of the

Frankford Township Board of Education

Branchville, New Jersey

For the Fiscal Year Ended June 30, 2011

Prepared by

**The Frankford Township Board of Education
Finance Department**

**FRANKFORD BOARD OF EDUCATION
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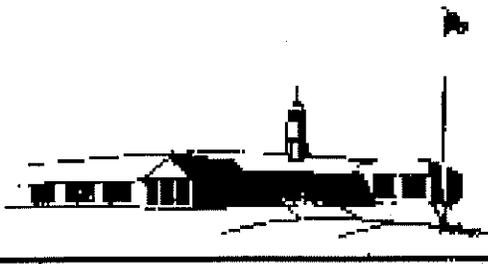
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Introductory Section





Frankford Township Board of Education

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December 2, 2011

Honorable President and
Members of the Board of Education
Frankford Township
County of Sussex, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Frankford Township School District for the fiscal year ended June 30, 2011, is hereby submitted. This report includes the District's Basic Financial Statements prepared in accordance with Governmental Accounting Standards Board Statement 34. 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. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds 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 basic financial statements and required supplementary information, as well as the auditor's report thereon. The financial section also includes Management's Discussion and Analysis, which is an overview of the District's current financial status and future outlook. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations", and the state Treasury Circular OMB 04-04. Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1. REPORTING ENTITY AND ITS SERVICES: Frankford Township School District is an independent reporting entity within the criteria adopted by the GASB as established by GASB 34. All funds of the District are included in this report. The Frankford Township Board of Education constitutes the District's reporting entity.

The district provides a full range of educational services appropriate to grade levels from Kindergarten through Eighth Grade. These include regular as well as special education for handicapped children. The District completed the 2010-2011 fiscal year with an ending enrollment of 592. The following details the changes in the average daily student enrollment of the District over the last ten years.

<u>Fiscal Year</u>	<u>Average Daily Student Enrollment</u>	<u>Percent Change</u>
2010 – 2011	594	-6.01%
2009 – 2010	632	0.16%
2008 - 2009	631	-5.10%
2007 - 2008	665	-5.27%
2006 - 2007	704	2.32%
2005 - 2006	688	-6.40%
2004 - 2005	732	-1.35%
2003 - 2004	742	-0.40%
2002 - 2003	745	0.13%
2001 - 2002	744	1.78%

Data from annual end of year reports to NJ Department of Education

2. ECONOMIC CONDITION AND OUTLOOK: The Frankford Township area is primarily a suburban bedroom community, which continues to experience a period of economic stabilization. Although there is some new construction, the 5-acre minimum that has been established has reduced the number of possible building projects. There has been no significant growth in the development of commercial property over the past few years. Of the ten largest Principal Taxpayers (see the Schedule of Principal Taxpayers in the Statistical Section of this report), four Principal Taxpayers continue to be families or family-owned recreational businesses, while Farm and Horse Show is non-profit. Operating expenses continue to rise due to continued increases in educational expenses and additions to curriculum. Local taxpayers continue to bear the lion's share of the District's financial resources as the state legislature sends most of the state aid to urban districts.

Since the 2001-2002 School year, the average daily student population has decreased incrementally (average 15 pupils/year). However, over the same period, increases in tax levy have occurred as state aid has either remained relatively flat or decreased in conjunction with rising expenses and a need for additional programs and an increased classified student population. In the past, surplus has been used to reduce the effects of stagnant state aid. However, the state has severely restricted the use of surplus in recent years. Frankford Twp. Board of Education has therefore reduced undesignated surplus to the mandated limits. Realizing that a lack of surplus availability going forward has an opposite effect on the tax levy in the subsequent years, the Board of Education and administration have worked extensively to limit the tax impact as much as possible in 2011-2012.

3. MAJOR INITIATIVES: We feel we are providing an exemplary educational program for the students of Frankford Township and Branchville. Curriculum revisions, faculty workshops and training, classroom instructional enhancements and other initiatives are regularly put forth by the faculty, administration, board and community in order to continue in that vein. A sampling follows:

- A. **Curriculum** remains the primary focus through the continued efforts of several working committees, including regional curriculum development. Reports and initiatives were generated by: the board of education curriculum committee which met monthly, by the school level planning team meeting bi-annually, and by teams of teachers, at all of our K to 8 grade levels, meeting at a scheduled time during the school day for curriculum and classroom management issues.

- B. Frankford continues to address the NJCCCS through **regional curriculum development** committees. The committees are comprised of faculty members, administrators, and curriculum coordinators from each sending district as well as the high school. Regional curriculum guides were developed in the areas of Language Arts, Media and Study Skills.
- C. Faculty from our middle school has engaged in several **articulation** sessions with their ninth grade counterparts in the core content areas in an effort to ensure that our curricula are seamless between the middle school and the high school.
- D. Faculty and staff continue to participate in **in-service and workshop** programs in cooperation with our regional districts.
- E. A **summer reading/writing program** continued for the 2010-2011 school year. Students are required to read two books and complete a writing assignment for the start of the September school year.
- F. An increasing number of our faculty have taken graduate level work in **Project Read and Project Write**, a mainstream language arts program that includes reading, decoding, comprehension and written expression. It is a systemic learning experience with direct teaching of concepts & skills through multi-sensory techniques and strategies. In addition, we introduced a new Language Arts program, **Reading Street**, into grades K to 5.
- G. Elementary **Basic Skills Instruction** continues with a more inclusive, classroom oriented program. FTSD now supports four teachers who work with regular classroom teachers in grades 1 through 4 for at least two periods each day. Title I funding has returned for the 2010-2011 school year.
- H. FTSD is continuing to address issues of **bullying and violence**. We actively participate in the County sponsored "Taking Flight to Change" and locally developed programs through student council and other school organizations. Thirty students continue to work with an action plan and have named themselves S.T.O.P. (Students Taking on Problems)
- I. FTSD supports **two full time Guidance Positions**. One serves the elementary grades K through 4 and one serves the middle school grades 5 through 8.
- J. Middle school **band and chorus** students in grades six through eight participated in a juried competition for the fifth consecutive year in May 2011.
- K. **Technology** was maintained and enhanced through the upgrading of our **network server and equipment and computer inventory**, installation of four more "**ActiveBoards**" in classrooms (for a total of 25), and the upgrade of a **new computer center** for middle school use. In addition we purchased and installed a new Microsoft Server. Our offices were upgraded to a new student data management system called RealTime.
- L. The Frankford Township School District hired a **technology site technician** instead of a out of district service. This technology professional has vast experience with our system and will allowed us to focus on curriculum and classroom computer uses as opposed to simply keeping the network up and running.

M. A new playground and new doors in the B wing of the school were installed during the summer of 2010.

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

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

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

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

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

6. 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". 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.

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

8. OTHER INFORMATION: **Independent Audit** - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The Board selected the accounting firm of Lerch, Vinci and Higgins, LLP. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1984 and the

related OMB Circular A-133 and state Treasury Circular Letter OMB 04-04. The auditor's report on the basic financial statements and 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.

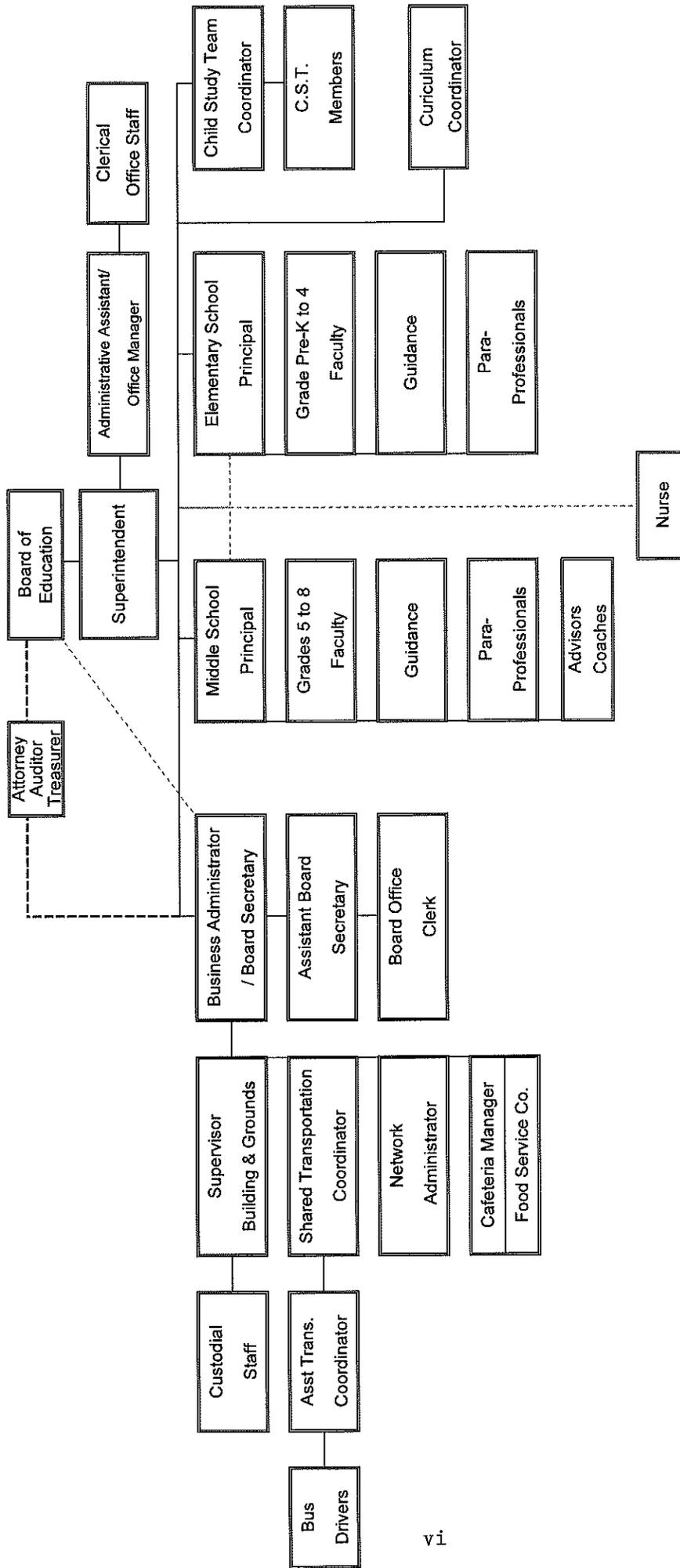
9. ACKNOWLEDGEMENTS: We would like to express our appreciation to the members of the Frankford Township Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our business office.

Respectfully submitted,



Christopher Lessard
Board Secretary/Business Administrator

FRANKFORD TOWNSHIP SCHOOL DISTRICT ORGANIZATIONAL CHART



Frankford Township Board of Education
Branchville, New Jersey

ROSTER OF OFFICIALS
JUNE 30, 2011

<u>Members of the Board of Education</u>	<u>Expires</u>
Craig Worts, President	2012
Frank Sutton, Vice President	2013
Serena Ayers	2012
Raymond Castellani, III	2014
Christopher DeLima	2014
Marjorie Morville	2012
Daniel Perez	2014
Ralph Smith	2013
Steven Worthington	2013

Other Officials

Braden Hirsch	Superintendent
Christopher Lessard	School Business Administrator/Board Secretary
Lorraine Mullen	Treasurer

FRANKFORD TOWNSHIP BOARD OF EDUCATION
Consultants and Advisors

Audit Firm

Lerch, Vinci & Higgins, LLP
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Fair Lawn, NJ 07410

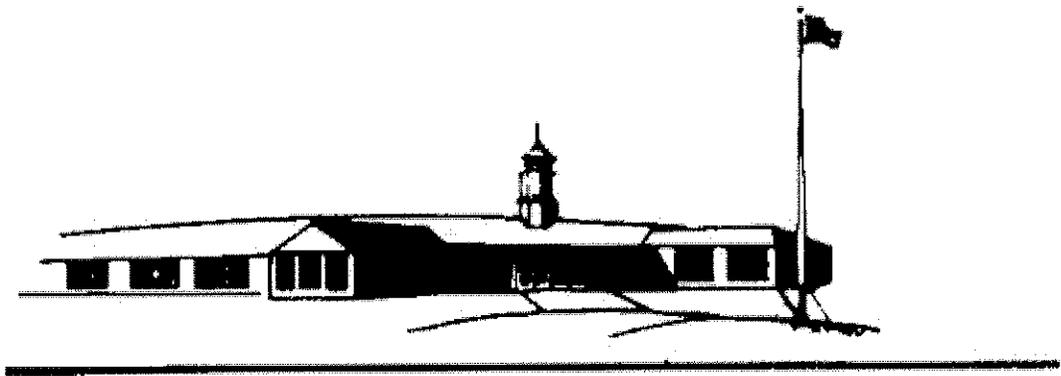
Attorney

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RALPH M. PICONE, CPA, RMA, PSA

EDWARD N. KERE, CPA

INDEPENDENT AUDITORS' REPORT

Honorable President and Members
of the Board of Trustees
Frankford Board of Education
Frankford, 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 Frankford Board of Education as of and for the fiscal year ended June 30, 2011, which collectively comprise the Board of Education's basic financial statements as listed in the 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 the Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Finance and Regulatory Compliance, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Frankford Board of Education's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

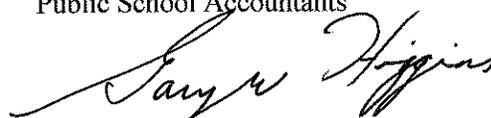
In our opinion, the financial statements referred to above previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Frankford Board of Education as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 2, 2011 on our consideration of the Frankford Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Frankford Board of Education's basic financial statements as a whole. The introductory section, combining fund financial statements, financial schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Additionally, The accompanying schedules of expenditures of federal awards and state financial assistance 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 Non-Profit Organizations" and New Jersey OMB's Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid", and are also not a required part of the basic financial statements. The combining fund financial statements and schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory section, financial schedules and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.


LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants


Gary W. Higgins
Public School Accountant
PSA Number CS00814

Fair Lawn, New Jersey
December 2, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

**FRANKFORD BOARD OF EDUCATION
FRANKFORD, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The management's discussion and analysis of Frankford Board of Education's financial performance provides an overall review of the school district's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the school district's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the school district's financial performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

- ◆ General revenues accounted for \$9,520,939 in revenue or 84% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions, accounted for \$1,805,675 or 16% of total revenues of \$11,326,614.
- ◆ The school district had \$11,364,313 in expenses; only \$1,805,675 of these expenses were offset by program specific charges for services and grants or contributions. General revenues (primarily property taxes) and the utilization of available fund balance were adequate to provide for these programs.
- ◆ The General Fund had \$10,820,484 in revenues and \$10,795,471 in expenditures. The General Fund's fund balance increased \$84,609 over fiscal year 2010.

Using this Comprehensive Annual Financial Report (CAFR)

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

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole school district, presenting both an aggregate view of the school district's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. In the case of Frankford Board of Education, the General Fund is by far the most significant fund.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the school district to provide programs and activities, the view of the school district as a whole looks at all financial transactions and asks the question, "How did we do financially during the fiscal year ending June 30, 2011?" The Statement of Net Assets and the Statement of Activities helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the school district is divided into two distinct kinds of activities:

- ◆ Governmental Activities – All of the school district's programs and services are reported here including, but not limited to, instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.
- ◆ Business-Type Activities – This service is provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service, Summer Enrichment and Preschool Program enterprise funds are reported as a business activity.

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Reporting the School District's Most Significant Funds (Continued)

Enterprise Fund

The enterprise fund uses the same basis of accounting as business-type activities; therefore, these statements are essentially the same.

The School District as a Whole

The Statement of Net Assets provides the perspective of the school district as a whole.

Table 1 provides a summary of the school district's net assets as of June 30, 2011 and 2010.

**Table 1
Net Assets**

	Governmental Types		Business-Type Activities		Total	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Assets						
Current and other assets	\$ 1,072,449	\$ 1,004,354	\$ 27,054	\$ 37,683	\$ 1,099,503	\$ 1,042,037
Capital assets, net	<u>2,173,002</u>	<u>2,275,787</u>	<u>6,716</u>	<u>19,927</u>	<u>2,179,718</u>	<u>2,295,714</u>
Total assets	<u>3,245,451</u>	<u>3,280,141</u>	<u>33,770</u>	<u>57,610</u>	<u>3,279,221</u>	<u>3,337,751</u>
Liabilities						
Non-Current liabilities	470,619	483,594			470,619	483,594
Other liabilities	<u>981,853</u>	<u>974,289</u>	<u>5,542</u>	<u>14,753</u>	<u>987,395</u>	<u>989,042</u>
Total liabilities	<u>1,452,472</u>	<u>1,457,883</u>	<u>5,542</u>	<u>14,753</u>	<u>1,458,014</u>	<u>1,472,636</u>
Net Assets						
Invested in capital assets, net of debt	2,091,278	2,237,982	6,716	19,927	2,097,994	2,257,909
Restricted	250,252	167,192			250,252	167,192
Unrestricted	<u>(548,551)</u>	<u>(582,916)</u>	<u>21,512</u>	<u>22,930</u>	<u>(527,039)</u>	<u>(559,986)</u>
Total net assets	<u>\$ 1,792,979</u>	<u>\$ 1,822,258</u>	<u>\$ 28,228</u>	<u>\$ 42,857</u>	<u>\$ 1,821,207</u>	<u>\$ 1,865,115</u>

The School District as a Whole (Continued)

Table 2 shows the changes in net assets for fiscal years ended June 30, 2011 and 2010.

Table 2
Change in Net Assets

	Governmental Types		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues and Transfers						
Program revenues						
Charges for services	\$ 6,269	\$ 51,958	\$ 144,083	\$ 153,053	\$ 150,352	\$ 205,011
Operating grants and contributions	1,601,434	1,694,691	40,699	42,335	1,642,133	1,737,026
Capital grants and contributions	13,190	383,941			13,190	383,941
General revenues						
Property Taxes	8,083,134	7,794,840			8,083,134	7,794,840
Grants and entitlements	1,428,528	1,686,223			1,428,528	1,686,223
Other revenues	9,028	11,004	249	817	9,277	11,821
Total revenues and transfers	<u>11,141,583</u>	<u>11,622,657</u>	<u>185,031</u>	<u>196,205</u>	<u>11,326,614</u>	<u>11,818,862</u>
Program Expenses						
Instruction	7,105,550	7,052,614			7,105,550	7,052,614
Support services						
Student and Instruction Related	1,168,097	1,153,031			1,168,097	1,153,031
General administration, school						
administration, business/Central	962,893	1,018,991			962,893	1,018,991
Operations and maintenance of facilities	1,092,718	1,012,108			1,092,718	1,012,108
Pupil Transportation	817,235	796,690			817,235	796,690
Interest on debt	15,369	13,096			15,369	13,096
Food service			167,320	168,705	167,320	168,705
Summer Enrichment Program			17,214	18,751	17,214	18,751
Preschool Program	-	-	17,917	7,476	17,917	7,476
Total expenses	<u>11,161,862</u>	<u>11,046,530</u>	<u>202,451</u>	<u>194,932</u>	<u>11,364,313</u>	<u>11,241,462</u>
Change in net assets before transfers	(20,279)	576,127	(17,420)	1,273	(37,699)	577,400
Transfers	(9,000)	(4,000)	9,000	(4,000)	-	-
Change in Net Assets	<u>\$ (29,279)</u>	<u>\$ 572,127</u>	<u>\$ (8,420)</u>	<u>\$ (2,727)</u>	<u>\$ (37,699)</u>	<u>\$ 577,400</u>

Governmental Activities

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the school district operations. Property taxes made up 72% and 67% of revenues for governmental activities for the Frankford Township School District for fiscal years ended June 30, 2011 and 2010, respectively. The district's total revenues were \$11,141,583 and \$11,622,657 for the fiscal years ended June 30, 2011 and 2010, respectively. Federal, state and local grants accounted for another 27% and 32% of revenues for the years ended June 30, 2011 and 2010, respectively.

The total cost of all program and services was \$11,161,862 and \$11,046,530 for the years ended June 30, 2011 and 2010, respectively. Instruction comprised 64% and 64% of district expenses for the years ended June 30, 2011 and 2010, respectively.

The School District as a Whole (Continued)

Business-Type Activities

Revenues for the district's business-type activities (food service, summer enrichment and preschool programs) were comprised of charges for services and federal and state reimbursements.

- ◆ Food service expenses exceeded revenues by \$5,561, summer enrichment expenses exceeded revenues and transfers by \$1,542 and preschool program expenses exceeded revenues and transfers by \$1,317.
- ◆ Charges for services for all business-type activities represents \$144,083 of revenue, which is an amount paid by patrons for services.
- ◆ Federal and state reimbursements for the Food Service Fund for meals, including payments for free and reduced lunches and donated commodities was \$40,699.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows the total cost of services and the net cost of services for the fiscal years ended June 30, 2011 and 2010. The net cost shows the financial burden that was placed on the district's taxpayers by each of these functions.

	<u>Total Cost of</u> <u>Services</u>		<u>Net Cost of</u> <u>Services</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Instruction	\$ 7,105,550	\$ 7,052,614	\$ 6,035,693	\$ 5,913,080
Support services				
Student and Instruction Related	1,168,097	1,153,031	960,009	890,795
General administration, school administration, business/central	962,893	1,018,991	943,017	942,406
Operation and maintenance of facilities	1,092,718	1,012,108	1,036,640	628,167
Pupil Transportation	817,235	796,690	550,241	528,396
Interest on Debt	15,369	13,096	15,369	13,096
 Total Expenses	 <u>\$ 11,161,862</u>	 <u>\$ 11,046,530</u>	 <u>\$ 9,540,969</u>	 <u>\$ 8,915,940</u>

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

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

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

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

The School District as a Whole (Continued)

Governmental Activities (Continued)

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

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

The School District's Funds

These funds are accounted for using the modified accrual basis of accounting. All governmental funds (i.e., general, special revenue, capital projects and debt service funds presented in the fund-based statements) had total revenues of \$11,141,583 and \$11,622,657 and expenditures of \$11,136,356 and \$12,112,786 for the fiscal years ended June 30, 2011 and 2010, respectively. The net change in all fund balances for the year was an increase of \$64,823.

As demonstrated by the various statements and schedules included in the financial section of this report, the district continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds for the fiscal years ended June 30, 2011 and 2010.

<u>Revenue</u>	<u>Amount</u>		<u>Amount of Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
	<u>2011</u>	<u>2010</u>		
Local Sources	\$ 8,105,144	\$ 7,859,808	\$ 245,336	3.12%
State Sources	2,824,706	3,391,376	(566,670)	-16.71%
Federal Sources	<u>211,733</u>	<u>371,473</u>	<u>(159,740)</u>	-43.00%
Total	<u>\$ 11,141,583</u>	<u>\$ 11,622,657</u>	<u>\$ (481,074)</u>	-4.14%

The School District's Funds (Continued)

The following schedule presents a summary of the governmental fund expenditures for the fiscal years ended June 30, 2011 and 2010.

<u>Expenditures</u>	<u>2011</u>	<u>Amount</u> <u>2010</u>	<u>Amount of</u> <u>Increase</u> <u>(Decrease)</u>	<u>Percent</u> <u>Increase</u> <u>(Decrease)</u>
Current:				
Instruction	\$ 7,044,108	\$ 7,036,877	\$ 7,231	0.10%
Support Services	3,807,173	3,785,355	21,818	0.58%
Capital outlay	152,333	1,192,543	(1,040,210)	-87.23%
Debt service:				
Principal	121,375	88,201	33,174	37.61%
Interest and other charges	<u>11,367</u>	<u>9,810</u>	<u>1,557</u>	15.87%
 Total	 <u>\$ 11,136,356</u>	 <u>\$ 12,112,786</u>	 <u>\$ (976,430)</u>	 -8.06%

General Fund Budgeting Highlights

The school district's budget is prepared according to New Jersey law, and is based on accounting for certain transactions on a basis of modified accrual and encumbrance accounting. The most significant budgeted fund is the General Fund.

During the course of the fiscal year ended June 30, 2011, the school district amended its General Fund budget as needed. The school district uses program based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management. Several of these revisions bear notation:

- ◆ Staffing changes based on student needs.
- ◆ Increases in facilities maintenance and repair costs.
- ◆ Increases in energy and heating costs.
- ◆ Changes in appropriations to prevent budget overruns.

While the district's final budget for the general fund anticipated that revenues and expenditures would roughly equal, the actual results for the year show an increase of \$64,823 in Governmental Funds fund balances from fiscal year 2010 to 2011.

Capital Assets

As of June 30, 2011 and 2010, the capital assets of the school district had \$2,179,718 and \$2,289,505 invested in land, buildings, furniture and equipment, and vehicles, net of accumulated depreciation, respectively. Set forth below is a comparison of capital assets as of June 30, 2011 and 2010:

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ 243,393	\$ 243,393			\$ 243,393	\$ 243,393
Construction In Progress	43,276	10,300			43,276	10,300
Buildings and Improvements	4,473,570	4,473,570			4,473,570	4,473,570
Site Improvements	331,093	331,093			331,093	331,093
Machinery and Equipment	1,434,743	1,315,386	\$ 84,311	\$ 84,311	1,519,054	1,399,697
	6,526,075	6,373,742	84,311	84,311	6,610,386	6,458,053
Less Depreciation	(4,353,073)	(4,097,955)	(77,595)	(70,593)	(4,430,668)	(4,168,548)
Total Capital Assets, Net of Depreciation	<u>\$ 2,173,002</u>	<u>\$ 2,275,787</u>	<u>\$ 6,716</u>	<u>\$ 13,718</u>	<u>\$ 2,179,718</u>	<u>\$ 2,289,505</u>

Overall net capital assets decreased \$109,787 from fiscal year 2010 to fiscal year 2011.

Debt Administration

At June 30, 2011 and 2010, the school district had \$470,619 and \$483,304 of long-term liabilities, respectively. Of this amount \$388,895 and \$357,968 is for compensated absences, \$81,724 and \$40,336 is for capital leases and \$-0- and \$85,000 for bonds for the refinancing of the Unfunded Early Retirement Incentive Pension Liability (ERIP) for the years ended June 30, 2011 and 2010, respectively.

At June 30, 2011, the school district's overall legal debt margin was \$27,744,038 and the unutilized debt margin was \$26,966,315. Following is a summary of the bond issue for which the District is currently paying debt service.

	Date of Issue	Amount of Issue	Balance, June 30,	
			<u>2011</u>	<u>2010</u>
Bonds to Refund				
Early Retirement Incentive Program	01-01-04	\$ 580,000	\$ -	\$ 85,000
		<u>\$ 580,000</u>	<u>\$ -</u>	<u>\$ 85,000</u>

For the Future

It is the opinion of the Superintendent and Business Administrator that the Frankford Township School District is presently in good financial condition. A major concern is the continued change in enrollment with the increased reliance on local property taxes. However, future finances are not without challenges as the community continues to grow and state funding is decreased.

Frankford Township is primarily a residential community, with very few nonresidential ratables; thus the burden is focused on homeowners to fund the tax burden.

Frankford Board of Education successfully passed its school budget this year due to two contributing factors. First, the Board of Education works very closely with the Township by including them in the budget development process. The Township, in turn, is able to promote support throughout the community. Second, a relatively large percentage of the faculty and staff are residents of the community. The faculty and staff are proactive by encouraging local residents to vote.

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

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the school district's finances and to show the school district's accountability for the money it receives. If you have questions about this report or need additional information contact Christopher Lessard, School Business Administrator/Board Secretary at Frankford Township Board of Education, 4 Pines Road Branchville, NJ 07826 or email at lessardc@frankfordschool.org.

BASIC FINANCIAL STATEMENTS

FRANKFORD BOARD OF EDUCATION
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2011

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 350,044	\$ 40,832	\$ 390,876
Receivables, net			
Receivables from Other Governments	674,026	2,541	676,567
Other receivables	11,820		11,820
Internal Balances	24,893	(24,893)	-
Prepaid Expenses	11,666		11,666
Inventory		8,574	8,574
Capital Assets, net			
Not Being Depreciated	286,669		286,669
Being Depreciated	1,886,333	6,716	1,893,049
Total Assets	<u>3,245,451</u>	<u>33,770</u>	<u>3,279,221</u>
LIABILITIES			
Accounts Payable and Other Current Liabilities	79,891		79,891
Accrued Interest Payable	3,548		3,548
Notes Payable	777,000		777,000
Unearned Revenue	121,414	5,542	126,956
Noncurrent Liabilities			
Due within one year	44,500		44,500
Due beyond one year	426,119	-	426,119
Total Liabilities	<u>1,452,472</u>	<u>5,542</u>	<u>1,458,014</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	2,091,278	6,716	2,097,994
Restricted for			
Capital Projects	213,586		213,586
Other Purposes	36,666		36,666
Unrestricted	(548,551)	21,512	(527,039)
Total Net Assets	<u>\$ 1,792,979</u>	<u>\$ 28,228</u>	<u>\$ 1,821,207</u>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

FRANKFORD BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
Instruction							
Regular	\$ 4,831,186	\$ 6,269	\$ 518,603		\$ (4,306,314)		\$ (4,306,314)
Special Education	1,762,599		494,155		(1,268,444)		(1,268,444)
Other Instruction	419,500		50,830		(368,670)		(368,670)
School Sponsored Activities and Athletics	92,265				(92,265)		(92,265)
Support Services							
Student and Instruction Related Services	1,168,097		208,088		(960,009)		(960,009)
General Administration Services	325,811				(325,811)		(325,811)
School Administration Services	315,649		19,876		(295,773)		(295,773)
Business/Central Services	321,433				(321,433)		(321,433)
Operation and Maintenance of Facilities	1,092,718		42,888	\$ 13,190	(1,036,640)		(1,036,640)
Pupil Transportation	817,235		266,994		(550,241)		(550,241)
Interest on Debt	15,369				(15,369)		(15,369)
Total Governmental Activities	11,161,862	6,269	1,601,434	13,190	(9,540,969)	-	(9,540,969)
Business-Type Activities							
Food Service	167,320	120,811	40,699			\$ (5,810)	(5,810)
Summer Enrichment	17,214	13,672				(3,542)	(3,542)
Preschool Program	17,917	9,600				(8,317)	(8,317)
Total Business-Type Activities	202,451	144,083	40,699	-	-	(17,669)	(17,669)
Total Primary Government	\$ 11,364,313	\$ 130,352	\$ 1,642,133	\$ 13,190	(9,540,969)	(17,669)	(9,558,638)
General Revenues							
Property Taxes, Levied for General purposes					7,993,671		7,993,671
Property Taxes Levied for Debt Service					89,463		89,463
Federal and State Aid - Unrestricted					1,428,528		1,428,528
Miscellaneous Revenues					1,974		1,974
Investment Earnings					7,303	249	7,303
Transfers					(9,000)	9,000	-
Total General Revenues and Transfers					9,511,690	9,249	9,520,939
Change in Net Assets					(29,279)	(8,420)	(37,699)
Net Assets, Beginning of Year					1,822,258	42,857	1,865,115
Prior Period Adjustments					-	(6,209)	(6,209)
Net Assets, Beginning of Year, Adjusted					1,822,258	36,648	1,858,906
Net Assets, End of Year					\$ 1,792,979	\$ 28,228	\$ 1,821,207

The accompanying Notes to the Basic Financial Statements are an Integral Part of this Statement

FUND FINANCIAL STATEMENTS

**FRANKFORD BOARD OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2011**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Cash Equivalents	\$ 350,044				\$ 350,044
Due from Other Funds	367,730				367,730
Receivables from:					
Governments	27,822	\$ 56,731	\$ 518,482	\$ 70,991	674,026
Other	8,689				8,689
Prepaid Expenses	11,666	-	-	-	11,666
Total Assets	<u>\$ 765,951</u>	<u>\$ 56,731</u>	<u>\$ 518,482</u>	<u>\$ 70,991</u>	<u>\$ 1,412,155</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 76,646	\$ 3,245			\$ 79,891
Notes Payable			\$ 777,000		777,000
Due to Other Funds		53,422	215,293	\$ 70,991	339,706
Deferred Revenue	-	64	121,350	-	121,414
Total Liabilities	<u>76,646</u>	<u>56,731</u>	<u>1,113,643</u>	<u>70,991</u>	<u>1,318,011</u>
Fund Balances					
Nonspendable Fund Balance					
Prepays	11,666				11,666
Restricted Fund Balance					
Excess Surplus - Designated for Subsequent Year's Expenditures	159,619				159,619
Excess Surplus	100,000				100,000
Capital Reserve	213,586				213,586
Maintenance Reserve	25,000				25,000
Emergency Reserve	70,000				70,000
Capital Projects			(595,161)		(595,161)
Committed Fund Balance					
Year Encumbrances	48,457				48,457
Unassigned	60,977	-	-	-	60,977
Total Fund Balances (Deficit)	<u>689,305</u>	<u>-</u>	<u>(595,161)</u>	<u>-</u>	<u>94,144</u>
Total Liabilities and Fund Balances	<u>\$ 765,951</u>	<u>\$ 56,731</u>	<u>\$ 518,482</u>	<u>\$ 70,991</u>	

Amounts reported for *governmental activities* in the statement of net assets (A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$6,526,075 and the accumulated depreciation is \$4,353,073.

2,173,002

The District has financed capital assets through the issuance of serial bonds and long-term lease obligations. The interest accrual at year end is:

(3,548)

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds

Capital Leases Payable

(81,724)

Compensated Absences Payable

(388,895)

(470,619)

Net assets of governmental activities

\$ 1,792,979

FRANKFORD BOARD OF EDUCATION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Local Sources					
Property Tax Levy	\$ 7,993,671			\$ 89,463	\$ 8,083,134
Tuition	6,269				6,269
Transportation Fees from other LEA's					-
Interest	3,052				3,052
Interest on Capital Reserve	4,002				4,002
Miscellaneous	1,974	\$ 6,713	-	-	8,687
Total - Local Sources	8,008,968	6,713	-	89,463	8,105,144
State Sources	2,811,516		\$ 13,190		2,824,706
Federal Sources	-	211,733	-	-	211,733
Total Revenues	10,820,484	218,446	13,190	89,463	11,141,583
EXPENDITURES					
Current					
Regular Instruction	4,768,983	17,104			4,786,087
Special Education Instruction	1,700,826	56,252			1,757,078
Other Instruction	413,212	4,888			418,100
School-Sponsored Activities and Athletics	82,843				82,843
Support Services					
Student and Instruction Related Services	1,008,291	134,702			1,142,993
General Administration Services	324,962				324,962
School Administration Services	309,469				309,469
Business / Central Services	320,426				320,426
Plant Operations and Maintenance	941,013				941,013
Pupil Transportation	768,310				768,310
Debt Service					
Principal	36,375			85,000	121,375
Interest and Other Charges	6,904			4,463	11,367
Capital Outlay	113,857	5,500	32,976	-	152,333
Total Expenditures	10,795,471	218,446	32,976	89,463	11,136,356
Excess (Deficit) of Revenues Over (Under) Expenditures	25,013	-	(19,786)	-	5,227
Other Financing Sources (Uses)					
Proceeds on Capital Lease	77,763				77,763
Transfer to Cover Deficit - Student Activities	(9,167)				(9,167)
Transfer to Cover Deficit - Food Service Fund	(9,000)	-	-	-	(9,000)
Total Other Financing Sources and Uses	59,596	-	-	-	59,596
Net Change in Fund Balances	84,609	-	(19,786)	-	64,823
Fund Balance (Deficit), Beginning of Year	604,696	-	(575,375)	-	29,321
Fund Balance (Deficit), End of Year	\$ 689,305	\$ -	\$ (595,161)	\$ -	\$ 94,144

The accompanying Notes to the Basic Financial Statements are an Integral Part of this Statement

FRANKFORD BOARD OF EDUCATION
ILLUSTRATIVE RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
WITH THE DISTRICT-WIDE STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Total net change in fund balances - governmental funds (Exhibit B-2)	\$	64,823
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Capital Outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital asset additions in the period</p>		
Depreciation Expense	\$ (255,118)	
Capital Outlays	<u>152,333</u>	(102,785)
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Debt Issued		
Capital Leases Payable		(77,763)
Principal Repayments		
Bonds Payable	85,000	
Capital Leases Paid	<u>36,375</u>	121,375
<p>In the statement of activities, certain operating expenses, e.g., compensated absences 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 reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).</p>		
		(30,927)
<p>In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. An increase in accrued interest is a decrease in the reconciliation and a decrease in accrued interest is an increase.</p>		
		(1,471)
<p>Governmental Funds report the effect of issuance costs pertaining to bonds issued when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>		
		<u>(2,531)</u>
Change in net assets of governmental activities	\$	<u>(29,279)</u>

**FRANKFORD BOARD OF EDUCATION
 PROPRIETARY FUNDS
 ENTERPRISE FUNDS
 STATEMENT OF NET ASSETS
 AS OF JUNE 30, 2011**

	<u>Food Service Fund</u>	<u>Summer Enrichment Fund</u>	<u>Preschool Program Fund</u>	<u>Total Enterprise Funds</u>
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 19,011	\$ 11,986	\$ 9,835	\$ 40,832
Intergovernmental Receivable				
Federal	2,245			2,245
State	296			296
Inventories	8,574	-	-	8,574
Total Current Assets	<u>30,126</u>	<u>11,986</u>	<u>9,835</u>	<u>51,947</u>
Capital Assets				
Equipment	84,311			84,311
Less: Accumulated Depreciation	(77,595)	-	-	(77,595)
Total Capital Assets	<u>6,716</u>	<u>-</u>	<u>-</u>	<u>6,716</u>
Total Assets	<u>36,842</u>	<u>11,986</u>	<u>9,835</u>	<u>58,663</u>
LIABILITIES				
Current Liabilities				
Interfund Accounts Payable	15,065		9,828	24,893
Unearned Revenue	5,542	-	-	5,542
Total Current Liabilities	<u>20,607</u>	<u>-</u>	<u>9,828</u>	<u>30,435</u>
NET ASSETS				
Invested in Capital Assets	6,716	-	-	6,716
Unrestricted	9,519	11,986	7	21,512
Total Net Assets	<u>\$ 16,235</u>	<u>\$ 11,986</u>	<u>\$ 7</u>	<u>\$ 28,228</u>

**FRANKFORD BOARD OF EDUCATION
PROPRIETARY FUNDS
ENTERPRISE FUNDS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Food Service Fund</u>	<u>Summer Enrichment Fund</u>	<u>Preschool Program Fund</u>	<u>Total Enterprise Funds</u>
OPERATING REVENUES				
Charges for Services				
Daily Sales	\$ 120,811			\$ 120,811
Other Sales				-
Program Fees	-	\$ 13,672	\$ 9,600	23,272
Total Operating Revenues	<u>120,811</u>	<u>13,672</u>	<u>9,600</u>	<u>144,083</u>
OPERATING EXPENSES				
Salaries, Wages and Payroll Taxes	69,879	11,402	17,917	99,198
Cost of Sales	75,076			75,076
Management Fee	6,565			6,565
Insurance	5,075			5,075
Supplies	984	1,533		2,517
Depreciation	7,002			7,002
Miscellaneous	2,739	4,279	-	7,018
Total Operating Expenses	<u>167,320</u>	<u>17,214</u>	<u>17,917</u>	<u>202,451</u>
Operating Income (Loss)	<u>(46,509)</u>	<u>(3,542)</u>	<u>(8,317)</u>	<u>(58,368)</u>
NONOPERATING REVENUES				
State Sources				
School Lunch Program	2,176			2,176
Federal Sources				
School Lunch Program	38,403			38,403
Special Milk Program	120			120
Interest on deposits	249	-	-	249
Total Nonoperating Revenues	<u>40,948</u>	<u>-</u>	<u>-</u>	<u>40,948</u>
Net Loss Before Operating Transfers	(5,561)	(3,542)	(8,317)	(17,420)
Operating Transfer In	-	2,000	7,000	9,000
Change in Net Assets	<u>(5,561)</u>	<u>(1,542)</u>	<u>(1,317)</u>	<u>(8,420)</u>
Net Assets, Beginning of Year	28,005	13,528	1,324	42,857
Prior Period Adjustment	(6,209)	-	-	(6,209)
Net Assets, Beginning of Year, Adjusted	<u>21,796</u>	<u>13,528</u>	<u>1,324</u>	<u>36,648</u>
Net Assets, End of Year	<u>\$ 16,235</u>	<u>\$ 11,986</u>	<u>\$ 7</u>	<u>\$ 28,228</u>
Non-Cash Financing Activities				
National School Lunch Program (Food Distribution)	\$ 10,825	\$ -	\$ -	\$ -

**FRANKFORD BOARD OF EDUCATION
PROPRIETARY FUNDS
ENTERPRISE FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Food Service Fund</u>	<u>Summer Enrichment Fund</u>	<u>Preschool Program Fund</u>	<u>Total Enterprise Funds</u>
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 120,811	\$ 13,672	\$ 9,600	\$ 144,083
Cash Payments to Suppliers for Salaries and Wages, and Benefits	(69,879)	(11,402)	(17,917)	(99,198)
Cash Payments to Suppliers for Goods and Services	(75,033)	(5,812)	9,828	(71,017)
Net Cash Provided (Used) by Operating Activities	(24,101)	(3,542)	1,511	(26,132)
Cash Flows from Noncapital Financing Activities				
Cash Received from (Paid to) Other Funds		2,000	7,000	9,000
Cash Received from State and Federal Subsidy Reimbursements	30,012	-	-	30,012
Net Cash Provided by Noncapital Financing Activities	30,012	2,000	7,000	39,012
Cash Flows from Investing Activities				
Interest on Investments	249	-	-	249
Net Cash Provided by Investing Activities	249	-	-	249
Net Increase (Decrease) in Cash and Cash Equivalents	6,160	(1,542)	8,511	13,129
Cash and Cash Equivalents (Overdraft), Beginning of Year	12,851	13,528	1,324	27,703
Cash and Cash Equivalents, End of Year	<u>\$ 19,011</u>	<u>\$ 11,986</u>	<u>\$ 9,835</u>	<u>\$ 40,832</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$ (46,509)	\$ (3,542)	\$ (8,317)	\$ (58,368)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Depreciation	7,002			7,002
Federal Commodities	10,409			10,409
Change in Assets and Liabilities				
(Increase)/Decrease in Inventory	(441)			(441)
(Increase)/Decrease in Other Receivable	-			-
Increase/(Decrease) in Interfund Payable	15,065		9,828	24,893
Increase/(Decrease) in Accounts Payable	(9,627)	-	-	(9,627)
Total Adjustments	22,408	-	9,828	32,236
Net Cash Provided (Used) by Operating Activities	<u>\$ (24,101)</u>	<u>\$ (3,542)</u>	<u>\$ 1,511</u>	<u>\$ (26,132)</u>

**FRANKFORD BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
AS OF JUNE 30, 2011**

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Trust Fund</u>	<u>Scholarship Trust</u>	<u>Agency Fund</u>
ASSETS				
Cash and Cash Equivalents	\$ 68,837	\$ 100	\$ 20,980	\$ 33,374
Investments	-	-	-	-
Total Assets	<u>68,837</u>	<u>100</u>	<u>20,980</u>	<u>\$ 33,374</u>
LIABILITIES				
Intergovernmental Payable	6,143			
Due to Student Groups				\$ 30,243
Due to Other Funds	-	-	-	<u>3,131</u>
Total Liabilities	<u>6,143</u>	<u>-</u>	<u>-</u>	<u>\$ 33,374</u>
NET ASSETS				
Held in Trust for Unemployment Claims and Other Purposes	<u>\$ 62,694</u>	<u>\$ 100</u>	<u>\$ 20,980</u>	

**FRANKFORD BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Trust Fund</u>	<u>Scholarship Trust</u>
ADDITIONS			
Contributions			
Employees	\$ 9,711		
Donations/Event Proceeds			\$ 12,086
Interest on Deposits	469	\$ 3	208
	<hr/>	<hr/>	<hr/>
Total Additions	10,180	3	12,294
DEDUCTIONS			
Scholarships Awarded		5,500	10,343
Unemployment Claims and Contributions	18,905	-	-
	<hr/>	<hr/>	<hr/>
Total Deductions	18,905	5,500	10,343
Change in Net Assets	(8,725)	(5,497)	1,951
Net Assets, Beginning of Year	71,419	5,597	19,029
	<hr/>	<hr/>	<hr/>
Net Assets, End of Year	\$ 62,694	\$ 100	\$ 20,980
	<hr/>	<hr/>	<hr/>

NOTES TO THE BASIC FINANCIAL STATEMENTS

**FRANKFORD BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Frankford Board of Education (the "Board" or the "District") is an instrumentality of the State of New Jersey, established to function as an education institution. The Board consists of nine 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. Under existing statutes, the Board's duties and powers include, but are not limited to, the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

The Board also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the Frankford Board of Education this includes general operations, food service, summer enrichment, preschool programs and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based on the foregoing criteria, the District has no component units. Furthermore, the District is not includable in any other reporting entity as a component unit.

B. Basic Financial Statements

The basic financial statements include both district-wide financial statements (based on the District as a whole) and fund financial statements. Both the district-wide and fund financial statements categorize activities as either governmental activities or business-type activities.

The district-wide financial statements report information on all of the nonfiduciary activities of the Board of Education. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by property taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. In the statement of net assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) reflect on a full accrual economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

**FRANKFORD BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basic Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or other governmental entities, including other school districts, who purchase, use, or directly benefit from goods or services provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Property taxes, unrestricted state aid, federal and state grants and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The District considers all of its governmental and enterprise funds to be major funds.

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

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements with the exception of the agency fund which does not have a measurement focus. All assets and all liabilities associated with these operations (with the exception of the fiduciary funds) are included on the Statement of Net Assets. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual (i.e. when they are both measurable and available). Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues to be available if they are collected within 60 days after year-end. Expenditures are recorded when a liability is incurred, as under accrual basis of accounting, with the exception of debt service expenditures as well as expenditures related to compensated absences and claims and judgments which are recorded only when payment is due.

Property taxes, tuition, unrestricted state aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

The *general fund* is the School District's primary operating fund. It accounts for all financial resources of the District, except those to be accounted for in another fund.

The *special revenue fund* accounts for the proceeds of specific revenue sources legally restricted to expenditures for specified purposes. This fund accounts for federal and state financial programs, with the exception of grants for major capital projects and the child nutrition programs.

**FRANKFORD BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The *capital projects fund* accounts for the proceeds from the sale of bonds, lease purchases and other revenues used for the acquisition or construction of major capital facilities and other capital assets.

The *debt service fund* accounts for the accumulation of resources for and the payment of principal and interest on long-term general obligation debt of governmental funds.

The District reports the following major proprietary funds which are organized to be self-supporting through user charges:

The *food service fund* accounts for the activities of the school cafeteria, which provides food service to students as well as a la carte and catering services for teachers and special events.

The *summer enrichment fund* accounts for the activities of the Summer School Program which provides education opportunities beyond the regular school term.

The *preschool program fund* accounts for the activities of the District's preschool program which provides educational opportunities for preschool students.

Additionally, the government reports the following fund type:

The *fiduciary trust fund* is used to account for resources legally held in trust for the state unemployment insurance claims, for private donations for scholarship awards, payroll related activities and student related activities which are supported and controlled by student organizations and clubs. All resources of the fund, including any earnings on invested resources, may be used to support the intended purpose. There is no requirement that any portion of these resources be preserved as capital.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the district-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Board has elected not to follow private-sector guidance issued subsequent to December 1, 1989.

As a general rule the effect of interfund activity has been eliminated from the district-wide financial statements. Exceptions to this general rule are charges between the Board's proprietary and fiduciary funds since elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues in the district-wide statement of activities include 1) charges to customers or applicants for goods or services, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes, unrestricted state aid, federal and state grants, investment earnings and miscellaneous revenues.

**FRANKFORD BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the food service enterprise fund, of the summer enrichment fund, and of the preschool program fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Federal and State subsidies for the food service operation are considered nonoperating revenues.

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

D. Assets, Liabilities and Net Assets or Equity

1. *Deposits and Investments*

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value and are limited by N.J.S.A. 18A:20-37.

2. *Receivables and Payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the district-wide financial statements as "internal balances".

All receivables are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Tuition Revenues - Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final costs are determined and certified by the State Department of Education.

Tuition Expenditures - Tuition charges for the fiscal years 2009-2010 and 2010-2011 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been certified by the State Department of Education.

**FRANKFORD BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

2. *Receivables and Payables (Continued)*

Property taxes are levied pursuant to law and are collected by the municipality and are transferred to the District as requested. Property tax revenue is recognized in the year they are levied and become available. Property taxes collected in advance of the year-end for which they are levied and transferred to the District are reported as deferred revenues. The tax bills are mailed annually in June by the municipal tax collector and are levied and due in four quarterly installments on August 1, November 1, February 1 and May 1 of the fiscal year. When unpaid, taxes or any other municipal lien, or part thereof, on real property, remains in arrears on April 1st in the year following the calendar year levy when the same became in arrears, the tax collector of the municipality shall, subject to the provisions of New Jersey Statute, enforce the lien by placing the property on a tax sale. The municipality may institute annual "in rem" tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property.

3. *Inventories*

The cost of inventories of the governmental fund types are recorded as expenditures at the time individual inventory items are purchased.

Food Service Fund inventories, exclusive of the federal commodities, are valued at cost, using the first-in first-out (FIFO) method. The United States Department of Agriculture (USDA) commodity portion of the Food Service Fund inventory consists of food donated by the USDA. It is valued at estimated market prices by the USDA. The amount of unused commodities at year-end is reported as unearned revenue.

4. *Prepaid Items*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both district-wide and fund financial statements.

5. *Capital Assets*

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the district-wide financial statements. Capital assets are defined by the Board as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of two years. The District was able to estimate the historical cost for the initial reporting of these capital assets through back trending. As the District constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

**FRANKFORD BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

5. *Capital Assets (Continued)*

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30-40
Building Improvements	10-20
Site Improvements	10-20
Machinery and Equipment	5-15

6. *Compensated Absences*

It is the District's policy to permit employees to accumulate (with certain restrictions) earned but unused vacation, personal, and sick leave benefits. A long-term liability of accumulated vacation, personal and sick leave and salary related payments has been recorded in the governmental activities in the district-wide financial statements, representing the Board's commitment to fund such costs from future operations. Proprietary Funds accrue accumulated vacation, personal and sick leave and salary related payments in the period that they are earned. A liability is reported in the governmental funds only to the amount actually due at year end as a result of employee resignations and retirements.

7. *Long-term obligations*

In the district-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

8. *Fund Equity*

Beginning with fiscal year 2011, the District implemented GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions". The Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. This statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Nonspendable Fund Balance – Amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.

Prepays – Represents the portion of fund balance not available for future spending related to costs associated with and chargeable to future accounting periods.

FRANKFORD BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

8. Fund Equity (Continued)

Restricted Fund Balance – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Excess Surplus – Designated for Subsequent Year's Expenditures - This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2010 audited excess surplus that was appropriated in the 2011/2012 original budget certified for taxes.

Excess Surplus – This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2011 audited excess surplus that is required to be appropriated in the 2012/2013 original budget certified for taxes.

Capital Reserve – This restriction was created by the District in accordance with NJAC 6A:23A-14.1 to fund future capital expenditures (See Note 2.)

Maintenance Reserve – This restriction was created by the Board in accordance with NJAC 6A:23A-14.2 to accumulate funds for the required maintenance of school facilities in accordance with the EFCA (NJSA 18A:7G-9) for a thorough and efficient education.

Emergency Reserve – This restriction was created in accordance with NJAC 6A:23A-14.4(A)1 to accumulate funds in accordance with State statute to finance unanticipated general fund expenditures required for a thorough and efficient education.

Capital Projects – Represents fund balance restricted specifically for capital acquisitions and improvements in the Capital Projects Fund.

Committed Fund Balance – Amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

Year-End Encumbrances – Represents outstanding purchase orders at year end for contracts awarded by formal action of the Board of Trustee's for specific purposes from available resources of the current year for which the goods and materials have not yet been received or the services have not yet been rendered at June 30.

**FRANKFORD BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

Unassigned Fund Balance – Represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund.

9. *Reclassifications*

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

In accordance with the requirements of the New Jersey Department of Education ("the Department"), the District annually prepares its operating budget for the forthcoming year. The budget, except for the general fund and special revenue fund, which is more fully explained below and in the notes to the required supplementary information, is prepared in accordance with accounting principles generally accepted in the United States of America and serves as a formal plan for expenditures and the proposed means for financing them. Capital lease transactions are accounted for on the GAAP basis.

The annual budget is adopted in the spring of the preceding year for the general, special revenue and debt service funds. The District is not required to adopt an annual budget for the capital projects fund. The budget is submitted to the county superintendent and is voted upon at the annual school election on the third Tuesday in April. Budget adoptions and amendments are recorded in the District's board minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account 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. The Board approved several budget transfers during 2010/2011. During 2010/2011 the Board increased the original budget by \$121,859. The increase was funded by additional grant awards and the reappropriation of prior year general fund encumbrances.

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 accounting principles generally accepted in the United States of America, with the exception of the legally mandated revenue recognition of certain state aid payments for budgetary purposes only and the treatment of encumbrances in the special revenue fund as described in the Notes to Required Supplementary Information (RSI). Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

**FRANKFORD BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

Encumbrance accounting is employed in the governmental funds. 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 committed and/or assigned 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 which are reappropriated and honored during the subsequent fiscal year.

B. Deficit Fund Equity

The District has an accumulated deficit of \$(595,161) in the Capital Projects Fund as of June 30, 2011. This deficit is the result of the Board incurring expenditures for the 2009 bond referendum, which was prior to the sale of school bonds or receipt of state aid. As the Board permanently finances these appropriations or receives state aid, the District will realize as revenues the proceeds of the financing or state aid. This deficit does not indicate that the District is facing financial difficulties and is permitted practice under accounting principles generally accepted in the United States of America.

C. Capital Reserve

The activity of the capital reserve for the fiscal year ended June 30, 2011 is as follows:

Balance, July 1, 2010		\$ 167,192
Increases		
Interest Earnings	4,002	
Deposits Approved by Resolution	76,175	
Unexpended Capital Reserve Transfer	<u>136</u>	
		<u>80,313</u>
		247,505
Decreases		
Approved by Voters in District Budget		<u>33,919</u>
Balance, June 30, 2011		<u>\$ 213,586</u>

The June 30, 2011 LRF balance of local support costs of uncompleted capital projects is \$855,500. The withdrawals from the capital reserve were for use in a department approved facilities project, consistent with the district's Long Range Facilities Plan.

D. Transfers to Capital Outlay

During the 2010/2011 school year, the district transferred \$-0- to the capital outlay accounts.

**FRANKFORD BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

E. Calculation of Excess Surplus

In accordance with N.J.S.A. 18A:7F-7, as amended, the restricted fund balance for Reserved Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund fund balance in excess of 2% of budget expenditures 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, 2011 is \$259,619. Of this amount, \$159,619 was designated and appropriated in the 2011/2012 original budget certified for taxes and the remaining amount of \$100,000 will be appropriated in the 2012/2013 original budget certified for taxes.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits

The Board's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Board is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2011, the book value of the Board's deposits was \$514,167 and bank balances of the Board's cash and deposits amounted to \$907,818. The Board's deposits which are displayed on the balance sheets and statement of net assets as "cash" or "cash and cash equivalents" are categorized as:

Depository Account

Insured	\$ <u>907,818</u>
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Investments

The Board is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 18A:20-37. Examples of the allowable investments are bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located, Local Government investment pools, and agreements or the repurchase of fully collateralized securities, if transacted in accordance with the above statute.

As of June 30, 2011, the Board had no outstanding investments.

**FRANKFORD BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Receivables

Receivables as of June 30, 2011 for the district's individual major funds, in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Food Service Fund</u>	<u>Total</u>
Receivables:						
Intergovernmental	\$ 27,822	\$ 56,731	\$ 518,482	\$ 70,991	\$ 2,541	\$ 676,567
Other	<u>8,689</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,689</u>
Gross Receivables	36,511	56,731	518,482	70,991	2,541	685,256
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$ 36,511</u>	<u>\$ 56,731</u>	<u>\$ 518,482</u>	<u>\$ 70,991</u>	<u>\$ 2,541</u>	<u>\$ 685,256</u>

**FRANKFORD BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 243,393			\$ 243,393
Construction in Progress	<u>10,300</u>	\$ 32,976	-	<u>43,276</u>
Total capital assets, not being depreciated	<u>253,693</u>	<u>32,976</u>	-	<u>286,669</u>
Capital assets, being depreciated:				
Buildings and Improvements	4,473,570			4,473,570
Site Improvements	331,093			331,093
Machinery and Equipment	<u>1,315,386</u>	119,357	-	<u>1,434,743</u>
Total capital assets being depreciated	<u>6,120,049</u>	<u>119,357</u>	-	<u>6,239,406</u>
Less accumulated depreciation for:				
Buildings and Improvements	(2,873,675)	(128,549)		(3,002,224)
Site Improvements	(216,830)	(10,981)		(227,811)
Machinery and equipment	<u>(1,007,450)</u>	<u>(115,588)</u>	-	<u>(1,123,038)</u>
Total accumulated depreciation	<u>(4,097,955)</u>	<u>(255,118)</u>	-	<u>(4,353,073)</u>
Total capital assets, being depreciated, net	<u>2,022,094</u>	<u>(135,761)</u>	-	<u>1,886,333</u>
Government activities capital assets, net	<u>\$ 2,275,787</u>	<u>\$ (102,785)</u>	<u>\$ -</u>	<u>\$ 2,173,002</u>
Business-type activities:				
Capital assets, being depreciated:				
Machinery and equipment	\$ 84,311	-	-	\$ 84,311
Total capital assets being depreciated	<u>84,311</u>	<u>-</u>	<u>-</u>	<u>84,311</u>
Less accumulated depreciation for:				
Machinery and equipment	<u>(70,593)</u>	\$ (7,002)	-	<u>(77,595)</u>
Total accumulated depreciation	<u>(70,593)</u>	<u>(7,002)</u>	<u>-</u>	<u>(77,595)</u>
Total capital assets, being depreciated, net	<u>13,718</u>	<u>(7,002)</u>	<u>-</u>	<u>6,716</u>
Business-type activities capital assets, net	<u>\$ 13,718</u>	<u>\$ (7,002)</u>	<u>\$ -</u>	<u>\$ 6,716</u>

**FRANKFORD BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Instruction	
Regular	\$ 29,819
Total Instruction	<u>29,819</u>
Support Services	
Student and Instruction Related Services	21,640
General Administration	-
School Administration	5,195
Operation and Maintenance of Plant Services	149,913
Student transportation	48,551
Business and Other Support Services	-
Total Support Services	<u>225,299</u>
Total depreciation expense - governmental activities	<u>\$ 255,118</u>
Business-type activities:	
Food Service Fund	\$ 7,002
Total depreciation expense-business-type activities	<u>\$ 7,002</u>

**FRANKFORD BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2011, is as follows:

Due to/from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue Fund	\$ 53,422
General Fund	Capital Projects Fund	215,293
General Fund	Debt Service	70,991
General Fund	Food Service	15,065
General Fund	Preschool Fund	9,828
General Fund	Agency Fund	<u>3,131</u>
Total		<u>\$ 367,730</u>

The above balances are the result of revenues earned or other financing sources received in one fund which are due to another fund and/or expenditures paid by one fund on behalf of another fund and/or to cover cash balances which were in an overdraft position.

The District expects all interfund balances to be liquidated within one year.

Interfund transfers

	<u>Transfer In</u>		
	<u>Student Activities</u>	<u>Enterprise Food Service</u>	<u>Total</u>
Transfer Out:			
General Fund	<u>\$ 9,167</u>	<u>\$ 9,000</u>	<u>\$ 18,167</u>

The above transfers are the result of revenues earned and/or other financing sources received in one fund to finance expenditures in another fund.

E. Leases

Capital Leases

The District is leasing copiers and computer equipment totaling \$126,300 under capital leases. The leases are for terms of 3 to 5 years.

**FRANKFORD BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

E. Leases (Continued)

Capital Leases (Continued)

The capital assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Machinery and Equipment	\$ 126,300
Total	<u>\$ 126,300</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011 were as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2012	\$ 43,280
2013	42,941
2014	<u>4,011</u>
Total minimum lease payments	90,232
Less: amount representing interest	<u>(8,508)</u>
Present value of minimum lease payments	<u>\$ 81,724</u>

F. Long-Term Debt

Statutory Borrowing Power

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2011 was as follows:

3% of Equalized Valuation Basis (Municipal)	\$ 27,744,038
Less: Net Debt	<u>777,723</u>
Remaining Borrowing Power	<u>\$ 26,966,315</u>

**FRANKFORD BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-Term Debt (Continued)

Changes in long-term liabilities

Long-term liability activity for the fiscal year ended June 30, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable	\$ 85,000		\$ 85,000		
Capital Leases Payable	40,336	\$ 77,763	36,375	\$ 81,724	38,218
Compensated absences	<u>357,968</u>	<u>34,927</u>	<u>4,000</u>	<u>388,895</u>	<u>6,282</u>
Governmental activity Long-term liabilities	<u>\$ 483,304</u>	<u>\$ 112,690</u>	<u>\$ 125,375</u>	<u>\$ 470,619</u>	<u>\$ 44,500</u>

For the governmental activities, compensated absences are generally liquidated by the general fund.

G. Short-Term Debt

Project Notes/Grant Anticipation Notes/Loans Payable

The Board issues Project Notes to interim finance Capital Projects. The Board issues Grant Anticipation Notes to interim finance capital projects funded by the State Development Authority's Facility construction grants. The Board's short-term debt activity for the year ended June 30, 2011 was as follows:

<u>Purpose</u>	<u>Balance, July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, June 30, 2010</u>
School Promissory Notes	<u>\$ 777,000</u>	<u>\$ 777,000</u>	<u>\$ 777,000</u>	<u>\$ 777,000</u>

NOTE 4 OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to property, general liability, automobile coverage, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; student accident; termination of employees and natural disasters. The Board has obtained commercial insurance coverage to guard against these events to minimize the exposure to the District should they occur.

**FRANKFORD BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 4 OTHER INFORMATION (Continued)

A. Risk Management (Continued)

The District is a member of the School Alliance Insurance Fund (SAIF). The Fund, which is an insured self-administered group established for the sole purpose of providing the following coverage to the employees.

1. Worker’s Compensation and Employees Liability.
2. Automobile and Equipment Liability, General Liability and Property Damage
3. School Board Legal liability
4. Boiler and Machinery

The relationship between the Board and the insurance fund is governed by a contract and by-laws that have been adopted by resolution of each unit’s governing body. The Board is contractually obligated to make all annual and supplementary contributions to the fund, to report claims on a timely basis, cooperate with the management of the fund, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the fund. Members have a contractual obligation to fund any deficit of the fund attributable to a membership year during which they were a member.

SAIF provides its members with risk management services, including the defense of and settlement of claims and to establish reasonable and necessary loss reduction and prevention procedures to be followed by the members. Complete financial statements of the insurance fund are on file with the School’s Business Administrator.

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage’s in any of the prior three years.

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, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District’s fiduciary trust fund for the current and previous two years:

<u>Fiscal Year</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2011	\$ 9,711	\$ 18,905	\$ 62,694
2010	24,117	12,511	71,419
2009	12,697	16,014	59,289

B. Contingent Liabilities

The District is a party defendant in some lawsuits, none of a kind unusual for a school district of its size and scope of operation. In the opinion of the Board’s Attorney the potential claims against the District not covered by insurance policies would not materially affect the financial condition of the District.

**FRANKFORD BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 4 OTHER INFORMATION (Continued)

B. Contingent Liabilities (Continued)

Federal and State Awards – The Board participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Board may be required to reimburse the grantor government. As of June 30, 2011, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Board believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

C. Employee Retirement Systems and Pension Plans

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all eligible Board employees:

Public Employees' Retirement System (PERS) – Established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement health care, to substantially all full time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service for pension benefits and 25 years for post-retirement health care coverage.

Teachers' Pension and Annuity Fund (TPAF) – Established in January 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time certified teachers or professional staff of the public school systems in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for post-retirement health care coverage.

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those Board employees who are eligible for pension coverage.

Defined Contribution Retirement Program (DCRP) – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership.

Other Pension Funds

The State established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local government employers do not appropriate funds to SACT.

The cost of living increase for PERS and TPAF, are funded directly by each of the respective systems and are considered in the annual actuarial calculation of the required State contribution for the system.

According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

**FRANKFORD BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

Other Pension Funds (Continued)

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 accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

Basis of Accounting

The financial statements of the retirement systems are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the retirement systems. Benefits or refunds are recognized when due and payable in accordance with the terms of the retirement systems.

Investment Valuation

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund, Common Pension Fund A, Common Pension Fund B, Common Pension Fund D and Common Pension Fund E. The financial reports may be obtained in writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290.

Significant Legislation

P.L. 2010, c. 1, effective May 21, 2010, made a number of changes to the State-administered retirement systems concerning eligibility, the retirement allowance formula, the definition of compensation, the positions eligible for service credit, the non-forfeitable right to a pension, the prosecutor's part of the PERS, and employer contributions to the retirement system.

This new legislation changed the membership eligibility criteria for new members of TPAF and PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of TPAF and PERS to 1/60 from 1/55, and it provided that new members of TPAF and PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of TPAF and PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. This law also closed the prosecutor's part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time five years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined as 1/7th of the required amount, beginning in Fiscal Year 2012.

**FRANKFORD BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

Significant Legislation (Continued)

P.L. 2010, c.3, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of the TPAF and PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

Funding Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems including TPAF and PERS, is 66.0 percent with an unfunded actuarial accrued liability of \$45.8 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 62.0 percent and \$30.7 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and Police and Firemen's Retirement System ("PFRS") is 72.1 percent and \$15.1 billion.

The funded status and funding progress of the retirement systems is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financing reporting purposes does not explicitly incorporate the potential effects of legal or contractual limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the June 30, 2009 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (1) 8.25 percent for investment rate of return for the retirement systems and (2) 5.45 percent for projected salary increases for the PERS and 5.74 percent for TPAF.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 5.5% for PERS, 5.5% for TPAF and 5.50% for DCRP of the employee's annual compensation.

**FRANKFORD BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

Annual Pension Costs (APC)

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2011 for TPAF, which is a cost sharing plan with special funding situations, annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the years ended June 30, 2011, 2010 and 2009 the Board was required to contribute for PERS and DCRP and the State of New Jersey was required to contribute for TPAF for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) the following amounts:

<u>Year Ended</u> <u>June 30,</u>	<u>PERS</u>	<u>On-behalf</u> <u>TPAF</u>	<u>DCRP</u>
2011	\$ 105,082	\$ 16,536	\$ 505
2010	79,447	17,090	
2009	72,334	16,576	

During the last three fiscal years, the State of New Jersey did not contribute to the TPAF for normal cost and accrued liability. The State contributed \$16,536, \$17,090 and \$16,576 during 2010/2011, 2009/2010 and 2008/2009, respectively, for the NCGI premium only.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$405,664 during the year ended June 30, 2011 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount, along with the on-behalf TPAF pension contribution, has been included in the district-wide financial statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 24.

**FRANKFORD BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 4 OTHER INFORMATION (Continued)

D. Post-Retirement Medical Benefits

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for school districts. The Plans are cost sharing multiple employer defined benefit plans.

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and TPAF are combined and reported as Pension and Other employee Benefit Trust Funds in the State's Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, PDP-State, and the PRM of the PERS are combined and reported as a Health Benefits Program Fund – State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF are combined and reported as Health Benefits Program Fund –Local Government classified as a cost-sharing multiple-employer plan in the State's CAFR. The post-retirement benefit programs had a total of 514 state and local participating employers and contributing entities for Fiscal Year 2010.

The State of New Jersey sponsors and administers the following health benefit programs covering certain state and local government employees, including those Board employees and retirees eligible for coverage.

Health Benefits Program Fund (HBPF) – Local Education (including Prescription Drug Program Fund) – The State of New Jersey provides free coverage to members of the Teachers' Pension and Annuity Fund who retire from a board of education or county college with 25 years of service or on a disability retirement. Under the provisions of P.L. 1992, c.126, the State also provides free coverage to members of the Public Employees' Retirement System and Alternate Benefits Program who retire from a board of education or county college with 25 years of service or on a disability retirement if the member's employer does not provide this coverage. Certain local participating employers also provide post-retirement medical coverage to their employees. Retirees who are not eligible for employer paid health coverage at retirement can continue in the program if their employer participates in this program or if they are participating in the health benefits plan of their former employer and are enrolled in Medicare parts A and B by paying the cost of the insurance for themselves and their covered dependents. Also, education employees are eligible for the PDP coverage after 60 days of employment.

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 the above Fund. The financial reports may be accessed via the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

Basis of Accounting

The financial statements of the health benefit programs are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the health benefit programs. Benefits or refunds are recognized when due and payable in accordance with the terms of the health benefit programs.

**FRANKFORD BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 4 OTHER INFORMATION (Continued)

D. Post-Retirement Medical Benefits (Continued)

Significant Legislation

P.L. 2010, c.2 effective May 21, 2010, makes changes to the SHBP-State/Local Government/Local Education concerning eligibility, cost sharing, choice of a plan, the application of benefit changes, the waiver of coverage, and multiple coverage under such plans. It also requires contributions toward the cost of health care benefits coverage by public employees and certain retirees.

Investment Valuation

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair values.

Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the State had a \$56.8 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) which is made up to \$20.5 billion for state active and retired members and \$36.3 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

The funded status and funding progress of the OPEB is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events in the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the OPEB in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at the point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the June 30, 2009, actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included 4.50 percent for investment rate of return for the OPEB.

Post-Retirement Medical Benefits Contributions

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively to fund post-retirement medical benefits for those State employees and education employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2010, there were 87,288 retirees receiving post-retirement medical benefits and the State contributed \$883.8 million on their behalf. The cost of these benefits is funded through contributions by the State and in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

**FRANKFORD BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 4 OTHER INFORMATION (Continued)

D. Post-Retirement Medical Benefits (Continued)

Post-Retirement Medical Benefits Contributions (Continued)

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education with 25 years of service. The State paid \$126.3 million toward Chapter 126 benefits for 14,050 eligible retired members in fiscal year 2010.

The State sets the contribution rate based on a pay as you go basis and not on the *annual required contribution of the employers (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF retirees' post-retirement benefits on behalf of the School District for the years ended June 30, 2011, 2010 and 2009 were \$351,219, \$320,983 and \$316,230, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey.

NOTE 5 PRIOR PERIOD ADJUSTMENT

The net assets, beginning of year, balance of the Business-Type Activities has been adjusted to reflect transactions related to capital assets and accumulated depreciation that were previously unrecorded. An adjustment was made to reduce net assets, at the beginning of year, by \$6,209 to reflect the adjustment to capital assets net of accumulated depreciation.

NOTE 6 MERGER OF NON-OPERATING SCHOOL DISTRICT

Pursuant to P.L. 2007, c. 63 and A-4141, the Sussex County Executive County Superintendent filed a plan (the "Plan") with the Commissioner of the State of New Jersey, Department of Education (the "Commissioner"), to eliminate the non-operating Branchville Borough School District and to provide for the education of the children of Branchville Borough in the Frankford Township School District. On June 30, 2009, the Commissioner agreed with and approved the Plan submitted for the merger of Branchville Borough School District with the Frankford Township School District, effective July 1, 2009.

The Plan provides for the continuation of a nine member board of education elected for staggered three year terms. Current members of the Frankford Township Board of Education will continue in office until the expiration of their respective terms, at which time the successor shall be elected at-large by the voters of the new district. Within 30 days of the merger of the districts, the Executive County Superintendent will appoint the existing representative from Branchville Borough to serve as a voting member of the Frankford Township Board of Education until the first Monday succeeding the first annual election in which a member of the Frankford Township Board of Education is elected at-large.

The Plan for the first year (2009-10) requires the tax levy to be allocated in the amounts equivalent to the 2009-10 districts' budgets certified for taxes. Thereafter, the Executive County Superintendent recommends that the levy be apportioned through a five-year phase in to 100% equalized valuation. The Commissioner finds that this recommendation results in the least-fiscally disruptive tax levy allocation as required by the statute.

**FRANKFORD BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 6 MERGER OF NON-OPERATING SCHOOL DISTRICT (Continued)

The merged 2009/10 District's budget is reflected in the 2009/10 CAFR. Additional information pertaining to the merger can be found in the Sussex County Executive County Superintendent's Final Report dated June 30, 2009 which is on file with the Frankford Board of Education.

NOTE 7 SUBSEQUENT EVENTS

Serial Bonds

On July 18, 2011, the Board adopted a resolution awarding the sale of School bonds in the amount of \$550,000 to Lakeland Bank. These Bonds have an interest rate of 1.45% and will mature over 7 years with the first maturity due August 1, 2012. The Bonds were issued to permanently finance various school improvement projects authorized April 21, 2009.

BUDGETARY COMPARISON SCHEDULES

**FRANKFORD BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
REVENUES					
Local Sources					
Local Tax Levy- Frankford	\$ 7,993,671		\$ 7,993,671	\$ 7,993,671	
Tuition	12,000		12,000	6,269	\$ (5,731)
Interest	11,000		11,000	3,052	(7,948)
Interest on Capital Reserve	3,000		3,000	4,002	1,002
Miscellaneous	-	-	-	1,974	1,974
Total Local Sources	<u>8,019,671</u>	<u>-</u>	<u>8,019,671</u>	<u>8,008,968</u>	<u>(10,703)</u>
Federal Sources					
Equalization Aid - ARRA GSF					-
Equalization Aid - ARRA ESF	-	-	-	-	-
Total Federal Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
State Sources					
Equalization Aid					-
Security Aid	42,193	-	42,193	42,193	-
Transportation Aid	254,802	-	254,802	254,802	-
Special Education Aid	286,096	-	286,096	286,096	-
Adjustment Aid	1,382,179	-	1,382,179	1,382,179	-
Extraordinary Aid	-	-	-	36,159	36,159
Additional Non Public Transportation Aid	-	-	-	7,490	7,490
On-behalf TPAF Pension System Payments(Non-Budget)					
NCGI				16,536	16,536
Post Retirement Medical Contribution				351,219	351,219
On-behalf TPAF Social Security Payments (Non-Budget)	-	-	-	405,664	405,664
Total State Sources	<u>1,965,270</u>	<u>-</u>	<u>1,965,270</u>	<u>2,782,338</u>	<u>817,068</u>
Total Revenues	<u>9,984,941</u>	<u>-</u>	<u>9,984,941</u>	<u>10,791,306</u>	<u>806,365</u>
EXPENDITURES					
Instruction - Regular Programs					
Salaries of Teachers					
Preschool/Kindergarten	104,217	\$ 28,567	132,784	131,432	1,352
Grades 1-5	1,801,555	(49,328)	1,752,227	1,752,211	16
Grades 6-8	1,315,193	5,000	1,320,193	1,319,674	519
Regular Program - Home Instruction					
Salaries of Teachers	3,000	(1,000)	2,000	2,000	
Purchased Professional-Educational Services	3,000	(3,000)			
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	72,156	(40,764)	31,392	31,387	5
Other Purchased Services	27,850	(10,500)	17,350	17,184	166
General Supplies	139,431	24,700	164,131	135,504	28,627
Textbooks	30,000	8,150	38,150	37,724	426
Other Objects	400	-	400	-	400
Total Regular Programs	<u>3,496,802</u>	<u>(38,175)</u>	<u>3,458,627</u>	<u>3,427,116</u>	<u>31,511</u>

**FRANKFORD BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Special Education (Continued)					
Behavioral Disability					
Salaries of Teachers	\$ 47,235	\$ 150	\$ 47,385	\$ 47,385	
Other Salaries for Instruction	34,715	(8,457)	26,258	25,658	\$ 600
General Supplies	515	-	515	-	515
Total Behavioral Disability	<u>82,465</u>	<u>(8,307)</u>	<u>74,158</u>	<u>73,043</u>	<u>1,115</u>
Resource Room/Resource Center					
Salaries of Teachers	817,956	(2,680)	815,276	811,370	3,906
Other Salaries for Instruction	193,487	50,741	244,228	239,900	4,328
General Supplies	6,030	-	6,030	5,149	881
Total Resource Room/Resource Center	<u>1,017,473</u>	<u>48,061</u>	<u>1,065,534</u>	<u>1,056,419</u>	<u>9,115</u>
Preschool Disabilities - Part-Time					
Salaries of Teachers	79,100	(39,050)	40,050	39,388	662
Other Salaries for Instruction	14,532	-	14,532	13,370	1,162
General Supplies	690	-	690	207	483
Total Preschool Disabilities - Part-Time	<u>94,322</u>	<u>(39,050)</u>	<u>55,272</u>	<u>52,965</u>	<u>2,307</u>
Total Special Education	<u>1,194,260</u>	<u>704</u>	<u>1,194,964</u>	<u>1,182,427</u>	<u>12,537</u>
Basic Skills/Remedial					
Salaries of Teachers	247,618	49,034	296,652	295,340	1,312
General Supplies	1,870	-	1,870	1,374	496
Total Basic Skills/Remedial	<u>249,488</u>	<u>49,034</u>	<u>298,522</u>	<u>296,714</u>	<u>1,808</u>
School Sponsored Co/Extra Curricular Activities					
Salaries	28,681	-	28,681	28,512	169
Purchased Services	2,000	(180)	1,820	1,763	57
Supplies and Materials	2,520	180	2,700	2,698	2
Total School Sponsored Co/Extra Curricular Activities	<u>33,201</u>	<u>-</u>	<u>33,201</u>	<u>32,973</u>	<u>228</u>
School Sponsored Athletics					
Salaries	27,578	-	27,578	25,963	1,615
Purchased Services	4,850	-	4,850	3,500	1,350
Supplies and Materials	700	-	700	(83)	783
Other Objects	500	-	500	-	500
Total School Sponsored Athletics	<u>33,628</u>	<u>-</u>	<u>33,628</u>	<u>29,380</u>	<u>4,248</u>
Other Instructional Programs - Summer School - Instruction					
Salaries	19,377	-	19,377	15,822	3,555
Purchased Services	2,255	-	2,255	2,035	220
Supplies and Materials	700	-	700	268	432
Total Other Instructional Programs - Instruction	<u>22,332</u>	<u>-</u>	<u>22,332</u>	<u>18,125</u>	<u>4,207</u>
Total Instruction	<u>5,029,711</u>	<u>11,563</u>	<u>5,041,274</u>	<u>4,986,735</u>	<u>54,539</u>

**FRANKFORD BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures					
Instruction					
Tuition to Other LEAs Within the State - Special	\$ 43,800	\$ 15,201	\$ 59,001	\$ 58,969	\$ 32
Tuition to Priv. Sch. for the Disabled Within the State	51,168	(15,201)	35,967	1,930	34,037
Total Undistributed Expenditures - Instruction	94,968	-	94,968	60,899	34,069
Health Services					
Salaries	82,124	-	82,124	81,465	659
Purchased Professional and Technical Services	11,700	-	11,700	6,162	5,538
Supplies and Materials	920	-	920	918	2
Other Objects	200	-	200	150	50
Total Health Services	94,944	-	94,944	88,695	6,249
Speech, OT, PT & Related Services					
Salaries	149,797	-	149,797	149,797	-
Purchased Professional-Educational Services	5,766	-	5,766	5,508	258
Supplies and Materials	780	-	780	558	222
Total Speech, OT, PT & Related Services	156,343	-	156,343	155,863	480
Other Support Serv. Students - Extra. Svcs.					
Salaries	13,815	-	13,815	9,572	4,243
Total Other Support Serv. Students - Extra Serv.	13,815	-	13,815	9,572	4,243
Guidance					
Salaries of Other Professional Staff	162,478	(10,063)	152,415	151,208	1,207
Supplies and Materials	655	-	655	640	15
Total Guidance	163,133	(10,063)	153,070	151,848	1,222
Child Study Teams					
Salaries of Other Professional Staff	251,428	-	251,428	251,428	-
Supplies and Materials	1,850	-	1,850	1,706	144
Other Objects	700	-	700	118	582
Total Child Study Teams	253,978	-	253,978	253,252	726
Improvement of Inst. Serv.					
Salaries of Other Professional Staff	25,040	1,500	26,540	26,072	468
Total Improvement of Inst. Serv.	25,040	1,500	26,540	26,072	468

FRANKFORD BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Educational Media Services/School Library					
Salaries	\$ 20,765		\$ 20,765	\$ 20,765	
Purchased Professional and Technical Services	5,300		5,300	4,590	\$ 710
Supplies and Materials	23,465	-	23,465	15,013	8,452
Total Educational Media Serv./School Library	49,530	-	49,530	40,368	9,162
Instructional Staff Training Services					
Other Purchased Services	8,250	-	8,250	7,579	671
Total Instructional Staff Training Services	8,250	-	8,250	7,579	671
Support Services General Administration					
Salaries	180,932	-	180,932	180,930	2
Legal Services	10,000	\$ (1,200)	8,800	6,240	2,560
Audit Fees	23,900	7,350	31,250	18,550	12,700
Architectural/Engineering Services		18,950	18,950	18,933	17
Other Purchased Professional Services	8,700	-	8,700	3,562	5,138
Purchased Technical Services	5,000	-	5,000	1,250	3,750
Communications/Telephone	23,450	-	23,450	8,023	15,427
BOE Other Purchased Services	11,500	-	11,500	2,634	8,866
Other Purchased Services	2,900	150	3,050	3,049	1
General Supplies	6,300	-	6,300	5,839	461
Miscellaneous Expenditures	9,436	-	9,436	7,899	1,537
Total Support Services General Administration	282,118	25,250	307,368	256,909	50,459
Support Services School Administration					
Salaries of Principal/Asst. Principals	129,158	-	129,158	129,158	-
Salaries of Secretarial and Clerical Assistants	116,667		116,667	81,043	35,624
Purchased Professional and Technical Services	1,500		1,500		1,500
Other Purchased Services	14,550		14,550	12,347	2,203
Supplies and Materials	4,950		4,950	4,456	494
Other Objects	1,800	-	1,800	1,278	522
Total Support Services School Administration	268,625	-	268,625	228,282	40,343
Central Services					
Salaries	154,197	1,000	155,197	155,197	-
Purchased Professional Services	9,000	1,100	10,100	10,093	7
Purchased Technical Services	2,600	-	2,600	2,600	-
Miscellaneous Purchased Services	2,300	400	2,700	2,690	10
Supplies and Materials	10,600	(4,365)	6,235	6,227	8
Interest on Lease Purchase Agrmts		4,540	4,540	4,533	7
Interest on Bond Anticipation Notes		1,657	1,657	1,656	1
Miscellaneous Expenditures	4,385	(2,675)	1,710	1,620	90
Total Central Services	183,082	1,657	184,739	184,616	123
Admin. Info. Tech.					
Salaries	59,565	-	59,565	59,565	-
Purchased Technical Serv.	6,000	-	6,000	-	6,000
Total Admin. Info. Tech.	65,565	-	65,565	59,565	6,000
Required Maintenance for School Facilities					
Salaries	23,052	-	23,052	23,051	1
Cleaning, Repair and Maintenance	5,870	(401)	5,469	5,350	119
General Supplies	12,700	400	13,100	13,082	18
Total Required Maintenance for School Fac.	41,622	(1)	41,621	41,483	138

**FRANKFORD BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Custodial Services					
Salaries	\$ 356,954	\$ 2,074	\$ 359,028	\$ 358,944	\$ 84
Purchased Professional and Technical Services		-			-
Cleaning, Repair and Maint. Serv.	63,700	2,579	66,279	63,195	3,084
Rental of Land & Bldg. Other than Lease Pur Agmt	11,900	-	11,900	3,900	8,000
Other Purchased Property Services	7,000	-	7,000	6,996	4
Insurance	53,829	2,973	56,802	46,350	10,452
Miscellaneous Purchased Services	1,200	-	1,200		1,200
General Supplies	36,500	9,744	46,244	46,184	60
Energy (Electricity)	135,000	(19,279)	115,721	108,204	7,517
Energy (Oil)	120,000	7,800	127,800	127,799	1
Other Objects	2,000	-	2,000	1,275	725
	<u>788,083</u>	<u>5,891</u>	<u>793,974</u>	<u>762,847</u>	<u>31,127</u>
Student Transportation Services					
Salaries of Non-Instructional Aides	8,305	(3,050)	5,255	5,221	34
Salaries for Pupil Transportation (Between Home and School) - Regular	59,533	1,175	60,708	60,708	-
Salaries for Pupil Transportation (Between Home and School) - Special	10,475	(199)	10,276	10,275	1
Salaries for Pupil Transportation (Other Than Between Home and School)	4,000	(428)	3,572	3,572	-
Management Fee - ESC & CTSA Trans. Prog.	32,105	39,600	71,705	71,661	44
Other Purchased Prof. & Tech. Services		-			-
Cleaning, Repair and Maintenance Services	15,000	6,325	21,325	21,314	11
Contracted Services - Aid in Lieu of Payments- Non-Public Schools	19,000	(2,095)	16,905	16,904	1
Contracted Services (Between Home and School)- Vendors	337,427	(7,803)	329,624	329,623	1
Contracted Services (Other than Between Home and School)-Vendors	12,500	(3,510)	8,990	8,987	3
Contracted Services (Between Home and School)- Joint Agreements	156,599	19,619	176,218	175,910	308
Contracted Services (Sp. Ed. Students) Joint Agreements	40,000	(40,000)			-
Misc. Purchased Serv. - Transportation	3,638		3,638	3,638	-
General Supplies	20,500	9,601	30,101	29,963	138
Other Objects	500	50	550	530	20
	<u>719,582</u>	<u>19,285</u>	<u>738,867</u>	<u>738,306</u>	<u>561</u>
Unallocated Benefits - Employee Benefits					
Social Security Contributions	109,900	59	109,959	109,959	-
Other Retirement Contributions-Regular(PERS)	94,137	11,752	105,889	105,587	302
Workmen's Compensation	97,100	(4,630)	92,470	92,387	83
Health Benefits	1,514,000	(48,696)	1,465,304	1,433,402	31,902
Tuition Reimbursement	43,212	-	43,212	35,671	7,541
	<u>1,858,349</u>	<u>(41,515)</u>	<u>1,816,834</u>	<u>1,777,006</u>	<u>39,828</u>

**FRANKFORD BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

EXPENDITURES	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
CURRENT EXPENDITURES (Continued)					
On-behalf TPAF Pension System Payments(Non-Budget)					
Normal Cost				\$ 16,536	\$ (16,536)
Post Retirement Medical Contribution				351,219	(351,219)
On-behalf TPAF Social Security Payments (Non-Budget)	-	-	-	405,664	(405,664)
Total Undistributed Expenditures	\$ 5,067,027	\$ 2,004	\$ 5,069,031	5,616,581	(547,550)
Total Expenditures - Current Expenditures	10,096,738	13,567	10,110,305	10,603,316	(493,011)
CAPITAL OUTLAY					
Interest Deposit to Capital Reserve	3,000	-	3,000	-	3,000
Undistributed Expenditures					
Equipment					
Undistributed - Instruction	29,000	(24,500)	4,500	2,108	2,392
Undistributed Assets Acquired Under Capital Lease (Non-Budget)	-	-	-	77,763	(77,763)
Total Equipment	29,000	(24,500)	4,500	79,871	(75,371)
Facilities Acquisition and Construction Services					
Construction Services	33,919	-	33,919	33,783	136
Instr Equip-Lease Purchase Princ	-	24,500	24,500	24,467	33
Other Objects	203	-	203	203	-
Total Facilities Acquisition and Construction Services	34,122	24,500	58,622	58,453	169
Total Capital Outlay	66,122	-	66,122	138,324	(72,202)
Transfer of Funds to Charter Schools	74,000	-	74,000	53,831	20,169
Total Expenditures	10,236,860	13,567	10,250,427	10,795,471	(545,044)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(251,919)	(13,567)	(265,486)	(4,165)	261,321
Other Financing Sources (Uses)					
Capital Lease Proceeds (Non-Budget)				77,763	77,763
Transfer to Cover Deficit - Student Activities		(9,167)	(9,167)	(9,167)	
Transfer to Cover Deficit - Food Service Fund	-	(9,000)	(9,000)	(9,000)	-
Total Other Financing Sources (Uses)	-	(18,167)	(18,167)	59,596	77,763
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	(251,919)	(31,734)	(283,653)	55,431	339,084
Fund Balance, Beginning of Year	866,546	-	866,546	866,546	-
Fund Balance, End of Year	\$ 614,627	\$ (31,734)	\$ 582,893	\$ 921,977	\$ 339,084

**FRANKFORD BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Actual</u>
Recapitulation of Fund Balance	
Nonspendable Fund Balance	
Prepays	\$ 11,666
Restricted Fund Balance	
Reserved Excess Surplus - Designated for Subsequent Year's Expenditures	159,619
Excess Surplus	100,000
Capital Reserve	213,586
Maintenance Reserve	25,000
Emergency Reserve	70,000
Committed Fund Balance	
Year Encumbrances	48,457
Unassigned	293,649
Reconciliation to Governmental Funds Statements (GAAP):	921,977
Less: State Aid Payments Not Recognized on GAAP Basis	(232,672)
Fund Balance Per Governmental Funds (GAAP)	\$ 689,305

**FRANKFORD BOARD OF EDUCATION
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Modified Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES					
Intergovernmental					
Local		\$ 6,777	\$ 6,777	\$ 6,713	\$ (64)
Federal	\$ 160,000	83,348	243,348	211,733	(31,615)
Total Revenues	<u>160,000</u>	<u>90,125</u>	<u>250,125</u>	<u>218,446</u>	<u>(31,679)</u>
EXPENDITURES					
Instruction					
Salaries of Teachers	140,000	(128,550)	11,450	8,450	3,000
Other Purchased Services		49,241	49,241	60,457	(11,216)
Tuition		-		-	-
General Supplies		20,853	20,853	8,274	12,579
Textbooks		-		-	-
Other Objects	-	-	-	-	-
Total Instruction	<u>140,000</u>	<u>(58,456)</u>	<u>81,544</u>	<u>77,181</u>	<u>4,363</u>
Support Services					
Salaries of Teachers	20,000	53,482	73,482	48,167	25,315
Personal Services - Employee Benefits		9,027	9,027	7,090	1,937
Purchased Professional/Technical Services		73,371	73,371	73,371	-
Other Purchased Services		4,357	4,357	4,357	-
General Supplies	-	2,844	2,844	2,780	64
Total Support Services	<u>20,000</u>	<u>143,081</u>	<u>163,081</u>	<u>135,765</u>	<u>27,316</u>
Facilities Acquisition and Construction Services					
Purchased Property Services	-	5,500	5,500	5,500	-
Total Facilities Acquisition and Construction Services	<u>-</u>	<u>5,500</u>	<u>5,500</u>	<u>5,500</u>	<u>-</u>
Total Expenditures	<u>160,000</u>	<u>90,125</u>	<u>250,125</u>	<u>218,446</u>	<u>31,679</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**FRANKFORD BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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 accounting principles generally accepted in the United States of America, with the exception of the legally mandated revenue recognition of certain state aid payments for budgetary purposes only and the treatment of encumbrances in the special revenue fund as described below. Encumbrance accounting is also employed as an extension of formal budgetary integration of the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

The following presents a reconciliation of the General and Special Revenue Funds from the budgetary basis of accounting as presented in the Budgetary Comparison Schedule - General Fund and Special Revenue Fund to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.

	General Fund	Special Revenue Fund
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedules (Exhibits C1 & C2)	\$ 10,791,306	\$ 218,446
Difference - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
State Aid payment recognized for budgetary purposes, not recognized for GAAP statements (Prior Year)	261,850	
State Aid payment recognized for budgetary purposes, not recognized for GAAP statement (Current Year)	<u>(232,672)</u>	<u>-</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 10,820,484</u>	<u>\$ 218,446</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedules (Exhibits C1 & C2)	<u>\$ 10,795,471</u>	<u>\$ 218,446</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 10,795,471</u>	<u>\$ 218,446</u>

SCHOOL LEVEL SCHEDULES

(General Fund)

NOT APPLICABLE

SPECIAL REVENUE FUND

FRANKFORD BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	IDEA Basic Interim	IDEA Preschool	IDEA Preschool Interim	Title I Interim	Title I Part A ARRA	Title II Part A	Title II Part D	Title IV Interim	Local Grants	2011
REVENUES										
Intergovernmental										
Local										
Federal										
Total Revenues	\$ 142,514	\$ 7,073	\$ 667	\$ 805	\$ 5,208	\$ 18,868	\$ 51	\$ 700	\$ 6,713	\$ 211,733
	\$ 142,514	\$ 7,073	\$ 667	\$ 805	\$ 5,208	\$ 18,868	\$ 51	\$ 700	\$ 6,713	\$ 218,446
EXPENDITURES										
Instruction										
Salaries of Teachers	\$ 49,241				\$ 3,200	\$ 5,250				\$ 8,450
Other Purchased Services						11,216				60,457
Tuition										
General Supplies	4,251	\$ 2,760			1,263					8,274
Textbooks										
Other Objects										
Total Instruction	53,492	2,760			4,463	16,466				77,181
Support Services										
Salaries of Teachers	21,145	4,313	313	21,212					\$ 1,184	\$ 48,167
Personal Services - Employee Benefits	1,617	354		4,472	245	402				7,090
Purchased Professional/Technical Services	63,509	9,162						\$ 700		73,371
Other Purchased Services				1,001	500	2,000	51		29	4,357
General Supplies	2,751									2,780
Total Support Services	89,022	4,313	667	26,685	745	2,402	51	700	1,213	135,765
Facilities Acquisition and Construction Services										
Purchased Property Services									5,500	5,500
Total Facilities Acquisition and Construction Services									5,500	5,500
Total Expenditures	\$ 142,514	\$ 7,073	\$ 667	\$ 26,685	\$ 5,208	\$ 18,868	\$ 51	\$ 700	\$ 6,713	\$ 218,446

**FRANKFORD BOARD OF EDUCATION
SPECIAL REVENUE FUND
SCHEDULE OF PRESCHOOL PROGRAM AID EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOT APPLICABLE

CAPITAL PROJECTS FUND

SCHEDULE F-1

FRANKFORD BOARD OF EDUCATION
 CAPITAL PROJECTS FUND
 SUMMARY SCHEDULE OF PROJECT EXPENDITURES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<u>Issue/Project Title</u>	<u>Project Number</u>	<u>Appropriations</u>		<u>Expenditures to Date</u>		<u>Unexpended Balance, June 30, 2011</u>
		<u>Prior Year</u>	<u>Current Year</u>	<u>Prior Year</u>	<u>Current Year</u>	
Renovations at Frankford Twp School	(1)	\$ 1,194,809	\$ 894,584	\$ 637	\$ 299,588	
Door Replacement Project at Frankford Twp School	(2)	<u>101,396</u>	<u>64,732</u>	<u>32,339</u>	<u>4,325</u>	
		\$ <u>1,296,205</u>	\$ <u>959,316</u>	\$ <u>32,976</u>	\$ <u>303,913</u>	
			Less: Unfunded Authorization		<u>(777,723)</u>	
			Fund Balance June 30, 2011		<u>(473,810)</u>	
			Less: Unearned Revenue		<u>(121,351)</u>	
			Fund Balance (GAAP) June 30, 2011		\$ <u>(595,161)</u>	

**FRANKFORD BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Expenditures and Other Financing Uses	
Legal Services	\$ 691
Architect and Engineer Services	-
Purchased Professional and Technical Services	380
Construction Services	31,905
Supplies and Materials	<u>-</u>
 Total Expenditures and Other Financing Uses	 <u>32,976</u>
 Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	 (32,976)
 Fund Balance - Beginning of Year	 <u>(440,834)</u>
 Fund Balance (Deficit) - End of Year	 <u>\$ (473,810)</u>
 Fund Balance (Deficit) - End of Year - Budgetary Basis	 \$ (473,810)
 Less: Unearned Revenue (GAAP Basis)	 <u>(121,351)</u>
 Fund Balance (Deficit) - End of Year - GAAP Basis	 <u>\$ (595,161)</u>

**FRANKFORD BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS
ADDITIONS AND RENOVATIONS AT FRANKFORD TWP SCHOOL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
State Sources- SCC Grant	\$ 477,924		\$ 477,924	\$ 477,924
Bond Proceeds	-	-	-	716,885
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues and Other Financing Sources	477,924	-	477,924	1,194,809
Expenditures and Other Financing Uses				
Legal Services	3,224	\$ 637	3,861	20,998
Architect and Engineer Services	43,734		43,734	71,856
Purchased Professional and Technical Services	26,076		26,076	41,921
Construction Services	815,020		815,020	1,052,009
Supplies and Materials	6,530		6,530	6,530
Other Objects and Miscellaneous	-	-	-	1,495
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures and Other Financing Uses	894,584	637	895,221	1,194,809
Excess (deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses				
	<u>\$ (416,660)</u>	<u>\$ (637)</u>	<u>\$ (417,297)</u>	<u>\$ -</u>

Additional project information:

Project Number	SP#1560-050-09-0XAQ
Grant Date	6/16/2009
Bond Authorization Date	4/21/2009
Bonds Authorized	\$ 716,885
Bonds Issued	-
Original Authorized Cost	1,194,809
Additional Authorized Cost	-
Revised Authorized Cost	\$ 1,194,809

Percentage Increase Over Original Authorized Cost	0.00%
Percentage Completion	74.93%
Original Target Completion Date	December 10
Revised Target Completion Date	N/A

**FRANKFORD BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS
DOOR PROJECT AT FRANKFORD TWP SCHOOL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
State Sources- SCC Grant	\$ 40,558		\$ 40,558	\$ 40,558
Bond Proceeds	-	-	-	60,838
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues and Other Financing Sources	40,558	-	40,558	101,396
Expenditures and Other Financing Uses				
Legal Services	376	\$ 54	430	1,782
Architect and Engineer Services	3,726		3,726	5,600
Purchased Professional and Technical Services	4,963	380	5,343	3,233
Construction Services	55,667	31,905	87,572	90,781
Supplies and Materials	-		-	-
Other Objects and Miscellaneous	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures and Other Financing Uses	64,732	32,339	97,071	101,396
 Excess (deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses				
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ (24,174)	\$ (32,339)	\$ (56,513)	\$ -
 Additional project information:				
Project Number	SP#1560-050-09-0XAR			
Grant Date	6/16/2009			
Bond Authorization Date	4/21/2009			
Bonds Authorized	\$ 60,838			
Bonds Issued	-			
Original Authorized Cost	101,396			
Additional Authorized Cost	-			
Revised Authorized Cost	\$ 101,396			
 Percentage Increase Over Original				
Authorized Cost	0.00%			
Percentage Completion	95.73%			
Original Target Completion Date	December 10			
Revised Target Completion Date	N/A			

ENTERPRISE FUND

EXHIBIT G-1

**FRANKFORD BOARD OF EDUCATION
ENTERPRISE FUND
COMBINING STATEMENT OF NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

THIS STATEMENT IS NOT APPLICABLE
FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-4

EXHIBIT G-2

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

THIS STATEMENT IS NOT APPLICABLE
FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-5

EXHIBIT G-3

**COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

THIS STATEMENT IS NOT APPLICABLE
FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-6

FIDUCIARY FUNDS

**FRANKFORD BOARD OF EDUCATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET ASSETS
AS OF JUNE 30, 2011**

	<u>Agency</u>		<u>Total</u>
	<u>Student Activity</u>	<u>Payroll</u>	
ASSETS			
Cash	\$ 30,243	\$ 3,131	\$ 33,374
Total Assets	<u>\$ 30,243</u>	<u>\$ 3,131</u>	<u>\$ 33,374</u>
LIABILITIES			
Due to Other Funds		\$ 3,131	3,131
Due to Student Groups	\$ 30,243	-	<u>30,243</u>
Total Liabilities	<u>\$ 30,243</u>	<u>\$ 3,131</u>	<u>\$ 33,374</u>

**FRANKFORD BOARD OF EDUCATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

THIS STATEMENT IS NOT APPLICABLE
FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-8

**STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Balance, July 1, 2010</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance, June 30, 2011</u>
Elementary Schools General Organization	\$ 20,558	\$ 113,771	\$ 104,086	\$ 30,243
Total All Schools	<u>\$ 20,558</u>	<u>\$ 113,771</u>	<u>\$ 104,086</u>	<u>\$ 30,243</u>

**FRANKFORD BOARD OF EDUCATION
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Balance, July 1, <u>2010</u>	<u>Additions</u>	<u>Deletions</u>	Balance, June 30, <u>2011</u>
LIABILITIES				
Payroll Deductions and Withholdings		\$ 5,515,105	\$ 5,515,105	
Due to Other Funds	\$ 275	2,856		\$ 3,131
Accrued Salaries and Wages	<u>-</u>	<u>4,602,331</u>	<u>4,602,331</u>	<u>-</u>
 Total	 <u>\$ 275</u>	 <u>\$ 10,120,292</u>	 <u>\$ 10,117,436</u>	 <u>\$ 3,131</u>

LONG-TERM DEBT

FRANKFORD BOARD OF EDUCATION
 LONG-TERM DEBT
 SCHEDULE OF SERIAL BONDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities Date</u>	<u>Annual Maturities Amount</u>	<u>Interest Rate</u>	<u>Balance, July 1, 2010</u>	<u>Matured</u>	<u>Balance, June 30, 2011</u>
Pension Refunding Bonds	1/1/2004	\$ 580,000				\$ 85,000	\$ 85,000	\$ -
						\$ 85,000	\$ 85,000	\$ -

EXHIBIT I-2

FRANKFORD BOARD OF EDUCATION
 LONG-TERM DEBT
 SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Amount of				
	<u>Original Issue</u>	<u>Balance, July 1, 2010</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance, June 30, 2011</u>
2 - Savin 9040SP Digital Copier w/Accessories	\$ 24,480	\$ 21,792	\$	\$ 6,234	\$ 15,558
Dell Server and 2009 Kyocera Copiers	13,580	10,382		3,167	7,215
Savin 9040SP Digital Copier w/Accessories	10,477	8,162		2,508	5,654
2 - HP DL380G7 Servers	77,763	-	\$ 77,763	24,467	53,296
		\$ 40,336	\$ 77,763	\$ 36,376	\$ 81,723

**FRANKFORD BOARD OF EDUCATION
LONG-TERM DEBT
DEBT SERVICE FUND BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<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	\$ 89,463	-	\$ 89,463	\$ 89,463	-
Total Revenues	89,463	-	89,463	89,463	-
EXPENDITURES					
Regular Debt Service					
Principal	85,000		85,000	85,000	
Interest	4,463	-	4,463	4,463	-
Total Expenditures	89,463	-	89,463	89,463	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-	-
Fund Balance, Beginning of Year	-	-	-	-	-
Fund Balance, End of Year	\$ -	\$ -	\$ -	\$ -	\$ -

STATISTICAL SECTION

This part of the Frankford Board of Education'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 government's overall financial health.

Contents

Exhibits

Financial Trends

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

J-1 to J-5

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

J-6 to J-9

Debt Capacity

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

J-10 to J-13

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

J-14 and J-15

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

J-16 to J-20

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

FRANKFORD BOARD OF EDUCATION
NET ASSETS BY COMPONENT
LAST EIGHT FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011
Governmental Activities								
Invested In Capital Assets, Net Of Related Debt	\$ 1,191,870	\$ 1,174,735	\$ 1,187,107	\$ 1,257,131	\$ 1,249,435	\$ 1,150,825	\$ 2,237,982	\$ 2,091,278
Restricted	422,717	182,151	224,770	181,665	157,596	162,322	167,192	250,252
Unrestricted	(429,180)	(253,399)	(438,910)	(254,101)	(22,434)	(63,016)	(582,916)	(548,551)
Total Governmental Activities Net Assets	\$ 1,185,407	\$ 1,101,487	\$ 972,967	\$ 1,184,695	\$ 1,384,597	\$ 1,250,131	\$ 1,822,258	\$ 1,792,979
Business-Type Activities								
Invested In Capital Assets, Net Of Related Debt	\$ 3,933	\$ 3,620	\$ 3,308	\$ 28,365	\$ 25,530	\$ 22,729	\$ 19,927	\$ 6,716
Unrestricted	39,755	31,739	20,442	(978)	11,551	14,855	22,930	21,512
Total Business-Type Activities Net Assets	\$ 43,688	\$ 35,359	\$ 23,750	\$ 27,387	\$ 37,081	\$ 37,584	\$ 42,857	\$ 28,228
District-Wide								
Invested In Capital Assets, Net Of Related Debt	\$ 1,195,803	\$ 1,178,355	\$ 1,190,415	\$ 1,285,496	\$ 1,274,965	\$ 1,173,554	\$ 2,257,909	\$ 2,097,994
Restricted	422,717	182,151	224,770	181,665	157,596	162,322	167,192	250,252
Unrestricted	(389,425)	(223,660)	(418,468)	(255,079)	(10,883)	(48,161)	(559,986)	(527,039)
Total District Net Assets	\$ 1,229,095	\$ 1,136,846	\$ 996,717	\$ 1,212,082	\$ 1,421,678	\$ 1,287,715	\$ 1,865,115	\$ 1,821,207

Note:

GASB requires that ten years of statistical data be presented. However, since the District implemented the new reporting model contained in GASB No. 34 in fiscal year 2004 only eight years of information are available. Each year thereafter, an additional year's data will be included until ten years of data is present.

**FRANKFORD BOARD OF EDUCATION
CHANGES IN NET ASSETS
LAST EIGHT FISCAL YEARS
(accrual basis of accounting)**

	2004	2005	2006	2007	2008	2009	2010	2011
Expenses								
Governmental Activities								
Instruction								
Regular	\$ 4,575,199	\$ 4,821,992	\$ 4,914,379	\$ 4,964,892	\$ 5,007,506	\$ 4,925,323	\$ 5,098,000	\$ 4,831,186
Special education	1,281,190	1,281,316	1,254,250	1,285,028	1,355,276	1,405,487	1,503,005	1,762,599
Other instruction	148,369	205,561	235,305	314,202	224,220	248,273	343,058	419,500
School Sponsored Activities and Athletics	60,416	73,353	83,897	78,578	73,569	139,834	108,551	92,265
Support Services:								
Student & instruction related services	873,138	963,755	1,063,014	1,125,984	1,143,447	1,164,771	1,153,031	1,168,097
General administration services	317,342	325,996	336,724	364,952	382,489	309,300	336,713	325,811
School Administrative services	347,777	362,533	312,006	316,338	319,831	316,694	345,639	315,649
Business / Central Services	253,312	259,945	272,441	289,690	300,833	313,236	336,639	321,433
Plant operations and maintenance	676,961	722,937	814,044	890,091	1,109,090	978,311	1,012,108	1,092,718
Pupil transportation	807,318	821,874	766,451	846,010	877,296	911,131	796,690	817,235
Interest On Long-Term Debt	27,340	40,195	33,352	26,529	19,706	14,991	13,096	15,369
Total Governmental Activities Expenses	9,368,362	9,879,457	10,085,863	10,502,294	10,813,263	10,727,351	11,046,530	11,161,862
Business-Type Activities:								
Food Service	183,029	187,505	187,350	204,971	191,351	185,562	168,705	167,320
Summer Enrichment				26,281	16,570	19,772	18,751	17,214
Preschool Program							7,476	17,917
Total Business-Type Activities Expense	183,029	187,505	187,350	231,252	207,921	205,334	194,932	202,451
Total District Expenses	\$ 9,551,391	\$ 10,066,962	\$ 10,273,213	\$ 10,733,546	\$ 11,021,184	\$ 10,932,685	\$ 11,241,462	\$ 11,364,313
Program Revenues								
Governmental Activities:								
Charges For Services:								
Instruction - Regular	\$ 735,943	\$ 744,029	\$ 696,653	\$ 862,133	\$ 1,124,153	\$ 856,718	\$ 48,558	\$ 6,269
Instruction -Special education	48,727	54,215	111,095	127,389	19,649	31,623	945	
Pupil transportation	61,338	68,278	63,697	74,987	90,623	71,468	2,455	
Operating Grants And Contributions	1,656,501	1,703,203	1,750,543	2,049,273	2,080,458	1,435,662	1,694,691	1,601,434
Capital Grants And Contributions	18,710	-	-	-	-	-	383,941	13,190
Total Governmental Activities Program Revenues	2,521,219	2,569,725	2,621,988	3,113,782	3,314,883	2,393,471	2,130,590	1,620,893
Business-Type Activities:								
Charges For Services								
Food service	\$ 147,131	\$ 143,269	\$ 143,978	\$ 146,112	\$ 142,650	\$ 145,644	\$ 128,904	\$ 120,811
Summer Enrichment				28,281	33,629	15,643	15,349	13,672
Preschool Program							8,800	9,600
Operating Grants And Contributions	40,267	34,835	30,709	39,196	40,567	36,817	42,335	40,699
Capital Grants And Contributions	-							
Total Business Type Activities Program Revenues	187,398	178,104	174,687	213,589	216,846	198,104	195,388	184,782
Total District Program Revenues	\$ 2,708,617	\$ 2,747,829	\$ 2,796,675	\$ 3,327,371	\$ 3,531,729	\$ 2,593,575	\$ 2,325,978	\$ 1,805,675
Net (Expense)/Revenue								
Governmental Activities	\$ (6,847,143)	\$ (7,309,732)	\$ (7,463,875)	\$ (7,388,512)	\$ (7,498,380)	\$ (8,331,880)	\$ (8,915,940)	\$ (9,540,969)
Business-Type Activities	4,369	(9,401)	(12,663)	(17,663)	8,925	(7,230)	456	(17,669)
Total District-Wide Net Expense	\$ (6,842,774)	\$ (7,319,133)	\$ (7,476,538)	\$ (7,406,175)	\$ (7,489,455)	\$ (8,339,110)	\$ (8,915,484)	\$ (9,558,638)
General Revenues And Other Changes In Net Assets								
Governmental Activities:								
Property Taxes Levied For General Purposes, Net	\$ 5,450,979	\$ 5,541,869	\$ 5,638,492	\$ 5,932,244	\$ 6,169,533	\$ 6,348,953	\$ 7,706,177	\$ 7,993,671
Taxes Levied For Debt Service	151,791	151,982	150,812	148,723	86,275	87,598	88,663	89,463
State Aid - Levied For Debt Service	9,732	9,968	9,510	9,711				
Federal And State Aid - Unrestricted	1,430,188	1,495,850	1,499,239	1,500,660	1,565,229	1,756,100	1,686,223	1,428,528
Investment Earnings	24,065	25,295	22,720	28,589	15,815	8,764	9,725	7,054
Miscellaneous Income	12,899	848	14,582	77		3,507	1,279	1,974
Transfers	-	-	-	(19,764)	-	(7,508)	(4,000)	(9,000)
Total Governmental Activities	7,079,654	7,225,812	7,335,355	7,600,240	7,836,852	8,197,414	9,488,067	9,511,690
Business-Type Activities:								
Investment Earnings	1,108	1,072	1,054	1,536	769	225	817	249
Transfers	-	-	-	19,764	-	7,508	4,000	9,800
Total Business-Type Activities	1,108	1,072	1,054	21,300	769	7,733	4,817	9,249
Total District-Wide	\$ 7,080,762	\$ 7,226,884	\$ 7,336,409	\$ 7,621,540	\$ 7,837,621	\$ 8,205,147	\$ 9,492,884	\$ 9,520,939
Change In Net Assets								
Governmental Activities	\$ 232,511	\$ (83,920)	\$ (128,520)	\$ 211,728	\$ 338,472	\$ (134,466)	\$ 572,127	\$ (29,279)
Business-Type Activities	5,477	(8,329)	(11,609)	3,637	9,694	503	5,273	(8,420)
Total District	\$ 237,988	\$ (92,249)	\$ (140,129)	\$ 215,365	\$ 348,166	\$ (133,963)	\$ 577,400	\$ (37,699)

Note:
GASB requires that ten years of statistical data be presented. However, since the District implemented the new reporting model contained in GASB No. 34 in fiscal year 2004 only eight years of information are available. Each year thereafter, an additional year's data will be included until ten years of data is present.

FRANKFORD BOARD OF EDUCATION
FUND BALANCES - GOVERNMENTAL FUNDS
LAST EIGHT FISCAL YEARS
(Unaudited)
(modified accrual basis of accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Fund								
Reserved	\$ 558,692	\$ 518,050	\$ 424,458	\$ 372,256	\$ 404,418	\$ 481,208	\$ 589,987	
Unreserved	228,943	140,495	67,401	168,287	297,458	8,055	14,709	
Nonspendable								\$ 11,666
Restricted								568,205
Committed								48,457
Unassigned								60,977
Total General Fund	<u>\$ 787,635</u>	<u>\$ 658,545</u>	<u>\$ 491,859</u>	<u>\$ 540,543</u>	<u>\$ 701,876</u>	<u>\$ 489,263</u>	<u>\$ 604,696</u>	<u>\$ 689,305</u>
All Other Governmental Funds								
Reserved						\$ 591,334	\$ 40,441	
Unreserved				\$ 2	\$ 2	(601,634)	(615,816)	
Unassigned								<u>\$ (595,161)</u>
Total All Other Governmental Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ (10,300)</u>	<u>\$ (575,375)</u>	<u>\$ (595,161)</u>

Note:

GASB requires that ten years of statistical data be presented. However, since the District implemented the new reporting model contained in GASB No. 34 in fiscal year 2004 only eight years of information are available. Each year thereafter, an additional year's data will be included until ten years of data is present.

FRANKFORD BOARD OF EDUCATION
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST EIGHT FISCAL YEARS
(Unaudited)
(modified accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011
Revenues								
Tax Levy	\$ 5,602,770	\$ 5,693,851	\$ 5,789,304	\$ 6,080,967	\$ 6,255,808	\$ 6,436,551	\$ 7,794,840	\$ 8,083,134
Tuition Charges	784,670	798,244	807,748	989,522	1,143,802	888,341	49,503	6,269
Transportation	61,338	68,278	63,697	74,987	90,623	71,468	2,455	
Interest Earnings	24,065	25,295	22,720	28,589	15,814	8,764	9,725	7,054
Miscellaneous	12,899	848	14,582	1,098	4,847	4,507	3,285	8,687
State Sources	2,905,416	2,987,687	3,030,346	3,361,797	3,448,185	2,962,448	3,391,376	2,824,706
Federal Sources	209,715	221,334	228,946	196,826	192,656	228,314	371,473	211,733
Total Revenue	9,600,873	9,795,537	9,957,343	10,733,786	11,151,735	10,600,393	11,622,657	11,141,583
Expenditures								
Instruction								
Regular Instruction	4,416,341	4,660,611	4,756,886	4,914,728	4,973,361	4,880,358	5,104,712	4,786,087
Special Education Instruction	1,271,177	1,271,473	1,239,193	1,263,874	1,350,887	1,399,204	1,491,701	1,757,078
Other Instruction	148,030	205,198	234,627	311,697	223,348	247,595	335,963	418,100
School Sponsored Activities And Athletics	60,416	73,353	83,897	77,331	73,569	139,834	104,501	82,843
Support Services:								
Student & Inst. Related Services	869,835	958,662	1,061,090	1,111,633	1,137,617	1,154,671	1,158,528	1,142,993
General Administration	319,632	336,758	334,034	357,679	382,489	307,806	338,503	324,962
School Administration Services	344,154	358,395	306,765	311,614	314,453	308,976	338,622	309,469
Business / Central Services	253,312	261,640	271,666	282,589	300,042	311,530	338,442	320,426
Plant Operations And Maintenance	676,234	722,937	814,044	865,588	1,019,553	879,697	867,092	941,013
Pupil Transportation	807,318	821,874	766,451	829,580	845,717	888,466	744,168	768,310
Capital Outlay	46,361	78,296	111,877	173,852	269,745	210,063	1,192,543	152,333
Debt Service:								
Principal	140,000	136,807	145,139	140,411	82,085	75,000	88,201	121,375
Interest And Other Charges	45,146	38,623	30,995	24,760	17,536	12,600	9,810	11,367
Total Expenditures	9,397,956	9,924,627	10,156,664	10,665,336	10,990,402	10,815,800	12,112,786	11,136,356
Excess (Deficiency) Of Revenues								
Over (Under) Expenditures	202,917	(129,090)	(199,321)	68,450	161,333	(215,407)	(490,129)	5,227
Other Financing Sources (Uses)								
Proceeds From Borrowing	580,000							
Capital Leases (Non-Budgeted)			32,635				48,537	77,763
Refund Of Unfunded Pension Liabilities	(556,377)							
Transfers In	24,869							
Transfers Out	(24,869)	-		(19,764)	-	(7,508)	(8,050)	(18,167)
Total Other Financing Sources (Uses)	23,623	-	32,635	(19,764)	-	(7,508)	40,487	59,596
Net Change In Fund Balances	\$ 226,540	\$ (129,090)	\$ (166,686)	\$ 48,686	\$ 161,333	\$ (222,915)	\$ (449,642)	\$ 64,823
Debt Service As A Percentage Of								
Noncapital Expenditures	1.98%	1.78%	1.75%	1.57%	0.93%	0.83%	0.90%	1.21%

* Noncapital expenditures are total expenditures less capital outlay.

Note:

GASB requires that ten years of statistical data be presented. However, since the District implemented the new reporting model contained in GASB No. 34 in fiscal year 2004 only eight years of information are available. Each year thereafter, an additional year's data will be included until ten years of data is present.

**FRANKFORD BOARD OF EDUCATION
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
LAST TEN YEARS
(Unaudited)**

Fiscal Year Ended June 30,	<u>Interest Earned</u>	<u>Misc.</u>	<u>Total</u>
2002	\$ 32,487	\$ 6,930	\$ 39,417
2003	24,117	37,194	61,311
2004	24,065	12,899	36,964
2005	25,295	848	26,143
2006	22,720	14,582	37,302
2007	28,589	1,098	29,687
2008	15,814		15,814
2009	8,764	3,507	12,271
2010	9,725	1,279	11,004
2011	7,054	1,974	9,028

FRANKFORD BOARD OF EDUCATION
 ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN YEARS
 (Unaudited)

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate ^a
2002	\$ 18,522,850	\$ 303,083,185	\$ 38,167,193	\$ 3,018,150	\$ 36,123,900	\$ 2,962,100	\$ 450,500	\$ 402,327,878	\$ 2,911,959	\$ 405,239,837	\$ 458,183,848	\$ 1.24
2003	17,131,050	314,963,785	39,506,245	2,994,900	36,264,700	2,989,600	450,500	414,300,780	2,833,552	417,134,332	496,452,525	1.29
2004	16,720,650	321,628,585	40,542,945	3,018,700	35,940,400	2,989,600	485,500	421,326,380	2,212,780	423,539,160	552,908,499	1.32
2005	14,626,050	324,594,785	41,616,645	3,193,500	35,181,300	2,989,600	485,500	422,687,380	1,852,284	424,539,664	654,888,436	1.35
2006	17,080,550	327,612,381	43,082,345	2,525,350	36,530,400	2,989,600	485,500	430,306,126	1,760,850	432,066,976	738,127,337	1.36
2007	17,333,700	329,339,764	45,589,000	2,405,300	36,519,500	2,989,600	485,500	434,662,364	1,608,552	436,270,916	824,933,148	1.42
2008	42,074,100	735,232,100	95,578,500	3,324,400	71,902,900	6,335,800	1,075,900	955,523,700	3,202,525	958,726,225	918,469,471	0.66
2009	39,020,900	731,711,400	98,406,200	3,416,800	71,526,000	6,335,800	1,075,900	951,493,000	2,746,065	954,239,065	969,749,412	0.69
2010	36,262,400	733,931,900	97,248,900	3,342,100	70,748,400	6,548,400	1,075,900	949,158,000	2,440,197	951,598,197	929,177,524	0.71
2011	34,553,400	734,220,600	98,825,200	3,292,400	69,990,600	6,548,400	1,075,900	948,306,500	2,337,823	950,644,323	886,165,997	0.74

Source: County Abstract of Rates

^a Tax rates are per \$100

N/A = Not Available

FRANKFORD BOARD OF EDUCATION
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN YEARS
(Unaudited)
(rate per \$100 of assessed value)

Calendar Year	<u>Overlapping Rates</u>				Total Direct and Overlapping Tax Rate
	<u>Total Direct School Tax Rate</u>	<u>Regional High School District</u>	<u>Municipality</u>	<u>County</u>	
2002	\$ 1.24	\$ 0.87	\$ 0.25	\$ 0.65	\$ 3.01
2003	1.29	0.87	0.26	0.65	3.07
2004	1.32	0.91	0.27	0.65	3.15
2005	1.35	0.93	0.31	0.69	3.28
2006	1.36	0.99	0.34	0.75	3.44
2007	1.42	1.01	0.38	0.77	3.58
2008 (A)	0.66	0.47	0.20	0.37	1.70
2009	0.69	0.49	0.20	0.39	1.77
2010	0.71	0.48	0.22	0.39	1.80
2011	0.74	0.50	0.21	0.41	1.86

(A) The Township undertook a revaluation of real property which became effective in the year 2008.

Source: County Abstract of Ratables

**FRANKFORD BOARD OF EDUCATION
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)**

Taxpayer	2011		2002	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
Skyland Park Management Inc.	\$ 6,735,200	0.71%	\$ 3,437,600	0.84%
Sprint/United Telephone	3,969,400	0.42%	3,091,959	0.75%
Natural Energy/Scandia Spa	3,932,800	0.41%	2,676,200	0.65%
Steven Willand, Jr.	3,612,100	0.38%	1,910,600	0.47%
Kymer's Campground	2,955,600	0.31%	1,527,448	0.37%
Sussex County Farm & Horse Show	2,831,197	0.30%	1,268,700	0.31%
Hamm, Amorse, & Lillian	2,779,500	0.29%	1,237,000	0.30%
G & G Enterprises, LLC	2,721,200	0.29%	1,142,000	0.28%
Harmony Ridge Campground	2,394,800	0.25%	1,137,600	0.28%
Campbell, Edmund & Eileen	2,115,200	0.22%	1,021,900	0.25%
	<u>\$ 34,046,997</u>	<u>3.58%</u>	<u>\$ 18,451,007</u>	<u>4.50%</u>

Source: Municipal Tax Assessor

**FRANKFORD BOARD OF EDUCATION
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(Unaudited)**

Fiscal Year Ended June 30,	School Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2002	\$ 4,974,078	\$ 4,974,078	100.00%	
2003	5,226,282	5,226,282	100.00%	
2004	5,602,770	5,602,770	100.00%	
2005	5,693,851	5,693,851	100.00%	
2006	5,789,304	5,789,304	100.00%	
2007	6,080,967	6,030,967	99.18%	\$ 50,000
2008	6,255,808	6,255,808	100.00%	
2009	6,436,551	6,436,551	100.00%	
2010	7,794,840	7,794,840	100.00%	
2011	8,083,134	8,012,143	99.12%	70,991

**FRANKFORD BOARD OF EDUCATION
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST SEVEN FISCAL YEARS
(Unaudited)**

Fiscal Year Ended June 30,	Governmental Activities		Total District	Population	Per Capita
	General Obligation Bonds	Capital Leases			
2005	\$ 575,000		\$ 575,000	5,603	\$ 103
2006	445,000	\$ 17,496	462,496	5,605	83
2007	310,000	12,085	322,085	5,609	57
2008	240,000	-	240,000	5,612	43
2009	165,000	-	165,000	5,595	29
2010	85,000	40,336	125,336	5,595 (1)	22
2011	-	81,724	81,724	5,595 (1)	15

Source: District records

Note:

GASB requires that ten years of statistical data be presented. As a result of the implementation of GASB No. 44 in fiscal year 2006 only seven years of information is available. Each year thereafter, an additional year's data will be included until ten years of data is present.

(1) Estimated

FRANKFORD BOARD OF EDUCATION
RATIOS OF NET GENERAL OBLIGATION DEBT OUTSTANDING
LAST SEVEN FISCAL YEARS
(Unaudited)

Fiscal Year Ended June 30,	General Obligation Debt Outstanding		Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Debt	Deductions			
2005	\$ 575,000		\$ 575,000	0.14%	\$ 103
2006	445,000		445,000	0.10%	79
2007	310,000		310,000	0.07%	55
2008	240,000		240,000	0.03%	43
2009	165,000		165,000	0.02%	29
2010	85,000		85,000	0.01%	15
2011	-		-	0.00%	-

Source: District records

Notes:

a See Exhibit J-6 for property tax data.

b See Exhibit J-14 for population data.

Note:

GASB requires that ten years of statistical data be presented. As a result of the implementation of GASB No. 44 in fiscal year 2006 only seven years of information is available. Each year thereafter, an additional year's data will be included until ten years of data is present.

**FRANKFORD BOARD OF EDUCATION
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2010
(Unaudited)**

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Municipal Debt: (1)			
Regional School District	\$ 253,088	\$ 253,088	
Township of Frankford Board of Education	1,383,436	1,383,426	
Township of Frankford	<u>705,672</u>	<u>-</u>	<u>\$ 705,672</u>
	<u>\$ 2,342,196</u>	<u>\$ 1,636,514</u>	<u>705,672</u>
Overlapping Debt Apportioned to the Municipality:			
Sussex County:			
County of Sussex (A)			3,273,912
Sussex County Utilities MUA			<u>1,527,842</u>
			<u>4,801,754</u>
Total Direct and Overlapping Debt			<u>\$ 5,507,426</u>

Source:

(1) Township of Frankford's 2010 Annual Debt Statement

(A) The debt for this entity was apportioned to the Township of Frankford by dividing the municipality's 2010 equalized value by the total 2010 equalized value for Sussex County.

FRANKFORD BOARD OF EDUCATION
 LEGAL DEBT MARGIN INFORMATION
 LAST TEN FISCAL YEARS

Legal Debt Margin Calculation for Fiscal Year 2011

Equalized valuation basis	
2010	\$ 881,298,050
2009	925,486,820
2008	967,618,937
	<u>\$ 2,774,403,807</u>

Average equalized valuation of taxable property	\$ 924,801,269
Debt limit (3 % of average equalization value)	27,744,038
Total Net Debt Applicable to Limit	<u>777,723</u>
Legal debt margin	<u>\$ 26,966,315</u>

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt limit	\$ 12,749,830	\$ 13,512,604	\$ 14,668,560	\$ 16,520,325	\$ 18,895,304	\$ 21,624,086	\$ 24,366,632	\$ 26,837,104	\$ 27,971,456	\$ 27,744,038
Total net debt applicable to limit	315,000	260,000	200,000	135,000	70,000	-	-	777,723	777,723	777,723
Legal debt margin	\$ 12,434,830	\$ 13,252,604	\$ 14,468,560	\$ 16,385,325	\$ 18,825,304	\$ 21,624,086	\$ 24,366,632	\$ 26,059,381	\$ 27,193,733	\$ 26,966,315

Total net debt applicable to the limit as a percentage of debt limit	2.47%	1.92%	1.36%	0.82%	0.37%	0.00%	0.00%	2.90%	2.78%	2.80%
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Source: Annual Debt Statements

**FRANKFORD BOARD OF EDUCATION
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
(Unaudited)**

<u>Year</u>	<u>Population</u>	<u>County Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2002	5,523	\$ 37,954	N/A
2003	5,569	38,523	5.1%
2004	5,593	39,986	3.8%
2005	5,603	41,739	3.5%
2006	5,605	44,335	3.8%
2007	5,609	46,630	3.6%
2008	5,612	N/A	4.7%
2009	5,595	N/A	7.8%
2010	5,595 (1)	N/A	N/A
2011	5,595 (1)	N/A	N/A

Source: New Jersey State Department of Education

N/A - not available

(1) Estimated

FRANKFORD BOARD OF EDUCATION
 PRINCIPAL EMPLOYERS
 CURRENT YEAR AND NINE YEARS AGO
 (Unaudited)

Employer	2011		2002	
	Employees	Percentage of Total Municipal Employment	Employees	Percentage of Total Municipal Employment

NOT AVAILABLE

FRANKFORD BOARD OF EDUCATION
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST TWO FISCAL YEARS
(Unaudited)

<u>Function/Program</u>	<u>2010</u>	<u>2011</u>
Instruction		
Regular	45.4	46.1
Special education	26.2	27.2
Other instruction	2.8	1.3
Support Services:		
Student & instruction related services	8.8	8.4
General administration services	1.9	2.0
School administrative services	4.3	3.2
Business / Central services	3.5	3.5
Plant operations and maintenance	7.0	6.0
Pupil transportation	2.9	2.8
Total	<u>102.8</u>	<u>100.5</u>

Source: District Personnel Records

Note:

GASB requires that ten years of statistical data be presented. As a result of the implementation of GASB No. 44 in fiscal year 2006 and the realignment of position classifications only two years of information is available. Each year thereafter, an additional year's data will be included until ten years of data is present.

FRANKFORD BOARD OF EDUCATION
OPERATING STATISTICS
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Enrollment ^a	Operating Expenditures ^b	Cost Per Pupil ^c	Percentage Change	Teaching Staff	Teacher/Pupil Ratio			Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School					
2002	759.0	\$ 8,587,015	\$ 11,314	-0.24%	78	1:10	1:10	743.6	707.0	1.68%	95.08%	
2003	768.0	9,025,723	11,752	3.88%	77	1:10	1:10	745.0	706.6	0.19%	94.85%	
2004	768.0	9,166,449	11,935	1.56%	73	1:10	1:10	742.4	707.4	-0.35%	95.29%	
2005	760.0	9,684,381	12,743	6.76%	74	1:10	1:10	732.4	698.0	-1.35%	95.30%	
2006	720.0	9,867,077	13,704	7.55%	71	1:10	1:10	688.2	657.0	-6.03%	95.47%	
2007	734.0	10,326,313	14,069	2.66%	73	1:10	1:10	703.7	669.3	2.25%	95.11%	
2008	690.0	10,621,036	15,393	9.41%	71	1:10	1:10	664.6	632.1	-5.56%	95.11%	
2009	662.0	10,518,137	15,888	3.22%	71	1:10	1:10	630.6	601.7	-5.12%	95.42%	
2010	630.0	10,822,232	17,178	8.12%	71	1:10	1:10	630.6	601.7	0.00%	95.42%	
2011	599.0	10,851,281	18,116	5.46%	73	1:08	1:08	593.6	565.4	-5.87%	95.25%	

Sources: District records

Note: a Enrollment based on annual October district count.
 b Operating expenditures equal total expenditures less debt service and capital outlay.
 c Cost per pupil represents operating expenditures divided by enrollment.

FRANKFORD BOARD OF EDUCATION
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
(Unaudited)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<u>District Building</u>										
Early Learning Center										
Branchville School (1920)										
Square Feet	7,881	7,881	7,881	7,881	7,881	7,881	7,881	7,881	7,881	7,881
Capacity (students)	61	61	61	61	61	61	61	61	61	61
Enrollment	84	101	96	99	93	107	107	74	82	68
<u>Elementary/Middle School</u>										
Frankford Twp. School (1950)										
Square Feet	90,459	90,459	90,459	90,459	90,459	90,459	90,459	90,459	90,459	90,459
Capacity (students)	636	636	636	636	636	636	636	636	636	636
Enrollment	675	667	672	661	627	627	625	570	580	531
<u>Other</u>										
Administration Building										
Square Feet	800	800	800	800	800	800	800	800	800	800
CST Trailer										
Square Feet	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000

Number of Buildings at June 30, 2011
 Early Learning Center = 1
 Elementary/Middle = 1
 Other = 2

Source: District Records

FRANKFORD TOWNSHIP SCHOOL DISTRICT
 GENERAL FUND
 SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
 LAST TEN YEARS
 (Unaudited)

Undistributed Expenditures - Required
 Maintenance for School Facilities
 11-000-261-XXX

School Facilities	Project # (s)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Frankford Township School	1560-050-03-0317	\$ 20,256	\$ 22,069	\$ 35,716	\$ 45,473	\$ 42,182	\$ 31,665	\$ 29,147	\$ 30,407	\$ 32,047	\$ 32,330
Branchville Annex	NA	1,429	1,381	6,314	6,499	10,237	5,833	9,210	9,412	13,031	9,153
Total School Facilities		\$ 21,685	\$ 23,450	\$ 42,030	\$ 51,972	\$ 52,419	\$ 37,498	\$ 38,357	\$ 39,819	\$ 45,078	\$ 41,483

Source: District Records

FRANKFORD TOWNSHIP SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2011
(Unaudited)

School Alliance Insurance Fund is a Joint Insurance Fund pursuant to N.J.S.A. 18A-18B-1 et. Seq.
Policy numbers are not available for Joint Insurance Fund documents as they are written in blanket form.

	Coverage	Deductible
School Package Policy – School Alliance Insurance Fund	\$ 250,000,000	1,000
Building & Personal Property		
Inland Marine – Auto Physical Damage		
General Liability including Auto, Employee Benefits	5,000,000	
Each Occurrence		
General Aggregate		
Product/Completed Ops	\$50,000,000 Fund Agg.	
Personal Injury		
Fire Damage	2,500,000	
Medical Expenses		
(excluding students taking part in athletics)	10,000	
Automobile Coverage		
Combined Single Limit		
Hired/Non-owned		
Environmental Impairment Liability	\$1,000,000/\$25,000,000 Fund Agg.	5,000
Crime Coverage	\$50,000 Inside/Outside	1,000
Blanket Dishonesty Bond	500,000	1,000
Boiler & Machinery	100,000,000	1,000
Excess Liability (AL/GL)	10,000,000	
School Board Legal	\$ 5,000,000/\$5,000,000	5,000
Excess SLPL	\$10,000,000/\$10,000,000	
Workers' Compensation	Statutory	
Employer's Liability	5,000,000	
Supplemental Indemnity	Statutory	
Bond for School Administrator	\$25,000 Selective Insurance	
Bond for Treasurer of School Monies	\$190,000 Selective Insurance	
Student Accident	Voluntary 24 hour coverage only	

Pursuant to N.J.S.A. 18A-18B-1 et. seq and corresponding regulations, fund years that are eligible for returns will be examined annually after the annual audit for the eligible years.

As of the date of this audit schedule, there is no need to additionally assess the members of SAIF for any past year, although all SAIF years remain open until all claims are satisfied.

A current list of insurance related claims including the payments made by SAIF is on file with the District and not for public record as some claims are currently in or involving litigation or settlement.

Source: District Records

SINGLE AUDIT SECTION

LERCH, VINCI & HIGGINS, LLP

EXHIBIT K-1

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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EDWARD N. KERE, CPA

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable President and Members
of the Board of Trustees
Frankford Board of Education
Frankford, 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 Frankford Board of Education as of and for the fiscal year ended June 30, 2011, which collectively comprise the Frankford Board of Education's basic financial statements and have issued our report thereon dated December 2, 2011. 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 and Regulatory Compliance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

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

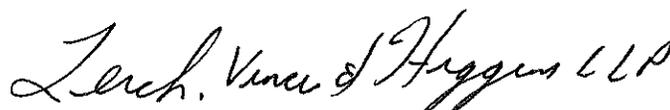
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination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

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

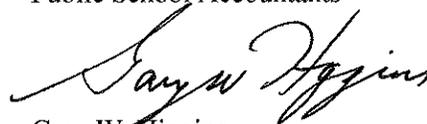
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Frankford Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with 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 and Regulatory Compliance, Department of Education, State of New Jersey.

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



LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants



Gary W. Higgins
Public School Accountant
PSA Number CS00814

Fair Lawn, New Jersey
December 2, 2011

LERCH, VINCI & HIGGINS, LLP

EXHIBIT K-2

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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 OMB CIRCULAR 04-04

Honorable President and Members
of the Board of Trustees
Frankford Board of Education
Frankford, New Jersey

Compliance

We have audited the Frankford Board of Education's compliance 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 OMB Circular 04-04 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of Frankford Board of Education's major state programs for the fiscal year ended June 30, 2011. Frankford Board of Education's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirement of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Frankford Board of Education's management. Our responsibility is to express an opinion on Frankford Board of Education's compliance based on our audit.

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

In our opinion, Frankford Board of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2011.

Internal Control Over Compliance

Management of Frankford Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered Frankford Board of Education's internal control over compliance with requirements that could have a direct and material effect on a major state program to determine the 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 New Jersey OMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

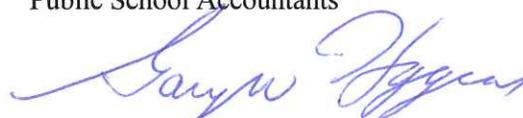
A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a state program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

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 Board of Trustees, others within the District, the New Jersey State Department of Education and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants



Gary W. Higgins
Public School Accountant
PSA Number CS00814

Fair Lawn, New Jersey
December 2, 2011

**FRANKFORD BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Federal CFDA Number	Federal/Grantor/Pass-Through Grantor/ Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2010		Carryover Amount	Cash Received	Budgetary Expenditures	Adjustment	Balance at June 30, 2011		Memo GAAP Receivable
					(Account Receivable)	Deferred Revenue					(Account Receivable)	Deferred Revenue	
U.S. Department of Education													
Passed-through State Department of Education													
Enterprise Fund													
10.555	N/A	7/1/10-6/30/11	\$ 10,825	\$ 10,825	\$ 5,283	\$ 5,542							
10.555	N/A	7/1/09-6/30/10	10,411	\$ 5,126	5,126								
10.555	N/A	7/1/10-6/30/11	27,994		27,994	\$ (2,236)							\$ (2,236)
10.555	N/A	7/1/09-6/30/10	30,423	\$ (2,081)	2,081								
10.556	N/A	7/1/10-6/30/11	120		111	(9)							(9)
10.556	N/A	7/1/09-6/30/10	95	(11)	11								
	Total Enterprise Fund			(2,092)	38,786	38,523	5,542				(2,245)		(2,245)
U.S. Department of Education													
Passed-through State Department of Education													
Special Revenue													
84.010A	NCLB-1560-03	9/1/10-8/31/11	29,685		26,685		14,725				(14,960)	3,000	(11,960)
84.010A	NCLB-1560-03	9/1/09-8/31/10	29,125	(14,485)	805		14,485	805					
84.389	NCLB	9/1/09-8/31/11	8,653	(5,453)	5,208		5,453	5,208					
84.367A	NCLB-1560-03	9/1/10-8/31/11	18,868		18,868		15,615	18,868		152	(3,253)		(3,253)
84.367A	NCLB-1560-03	9/1/09-8/31/10	21,690	(3,377)	3,225		3,225						
84.318X	NCLB-1560-03	9/1/10-8/31/11	51		51								
84.318X	NCLB-1560-03	9/1/09-8/31/10	266	(266)	266								
84.318X	NCLB-1560-03	9/1/09-8/31/10	1,229	(411)	411			700					
84.391	ARRA-Basic	9/1/09-8/31/11	135,956	(19,711)	19,711		19,711						
84.392	ARRA-Preschool	9/1/09-8/31/11	4,916	(983)	983								
84.027	IDEA, ARRA, Basic	9/1/10-8/31/11	152,167		106,541		106,541	142,514			(45,626)	9,653	(35,973)
84.027	IDEA, Part B Basic	9/1/10-8/31/11	153,320	(34,407)	34,407		34,407	9,162					
84.173	IDEA, Part B Basic - Interim	9/1/10-8/31/11	7,073		1,528		1,528	7,073			(5,545)		(5,545)
84.173	IDEA, Part B Preschool - Interim	9/1/09-8/31/10	6,909	(6,034)	6,034		6,034	667					
	Total Special Revenue Fund			(85,127)	223,435	211,733	12,653			152	(69,384)	12,653	(56,731)
	Total Federal Financial Awards			(87,219)	\$ 21,668	\$ 250,256	\$ 18,195	\$ 262,221	\$ 152	\$ (71,629)	\$ 18,195	\$	\$ (58,976)

Note - This schedule was not subject to an audit in accordance with OMB Circular A-133.

The Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance are an integral part of this schedule.

**FRANKFORD BOARD OF EDUCATION
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1 GENERAL

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

NOTE 2 BASIS OF ACCOUNTING

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

NOTE 3 RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on a modified accrual basis with the exception of the revenue recognition of the delayed state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2.. For GAAP purposes, those payments are not recognized until the subsequent year due to the state deferral and recording of certain 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 revenues, which may include the delayed state aid payments, whereas the GAAP basis does not. The special revenue fund also recognizes the delayed state aid payments in the current budget year, consistent with N.J.S.A. 18A:22-44.2.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is an increase of \$29,178 for the general fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 2,811,516	\$ 2,811,516
Special Revenue Fund	\$ 211,733		211,733
Capital Projects Fund		13,190	13,190
Food Service Fund	<u>38,523</u>	<u>2,176</u>	<u>40,699</u>
Total Financial Assistance	<u>\$ 250,256</u>	<u>\$ 2,826,882</u>	<u>\$ 3,077,138</u>

**FRANKFORD BOARD OF EDUCATION
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules may not necessarily agree with the amounts reported in the related federal and state financial reports due to timing differences between the District's fiscal year and grant program years.

NOTE 5 OTHER INFORMATION

Revenues and expenditures reported under the National School Lunch Program as non-cash assistance represent current year value received and current year distributions, respectively of the Federal Food Distribution Program. TPAF Social Security contributions in the amount of \$405,664 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the year ended June 30, 2011. The amount reported as TPAF Pension System Contributions in the amount of \$16,536 and TPAF Post-Retirement Medical Benefits Contributions in the amount of \$351,219 represents the amount paid by the State on behalf of the District for the year ended June 30, 2011.

NOTE 6 ON-BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT

On-behalf State Programs for TPAF Pension and Post-Retirement Medical Benefits Contributions are not subject to a State single audit and, therefore, are excluded from major program determination. The Schedule of State Financial Assistance provides a reconciliation of State financial assistance reported in the District's basic financial statements and the amount subject to State single audit and major program determination.

**FRANKFORD BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Part I – Summary of Auditor’s Results

Financial Statement Section

Type of auditors' report issued on financial statements Unqualified

Internal control over financial reporting:

1) Material weaknesses identified? _____ yes X no

2) Significant deficiencies identified that are not considered to be material weakness(es)? _____ yes X none reported

Noncompliance material to the basic financial statements noted? _____ yes X no

Federal Awards Section - NOT APPLICABLE

State Awards Section

Internal Control over major programs:

(1) Material weaknesses identified? _____ yes X no

(2) Significant deficiencies identified that are not considered to be material weakness(es)? _____ yes X none reported

Type of auditor's report issued on compliance for major programs Unqualified

Any audit findings disclosed that are required to be reported in accordance with N.J. Circular Letter 04-04? _____ yes X no

Identification of major state programs:

GMIS Number(s)	Name of State Program
11-495-034-5120-089	Special Education Aid
11-495-034-5120-084	Security Aid
11-495-034-5120-085	Adjustment Aid
11-495-034-5095-002	TPAF Social Security Contributions

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X yes _____ no

**FRANKFORD BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Part 2 – Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with Chapter 5.18 of *Government Auditing Standards*.

There are none.

**FRANKFORD BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 04-04.

CURRENT YEAR FEDERAL AWARDS

Not Applicable.

CURRENT YEAR STATE AWARDS

There are none.

**FRANKFORD BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. OMB Circular A-133 (Section .315(a)(b)) and New Jersey OMB's Circular 04-04.

STATUS OF PRIOR YEAR FINDINGS

There were none.