

**FRANKLIN BOROUGH
SCHOOL DISTRICT**

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

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

**Comprehensive Annual
Financial Report**

of the

FRANKLIN BOROUGH SCHOOL DISTRICT

Franklin, New Jersey

For the Fiscal Year Ended June 30, 2011

Prepared by

**Franklin Borough Board of Education
Finance Department**

FRANKLIN BOROUGH SCHOOL DISTRICT
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INTRODUCTORY SECTION

Franklin School District

Washington Avenue
Franklin, NJ 07416
Phone (973) 827-9775
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Thomas N. Turner, Ed.D.
Superintendent

William J. Sabo
Business Administrator
Board Secretary

August 16, 2011

Honorable President and
Members of the Board of Education
Franklin Borough School District
County of Sussex
Franklin, New Jersey 07416

Dear Board Members:

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of the Franklin Borough School District (District) for the fiscal year ended June 30, 2011. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (Board). To the best of our knowledge and belief, the data presented in this report are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the District. This report will provide the taxpayers of the Franklin Borough School District with comprehensive financial data in a format enabling them to gain an understanding of the School District's financial affairs.

The Comprehensive Annual Financial Report is presented in four sections as follows:

- The Introductory Section contains a table of contents, this Letter of Transmittal, List of Principal Officials, and an Organization Chart of the School District.
- The Financial Section begins with the Independent Auditor's Report and includes the Management's Discussion and Analysis; the Basic Financial Statements and Notes providing an overview of the School District's financial position and operating results, and other schedules providing detailed budgetary information.

Leading the Way to Excellence

Honorable President and
 Members of the Board of Education
 Franklin Borough School District
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- The Statistical Section includes selected economic and demographic information, financial trends, and the fiscal capacity of the School District, generally presented on a multi-year basis.
- The Single Audit Section - The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996, 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 Letters 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid." Information related to this single audit, including the independent auditor's report on the internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs (if any), are included in the single audit section of this report.

School District Organization

The Franklin Borough School District is one of 616 school districts in the State of New Jersey and one of 26 school districts in Sussex County. The School District provides education for its Preschool handicapped through eighth grade students. Geographically, the District is comprised of the Borough of Franklin only. The School District's total area is 4.5 square miles. The 522 elementary students enrolled in the Franklin Borough School District attend the one school comprising the District. Students for 9th through 12th grade attend the Wallkill Valley Regional High School in Hardyston, N.J.

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

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

Reporting Entity

Franklin Borough School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB) as established by GASB Statement No. 14. All funds of the District are included in this report. The Franklin Borough Board of Education and its one elementary school constitute the District's reporting entity.

Honorable President and
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Economic Condition and Outlook

The District completed the 2010-11 fiscal year with an average daily enrollment of 509 students, which is 11 students less than the previous year's average daily enrollment. The following details the changes in the student enrollment of the District over the last fourteen years.

Average Daily Enrollment					
Fiscal Year	Student Enrollment	Student Increase/ (Decrease)	Percent Increase/ (Decrease)		
2010-11	509.1	-11.6	-2.23%		
2009-10	520.7	3.3	0.64%		
2008-09	517.4	27.3	5.57%		
2007-08	490.1	-45.1	-8.43%		
2006-07	535.2	-14.5	-2.64%		
2005-06	549.7	-6.5	-1.17%		
2004-05	556.2	-17.7	-3.08%		
2003-04	573.9	-30.0	-4.97%		
2002-03	603.9	-16.6	-2.68%		
2001-02	620.5	2.6	0.42%		
2000-01	617.9	-26.5	-4.11%		
1999-00	644.4	-44.9	-6.51%		
1998-99	689.3	16.8	2.50%		
1997-98	672.5	26.4	4.09%		

The school district enrollment has declined this fiscal year, however the overall enrollment trend has been a slight increase each year since 2007-08.

The School District, along with many other public school systems in the State, still faces some difficult economic situations in the future since the primary funding source is property tax revenue. The proposed budget for fiscal year 2011-12 was passed by 29 votes (179 to 150) compared to the 2010-11 budget that was passed by 21 votes (278 to 257). Overall, tax revenue for FY 2010-11 increased by 4 percent and the upcoming FY 2011-12 tax revenue will increase by 2 percent. The School District's administration is closely monitoring the cost of operations and continues to look for new funding sources in order to maintain the quality educational services that the School District has been accustomed to providing.

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

Honorable President and
 Members of the Board of Education
 Franklin Borough School District
 August 16, 2011
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The assessed valuation of Franklin Borough has been increasing, except for a slight decline in 2006, as follows:

2002 -	\$229,606,921
2003 -	\$230,548,897
2004 -	\$231,030,927
2005 -	\$243,330,078
2006 -	\$242,494,055
2007-	\$243,017,024
2008-	\$243,599,787
2009-	\$244,614,857
2010-	\$489,898,013

In 2010, the Borough of Franklin had a reassessment performed. The percentage of taxes collected annually by the Borough for the last several years has consistently been over 96%. The percentage of taxes collected over the previous few years was as follows:

2001 -	96.98%
2002 -	96.49%
2003 -	96.89%
2004 -	97.25%
2005 -	97.34%
2006-	97.92%
2007-	97.24%
2008-	98.28%
2009-	97.68%
2010-	96.38%

EDUCATIONAL PROGRAM

For the past several years, the Board of Education has strived to maintain a quality general education program for its preschool through eighth grade students. Attention has focused on language arts, math, science, social studies, and special curriculum areas. Spanish instruction continues to be a key component for our world languages/culture program. The kindergarten classes continue to be offered as a full-day program. Integrated literature and balanced literacy instruction, especially in the younger grades, continue to flourish. Remedial and special education programs continue to be implemented so that students with specific learning needs will have increased opportunities for success. During this year, the Board continued to support the technology program. Again this fiscal year, the Franklin Home and School Association has donated many resources to aid our academic program as did the Franklin Education Foundation. However, the 2010-11 school year suffered through dramatic reductions as a result of the 2% cap on the tax levy and the loss of revenues. The middle school grades were especially affected with four full time teachers being RIF'ed (reduced in force) and a Spanish teacher reduced to part-time. Two part-time basic skills teaching positions were eliminated as well. In addition, other staff was reduced. These reductions were devastating to the educational program.

Honorable President and
 Members of the Board of Education
 Franklin Borough School District
 August 16, 2011
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MAJOR INITIATIVES

Given the staff reductions resulting in more than 11 positions (both full-time and part-time) being eliminated or reduced, no new major initiatives were undertaken in 2010-11. Rather a great effort was undertaken to maintain as much of the program as possible. Through a voluntary contribution of salary, 1.5% toward health benefits by the Franklin Education Association and the administration, one intermediate teaching position was saved. Also, in the 2010-11 school year, the Board continued to focus on the balanced literacy/reading program. Middle school writing skills were targeted during the 2010-11 school year. *Everyday Mathematics* and the *Accelerated Math* programs continue to be emphasized. Spanish is offered in kindergarten through eighth grade; however, the Spanish 1 program in eighth grade was eliminated. The basic skills instruction program (BSIP) that was expanded to meet the needs of our students through the use of ARRA funds in 2009-10 was reduced by more than the previous year's increase.

In this 2010-11 school year, the Franklin and the Hamburg Borough Boards of Education continued an inter-local agreement to share Franklin's Business Administrator. This agreement saved the Hamburg Board of Education money and generated a positive revenue stream for the Franklin Board of Education.

Financial Information

Internal Accounting and Budgetary Control:

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

As a recipient of federal awards and state financial assistance programs, the District also is responsible for ensuring that an adequate internal control system is in place to ensure compliance with applicable laws and regulations related to those programs. The internal control system 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 system, including that portion related to federal awards and state financial assistance programs, as well as to determine that the District has complied with applicable laws, regulations, contracts and grants.

Honorable President and
Members of the Board of Education
Franklin Borough School District
August 16, 2011
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Financial Information

Internal Accounting and Budgetary Control:

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 municipalities. If the budget is not approved by the electorate, meetings between the Board of Education and the Borough Council are convened to determine the amount of tax levy reduction, if any, which shall be made as a result of the defeated budget. Annual appropriated budgets are adopted for the general fund and the special revenue fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The original budget, budget transfers during the year, and final budget amount for the fiscal year are 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-appropriated balances reported as restrictions, commitments and/or assignments of fund balance at fiscal yearend.

Cash Management

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

Risk Management

The District continues to protect its assets through a comprehensive insurance program through coverage obtained from the School Alliance Insurance Fund. The Fund is a school district joint self-insurance fund formed under the provisions of the New Jersey Statutes. The Fund's membership is comprised of local and regional school districts. Coverage includes property loss, crime and fidelity, comprehensive general liability, auto insurance, workers' compensation, school leaders professional liability, supplemental workers' compensation and underground storage tank (pollution liability). Other policies purchased from other insurance companies include fidelity bonds for the School Business Administrator/Board Secretary and Board Treasurer of School Monies. Additional policies purchased were for Student Accident Insurance.

Honorable President and
 Members of the Board of Education
 Franklin Borough School District
 August 16, 2011
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Independent Audit

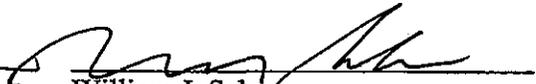
State statutes require an annual audit by independent certified public accountants. The accounting firm of Nisivoccia, LLP was selected by the Board of Education. In addition to meeting the requirements set forth in state statutes, the audit was designed to meet the requirements of the Single Audit Act Amendments of 1996, and the related U.S. Office of Management and Budget Circular, "Audits of State, Local Governments and Non-Profit Organizations" A-133 and the State Treasury Circular Letter 04-04 OMB "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid." The auditor's report on the basic financial statements and specific required supplemental information is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

Acknowledgements

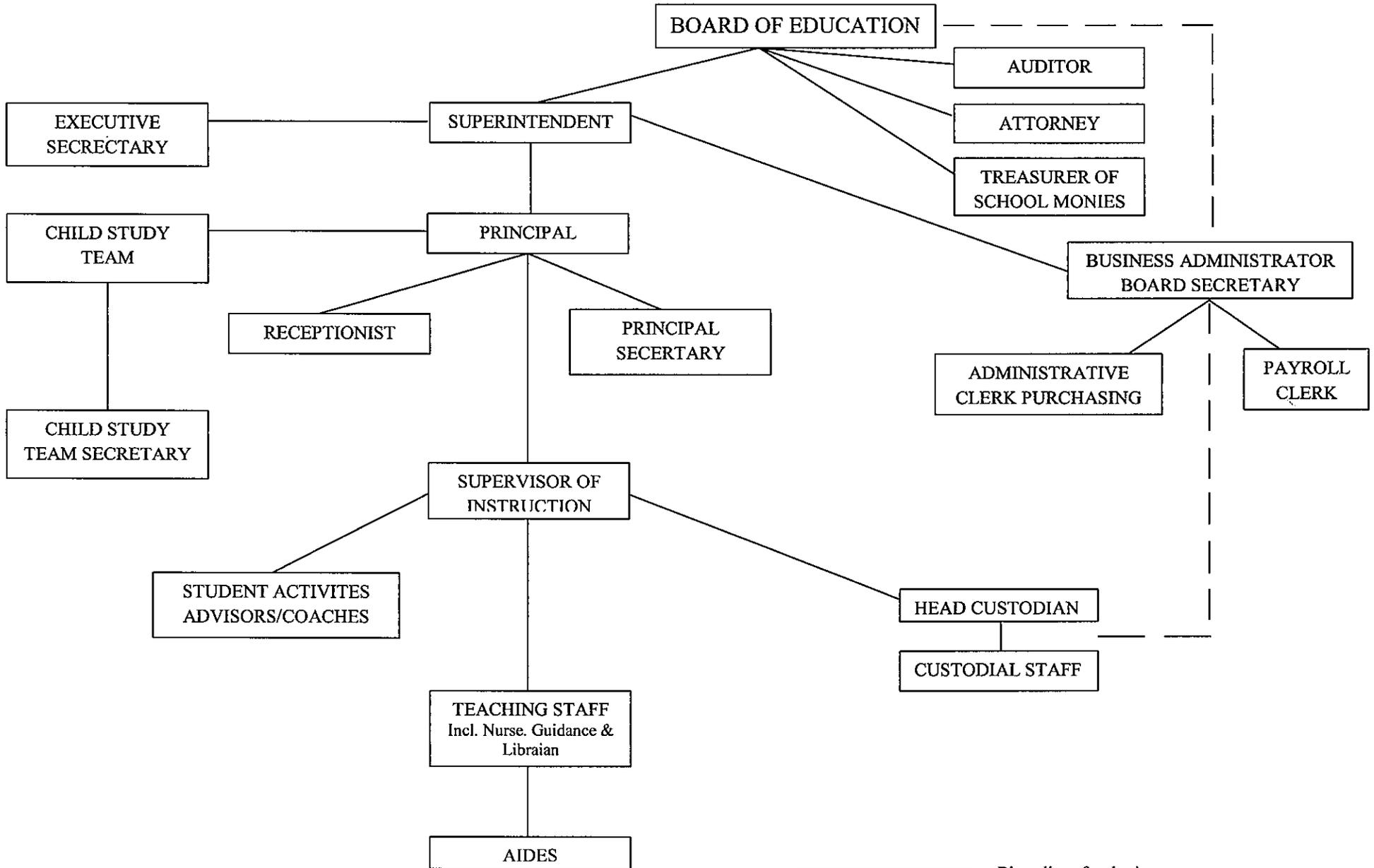
We would like to express our appreciation to the members of the Franklin Borough School Board for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation.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

Respectfully submitted,


 Thomas N. Turner, Ed.D.
 Superintendent


 William J. Sabo
 Business Administrator/Board Secretary

ORGANIZATION CHART



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

**FRANKLIN BOROUGH SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2011**

<u>Members of the Board of Education</u>		<u>Term Expires</u>
Mary Alonso	President	2014
Louise A. Murphy	Vice President	2013
Richard A. Kell	Member	2014
Stacey Korger	Member	2012
Ronald E. Neal	Member	2012
Jeanine Paszkiel	Member	2013
Victoria Pennella	Member	2013
Andrew Weekly	Member	2014
Wayne D. Yahm	Member	2012

Other Officers

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

**FRANKLIN BOROUGH SCHOOL DISTRICT
Consultants and Advisors**

Audit Firm

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

Attorney

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Lyndhurst, NJ 07071-0790

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Cleary Giacobbe Alfieri & Jacobs, LLC
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Architect

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Rockaway, NJ 07866

Official Depositories

Lakeland Bank
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Oak Ridge, NJ 07438-8906

New Jersey Cash Management
CN 290
Trenton, NJ 08625

FINANCIAL SECTION



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 Mt. Arlington, NJ 07856
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Lawrence Business Center
 11 Lawrence Road
 Newton, NJ 07860
 973-383-6699 | 973-383-6555 Fax

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Board of Education of the Franklin Borough School District in the County of Sussex as of and for the fiscal year ended June 30, 2011 which collectively comprise the District's basic financial statements, as listed in the foregoing table of contents. These financial statements are the responsibility of the Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Board of Education of the Franklin Borough School District in the County of Sussex 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 August 16, 2011 on our consideration of the Board of Education of the Franklin Borough School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

August 16, 2011
Mount Arlington, New Jersey

Nisivoccia, LLP

NISIVOCCIA, LLP

Kathryn L. Mantell

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

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

**FRANKLIN BOROUGH SCHOOL DISTRICT
FRANKLIN, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)**

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

Financial Highlights

- Overall revenue was \$8,678,564.
- Overall expenses were \$8,417,472.
- The District's financial position increased \$261,092 on a district-wide basis over the course of the year.

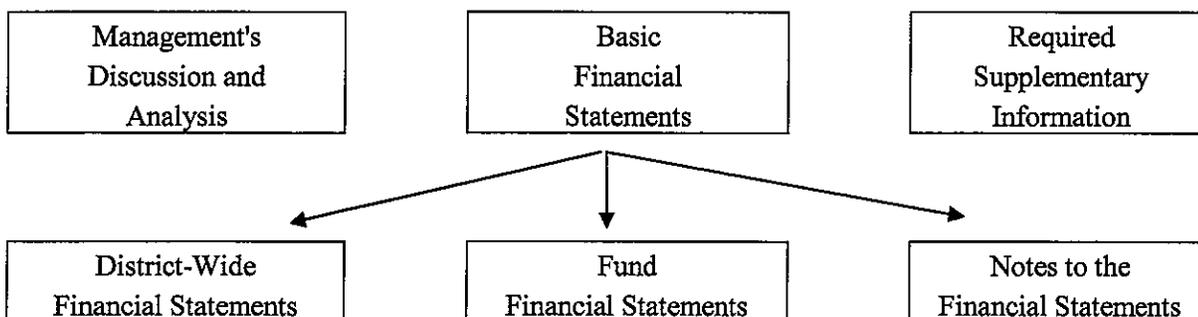
Overview of the Financial Statements

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

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

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

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



**FRANKLIN BOROUGH SCHOOL DISTRICT
FRANKLIN, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)**

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

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

FRANKLIN BOROUGH SCHOOL DISTRICT
FRANKLIN, NEW JERSEY

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

District-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on {1} how cash and other financial assets that can readily be converted to cash flow in and out, and {2} the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.

**FRANKLIN BOROUGH SCHOOL DISTRICT
FRANKLIN, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)**

Fund Financial Statements

- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District uses *internal service funds* (the other kind of proprietary fund) to report activities that provide supplies and services for its other programs and activities. The District currently does not maintain any internal service funds.
- *Fiduciary funds:* The District is the trustee, or *fiduciary*, for assets that belong to others, such as scholarship funds and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Notes to the basic financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements. The notes to the basic financial statements can be found immediately following the fund financial statements.

Financial Analysis of the District as a Whole

Net Assets. The District's combined net assets increased by \$261,092. Net assets from governmental activities increased by \$241,886 and net assets from business activities increased by \$19,206. Net assets invested in capital assets increased by \$292,886, restricted net assets decreased by \$153,441, and unrestricted net assets increased by \$121,647.

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

	Government Activities		Business-Type Activities		Total School District		Total Percentage Change
	2010/2011	2009/2010	2010/2011	2009/2010	2010/2011	2009/2010	
Current and Other Assets	\$ 850,482	\$ 816,989	\$ 50,323	\$ 43,605	\$ 900,805	\$ 860,594	4.67%
Capital Assets	920,686	627,994	33,444	33,250	954,130	661,244	44.29%
Total Assets	<u>1,771,168</u>	<u>1,444,983</u>	<u>83,767</u>	<u>76,855</u>	<u>1,854,935</u>	<u>1,521,838</u>	21.89%
Long-Term Debt Outstanding	314,382	378,616			314,382	378,616	-16.97%
Other Liabilities	305,195	156,662	1,028	13,322	306,223	169,984	80.15%
Total Liabilities	<u>619,577</u>	<u>535,278</u>	<u>1,028</u>	<u>13,322</u>	<u>620,605</u>	<u>548,600</u>	13.13%
Net Assets:							
Invested in Capital Assets, Net of Related Debt	920,686	627,994	33,444	33,250	954,130	661,244	44.29%
Restricted	587,175	740,616			587,175	740,616	-20.72%
Unrestricted/(Deficit)	<u>(356,270)</u>	<u>(458,905)</u>	<u>49,295</u>	<u>30,283</u>	<u>(306,975)</u>	<u>(428,622)</u>	28.38%
Total Net Assets	<u>\$ 1,151,591</u>	<u>\$ 909,705</u>	<u>\$ 82,739</u>	<u>\$ 63,533</u>	<u>\$ 1,234,330</u>	<u>\$ 973,238</u>	26.83%

**FRANKLIN BOROUGH SCHOOL DISTRICT
FRANKLIN, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)**

Financial Analysis of the District as a Whole

Changes in Net Assets. The District's *combined* net assets were \$1,234,330 on June 30, 2011, or \$261,092 more than they were the year before. Net assets invested in capital assets increased by \$292,886 due to capital additions of \$367,652 offset by \$73,942 of depreciation expense and net disposals of \$824. The \$153,441 decrease in restricted net assets is due primarily to the decrease in the capital reserve account to finance the local share of capital projects. Unrestricted net assets increased \$121,647 primarily as a result of unspent budget appropriations. (See Figure A-3).

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

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2010/2011	2009/2010	2010/2011	2009/2010	2010/2011	2009/2010	
Revenue:							
Program Revenue:							
Charges for Services	\$ 41,574	\$ 38,586	\$ 72,485	\$ 102,756	\$ 114,059	\$ 141,342	-19.30%
Operating Grants & Contributions	1,327,145	1,489,754	89,884	81,335	1,417,029	1,571,089	-9.81%
General Revenue:							
Property Taxes	4,321,716	4,155,498			4,321,716	4,155,498	4.00%
Federal and State Aid	2,747,901	2,791,040			2,747,901	2,791,040	-1.55%
Other	59,831	83,325	18,028	13,859	77,859	97,184	-19.88%
Total Revenue	8,498,167	8,558,203	180,397	197,950	8,678,564	8,756,153	-0.89%
Expenses:							
Instruction	4,880,050	5,413,299			4,880,050	5,413,299	-9.85%
Pupil and Instruction Services	1,266,083	1,085,363			1,266,083	1,085,363	16.65%
Administrative and Business	834,202	900,400			834,202	900,400	-7.35%
Maintenance and Operations	964,376	943,438			964,376	943,438	2.22%
Transportation	164,792	191,968			164,792	191,968	-14.16%
Capital Outlay	4,322	3,390			4,322	3,390	27.49%
Other	142,456	150,967	161,191	191,947	303,647	342,914	-11.45%
Total Expenses	8,256,281	8,688,825	161,191	191,947	8,417,472	8,880,772	-5.22%
Increase/(Decrease) in Net Assets	\$ 241,886	\$ (130,622)	\$ 19,206	\$ 6,003	\$ 261,092	\$ (124,619)	

**FRANKLIN BOROUGH SCHOOL DISTRICT
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Revenue Sources. The District's total revenue for the 2010/2011 school year was \$8,678,564, (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$4,321,716 of the total, or 49.80%. (See Figure A-5). Approximately 47.99% came from state and federal aid, 1.31% came from charges for services and the remaining .90% came from miscellaneous sources.

**Figure A-5
Sources of Revenue for Fiscal Years 2011 and 2010**

	<u>2011</u>	<u>Percentage</u>	<u>2010</u>	<u>Percentage</u>
Sources of Income:				
State Formula Aid	\$ 3,036,881	34.99%	\$ 3,031,663	34.62%
Property Taxes	4,321,716	49.80%	4,155,498	47.46%
Federal and State Categorical Grants	1,128,049	13.00%	1,330,466	15.19%
Charges for Services	114,059	1.31%	141,342	1.61%
Other	77,859	0.90%	97,184	1.11%
	<u>\$ 8,678,564</u>	<u>100.00%</u>	<u>\$ 8,756,153</u>	<u>100.00%</u>

The total cost of all programs and services was \$8,417,472. The District's expenses are predominantly related to instructing, caring for (pupil and instruction services) and transporting students (74.97 percent). (See Figure A-6). The District's administrative and business expenses represented 9.91% and maintenance and operations activities accounted for 11.46 % of total costs. It is important to remember that \$73,942 in depreciation expense is included in the \$303,647 of other expenses for the fiscal year.

**Figure A-6
Sources of Expenses for Fiscal Years 2011 and 2010**

	<u>2011</u>	<u>Percentage</u>	<u>2010</u>	<u>Percentage</u>
Expense Category:				
Instruction	\$ 4,880,050	57.97%	\$ 5,413,299	60.96%
Pupil and Instruction Services	1,266,083	15.04%	1,085,363	12.22%
Administrative and Business	834,202	9.91%	900,400	10.14%
Maintenance and Operations	964,376	11.46%	943,438	10.62%
Transportation	164,792	1.96%	191,968	2.16%
Capital Outlay	4,322	0.05%	3,390	0.04%
Other	303,647	3.61%	342,914	3.86%
	<u>\$ 8,417,472</u>	<u>100.00%</u>	<u>\$ 8,880,772</u>	<u>100.00%</u>

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

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

	Total Costs of Services		Net Cost of Services	
	2010/2011	2009/2010	2010/2011	2009/2010
Instruction	\$ 4,880,050	\$ 5,413,299	\$ 3,853,780	\$ 4,101,043
Pupil and Instruction Services	1,266,083	1,085,363	993,971	945,508
Administrative and Business	834,202	900,400	806,202	846,155
Maintenance and Operations	964,376	943,438	964,376	943,438
Transportation	164,792	191,968	122,455	169,984
Capital Outlay	4,322	3,390	4,322	3,390
Other	142,456	150,967	142,456	150,967
	<u>\$ 8,256,281</u>	<u>\$ 8,688,825</u>	<u>\$ 6,887,562</u>	<u>\$ 7,160,485</u>

- The cost of all governmental activities this year was \$8,256,281.
- The federal and state governments subsidized certain programs with grants and contributions of \$4,164,930.
- Approximately \$4,321,716 of the District's costs were financed by District taxpayers.
- The remainder of the funding came from tuition charges, miscellaneous revenue and investment earnings.

Business-Type Activities

Net assets from the District's Business-type activity increased by \$19,206 (Refer to Figure A-4). Factors contributing to these results included:

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

**FRANKLIN BOROUGH SCHOOL DISTRICT
FRANKLIN, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)**

Financial Analysis of the District's Funds

The District's financial position in the General Fund has decreased due to significant changes in student needs and difficult economic times. Expenditures during the recent year decreased significantly in the area of instruction as a result of various teacher retirements and increased significantly in the area of pupil and instruction services attributable to students with various needs entering the school district. In addition to greater numbers, some of these pupils are more profoundly challenged and require more complex educational and related services.

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

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

General Fund Budgetary Highlights

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

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

Capital Asset and Debt Administration

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

	<u>Government Activities</u>		<u>Business-Type Activities</u>		<u>Total School District</u>		<u>Total Percentage Change</u>
	<u>2010/2011</u>	<u>2009/2010</u>	<u>2010/2011</u>	<u>2009/2010</u>	<u>2010/2011</u>	<u>2009/2010</u>	
Land	\$ 229,166	\$ 229,166			\$ 229,166	\$ 229,166	0.00%
Construction in Progress	233,964				233,964		100.00%
Site Improvements	38,810	62,690			38,810	62,690	-38.09%
Building and							
Building Improvements	154,149	173,857			154,149	173,857	-11.34%
Machinery and Equipment	264,597	162,281	\$ 33,444	\$ 33,250	298,041	195,531	52.43%
Total Capital Assets	\$ 920,686	\$ 627,994	\$ 33,444	\$ 33,250	\$ 954,130	\$ 661,244	44.29%

**FRANKLIN BOROUGH SCHOOL DISTRICT
FRANKLIN, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)**

Long-term Debt

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

	Total School District		Percentage Change
	2010/2011	2009/2010	
Other Long-Term Liabilities	\$ 314,382	\$ 378,616	-16.97%
	<u>\$ 314,382</u>	<u>\$ 378,616</u>	-16.97%

- Compensated absences payable decreased by a net amount of \$64,234 due primarily to contract changes of three employees in the Administration Department.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following circumstance that could significantly affect its financial health in the future:

- A5 – known as School District Accountability. This law, approved by the Governor on March 15, 2007, provides for various school district accountability measures.
- A1 – known as Tax Levy CAP. This new law, approved by the Governor on April 3, 2007, establishes a 4% cap on tax levy increases, changes the accounting/transfers for and expands the number of permitted fund balance reserves.
- A4 – known as CORE. This new law, approved by the Governor on April 3, 2007 implements CORE proposals and the primary focus of this new law is to establish uniform shared services and consolidation through the new Executive County Superintendent.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. William J. Sabo, Board Secretary/Business Administrator, Franklin Borough Board of Education, 50 Washington Ave., Franklin, NJ 07416.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

BOROUGH OF FRANKLIN SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 572,918	\$ 41,230	\$ 614,148
Receivable from State Government	9,737	187	9,924
Receivable from Federal Government	39,685	5,915	45,600
Inventories		2,991	2,991
Restricted Assets:			
Capital Reserve Account - Cash	228,142		228,142
Capital Assets:			
Site (Land) and Construction in Progress	463,130		463,130
Depreciable Site Improvements, Building and Building Improvements, and Machinery and Equipment	457,556	33,444	491,000
Total Assets	<u>1,771,168</u>	<u>83,767</u>	<u>1,854,935</u>
LIABILITIES			
Accounts Payable	285,083		285,083
Payable to State Government	20,112		20,112
Deferred Revenue		1,028	1,028
Noncurrent Liabilities:			
Due Beyond One Year	314,382		314,382
Total Liabilities	<u>619,577</u>	<u>1,028</u>	<u>620,605</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	920,686	33,444	954,130
Restricted for:			
Capital Projects	191,147		191,147
Other Purposes	396,028		396,028
Unrestricted/(Deficit)	<u>(356,270)</u>	<u>49,295</u>	<u>(306,975)</u>
Total Net Assets	<u>\$ 1,151,591</u>	<u>\$ 82,739</u>	<u>\$ 1,234,330</u>

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

FRANKLIN BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 3,155,336		\$ 509,444		\$ (2,645,892)		\$ (2,645,892)
Special Education	1,550,014		498,185		(1,051,829)		(1,051,829)
Other Special Instruction	76,230		8,829		(67,401)		(67,401)
School-Sponsored/Other Instruction	98,470		9,812		(88,658)		(88,658)
Support Services:							
Tuition	184,306	\$ 41,574	72,752		(69,980)		(69,980)
Student & Instruction Related Services	1,081,777		157,786		(923,991)		(923,991)
General Administrative Services	321,201				(321,201)		(321,201)
School Administrative Services	242,250		28,000		(214,250)		(214,250)
Central Services	270,751				(270,751)		(270,751)
Plant Operations and Maintenance	964,376				(964,376)		(964,376)
Pupil Transportation	164,792		42,337		(122,455)		(122,455)
Capital Outlay	4,322				(4,322)		(4,322)
Unallocated Depreciation	59,532				(59,532)		(59,532)
Transfer to Charter School	82,924				(82,924)		(82,924)
Total Governmental Activities	8,256,281	41,574	1,327,145		(6,887,562)		(6,887,562)

FRANKLIN BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Business-Type Activities:							
Food Service	\$ 161,191	\$ 72,485	\$ 89,884			\$ 1,178	\$ 1,178
Total Business-Type Activities	<u>161,191</u>	<u>72,485</u>	<u>89,884</u>			<u>1,178</u>	<u>1,178</u>
Total Primary Government	<u>\$ 8,417,472</u>	<u>\$ 114,059</u>	<u>\$ 1,417,029</u>	<u>\$ - 0 -</u>	<u>\$ (6,887,562)</u>	<u>\$ 1,178</u>	<u>\$ (6,886,384)</u>
General Revenue:							
Taxes:							
Property Taxes, Levied for General Purposes, Net				\$ 4,321,716			\$ 4,321,716
Federal and State Aid not Restricted				2,747,901			2,747,901
Interest				39,795	\$ 1,263		41,058
Miscellaneous Income				33,536			33,536
Deletion of Capital Assets, Net						3,265	3,265
Transfers				<u>(13,500)</u>	<u>13,500</u>		
Total General Revenue, Special Items & Transfers				<u>7,129,448</u>	<u>18,028</u>		<u>7,147,476</u>
Change in Net Assets				241,886	19,206		261,092
Net Assets - Beginning				<u>909,705</u>	<u>63,533</u>		<u>973,238</u>
Net Assets - Ending				<u>\$ 1,151,591</u>	<u>\$ 82,739</u>		<u>\$ 1,234,330</u>

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

FUND FINANCIAL STATEMENTS

FRANKLIN BOROUGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
ASSETS:				
Cash and Cash Equivalents	\$ 403,257		\$ 169,661	\$ 572,918
Interfund Receivable	22,411			22,411
Receivables From Federal Government		\$ 39,685		39,685
Receivables From State Government	6,899	2,838		9,737
Restricted Cash and Cash Equivalents	228,142			228,142
Total Assets	\$ 660,709	\$ 42,523	\$ 169,661	\$ 872,893
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts Payable - Vendors	\$ 78,427		\$ 206,656	\$ 285,083
Interfund Payable		\$ 22,411		22,411
Payable to State Government		20,112		20,112
Total Liabilities	78,427	42,523	206,656	327,606
Fund Balances:				
Restricted:				
Capital Reserve Account	228,142			228,142
Excess Surplus	170,825			170,825
Excess Surplus - Designated for Subsequent Year's Expenditures	118,203			118,203
Assigned:				
General Fund:				
Designated for Subsequent Year's Expenditures	65,112			65,112
Unassigned (Deficit)			(36,995)	(36,995)
Total Fund Balances	582,282		(36,995)	545,287
Total Liabilities and Fund Balances	\$ 660,709	\$ 42,523	\$ 169,661	\$ 872,893

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

Total Fund Balances - Governmental Funds (Above)	\$ 545,287
Capital assets used in Governmental Activities are not financial resources and are not reported in the Funds. The cost of the assets is \$4,070,520 and the accumulated depreciation is \$3,149,834.	920,686
Long-Term Liabilities are not due and payable in the current period and therefore are not reported as liabilities in the Funds.	(314,382)
Net Assets of Governmental Activities	\$ 1,151,591

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

FRANKLIN BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
REVENUE:				
Local Sources:				
Local Tax Levy	\$ 4,321,716			\$ 4,321,716
Tuition - Other LEA's	41,574			41,574
Interest Earned on Investments	33,300			33,300
Interest Earned on Capital Reserve Funds	7,031			7,031
Miscellaneous	33,000	\$ 3,000		36,000
Total - Local Sources	4,436,621	3,000		4,439,621
State Sources	3,615,272	118,133		3,733,405
Federal Sources	15,274	323,367		338,641
Total Revenue	8,067,167	444,500		8,511,667
EXPENDITURES:				
Current:				
Regular Instruction	2,076,545	172,332		2,248,877
Special Education Instruction	1,020,510	63,137		1,083,647
Other Special Instruction	52,303			52,303
School Sponsored/Other Instruction	69,267			69,267
Support Services and Undistributed Costs:				
Tuition	117,017	67,289		184,306
Student & Instruction Related Services	732,706	141,742		874,448
General Administrative Services	310,120			310,120
School Administrative Services	169,418			169,418
Central Services	215,500			215,500
Plant Operations and Maintenance	865,200			865,200

FRANKLIN BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
EXPENDITURES:				
Current:				
Support Services and Undistributed Costs:				
Pupil Transportation	164,792			164,792
Capital Outlay	\$ 133,921		\$ 233,964	\$ 367,885
Allocated and Unallocated Benefits	1,924,520			1,924,520
Transfer of Funds to Charter Schools	82,924			82,924
Total Expenditures	7,934,743	\$ 444,500	233,964	8,613,207
Excess of Revenue over Expenditures	132,424		(233,964)	(101,540)
OTHER FINANCING SOURCES/(USES):				
Transfers In			196,969	196,969
Transfers Out	(210,469)			(210,469)
Total Other Financing Uses	(210,469)		196,969	(13,500)
Net Change in Fund Balances	(78,045)		(36,995)	(115,040)
Fund Balance—July 1	660,327			660,327
Fund Balance—June 30	\$ 582,282	\$ - 0 -	\$ (36,995)	\$ 545,287

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

FRANKLIN BOROUGH SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2) \$ (115,040)

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

Capital Outlays are reported in Governmental Funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which Capital Outlays exceeded Depreciation and Disposals of assets in the period.

	Depreciation Expense	\$ (70,871)	
	Disposal of Assets with Carrying Value	(4,089)	
	Capital Outlays	<u>367,652</u>	
			292,692

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

64,234
\$ 241,886

Change in Net Assets (Exhibit A-2)

FRANKLIN BOROUGH SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
AS OF JUNE 30, 2011

	<u>Business-type Activities - Enterprise Funds Food Service</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 41,230
Intergovernmental Accounts Receivable:	
Federal	5,915
State	187
Inventories	<u>2,991</u>
Total Current Assets	<u>50,323</u>
Non-Current Assets:	
Capital Assets	77,809
Less: Accumulated Depreciation	<u>(44,365)</u>
Total Non-Current Assets	<u>33,444</u>
Total Assets	<u>83,767</u>
LIABILITIES:	
Current Liabilities:	
Deferred Revenue	<u>1,028</u>
Total Current Liabilities	<u>1,028</u>
NET ASSETS:	
Investment in Capital Assets Net of Related Debt	33,444
Unrestricted	<u>49,295</u>
Total Net Assets	<u>\$ 82,739</u>

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

Exhibit B-5

FRANKLIN BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Business-type Activities - Enterprise Funds Food Service</u>
Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 48,492
Daily Sales - Non-Reimbursable Programs	21,452
Special Events	2,541
	<hr/>
Total Operating Revenue	72,485
	<hr/>
Operating Expenses:	
Cost of Sales	62,028
Salaries, Benefits and Payroll Taxes	48,896
Supplies and Other Costs	23,725
Management Fee	15,255
Administration and Supervision Fee	8,216
Depreciation Expense	3,071
	<hr/>
Total Operating Expenses	161,191
	<hr/>
Operating Loss	(88,706)
	<hr/>
Non-Operating Income:	
Local Sources:	
Interest Income	1,263
Board Contribution	13,500
State Sources:	
State School Lunch Program	2,207
Federal Sources:	
National School Breakfast Program	6,650
National School Lunch Program	66,306
Food Distribution Program	14,721
	<hr/>
Total Non-Operating Income	104,647
	<hr/>
Change in Net Assets Before Deletion of Assets	15,941
	<hr/>
Deletion of Capital Assets, Net	3,265
	<hr/>
Change in Net Assets	19,206
	<hr/>
Net Assets - Beginning of Year	63,533
	<hr/>
Net Assets - End of Year	\$ 82,739
	<hr/> <hr/>

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

FRANKLIN BOROUGH SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Business-type Activities - Enterprise Funds Food Service</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 69,944
Other Receipts	2,541
Payments to Food Service Vendor	(147,012)
Payments to Suppliers	(7,708)
	(82,235)
Net Cash Used for Operating Activities	(82,235)
Cash Flows from Investing Activities:	
Local Sources:	
Interest Income	1,263
	1,263
Net Cash Provided by Investing Activities	1,263
Cash Flows from Noncapital Financing Activities:	
State and Federal Subsidy Reimbursements	74,662
Board Contribution	13,500
	88,162
Net Cash Provided by Noncapital Financing Activities	88,162
Net Increase (Decrease) in Cash and Cash Equivalents	7,190
Cash and Cash Equivalents, July 1	34,040
Cash and Cash Equivalents, June 30	\$ 41,230
Reconciliation of Operating Loss to Net Cash Provided by (Used for) Operating Activities:	
Operating Loss	\$ (88,706)
Adjustment to Reconcile Operating Loss to Cash Provided by (Used for) Operating Activities:	
Depreciation	3,071
Food Distribution Program	14,721
Changes in Assets and Liabilities:	
Decrease in Inventories	972
(Decrease) in Deferred Revenue	(895)
(Decrease) in Accounts Payable	(11,398)
	(11,398)
Net Cash Provided by (Used for) Operating Activities	\$ (82,235)

Noncash Investing and Financing Activities:

The Food Service Enterprise Fund received commodities valued at \$13,825 and utilized commodities valued at \$14,721 from the Federal Food Distribution Program for the fiscal year ended June 30, 2011.

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

FRANKLIN BOROUGH SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NEW ASSETS
FIDUCIARY FUND
JUNE 30, 2011

	<u>Agency</u>
ASSETS:	
Cash and Cash Equivalents	\$ 309
Total Assets	309
LIABILITIES:	
Due to Student Groups	200
Payroll Deductions and Withholdings	109
Total Liabilities	309
Total Net Assets	\$ - 0 -

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

FRANKLIN BOROUGH SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Private Purpose Scholarship Trust
Deductions:	
Transfer to Franklin Education Foundation, Inc.	\$ 100,789
Total Deductions	100,789
Change in Net Assets	(100,789)
Net Assets - Beginning of the Year	\$ 100,789
Net Assets - End of the Year	\$ - 0 -

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

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

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

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

B. Basis of Presentation:

District-Wide Financial Statements:

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

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

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

B. Basis of Presentation: (Cont'd)

Fund Financial Statements:

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

The District reports the following governmental funds:

General Fund: The General Fund is the general operating fund of the District and is used to account for and report all expendable financial resources not accounted for and reported in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the capital outlay subfund.

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

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

Capital Projects Fund: The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election, funds appropriated from the General Fund, and from aid provided by the state to offset the cost of approved capital projects.

Debt Service Fund: The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

B. Basis of Presentation: (Cont'd)

The District reports the following proprietary fund:

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

Additionally, the District reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the District on behalf of others and includes the Student Activities Fund and Payroll Agency Fund. The Private Purpose Scholarship Trust Fund was transferred to the Franklin Education Foundation, Inc. during the fiscal year.

C. Measurement Focus and Basis of Accounting

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

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

It is the District's policy, that when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, to apply restricted resources first followed by unrestricted resources. Similarly, within unrestricted fund balance, it is the District's policy to apply committed resources first followed by assigned resource and then unassigned resources when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

C. Measurement Focus and Basis of Accounting (Cont'd)

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

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

D. Budgets/Budgetary Control:

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

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

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

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

The Capital Projects Fund budgetary revenue differs from GAAP revenue due to a difference in the recognition of SDA grants receivable. SDA grants are recognized as revenue on the budgetary basis in full at the time of award; however, they are only recognized to the extent of grant expenditures during the fiscal year on the GAAP basis.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

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

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 8,028,911	\$ 444,500
Differences - Budget to GAAP:		
Prior Year State Aid Payments Recognized for GAAP Statements	337,043	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(298,787)	
	<u>\$ 8,067,167</u>	<u>\$ 444,500</u>
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 7,934,743	\$ 444,500
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 7,934,743</u>	<u>\$ 444,500</u>
	Capital Projects Fund Revenue	Fund Balance
Revenue/Fund Balance per Governmental Fund - Budgetary Basis	\$ 157,531	\$ 120,536
Reconciliation to Governmental Funds Statements (GAAP):		
SDA Grant Receivable not Recognized on GAAP Basis	(157,531)	(157,531)
Revenue/Fund Balance per Governmental Funds (GAAP)	<u>\$ - 0 -</u>	<u>\$ (36,995)</u>

E. Cash and Cash Equivalents:

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

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

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

E. Cash and Cash Equivalents (Cont'd):

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

F. Interfund Transactions:

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

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

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the Special Revenue Fund are reported as restricted, 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.

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

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

I. Short-term Interfund Receivables/Payables:

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

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

J. Inventories and Prepaid Expenses:

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2011.

K. Capital Assets:

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

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

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

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

L. Long Term Liabilities:

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

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

M. Accrued Salaries and Wages:

The District does not allow employees, who provide services to the District over a ten-month academic year the option to have their salaries evenly disbursed during the entire twelve month year; therefore, there are no accrued salaries and wages as of June 30, 2011.

N. Compensated Absences:

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

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

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

O. Deferred Revenue:

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

P. Fund Balance Appropriated:

General Fund: Of the \$660,709 General Fund balance at June 30, 2011, \$-0- is assigned for encumbrances; \$228,142 is restricted in the capital reserve account; \$118,203 is restricted for prior year excess surplus in accordance with N.J.S.A.18A:7F (S1701) and has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2012; \$170,825 is restricted for current year excess surplus in accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2004, C.73 (S1701) and will be appropriated and included as anticipated revenue for the year ended June 30, 2013; \$107,000 of assigned fund balance has been appropriated and included as anticipated revenue for the fiscal year ending June 30, 2012 and has been reduced by a \$41,888 unassigned deficit (due to the last two state aid payments not being recognized on the GAAP basis).

Capital Projects Fund: The Capital Projects Fund has a deficit in unassigned fund balance of \$36,995 at June 30, 2011 (due to SDA grants receivable not being recognized on the GAAP basis).

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

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

P. Fund Balance Appropriated (Cont'd):

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

Q. Deficit Net Assets/Fund Balance:

The \$356,270 deficit in undesignated Governmental activities net assets is primarily due to the accrual of \$314,382 in accrued compensated absences, and the \$36,995 unassigned deficit in the Capital Projects Fund balance is due to SDA grants receivable which are not recognized on the GAAP basis. These deficits do not indicate that the District is having financial difficulties, and the practice is permitted under generally accepted accounting principles.

R. Net Assets:

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

S. Fund Balance Restrictions, Commitments and Assignments:

The District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during the current fiscal year. The objective of this standard is to enhance the usefulness of fund balance information by providing clearer fund balance classification that can be more consistently applied by clarifying the existing governmental fund type definitions (as detailed in Note 1B). This Statement establishes 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.

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined for a formal action of the District's highest level of decision-making authority. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

S. Fund Balance Restrictions, Commitments and Assignments (Cont'd):

Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts has been restricted, committed or assigned.

Fund balance restrictions have been established for excess surplus, a capital reserve, a tuition reserve, a maintenance reserve and an emergency reserve.

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has no committed resources at June 30, 2011.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for amounts designated for subsequent year's expenditures in the General Fund at June 30, 2011.

T. Revenue - Exchange and Nonexchange Transactions:

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

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

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

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

U. Operating Revenue and Expenses:

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

V. Management Estimates:

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

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

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

Deposits:

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

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

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

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

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

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

Investments:

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

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

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

As of June 30, 2011, cash and cash equivalents and investments of the District consisted of the following:

	<u>Cash and Cash Equivalents</u>	<u>Capital Reserve Account</u>	<u>Total</u>
Checking Accounts	<u>\$ 614,457</u>	<u>\$ 228,142</u>	<u>\$ 842,599</u>

The carrying amount of the Board's cash and cash equivalents at June 30, 2011, was \$842,599 and the bank balance was \$1,006,113.

NOTE 4. CAPITAL RESERVE ACCOUNT

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

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

The activity of the capital reserve for the July 1, 2010 to June 30, 2011 fiscal year is as follows:

Beginning Balance, July 1, 2010		\$ 360,290
Interest Earnings		7,031
Deposits:		
Board Resolution (June 20, 2011)		100,000
Withdrawals:		
Board Resolution (December 8, 2010)	\$ 42,210	
Budget - Transfer to Capital Projects Fund	<u>196,969</u>	
Total Withdrawals		<u>239,179</u>
Ending Balance, June 30, 2011		<u>\$ 228,142</u>

The balance in the capital reserve account at June 30, 2011 does not exceed the balance of local support costs of uncompleted capital projects in the District's Long Range Facilities Plan ("LRFP"). Withdrawals from the capital reserve were for use in a DOE approved facilities project, consistent with the District's LRFP.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 5. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2011 were as follows:

	Restated Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 229,166			\$ 229,166
Construction in Progress		\$ 233,964		233,964
Total Capital Assets Not Being Depreciated	229,166	233,964		463,130
Capital Assets Being Depreciated:				
Site Improvements	432,777			432,777
Buildings and Building Improvements	1,895,516			1,895,516
Machinery and Equipment	1,189,688	133,688	\$ (44,279)	1,279,097
Total Capital Assets Being Depreciated	3,517,981	133,688	(44,279)	3,607,390
Governmental Activities Capital Assets	3,747,147	367,652	(44,279)	4,070,520
Less Accumulated Depreciation for:				
Site Improvements	(370,087)	(23,880)		(393,967)
Buildings and Building Improvements	(1,721,659)	(19,708)		(1,741,367)
Machinery and Equipment	(1,027,407)	(27,283)	40,190	(1,014,500)
	(3,119,153)	(70,871)	40,190	(3,149,834)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 627,994	\$ 296,781	\$ (4,089)	\$ 920,686
Business Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 77,809			\$ 77,809
Less Accumulated Depreciation	(44,559)	\$ (3,071)	\$ 3,265	(44,365)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	\$ 33,250	\$ (3,071)	\$ 3,265	\$ 33,444

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 4,252
School Administrative Services	2,126
Plant Operations and Maintenance	4,961
Unallocated	59,532
	\$ 70,871

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 6. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2011, the following changes occurred in liabilities reported in the District-wide financial statements:

	<u>Beginning Balance</u>	<u>Accrued</u>	<u>Retired</u>	<u>Ending Balance</u>
Compensated Absences Payable	<u>\$ 378,616</u>	<u>\$ 4,561</u>	<u>\$ 68,795</u>	<u>\$ 314,382</u>

A. Bonds Payable:

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

The District had no bonds outstanding as of June 30, 2011.

B. Bonds Authorized But Not Issued:

As of June 30, 2011, the Board had no bonds authorized but not issued.

C. Capital Leases Payable:

As of June 30, 2011, the Board had no capital leases payable.

D. Compensated Absences

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities. The current portion of the compensated absences balance of the governmental funds is \$-0- and the long-term portion of compensated absences is \$314,382.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2011, no liability existed for compensated absences in the Food Service Fund.

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

NOTE 7. TRANSFERS TO CAPITAL OUTLAY

During the fiscal year ended June 30, 2011, the District transferred \$133,710 to the Capital Outlay accounts. Transfers of \$91,500 were made for equipment which did not require County Superintendent approval and \$42,210 was withdrawn from the Capital Reserve by Board resolution and transferred to Facilities Acquisition & Construction which was approved by the Commissioner for the emergency installation of the fire alarm panel.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 8. PENSION PLANS

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

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

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

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey regulation. Employee contributions are based on percentages of 5.50% for TPAF and 5.50% for PERS of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits, and post-retirement medical premiums. Under current statute, the District is a noncontributing employer of the TPAF. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

District contributions to PERS amounted to \$86,455, \$61,996 and \$54,886 for 2011, 2010 and 2009, respectively. The employee and employer contributions for the DCRP for the years ended June 30, 2011, 2010 and 2009 were \$1,188, \$-0- and \$-0- , respectively.

During the fiscal years ended June 30, 2011, 2010 and 2009, the State of New Jersey made no contributions on behalf of the District to the TPAF for normal pension benefits.

NOTE 9. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. Chapter 103 of Public Laws 2007 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2010, there were 87,288 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, of Public Laws 1994. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 9. POST-RETIREMENT BENEFITS (Cont'd)

The State is also responsible for the cost attributable to Chapter 126 of Public Laws 1992, which provides free health benefits to members of PERS, TPAF and the Alternate Benefit Program who retired from a Board of Education or County College with 25 years of service. In fiscal year 2010, the State paid \$126.3 million toward Chapter 126 benefits for 14,050 eligible retired members in Fiscal Year 2010.

The State's on behalf Post Retirement Medical Contributions to TPAF for the District amounted to \$267,929, \$254,799, and \$248,470, for 2011, 2010, and 2009, respectively.

NOTE 10. RISK MANAGEMENT

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

Property and Liability Insurance

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

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

The June 30, 2011 audit was not available as of the date of this report; however, selected, summarized financial information for the Fund as of June 30, 2010 is as follows:

	<u>School Alliance Insurance Fund</u>
Total Assets	<u>\$ 34,204,943</u>
Net Assets	<u>\$ 12,737,759</u>
Total Revenue	<u>\$ 29,467,938</u>
Total Expenses	<u>\$ 29,997,505</u>
Change in Net Assets	<u>\$ (529,567)</u>
Net Assets Distribution to Participating Members	<u>\$ (1,150,000)</u>

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 10. RISK MANAGEMENT (Cont'd)

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

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

New Jersey Unemployment Compensation Insurance

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

NOTE 11. ECONOMIC DEPENDENCY

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

NOTE 12. DEFERRED COMPENSATION

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

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

NOTE 13. CONTINGENT LIABILITIES

Grant Programs

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

Litigation

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

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 14. TAX CALENDAR

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

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

NOTE 15. INTERFUND RECEIVABLE AND PAYABLE

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 22,411	
Special Revenue Fund		\$ 22,411
	<u>\$ 22,411</u>	<u>\$ 22,411</u>

The interfund receivable in the Special Revenue Fund from the General Fund is the amount of the cash deficit in the Special Revenue Fund attributable to a lag in the timing of federal grant reimbursements from the State.

NOTE 16. ACCOUNTS PAYABLE

Payables as of June 30, 2011 were as follows:

	<u>Governmental Activities</u>		
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Salaries and Wages	\$ 45,787		\$ 45,787
Vendors	32,640	\$ 206,656	239,296
	<u>\$ 78,427</u>	<u>\$ 206,656</u>	<u>\$ 285,083</u>

BUDGETARY COMPARISON SCHEDULES

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
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>
Revenue:					
Local Sources:					
Local Tax Levy	\$ 4,321,716		\$ 4,321,716	\$ 4,321,716	
Tuition - Other LEA's	18,000		18,000	41,574	\$ 23,574
Unrestricted Miscellaneous	15,000		15,000	33,300	18,300
Interest Earned on Capital Reserve Funds	5,000		5,000	7,031	2,031
Restricted Miscellaneous	2,000		2,000	33,000	31,000
Total - Local Sources	4,361,716		4,361,716	4,436,621	74,905
State Sources:					
Transportation Aid	42,288		42,288	42,288	
Special Education Aid	255,804		255,804	255,804	
Equalization Aid	2,523,956		2,523,956	2,523,956	
Categorical Security Aid	73,780		73,780	73,780	
Adjustment Formula Aid	102,797		102,797	102,797	
Extraordinary Aid				5,463	5,463
Nonpublic Transportation				1,436	1,436
TPAF Non Contributory Insurance (On-Behalf - Non-Budgeted)				12,614	12,614
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				267,929	267,929
TPAF Social Security (Reimbursed - Non-Budgeted)				290,949	290,949
Total State Sources	2,998,625		2,998,625	3,577,016	578,391
Federal Sources:					
Medicaid Assistance Program	13,028		13,028	15,274	2,246
Total Federal Sources	13,028		13,028	15,274	2,246
Total Revenue	7,373,369		7,373,369	8,028,911	655,542

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Current Expense:					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 104,875	\$ 56,000	\$ 160,875	\$ 158,629	\$ 2,246
Grades 1-5 - Salaries of Teachers	1,103,879	72,000	1,175,879	1,170,887	4,992
Grades 6-8 - Salaries of Teachers	730,769	(71,000)	659,769	657,083	2,686
Regular Programs - Home Instruction:					
Salaries of Teachers	1,000		1,000	666	334
Other Purchased Services	1,000		1,000		1,000
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	11,120	(3,000)	8,120	3,652	4,468
Other Purchased Services	16,000		16,000	11,298	4,702
General Supplies	81,800	(18,300)	63,500	61,130	2,370
Textbooks	18,000	(5,700)	12,300	12,270	30
Other Objects	3,000		3,000	930	2,070
Total Regular Programs - Instruction	2,071,443	30,000	2,101,443	2,076,545	24,898
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	265,808	26,200	292,008	291,265	743
Other Salaries for Instruction	45,925	38,000	83,925	78,882	5,043
General Supplies	6,600	(2,000)	4,600	4,517	83
Total Learning and/or Language Disabilities	318,333	62,200	380,533	374,664	5,869
Behavioral Disabilities:					
Salaries of Teachers		15,000	15,000	12,965	2,035
Other Salaries for Instruction		9,000	9,000	1,572	7,428
Total Behavioral Disabilities		24,000	24,000	14,537	9,463
Resource Room/Resource Center:					
Salaries of Teachers	601,925	(79,700)	522,225	519,965	2,260
Other Salaries for Instruction	41,539	(10,500)	31,039	30,850	189
General Supplies	3,000	(2,000)	1,000	796	204
Total Resource Room/Resource Center	646,464	(92,200)	554,264	551,611	2,653

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
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:					
Preschool Disabilities - Part Time:					
Salaries of Teachers	\$ 63,316	\$ 5,000	\$ 68,316	\$ 67,000	\$ 1,316
Other Salaries for Instruction	7,989	(3,500)	4,489	4,195	294
General Supplies	1,500		1,500	1,202	298
Total Preschool Disabilities - Part Time	72,805	1,500	74,305	72,397	1,908
Home Instruction - Special Education					
Salaries of Teachers	2,500	4,801	7,301	7,301	
Purchased Professional-Educational Services	700	(301)	399		399
Total Home Instruction - Special Education	3,200	4,500	7,700	7,301	399
Total Special Education - Instruction	1,040,802		1,040,802	1,020,510	20,292
Basic Skills/Remedial - Instruction:					
Salaries of Teachers		32,000	32,000	28,563	3,437
Total Basic Skills/Remedial - Instruction		32,000	32,000	28,563	3,437
Bilingual Education - Instruction:					
Salaries of Teachers	7,000	17,000	24,000	23,577	423
General Supplies	1,000		1,000	163	837
Total Bilingual Education - Instruction	8,000	17,000	25,000	23,740	1,260
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	20,436	2,500	22,936	21,222	1,714
Supplies and Materials	1,600		1,600	894	706
Other Objects	1,000		1,000	298	702
Transfers to Cover Deficit (Agency Funds)	14,500		14,500	7,881	6,619
Total School-Sponsored Cocurricular Activities - Instruction	37,536	2,500	40,036	30,295	9,741

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
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:					
School-Sponsored Cocurricular Activities - Athletics - Instruction:					
Salaries	\$ 31,585	\$ (500)	\$ 31,085	\$ 30,459	\$ 626
Supplies and Materials	1,600		1,600	630	970
Other Objects		500	500	384	116
Transfers to Cover Deficit (Agency Funds)	3,900		3,900	1,230	2,670
Total School-Sponsored Cocurricular Activities - Athletics - Instruction	37,085		37,085	32,703	4,382
Other Instructional Programs - Summer School - Instruction					
Salaries of Teachers	10,500		10,500	6,269	4,231
Other Salaries of Instruction	1,000		1,000		1,000
General Supplies	200		200		200
Total Other Instructional Programs -Summer School - Instruction	11,700		11,700	6,269	5,431
Total Instruction	3,206,566	81,500	3,288,066	3,218,625	69,441
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Special		2,000	2,000	1,363	637
Tuition to Private School for the Disabled - Within the State	115,483	4,000	119,483	115,654	3,829
Total Undistributed Expenditures - Instruction	115,483	6,000	121,483	117,017	4,466
Health Services:					
Salaries	72,709	(4,200)	68,509	65,830	2,679
Purchased Professional and Technical Services	5,500		5,500	5,000	500
Other Purchased Services (400-500 series)	1,000		1,000	65	935
Supplies and Materials	3,000		3,000	2,751	249
Other Objects	200	200	400	213	187
Total Health Services	82,409	(4,000)	78,409	73,859	4,550

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Other Support Services - Speech, OT, PT and Related Services:					
Salaries	\$ 82,169	\$ (2,000)	\$ 80,169	\$ 79,153	\$ 1,016
Purchased Professional - Educational Services	48,000		48,000	35,277	12,723
Supplies and Materials	2,000		2,000	1,155	845
Total Other Support Services - Speech, OT, PT and Related Services	132,169	(2,000)	130,169	115,585	14,584
Other Support Services - Guidance:					
Salaries of Other Professional Staff	89,452	(4,000)	85,452	84,217	1,235
Salaries of Secretarial and Clerical Assistants	42,452		42,452	41,774	678
Other Purchased Services (400-500 series)	1,450		1,450	222	1,228
Supplies and Materials	1,000		1,000	734	266
Total Other Support Services - Guidance	134,354	(4,000)	130,354	126,947	3,407
Other Support Services - Child Study Teams:					
Salaries of Other Professional Staff	282,329	(12,000)	270,329	268,951	1,378
Salaries of Secretarial and Clerical Assistants	40,483		40,483	38,901	1,582
Other Purchased Professional and Technical Services	500		500		500
Miscellaneous Purchased Services (400-500 series)	2,100		2,100	201	1,899
Supplies and Materials	3,300		3,300	2,505	795
Other Objects	200		200	100	100
Total Other Support Services - Child Study Teams	328,912	(12,000)	316,912	310,658	6,254
Educational Media Services - School Library:					
Salaries	46,946	(24,500)	22,446	22,110	336
Other Purchased Services (400-500 series)	500		500		500
Supplies and Materials	6,000		6,000	5,880	120
Other Objects	500		500	17	483
Total Educational Media Services - School Library	53,946	(24,500)	29,446	28,007	1,439

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Improvement of Instructional Services:					
Salaries of Supervisors of Instruction	\$ 60,933	\$ 3,000	\$ 63,933	\$ 63,014	\$ 919
Salaries of Secretarial and Clerical Assistants	10,771	(1,000)	9,771	9,628	143
Supplies and Materials	1,500		1,500	78	1,422
Other Objects	1,000		1,000	100	900
Total Improvement of Instructional Services	74,204	2,000	76,204	72,820	3,384
Instructional Staff Training Services:					
Purchased Professional - Educational Services	3,000		3,000	1,247	1,753
Other Purchased Services (400-500 series)	14,000		14,000	3,583	10,417
Total Instructional Staff Training Services	17,000		17,000	4,830	12,170
General Administration:					
Salaries	229,571	(1,000)	228,571	227,566	1,005
Legal Services	15,000	2,500	17,500	12,243	5,257
Audit Fees	17,500	1,500	19,000	17,885	1,115
Architectural / Engineering Services	10,600	(8,000)	2,600		2,600
Other Purchased Professional Services	8,000	(4,350)	3,650	3,325	325
Purchased Technical Services	1,000	600	1,600	1,532	68
Communications/Telephone	15,200	1,750	16,950	13,418	3,532
BOE Other Purchased Services	12,000	(8,000)	4,000	1,176	2,824
Other Purchased Services (400-500 series)	30,000	(5,000)	25,000	17,747	7,253
General Supplies	7,000		7,000	4,530	2,470
BOE In-House Training and Meeting Supplies	1,000		1,000	22	978
Miscellaneous Expenditures	6,500		6,500	6,028	472
BOE Membership Dues and Fees	11,500	(6,000)	5,500	4,648	852
Total General Administration	364,871	(26,000)	338,871	310,120	28,751
School Administration:					
Salaries of Principals/Assistant Principals	140,177	(350)	139,827	139,167	660
Salaries of Secretarial and Clerical Assistants	29,788	350	30,138	26,193	3,945

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
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:					
School Administration (Cont'd):					
Other Purchased Services (400-500 series)	\$ 2,500		\$ 2,500	\$ 175	\$ 2,325
Supplies and Materials	5,000	\$ (1,000)	4,000	2,904	1,096
Other Objects	3,000		3,000	979	2,021
Total School Administration	180,465	(1,000)	179,465	169,418	10,047
Central Services:					
Salaries	199,335	(1,000)	198,335	194,559	3,776
Purchased Technical Services	14,500		14,500	12,035	2,465
Miscellaneous Purchased Services (400-500 series)	1,000	1,000	2,000	1,745	255
Supplies and Materials	3,000	5,000	8,000	4,528	3,472
Other Objects	2,400	1,000	3,400	2,633	767
Total Central Services	220,235	6,000	226,235	215,500	10,735
Reequred Maintenance for School Facilities:					
Cleaning, Repair and Maintenance Services	98,855	(20,000)	78,855	78,244	611
Total Required Maintenance for School Facilities	98,855	(20,000)	78,855	78,244	611
Custodial Services:					
Salaries	315,337	(31,100)	284,237	281,071	3,166
Cleaning, Repair and Maintenance Services	26,000	3,300	29,300	25,566	3,734
Other Purchased Property Services	28,800	22,500	51,300	46,282	5,018
Insurance	42,000	(4,500)	37,500	37,291	209
Miscellaneous Purchased Services	1,000		1,000	715	285
General Supplies	55,000	9,500	64,500	63,907	593
Energy (Natural Gas)	14,000		14,000	12,959	1,041
Energy (Electricity)	125,000	(13,000)	112,000	101,627	10,373
Energy (Oil)	100,000	30,000	130,000	129,640	360
Energy (Gasoline)		2,500	2,500	2,381	119
Other Objects	1,000		1,000	684	316
Total Custodial Services	708,137	19,200	727,337	702,123	25,214

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Care and Upkeep of Grounds:					
Salaries	\$ 37,899	\$ 1,800	\$ 39,699	\$ 39,690	\$ 9
Cleaning, Repair and Maintenance Services	2,000	28,000	30,000	28,219	1,781
General Supplies	9,000	5,000	14,000	13,682	318
Other Objects	1,000	(1,000)			
Total Care and Upkeep of Grounds	49,899	33,800	83,699	81,591	2,108
Security:					
Cleaning, Repair and Maintenance Services	1,000	3,000	4,000	3,242	758
Total Security	1,000	3,000	4,000	3,242	758
Student Transportation Services:					
Management Fee - ESC & CTSA Transportation Program	7,500	1,300	8,800	5,900	2,900
Aid in Lieu Payments - Non Public Students	2,000	700	2,700	2,652	48
Contracted Services (Other than Between Home and School)- Vendor:	24,000		24,000	17,481	6,519
Contracted Services (Regular Students) - ESC's & CTSA's	37,000		37,000	35,676	1,324
Contracted Services (Special Education Students) - ESC's & CTSA's	140,000	(15,000)	125,000	103,083	21,917
Total Student Transportation Services	210,500	(13,000)	197,500	164,792	32,708
Unallocated Benefits:					
Regular Instruction:					
Group Insurance		1,500	1,500	892	608
Social Security Contributions	90,000	5,000	95,000	90,846	4,154
Other Retirement Contributions - PERS	67,000	19,812	86,812	86,455	357
Other Retirement Contributions - Regular		1,188	1,188	1,188	
Unemployment Compensation	15,000	10,000	25,000	17,473	7,527
Workmen's Compensation	72,000	(6,000)	66,000	65,093	907
Health Benefits	1,236,797	(258,000)	978,797	957,691	21,106
Tuition Reimbursement	34,700		34,700	17,425	17,275
Other Employee Benefits	30,000	90,000	120,000	115,965	4,035
Total Unallocated Benefits	1,545,497	(136,500)	1,408,997	1,353,028	55,969

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
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>
On-Behalf Contributions:					
TPAF Non Contributory Insurance (On-Behalf - Non-Budgeted)				\$ 12,614	\$ (12,614)
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				267,929	(267,929)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				290,949	(290,949)
Total On-Behalf Contributions				571,492	(571,492)
Total Personal Services - Employee Benefits	\$ 1,545,497	\$ (136,500)	\$ 1,408,997	1,924,520	(515,523)
Total Undistributed Expenditures	4,317,936	(173,000)	4,144,936	4,499,273	(354,337)
Total Current Expense	7,524,502	(91,500)	7,433,002	7,717,898	(284,896)
Capital Outlay:					
Equipment:					
Operation and Maintenance of Plant		76,000	76,000	75,571	429
Instructional Equipment		4,500	4,500	4,259	241
Other Support Services – Students – CST		8,000	8,000	7,686	314.00
Support Services – Instructional Staff		3,000	3,000	1,965	1,035
Total Equipment		91,500	91,500	89,481	2,019
Facilities Acquisition and Construction Services:					
Salaries		6,285	6,285	6,285	
Other Objects	2,230		2,230	2,230	
Construction Services		35,925	35,925	35,925	
Total Facilities Acquisition and Construction Services	2,230	42,210	44,440	44,440	
Total Capital Outlay	2,230	133,710	135,940	133,921	2,019
Transfer of Funds to Charter Schools	90,260		90,260	82,924	7,336
Total Expenditures	7,616,992	42,210	7,659,202	7,934,743	(275,541)
Excess (Deficiency) of Revenue Over (Under) Expenditures	(243,623)	(42,210)	(285,833)	94,168	380,001

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Other Financing Uses					
Operating Transfer Out:					
Transfer to Food Service Fund	\$ (13,500)		\$ (13,500)	\$ (13,500)	
Capital Reserve - Transfer to Capital Projects	(355,000)		(355,000)	(196,969)	\$ 158,031
Total Other Financing Uses	(368,500)		(368,500)	(210,469)	158,031
Excess (Deficiency) of Revenues and Expenditures and Other Financing Uses	(612,123)	\$ (42,210)	(654,333)	(116,301)	538,032
Fund Balance, July 1	997,370		997,370	997,370	
Fund Balance, June 30	\$ 385,247	\$ (42,210)	\$ 343,037	\$ 881,069	\$ 538,032
 Recapitulation:					
Restricted Fund Balances:					
Capital Reserve				\$ 228,142	
Excess Surplus - Designated for Subsequent Year's Expenditures				118,203	
Excess Surplus - Current Year				170,825	
Assigned Fund Balance:					
Designated for Subsequent Year's Expenditures				107,000	
Unassigned Fund Balance				256,899	
				881,069	
Reconciliation to Governmental Funds Statements (GAAP):					
Last State Aid Payment not Recognized on GAAP Basis				(298,787)	
Fund Balance per Governmental Funds (GAAP)				\$ 582,282	

FRANKLIN BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
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		\$ 3,000	\$ 3,000	\$ 3,000	
State Sources	\$ 149,973	(11,728)	138,245	118,133	\$ (20,112)
Federal Sources	316,695	6,672	323,367	323,367	
Total Revenues	<u>466,668</u>	<u>(5,056)</u>	<u>461,612</u>	<u>441,500</u>	<u>(20,112)</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers	108,844	(45,077)	63,767	63,767	
Other Salaries for Instruction	10,035	69,350	79,385	79,385	
Purchased Professional/Technical Services		6,842	6,842	6,842	
Purchased Professional and Educational Services	99,498	(8,831)	90,667	74,221	16,446
Tuition	197,021	(129,732)	67,289	67,289	
Textbooks	12,890	(1,636)	11,254	11,254	
Total Instruction	<u>428,288</u>	<u>(109,084)</u>	<u>319,204</u>	<u>302,758</u>	<u>16,446</u>
Support Services:					
Personal Services - Employee Benefits		9,337	9,337	9,337	
Purchased Professional/Technical Services	16,081	254	16,335	16,335	
Purchased Professional - Educational Services	22,299	88,871	111,170	107,504	3,666
Other Purchased Services		5,566	5,566	5,566	
Supplies and Materials		3,000	3,000	3,000	
Total Support Services	<u>38,380</u>	<u>107,028</u>	<u>145,408</u>	<u>141,742</u>	<u>3,666</u>
Total Expenditures	<u>\$ 466,668</u>	<u>\$ (2,056)</u>	<u>\$ 464,612</u>	<u>\$ 444,500</u>	<u>\$ 20,112</u>

FRANKLIN BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 8,028,911	\$ 441,500
Differences - Budget to GAAP:		
Prior Year State Aid Payments Recognized for GAAP Statements	337,043	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(298,787)</u>	
 Total Revenues as Reported on the Statement of Revenues, Expenditures and and Changes in Fund Balances - Governmental Funds.	 <u>\$ 8,067,167</u>	 <u>\$ 441,500</u>
 Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 7,934,743	\$ 444,500
 Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	 <u>\$ 7,934,743</u>	 <u>\$ 444,500</u>

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

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

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

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

SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)

SPECIAL REVENUE FUND

FRANKLIN BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	No Child Left Behind					
	Title I	Title I - ARRA	Title II Part A Carryover	Title II Part A	Title II Part D Carryover	Title II Part D
REVENUE:						
Local Sources						
State Sources						
Federal Sources	\$ 70,089	\$ 278	\$ 1,035	\$ 29,166	\$ 346	\$ 154
Total Revenue	70,089	278	1,035	29,166	346	154
EXPENDITURES:						
Instruction:						
Salaries of Teachers	38,378			25,389		
Other Salaries for Instruction	16,248					
Purchased Professional/Technical Services	3,150					
Purchased Professional/Educational Services						
Tuition						
Textbooks						
Total Instruction	57,776			25,389		
Support Services:						
Purchased Professional/Technical Services	3,000					
Purchased Professional/Educational Services						
Personal Services - Employee Benefits	5,619			3,718		
Other Purchased Services	3,694	278	1,035	59	346	154
Supplies						
Total Support Services	12,313	278	1,035	3,777	346	154
Total Expenditures	\$ 70,089	\$ 278	\$ 1,035	\$ 29,166	\$ 346	\$ 154

FRANKLIN BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	IDEA Part B				Nonpublic Textbooks	Nonpublic Nursing
	Basic	Basic - ARRA	Preschool	Preschool - Carryover		
REVENUE:						
Local Sources						
State Sources					\$ 11,254	\$ 13,335
Federal Sources	\$ 194,434	\$ 14,728	\$ 10,288	\$ 2,849		
Total Revenue	<u>194,434</u>	<u>14,728</u>	<u>10,288</u>	<u>2,849</u>	<u>11,254</u>	<u>13,335</u>
EXPENDITURES:						
Instruction:						
Salaries of Teachers						
Other Salaries for Instruction	50,000		10,288	2,849		
Purchased Professional/Technical Services						
Purchased Professional/Educational Services						
Tuition	67,289					
Textbooks					11,254	
Total Instruction	<u>117,289</u>		<u>10,288</u>	<u>2,849</u>	<u>11,254</u>	
Support Services:						
Purchased Professional/Technical Services						13,335
Purchased Professional/Educational Services	77,145	14,728				
Personal Services - Employee Benefits						
Other Purchased Services						
Supplies						
Total Support Services	<u>77,145</u>	<u>14,728</u>				<u>13,335</u>
Total Expenditures	<u>\$ 194,434</u>	<u>\$ 14,728</u>	<u>\$ 10,288</u>	<u>\$ 2,849</u>	<u>\$ 11,254</u>	<u>\$ 13,335</u>

FRANKLIN BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Nonpublic Handicapped Services</u>			<u>Nonpublic Auxiliary Services</u>		
	<u>Examination & Classification</u>	<u>Corrective Speech</u>	<u>Supplemental Instruction</u>	<u>Compensatory Education</u>	<u>ESL</u>	<u>Home Instruction</u>
REVENUE:						
Local Sources						
State Sources	\$ 15,631	\$ 13,925	\$ 12,576	\$ 47,720	\$ 854	\$ 2,838
Federal Sources						
Total Revenue	<u>15,631</u>	<u>13,925</u>	<u>12,576</u>	<u>47,720</u>	<u>854</u>	<u>2,838</u>
EXPENDITURES:						
Instruction:						
Salaries of Teachers						
Other Salaries for Instruction						
Purchased Professional/Technical Services					854	2,838
Purchased Professional/Educational Services		13,925	12,576	47,720		
Tuition						
Textbooks						
Total Instruction		<u>13,925</u>	<u>12,576</u>	<u>47,720</u>	<u>854</u>	<u>2,838</u>
Support Services:						
Purchased Professional/Technical Services						
Purchased Professional/Educational Services	15,631					
Personal Services - Employee Benefits						
Other Purchased Services						
Supplies						
Total Support Services	<u>15,631</u>					
Total Expenditures	<u>\$ 15,631</u>	<u>\$ 13,925</u>	<u>\$ 12,576</u>	<u>\$ 47,720</u>	<u>\$ 854</u>	<u>\$ 2,838</u>

FRANKLIN BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Principal Grant</u>	<u>Totals</u>
REVENUE:		
Local Sources	\$ 3,000	\$ 3,000
State Sources		118,133
Federal Sources		323,367
	<hr/>	<hr/>
Total Revenue	3,000	444,500
	<hr/>	<hr/>
EXPENDITURES:		
Instruction:		
Salaries of Teachers		63,767
Other Salaries for Instruction		79,385
Purchased Professional/Technical Services		6,842
Purchased Professional/Educational Services		74,221
Tuition		67,289
Textbooks		11,254
		<hr/>
Total Instruction		302,758
		<hr/>
Support Services:		
Purchased Professional/Technical Services		16,335
Purchased Professional/Educational Services		107,504
Personal Services - Employee Benefits		9,337
Other Purchased Services		5,566
Supplies	3,000	3,000
		<hr/>
Total Support Services	3,000	141,742
	<hr/>	<hr/>
Total Expenditures	\$ 3,000	\$ 444,500
	<hr/>	<hr/>

FRANKLIN BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
PRESCHOOL EDUCATION AID SCHEDULE OF EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOT APPLICABLE

CAPITAL PROJECTS FUND

FRANKLIN BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Revenue and Other Financing Sources:	
State Sources - SDA Grant	\$ 157,531
Total Revenues	<u>157,531</u>
Expenditures:	
Other Purchased Professional Technical Services	25,414
Construction Services	<u>208,550</u>
Total Expenditures	<u>233,964</u>
Excess (Deficiency) of Revenue and Other Financing Sources Over (Under) Expenditures	(76,433)
Other Financing Uses:	
Operating Transfer In - General Fund - Capital Reserve	<u>196,969</u>
Total Other Financing Uses	<u>196,969</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources	120,536
Fund Balance - Beginning Balance	<u>- 0 -</u>
Fund Balance - Ending Balance	<u>\$ 120,536</u>
Recapitulation:	
Unassigned Fund Balance	\$ 120,536
Reconciliation to Governmental Funds Statements (GAAP):	
SDA Grant Receivable not Recognized on the GAAP Basis	<u>(157,531)</u>
Fund Balance per Governmental Funds (GAAP)	<u>\$ (36,995)</u>

FRANKLIN BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE PROJECT OF REVENUES, EXPENDITURES, PROJECT BALANCES
AND PROJECT STATUS - BUDGETARY BASIS
FRANKLIN ELEMENTARY SCHOOL ROOF REPLACEMENT
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Total</u>	<u>Authorized Cost</u>
Revenue and Other Financing Sources:				
Transfer from Capital Reserve		\$ 196,969	\$ 196,969	\$ 196,969
SDA Grant		157,531	157,531	157,531
Total Revenues & Other Financing Sources		<u>354,500</u>	<u>354,500</u>	<u>354,500</u>
Expenditures and Other Financing Uses:				
Legal Services.		3,433	3,433	10,000
Architectural/Engineering Services		21,981	21,981	29,500
Construction Services		208,550	208,550	315,000
Total Expenditures		<u>233,964</u>	<u>233,964</u>	<u>354,500</u>
Excess of Revenue Over Expenditures	<u>\$ - 0 -</u>	<u>\$ 120,536</u>	<u>\$ 120,536</u>	<u>\$ - 0 -</u>

Additional Project Information:

Project Number	1570-060-10-1001
Grant Date	10/10/2010
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 354,500
Additional Authorized Cost	\$ - 0 -
Revised Authorized Cost	\$ 354,500
% Increase over Original Authorized Cost	0%
% Completion	66%
Original Target Completion Date	August 2011
Revised Target Completion Date	Not Applicable

PROPRIETARY FUNDS

Exhibit G-1

FRANKLIN BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
COMBINING STATEMENT OF NET ASSETS
AS OF JUNE 30, 2011

ASSETS:

Current Assets:	
Cash and Cash Equivalents	\$ 41,230
Intergovernmental Accounts Receivable:	
Federal	5,915
State	187
Inventories	2,991
	<hr/>
Total Current Assets	50,323
	<hr/>
Non-Current Assets:	
Capital Assets	77,809
Less: Accumulated Depreciation	(44,365)
	<hr/>
Total Non-Current Assets	33,444
	<hr/>
Total Assets	83,767
	<hr/>

LIABILITIES:

Current Liabilities:	
Deferred Revenue	1,028
	<hr/>
Total Current Liabilities	1,028
	<hr/>

NET ASSETS:

Investment in Capital Assets Net of Related Debt	33,444
Unrestricted	49,295
	<hr/>
Total Net Assets	\$ 82,739
	<hr/> <hr/>

Exhibit G-2

FRANKLIN BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 48,492
Daily Sales - Non-Reimbursable Programs	21,452
Special Functions	2,541
	<hr/>
Total Operating Revenue	72,485
	<hr/>
Operating Expenses:	
Cost of Sales	62,028
Salaries, Benefits and Payroll Taxes	48,896
Supplies and Other Costs	23,725
Management Fee	15,255
Administration and Supervision Fee	8,216
Depreciation Expense	3,071
	<hr/>
Total Operating Expenses	161,191
	<hr/>
Operating Loss	(88,706)
	<hr/>
Non-Operating Income:	
Local Sources:	
Interest Income	1,263
Board Contribution	13,500
State Sources:	
State School Lunch Program	2,207
Federal Sources:	
National School Breakfast Program	6,650
National School Lunch Program	66,306
Food Distribution Program	14,721
	<hr/>
Total Non-Operating Income	104,647
	<hr/>
Change in Net Assets Before Deletion of Assets	15,941
	<hr/>
Deletion of Capital Assets, Net	3,265
	<hr/>
Change in Net Assets	19,206
	<hr/>
Net Assets - Beginning of Year	63,533
	<hr/>
Net Assets - End of Year	\$ 82,739
	<hr/> <hr/>

FRANKLIN BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 69,944
Other Receipts	2,541
Payments to Food Service Vendor	(147,012)
Payments to Suppliers	<u>(7,708)</u>
Net Cash Used for Operating Activities	<u>(82,235)</u>
Cash Flows from Investing Activities:	
Local Sources:	
Interest Income	<u>1,263</u>
Net Cash Provided by Investing Activities	<u>1,263</u>
Cash Flows from Noncapital Financing Activities:	
State and Federal Subsidy Reimbursements	74,662
Board Contribution	<u>13,500</u>
Net Cash Provided by Noncapital Financing Activities	<u>88,162</u>
Net Increase (Decrease) in Cash and Cash Equivalents	7,190
Cash and Cash Equivalents, July 1	<u>34,040</u>
Cash and Cash Equivalents, June 30	<u>\$ 41,230</u>
Reconciliation of Operating Loss to Net Cash Provided by (Used for) Operating Activities:	
Operating Loss	\$ (88,706)
Adjustment to Reconcile Operating Loss to Cash Provided by (Used for) Operating Activities:	
Depreciation	3,071
Food Distribution Program	14,721
Changes in Assets and Liabilities:	
Decrease in Inventories	972
(Decrease) in Deferred Revenue	(895)
(Decrease) in Accounts Payable	<u>(11,398)</u>
Net Cash Used for Operating Activities	<u>\$ (82,235)</u>

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received commodities valued at \$13,825 and utilized commodities valued at \$14,721 from the Federal Food Distribution Program for the fiscal year ended June 30, 2011.

FIDUCIARY FUNDS

FRANKLIN BOROUGH SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2011

	<u>Student Activities Agency Fund</u>	<u>Payroll Agency Fund</u>	<u>Total Agency</u>
ASSETS:			
Cash and Cash Equivalents	\$ 200	\$ 109	\$ 309
Total Assets	<u>200</u>	<u>109</u>	<u>309</u>
LIABILITIES:			
Due to Student Groups	200		200
Payroll Deductions and Withholdings		<u>109</u>	<u>109</u>
Total Liabilities	<u>200</u>	<u>109</u>	<u>309</u>
Total Net Assets	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>

Exhibit H-2

FRANKLIN BOROUGH SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Private Purpose Scholarship Trust</u>
Deductions:	
Transferred to the Franklin Education Foundation, Inc.	<u>\$ 100,789</u>
Total Deductions	<u>100,789</u>
Change in Net Assets	(100,789)
Net Assets - Beginning of the Year	<u>100,789</u>
Net Assets - End of the Year	<u><u>\$ - 0 -</u></u>

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

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 200	\$ 32,632	\$ 32,632	\$ 200
Total Assets	<u>\$ 200</u>	<u>\$ 32,632</u>	<u>\$ 32,632</u>	<u>\$ 200</u>
<u>LIABILITIES:</u>				
Due to Student Groups	\$ 200	\$ 32,632	\$ 32,632	\$ 200
Total Liabilities	<u>\$ 200</u>	<u>\$ 32,632</u>	<u>\$ 32,632</u>	<u>\$ 200</u>

FRANKLIN BOROUGH SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY

	<u>Balance</u> <u>July 1, 2010</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2011</u>
Franklin Elementary School	\$ 200	\$ 32,632	\$ 32,632	\$ 200
Total All Schools	<u>\$ 200</u>	<u>\$ 32,632</u>	<u>\$ 32,632</u>	<u>\$ 200</u>

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

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 344	\$ 2,201,348	\$ 2,201,583	\$ 109
Total Assets	<u>\$ 344</u>	<u>\$ 2,201,348</u>	<u>\$ 2,201,583</u>	<u>\$ 109</u>
<u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	\$ 344	\$ 2,201,348	\$ 2,201,583	\$ 109
Total Liabilities	<u>\$ 344</u>	<u>\$ 2,201,348</u>	<u>\$ 2,201,583</u>	<u>\$ 109</u>

LONG-TERM DEBT
(NOT APPLICABLE)

STATISTICAL SECTION

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

Contents

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

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

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

	Fiscal Year Ending June 30,							
	2004	2005	2006	2007	2008	2009	2010	2011
Governmental Activities:								
Invested in Capital Assets, Net of Related Debt	\$ 1,067,192	\$ 1,356,299	\$ 1,246,182	\$ 1,172,036	\$ 1,069,154	\$ 704,625	\$ 627,994	\$ 920,686
Restricted	615,537	268,709	386,357	616,716	562,149	612,258	740,616	587,175
Unrestricted/(Deficit)	(189,471)	(184,747)	(232,707)	(255,116)	(212,837)	(276,556)	(458,905)	(356,270)
Total Governmental Activities Net Assets	\$ 1,493,258	\$ 1,440,261	\$ 1,399,832	\$ 1,533,636	\$ 1,418,466	\$ 1,040,327	\$ 909,705	\$ 1,151,591
Business-Type Activities:								
Invested in Capital Assets, Net of Related Debt	\$ 18,646	\$ 24,291	\$ 22,150	\$ 20,009	\$ 17,868	\$ 32,381	\$ 33,250	\$ 33,444
Unrestricted	36,030	22,407	31,975	42,104	47,769	25,149	30,283	49,295
Total Business-Type Activities Net Assets	\$ 54,676	\$ 46,698	\$ 54,125	\$ 62,113	\$ 65,637	\$ 57,530	\$ 63,533	\$ 82,739
District-Wide:								
Invested in Capital Assets, Net of Related Debt	\$ 1,085,838	\$ 1,380,590	\$ 1,268,332	\$ 1,192,045	\$ 1,087,022	\$ 737,006	\$ 661,244	\$ 954,130
Restricted	615,537	268,709	386,357	616,716	562,149	612,258	740,616	587,175
Unrestricted/(Deficit)	(153,441)	(162,340)	(200,732)	(213,011)	(165,068)	(251,407)	(428,622)	(306,975)
Total District Net Assets	\$ 1,547,934	\$ 1,486,959	\$ 1,453,957	\$ 1,595,750	\$ 1,484,103	\$ 1,097,857	\$ 973,238	\$ 1,234,330

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

Source: Franklin Borough School District Financial Reports.

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

	Fiscal Year Ending June 30,							
	2004	2005	2006	2007	2008	2009	2010	2011
Expenses:								
Governmental Activities								
Instruction:								
Regular	\$ 3,177,845	\$ 3,087,670	\$ 3,263,431	\$ 3,663,672	\$ 3,608,723	\$ 3,374,985	\$ 3,349,066	\$ 3,155,336
Special Education	1,168,369	1,301,392	1,353,091	1,247,748	1,475,135	1,579,089	1,934,292	1,550,014
Other Special Instruction	29,115	37,856	36,468	142,523	130,941	69,412	40,110	76,230
School-Sponsored/Other Instruction	56,253	61,543	72,906			98,114	89,831	98,470
Support Services:								
Tuition	9,593	43,419	11,833	15,238	64,761	83,798	42,099	184,306
Student & Instruction Related Services	850,906	1,014,817	990,090	1,023,438	1,223,371	1,086,659	1,043,264	1,081,777
School Administrative Services	253,259	298,980	282,008	270,550	199,635	460,309	230,039	242,250
General Administrative Services	337,703	401,248	412,224	654,837	402,653	211,741	389,916	321,201
Central Services	216,050	236,020	244,433		270,615	272,892	280,445	270,751
Plant Operations and Maintenance	859,859	953,183	960,089	1,165,752	1,052,540	951,174	943,438	964,376
Pupil Transportation	186,269	198,228	177,711	143,485	167,418	162,668	191,968	164,792
Unallocated Depreciation	86,510	87,625	95,871	91,855	101,065	306,207	76,131	59,532
Capital Outlay							3,390	4,322
Charter Schools	11,488	16,537	8,638		24,597	54,608	61,336	82,924
Total Governmental Activities Expenses	7,243,219	7,738,518	7,908,793	8,419,098	8,721,453	8,711,656	8,675,325	8,256,281
Business-Type Activities:								
Food Service	144,445	143,892	143,328	136,170	142,731	184,532	191,947	161,191
Total Business-type Activities Expense	144,445	143,892	143,328	136,170	142,731	184,532	191,947	161,191
Total District Expenses	\$ 7,387,664	\$ 7,882,410	\$ 8,052,121	\$ 8,555,268	\$ 8,864,184	\$ 8,896,188	\$ 8,867,272	\$ 8,417,472

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

	Fiscal Year Ending June 30,							
	2004	2005	2006	2007	2008	2009	2010	2011
Program Revenues								
Governmental Activities:								
Charges for Services:								
Tuition	\$ 56,628	\$ 88,948	\$ 42,151	\$ 28,081	\$ 11,038	\$ 10,634	\$ 38,586	\$ 41,574
Plant operations and maintenance	3,300	4,200	4,200					
Operating Grants and Contributions	4,782			434,058	433,852	1,275,574	1,489,754	1,327,145
Total Governmental Activities Program Revenues	<u>64,710</u>	<u>93,148</u>	<u>46,351</u>	<u>462,139</u>	<u>444,890</u>	<u>1,286,208</u>	<u>1,528,340</u>	<u>1,368,719</u>
Business-Type Activities:								
Charges for Services:								
Food Service	\$ 88,425	\$ 86,140	\$ 84,737	\$ 80,480	\$ 91,055	\$ 93,689	\$ 102,756	\$ 72,485
Operating Grants and Contributions	48,519	48,895	51,497	48,688	54,436	64,531	81,335	89,884
Total Business-type Activities Program Revenues	<u>136,944</u>	<u>135,035</u>	<u>136,234</u>	<u>129,167</u>	<u>145,490</u>	<u>158,220</u>	<u>184,091</u>	<u>162,369</u>
Total District Program Revenues	<u>\$ 201,654</u>	<u>\$ 228,183</u>	<u>\$ 182,585</u>	<u>\$ 591,306</u>	<u>\$ 590,380</u>	<u>\$ 1,444,428</u>	<u>\$ 1,712,431</u>	<u>\$ 1,531,088</u>
Net (Expense)/Revenue								
Governmental Activities	\$ (7,178,509)	\$ (7,645,370)	\$ (7,862,442)	\$ (7,956,960)	\$ (8,276,563)	\$ (7,425,448)	\$ (7,146,985)	\$ (6,887,562)
Business-type Activities	(7,501)	(8,857)	(7,094)	(7,002)	2,759	(26,312)	(7,856)	1,178
Total District-wide Net Expense	<u>\$ (7,186,010)</u>	<u>\$ (7,654,227)</u>	<u>\$ (7,869,536)</u>	<u>\$ (7,963,962)</u>	<u>\$ (8,273,804)</u>	<u>\$ (7,451,760)</u>	<u>\$ (7,154,841)</u>	<u>\$ (6,886,384)</u>

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

	Fiscal Year Ending June 30,							
	2004	2005	2006	2007	2008	2009	2010	2011
General Revenues and Other Changes in Net Assets								
Governmental Activities:								
Property Taxes Levied for General Purposes, net	\$ 3,605,689	\$ 3,524,992	\$ 3,677,456	\$ 3,852,608	\$ 3,906,712	\$ 4,062,980	\$ 4,155,498	\$ 4,321,716
Unrestricted Grants and Contributions	3,810,823	4,036,168	4,135,833	4,112,363	4,221,129	2,953,706	2,791,040	2,747,901
Investment Earnings	11,878	19,132	31,442	42,708	26,338	33,610	43,404	40,331
Prior Period Adjustment				72,822				
Miscellaneous Income	4,520	22,687	1,557	23,764	7,212	13,964	39,921	33,000
Transfers	(18,004)	(10,606)	(24,275)	(13,500)		(16,950)	(13,500)	(13,500)
Total Governmental Activities	7,414,906	7,592,373	7,822,013	8,090,764	8,161,392	7,047,310	7,016,363	7,129,448
Business-Type Activities:								
Investment Earnings	597	879	1,021	1,490	765	1,255	1,219	1,263
Transfers/Other	13,500		13,500	13,500		16,950	12,640	16,765
Total Business-Type Activities	14,097	879	14,521	14,990	765	18,205	13,859	18,028
Total District-Wide	\$ 7,429,003	\$ 7,593,252	\$ 7,836,534	\$ 8,105,754	\$ 8,162,157	\$ 7,065,515	\$ 7,030,222	\$ 7,147,476
Change in Net Assets:								
Governmental Activities	\$ 236,397	\$ (52,997)	\$ (40,429)	\$ 133,804	\$ (115,171)	\$ (378,138)	\$ (130,622)	\$ 241,886
Business-type Activities	6,596	(7,978)	7,427	7,988	3,524	(8,107)	6,003	19,206
Total District	\$ 242,993	\$ (60,975)	\$ (33,002)	\$ 141,792	\$ (111,647)	\$ (386,245)	\$ (124,619)	\$ 261,092

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

Source: Franklin Borough School District Financial Reports.

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

	Fiscal Year Ending June 30,							
	2004	2005	2006	2007	2008	2009	2010	2011
General Fund:								
Reserved/Restricted	\$ 237,496	\$ 269,802	\$ 386,357	\$ 616,716	\$ 457,148	\$ 612,258	\$ 740,616	\$ 517,170
Assigned:								
Designated for Subsequent Year's Expenditures								65,112
Unreserved	236,242	194,143	162,381	93,775	191,940	93,838	(80,289)	
Total General Fund	<u>\$ 473,738</u>	<u>\$ 463,945</u>	<u>\$ 548,738</u>	<u>\$ 710,491</u>	<u>\$ 649,088</u>	<u>\$ 706,096</u>	<u>\$ 660,327</u>	<u>\$ 582,282</u>
All Other Governmental Funds:								
Unassigned (Deficit)								\$ (36,995)
Unreserved	\$ 378,041	\$ (1,093)			\$ (2,129)			
Total All Other Governmental Funds	<u>\$ 378,041</u>	<u>\$ (1,093)</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ (2,129)</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ (36,995)</u>

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

Source: Franklin Borough School District Financial Reports.

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

	Fiscal Year Ended June 30,									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues:										
Tax Levy	\$ 3,322,352	\$ 3,489,753	\$ 3,605,689	\$ 3,524,992	\$ 3,677,456	\$ 3,852,608	\$ 3,906,712	\$ 4,062,980	\$ 4,155,498	\$ 4,321,716
Tuition Charges	53,685	42,120	56,628	88,948	42,151	28,081	11,038	10,634	38,586	41,574
Interest Earnings	17,352	13,743	14,162	19,133	31,442	42,708	26,338	33,610	43,404	39,795
Miscellaneous	9,401	9,481	12,602	26,886	5,757	23,764	7,212	13,964	39,921	36,536
State Sources	3,206,618	3,601,483	3,538,680	3,810,747	3,889,579	4,169,003	4,376,185	3,895,106	3,289,446	3,733,405
Federal Sources	259,965	253,514	272,143	225,421	246,254	377,417	278,796	334,174	991,349	338,641
Total Revenue	6,869,373	7,410,094	7,499,904	7,696,127	7,892,639	8,493,581	8,606,281	8,350,468	8,558,204	8,511,667
Expenditures										
Instruction:										
Regular Instruction	2,569,136	2,616,342	2,545,106	2,328,555	2,372,212	2,608,889	2,606,850	2,514,183	2,523,947	2,248,877
Special Education Instruction	845,617	870,091	912,916	964,547	991,168	921,081	987,049	1,181,824	1,398,665	1,083,647
Other Special Education	28,394	18,153	22,734	27,964	26,656	98,968	100,937	49,989	26,330	52,303
Co-Curricular Activities & Athletics	34,584	41,444	44,947	46,534	48,707			80,168	72,157	69,267
Other Instruction	2,801	2,732			5,864					
Support Services:										
Tuition	77,428	27,103	9,593	43,419	11,833	15,238	64,761	83,798	42,099	184,306
Student & Instruction Related Services	601,988	759,500	698,317	815,483	772,334	758,702	871,814	797,449	798,512	874,448
General Administrative Services	287,808	335,595	288,735	338,573	344,292	478,346	300,284	315,170	305,181	310,120
School Administrative Services	228,529	224,177	200,612	224,488	208,491	204,083	146,485	153,949	162,713	169,418
Central Services	148,437	153,999	171,842	178,523	183,139		185,635	207,710	210,775	215,500
Plant Operations and Maintenance	682,542	687,480	760,854	832,897	830,548	852,923	890,995	833,376	835,073	865,200
Student Transportation	206,999	190,237	186,269	198,228	177,711	143,485	167,418	162,668	191,968	164,792
Unallocated Benefits	1,085,702	1,382,819	1,347,011	1,661,452	1,794,615	2,177,786	2,316,598	1,839,489	1,944,327	1,924,520
Charter Schools	33,008	46,017	11,488	16,537	8,638		6,390	54,608	61,336	82,924
Capital Outlay	29,003	12,079	150,886	397,248	6,270	58,828	24,597		17,390	367,885
Total Expenditures	6,861,976	7,367,768	7,351,310	8,074,448	7,782,478	8,318,328	8,669,812	8,274,381	8,590,473	8,613,207
Excess/(Deficiency) of Revenue										
Over/(Under) Expenditures	7,397	42,326	148,594	(378,321)	110,161	175,253	(63,531)	76,087	(32,269)	(101,540)

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

	Fiscal Year Ended June 30,									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Other Financing Sources/(Uses):										
Transfers In		\$ 217,947								
Transfers Out	\$ (21,384)	(263,661)	\$ (20,288)	\$ (10,606)	\$ (24,275)	\$ (13,500)		\$ (16,950)	\$ (13,500)	\$ (13,500)
Total Other Financing Sources/(Uses)	(21,384)	(45,714)	(20,288)	(10,606)	(24,275)	(13,500)		(16,950)	(13,500)	(13,500)
Net Change in Fund Balances	\$ (13,987)	\$ (3,388)	\$ 128,306	\$ (388,927)	\$ 85,886	\$ 161,753	\$ (63,531)	\$ 59,137	\$ (45,769)	\$ (115,040)
Debt Service as a Percentage of Noncapital Expenditures	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Tuition</u>	<u>Rentals - Use of</u> <u>Facilities</u>	<u>Prior Year</u> <u>Refunds</u>	<u>Donations</u>	<u>Other</u>	<u>Total</u>
2002	\$ 9,508	\$ 53,685	\$ 2,250	\$ 3,413	\$ 1,966	\$ 1,772	\$ 72,594
2003	8,111	42,120	1,500		6,079	1,902	59,712
2004	10,302	56,628	3,300	3,193	4,782	1,327	79,532
2005	16,778	88,948	4,200	2,067		20,619	132,612
2006	31,442	42,151	4,200	501		1,056	79,350
2007	42,708	28,081				23,764	94,553
2008	26,338	11,038				7,212	44,588
2009	33,610	10,634				13,964	58,208
2010	43,404	38,586				39,921	121,911
2011	40,331	41,574	1,500			31,500	114,905

Source: Franklin Borough School District Financial Reports.

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

Year Ended December 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Public Utilities ^a	Net Valuation Taxable	Tax-Exempt Property	Total Assessed Value	Total Direct School Tax Rate ^b	Actual (County Equalized Value)
2001	\$ 5,396,400	\$ 158,539,600	\$ 1,979,400	\$ 129,100	\$ 47,557,100	\$ 6,862,200	\$ 5,035,200	\$ 2,710,322	\$ 228,209,322	\$ 37,923,000	\$ 266,132,322	\$ 1.46	\$ 228,209,322
2002	5,384,500	158,512,000	2,462,400	138,100	48,400,700	6,862,200	5,035,200	2,811,821	229,606,921	36,843,000	266,449,921	1.48	271,914,791
2003	8,017,600	158,936,300	2,625,100	137,100	45,485,000	6,862,200	5,035,200	3,450,397	230,548,897	37,252,600	267,801,497	1.54	302,112,079
2004	8,019,500	160,745,400	2,625,100	127,900	44,956,800	6,862,200	4,994,300	2,699,727	231,030,927	37,597,900	268,628,827	1.54	336,600,819
2005	5,889,700	162,777,200	2,225,900	143,300	58,002,400	6,966,000	4,994,300	2,331,278	243,330,078	25,724,100	269,054,178	1.48	438,179,636
2006	5,341,000	164,173,400	2,225,900	150,700	56,260,000	7,200,700	4,759,700	2,382,655	242,494,055	26,081,500	268,575,555	1.55	490,624,029
2007	5,977,900	165,345,500	2,519,000	155,700	56,514,700	6,506,000	3,588,200	2,410,024	243,017,024	25,376,200	268,393,224	1.60	519,220,975
2008	5,669,800	166,086,500	2,519,000	155,700	57,469,500	6,506,000	3,433,500	1,759,787	243,599,787	25,136,100	268,735,887	1.60	507,321,166
2009	6,183,400	166,411,300	2,351,500	156,000	57,876,100	6,506,000	3,433,500	1,697,057	244,614,857	26,152,000	270,766,857	1.68	530,387,808
2010	[^] 19,202,000	319,440,600	4,444,100	152,800	123,398,300	13,167,700	7,466,200	2,626,313	489,898,013	58,078,400	547,976,413	0.87	513,304,708

[^] - Revaluation of property was effective.

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

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

^b Tax rates are per \$100 of Assessed Valuation.

Source: Franklin Borough Tax Assessor.

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

Year Ended December 31,	Direct Rate			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Municipality	County	Regional High School	
2001	\$ 1.456		\$ 1.456	\$ 0.910	\$ 0.625	\$ 0.639	\$ 3.630
2002	1.484		1.484	1.010	0.661	0.755	3.910
2003	1.540		1.540	1.008	0.691	0.841	4.080
2004	1.544		1.544	0.999	0.704	0.843	4.090
2005	1.480		1.480	1.015	0.690	0.795	3.980
2006	1.553		1.553	1.086	0.773	0.818	4.230
2007	1.597		1.597	1.220	0.836	0.857	4.510
2008	1.601		1.601	1.342	0.830	0.860	4.633
2009	1.680		1.680	1.471	0.801	0.737	4.689
2010	0.865 [^]		0.865 [^]	0.860 [^]	0.443 [^]	0.372 [^]	2.540

[^] - Revaluation of property was effective.

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

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

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

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

<u>Taxpayer</u>	<u>2010</u>			<u>2001</u>		
	<u>Assessed Value</u>	<u>Rank</u>	<u>% of Total District Net Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>% of Total District Net Assessed Value</u>
Wal-Mart	\$ 14,210,200	1	2.90%	Information is not Available		
Franklin 23	10,621,200	2	2.17%			
Weis Markets, Inc.	9,128,000	3	1.86%			
Transbanc International Corp	9,057,700	4	1.85%			
MD3, LLC	5,056,600	5	1.03%			
Sterling Plaza, Inc	4,875,700	6	1.00%			
Hillside Estates at Franklin	4,839,000	7	0.99%			
Wurtsboro Associates	4,784,500	8	0.98%			
Braen Aggregates, LLC	4,623,600	9	0.94%			
KAJ Franklin, LLC	3,496,700	10	0.71%			
Total	\$ 70,693,200		14.43%			

Source: Franklin Borough Tax Assessor.

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

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Taxes Levied</u> <u>for the</u> <u>Fiscal Year</u>	<u>Collected within the Fiscal</u> <u>Year of the Levy^a</u>		<u>Collections in</u> <u>Subsequent</u> <u>Years</u>
		<u>Amount</u>	<u>Percentage</u> <u>of Levy</u>	
2002	\$ 3,322,352	\$ 3,322,352	100.00%	-0-
2003	3,489,753	3,489,753	100.00%	-0-
2004	3,605,689	3,605,689	100.00%	-0-
2005	3,524,992	3,524,992	100.00%	-0-
2006	3,677,456	3,677,456	100.00%	-0-
2007	3,852,608	3,852,608	100.00%	-0-
2008	3,906,712	3,906,712	100.00%	-0-
2009	4,062,980	4,062,980	100.00%	-0-
2010	4,155,498	4,155,498	100.00%	-0-
2011	4,321,716	4,321,716	100.00%	-0-

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

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

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

Fiscal Year Ended June 30,	Governmental Activities			Business- Type Activities	Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases			
2002	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	N/A	N/A
2003	-0-	-0-	-0-	-0-	-0-	N/A	N/A
2004	-0-	-0-	-0-	-0-	-0-	N/A	N/A
2005	-0-	-0-	-0-	-0-	-0-	N/A	N/A
2006	-0-	-0-	-0-	-0-	-0-	N/A	N/A
2007	-0-	-0-	-0-	-0-	-0-	N/A	N/A
2008	-0-	-0-	-0-	-0-	-0-	N/A	N/A
2009	-0-	-0-	-0-	-0-	-0-	N/A	N/A
2010	-0-	-0-	-0-	-0-	-0-	N/A	N/A
2011	-0-	-0-	-0-	-0-	-0-	N/A	N/A

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

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

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions				
2002	\$ - 0 -	\$ - 0 -	\$ - 0 -		0.00%	N/A
2003	- 0 -	- 0 -	- 0 -		0.00%	N/A
2004	- 0 -	- 0 -	- 0 -		0.00%	N/A
2005	- 0 -	- 0 -	- 0 -		0.00%	N/A
2006	- 0 -	- 0 -	- 0 -		0.00%	N/A
2007	- 0 -	- 0 -	- 0 -		0.00%	N/A
2008	- 0 -	- 0 -	- 0 -		0.00%	N/A
2009	- 0 -	- 0 -	- 0 -		0.00%	N/A
2010	- 0 -	- 0 -	- 0 -		0.00%	N/A
2011	- 0 -	- 0 -	- 0 -		0.00%	N/A

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

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

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

Source: Franklin Borough School District Financial Reports.

FRANKLIN BOROUGH SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2010
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Franklin Borough General Debt	\$ 1,508,824	100.000%	\$ 1,508,824
Sussex County General Obligation Debt	74,528,115	2.765%	2,060,827
Wallkill Valley Regional High School Debt	2,585,000	21.210%	<u>548,279</u>
Subtotal, Overlapping Debt as of December 31, 2010			<u>4,117,930</u>
Total Direct And Overlapping Debt			<u>\$ 4,117,930</u>

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

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

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

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt Limit	\$ 6,847,455	\$ 7,350,597	\$ 7,939,619	\$ 9,661,174	\$ 11,169,600	\$ 12,907,171	\$ 14,480,246	\$ 15,171,662	\$ 15,532,503	\$ 15,445,822
Total Net Debt Applicable to Limit	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
Legal Debt Margin	<u>\$ 6,847,455</u>	<u>\$ 7,350,597</u>	<u>\$ 7,939,619</u>	<u>\$ 9,661,174</u>	<u>\$ 11,169,600</u>	<u>\$ 12,907,171</u>	<u>\$ 14,480,246</u>	<u>\$ 15,171,662</u>	<u>\$ 15,532,503</u>	<u>\$ 15,445,822</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Legal Debt Margin Calculation for Fiscal Year 2011

	Year	Equalized Valuation Basis
	2008	\$ 507,321,166
	2009	526,708,153
	2010	510,552,913
		<u>\$1,544,582,232</u>
Average Equalized Valuation of Taxable Property		\$ 514,860,744
Debt Limit (3% of average equalization value) ^a		\$ 15,445,822
Net Bonded School Debt as of June 30, 2011		- 0 -
Legal Debt Margin		<u>\$ 15,445,822</u>

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

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

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

Year	Population ^a	Per Capita Personal Income ^b	Personal Income ^c	Unemployment Rate ^d
2001	5,168	\$ 38,577	\$ 199,365,936	2.30%
2002	5,176	38,723	200,430,248	3.20%
2003	5,167	39,336	203,249,112	3.50%
2004	5,150	40,819	210,217,850	2.60%
2005	5,130	42,450	217,768,500	4.90%
2006	5,119	45,448	232,648,312	4.90%
2007	5,122	48,474	248,283,828	4.90%
2008	5,095	48,828	248,778,660	6.30%
2009	5,077	47,497	241,142,269	10.30%
2010	5,077 *	47,497 **	241,142,269	11.00%

* - Latest Sussex County population available (2009) was used for calculation purposes.

** - Latest Sussex County per capita income available (2009) was used for calculation purposes.

Sources:

^a Population information provided by the NJ Dept of Labor and Workforce Development.

^b Per capita personal income by municipality estimated based upon the 2000 Census published by the US Bureau of Economic Analysis.

^c Personal income has been estimated based upon the municipal population and per capita personal income presented.

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

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

<u>2010</u>			<u>2001</u>		
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>	<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>
Crystal Springs Golf and Spa Resort	2,000	5.05%	Selective Insurance	954	2.41%
Newton Memorial Hospital	1,490	3.76%	Andover Subacute and Rehab Center	906	2.29%
Selective Insurance	900	2.27%	County of Sussex	815	2.06%
County of Sussex	830	2.10%	Mountain Creek Resort	800	2.02%
Mountain Creek Resort	800	2.02%	Newton Memorial Hospital	757	1.91%
Shop Rite (Ronetco)	697	1.76%	Ronetco Supermarkets	711	1.80%
Ames Rubber Corp	445	1.12%	Vernon Township Bd. of Education	629	1.59%
Walmart	412	1.04%	F.O. Phoenix, Inc.	600	1.52%
Andover Subacute and Rehab Center	300	0.76%	Hopatcong Board of Education	450	1.14%
Sussex County Community College	300	0.76%	Walmart	380	0.96%
	<u>8,174</u>	<u>20.64%</u>		<u>7,002</u>	<u>17.88%</u>
Total Employment - Sussex County	<u>39,602</u>		Total Employment - Sussex County	<u>39,161</u>	

FRANKLIN BOROUGH SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST SEVEN FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)

<u>Function/Program:</u>	Fiscal Year Ending June 30,						
	2005	2006	2007	2008	2009	2010	2011
Instruction:							
Regular	44.4	45.2	46.9	46.7	46.7	46.7	37.3
Special Education	15.0	15.0	16.0	16.0	16.0	16.0	17.0
Other	1.8	1.8	1.7	2.2	2.2	2.2	2.4
Support Services:							
Student & Instruction Related Services	10.1	11.1	7.7	8.7	8.7	7.7	12.6
School Administrative Services	3.2	2.8	3.8	3.0	3.0	3.0	3.0
General Administrative Services	2.1	2.1	2.1	2.1	2.1	2.1	2.1
Central Services	3.2	3.1	3.0	3.0	3.0	3.0	3.0
Plant Operations and Maintenance	7.8	7.8	7.5	7.5	7.5	7.5	6.5
	<u>87.6</u>	<u>88.9</u>	<u>88.7</u>	<u>89.2</u>	<u>89.2</u>	<u>88.2</u>	<u>83.9</u>

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

Source: Franklin Borough School District Financial Reports.

FRANKLIN BOROUGH SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio Elementary Schools	Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
2002	608	\$ 6,835,305	\$ 11,242	9.41%	50.2	N/A	621	592	0.42%	95.34%
2003	582	6,832,973	11,741	4.43%	52.4	N/A	604	573	-2.68%	94.90%
2004	559	7,355,689	13,159	12.08%	51.8	1:11	574	545	-4.97%	94.89%
2005	545	7,200,424	13,212	0.40%	50.8	1:10	556	531	-3.08%	95.45%
2006	532	7,677,200	14,431	9.23%	52.8	1:10	550	524	-1.17%	95.27%
2007	494	7,776,208	15,741	9.08%	52.9	1:9.5	535	509	-2.64%	95.16%
2008	491	7,810,526	15,907	1.06%	53.3	1:11	490	466	-8.43%	95.12%
2009	517	8,274,381	16,005	0.61%	51.3	1:10.1	517	485	5.57%	93.80%
2010	523	8,573,083	16,392	2.42%	51.9	1:10.1	520	495	0.50%	95.19%
2011	522	8,245,322	15,796	-3.64%	44.0	1:11.5	509	479	-2.12%	94.11%

N/A - Information is not available.

Note: Enrollment based on annual October District count.

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

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

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

^d The Cost per Pupil calculated above is the sum of the operating expenditures divided by enrollment. This cost per pupil may be different from State cost per pupil calculations.

Sources: Franklin Borough School District Records.

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

District BuildingFranklin Elementary School:

<u>Fiscal Year</u>	<u>Square Feet</u>	<u>Capacity (Students)</u>	<u>Enrollment</u>
2002	114,480	810	608
2003	114,480	810	582
2004	114,480	810	559
2005	114,480	810	545
2006	114,480	810	532
2007	114,480	810	494
2008	114,480	810	491
2009	114,480	810	517
2010	114,480	810	523
2011	114,480	810	522

Number of Schools at June 30, 2011:

Elementary = 1

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

Source: Franklin Borough School District Records.

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

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

<u>Facility</u>	<u>Project #'(s)</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<u>School Facilities:</u>											
Franklin Elementary	N/A	<u>\$ 119,313</u>	<u>\$ 88,791</u>	<u>\$ 122,910</u>	<u>\$ 177,748</u>	<u>\$ 88,320</u>	<u>\$ 151,484</u>	<u>\$ 132,662</u>	<u>\$ 99,612</u>	<u>\$ 60,413</u>	<u>\$ 78,244</u>

N/A - Not Applicable

FRANKLIN BOROUGH SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2011
UNAUDITED

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

Source: Franklin Borough School District Records.

SINGLE AUDIT SECTION



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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Franklin Borough School District, in the County of Sussex (the "Board") as of, and for the fiscal year ended June 30, 2011, which collectively comprise the School District's basic financial statements and have issued our report thereon dated August 16, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey (the "Department"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

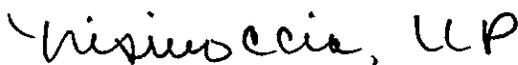
The Honorable President and Members
of the Board of Education
Franklin Borough School District
Page 2

Compliance and Other Matters

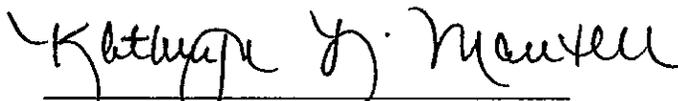
As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

August 16, 2011
Mount Arlington, New Jersey



NISIVOCCA, LLP



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



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

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

Compliance

We have audited the compliance of the Board of Education of the Franklin Borough School District in the County of Sussex (the "Board") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2011. The Board's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs are the responsibility of the Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

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

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

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

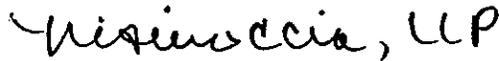
Internal Control Over Compliance

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

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

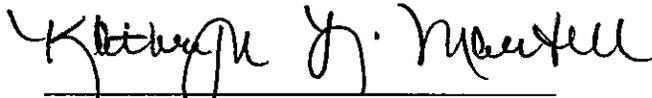
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did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

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



NISIVOCCIA, LLP

August 16, 2011
Mount Arlington, New Jersey



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

**FRANKLIN BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass Through Grantor/ Program Title/ Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2010			Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2011		
					Budgetary Accounts Receivable	Budgetary Deferred Revenue	Due to Grantor				Budgetary Accounts Receivable	Budgetary Deferred Revenue	Due to Grantor
U.S. Department of Education Passed-through State Department of Education:													
Special Revenue Fund:													
Special Education Cluster:													
IDEA Combined Grant:													
I.D.E.A. Part B, Basic	84.027	IDEA157011	9/1/10-8/31/11	\$ 199,547			\$ 179,011	\$ (194,434)		\$ 15,423			
I.D.E.A. Part B, Basic	84.027	IDEA157010	9/1/09-8/31/10	197,021	\$ 12,608		12,608						
I.D.E.A. Part B, Basic - ARRA	84.391	IDEA157011	7/1/09-8/31/11	161,181	3,467		18,195	(14,728)					
I.D.E.A. Part B, Preschool	84.173	IDEA157011	9/1/10-8/31/11	10,288			9,261	(10,288)		1,027			
I.D.E.A. Part B, Preschool - Carryover	84.173	IDEA157010	9/1/09-8/31/11	10,035	999		3,848	(2,849)					
I.D.E.A. Part B, Preschool - ARRA	84.392	IDEA157011	7/1/09-8/31/11	5,819	21		21						
Total Special Education Cluster					17,095		222,944	(222,299)		16,450			
No Child Left Behind Consolidated Grant:													
Title I	84.010A	NCLB157011	9/1/10-8/31/11	83,674			54,127	(70,089)		15,962			
Title I	84.010A	NCLB157010	9/1/09-8/31/10	78,013	18,258		18,258						
Title I - ARRA	84.389	NCLB157010	7/1/09-8/31/11	24,396	5,410		5,688	(278)					
Title II, Part A	84.367A	NCLB157011	9/1/10-8/31/11	30,199			21,893	(29,166)		7,273			
Title II, Part A - Carryover	84.367A	NCLB157010	9/1/09-8/31/11	30,831	6,594		7,629	(1,035)					
Title II, Part D	84.278A	NCLB157011	9/1/10-8/31/11	164			154	(154)					
Title II, Part D - Carryover	84.278A	NCLB157010	9/1/09-8/31/11	795	225		571	(346)					
Title IV	84.186A	NCLB157010	9/1/09-8/31/10	1,928	12		12						
Total Special Revenue Fund					47,594		331,276	(323,367)		39,685			
Total U.S. Department of Education					47,594		331,276	(323,367)		39,685			
U.S. Department of Agriculture:													
Passed-through State Department of Education:													
Child Nutrition Cluster:													
U.S.D.A Commodities Program	10.555	N/A	7/1/10-6/30/11	14,721			13,825	(12,797)			\$ 1,028		
U.S.D.A Commodities Program	10.555	N/A	7/1/09-6/30/10	11,951		\$ 1,924		(1,924)					
National School Lunch Program	10.555	N/A	7/1/10-6/30/11	66,306			61,021	(66,306)		5,285			
National School Lunch Program	10.555	N/A	7/1/09-6/30/10	63,848	4,746		4,746						
National School Breakfast Program	10.553	N/A	7/1/10-6/30/11	6,650			6,020	(6,650)		630			
National School Breakfast Program	10.553	N/A	7/1/09-6/30/10	2,234	556		556						
Total U.S. Department of Agriculture/Child Nutrition Cluster					5,302	1,924	86,168	(87,677)		5,915	1,028		
U.S. Department of Health and Human Services:													
Medicaid Assistance Program	93.778	N/A	7/1/10-6/30/11	15,274			15,274	(15,274)					
Total Federal Awards					\$ 52,896	\$ 1,924	\$ -0-	\$ 432,718	\$ (426,318)	\$ -0-	\$ 45,600	\$ 1,028	\$ -0-

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

**FRANKLIN BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2010			Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2011		MEMO	
				Budgetary Accounts Receivable	Budgetary Deferred Revenue	Due to Grantor				GAAP Accounts Receivable	Due to Grantor	Budgetary Accounts Receivable	Cumulative Total Expenditures
New Jersey Department of Education													
General Fund:													
Equalization Aid	10-495-034-5120-078	7/1/09 - 6/30/10	\$ 1,935,266	\$ 253,279			\$ 253,279						\$ 1,935,266
Transportation Aid	10-495-034-5120-014	7/1/09 - 6/30/10	21,599	2,827			2,827						21,599
Special Education Categorical Aid	10-495-034-5120-089	7/1/09 - 6/30/10	252,438	33,038			33,038						252,438
Security Aid	10-495-034-5120-084	7/1/09 - 6/30/10	41,545	5,437			4,559						41,545
Adjustment Aid	10-495-034-5120-085	7/1/09 - 6/30/10	324,447	42,462			42,462						324,447
Extraordinary Aid	10-100-034-5120-473	7/1/09 - 6/30/10	5,976	5,976			5,976						5,976
Nonpublic Transportation	10-495-035-5120-014	7/1/09 - 6/30/10	778	778			778						778
Equalization Aid	11-495-034-5120-078	7/1/10 - 6/30/11	2,523,956				2,272,466	\$ (2,523,956)			\$ 251,490		2,523,956
Transportation Aid	11-495-034-5120-014	7/1/10 - 6/30/11	42,288				38,074	(42,288)			4,214		42,288
Special Education Categorical Aid	11-495-034-5120-089	7/1/10 - 6/30/11	255,804				230,315	(255,804)			25,489		255,804
Security Aid	11-495-034-5120-084	7/1/10 - 6/30/11	73,780				66,429	(73,780)			7,351		73,780
Adjustment Aid	11-495-034-5120-085	7/1/10 - 6/30/11	102,797				92,554	(102,797)			10,243		102,797
Extraordinary Aid	11-100-034-5120-473	7/1/10 - 6/30/11	5,463					(5,463)		\$ 5,463		5,463	5,463
Nonpublic Transportation	11-495-035-5120-014	7/1/10 - 6/30/11	1,436					(1,436)		1,436		1,436	1,436
Reimbursed TPAF Social Security Contributions	11-495-034-5095-002	7/1/10 - 6/30/11	290,949				290,949	(290,949)					290,949
Total General Fund State Aid				343,797			3,333,706	(3,296,473)		6,899		305,686	5,878,522
Special Revenue Fund:													
New Jersey Nonpublic Aid:													
Textbooks	11-100-034-5120-064	9/1/10 - 6/30/11	11,254				11,254	(11,254)					11,254
Textbooks	10-100-034-5120-064	9/1/09 - 6/30/10	12,890			\$ 996			\$ 996				11,894
Nursing Services	11-100-034-5120-070	9/1/10 - 6/30/11	13,335				13,335	(13,335)					13,335
Handicapped Services:													
Examination & Classification	11-100-034-5120-066	9/1/10 - 6/30/11	19,297				19,297	(15,631)			\$ 3,666		15,631
Examination & Classification	10-100-034-5120-066	9/1/09 - 6/30/10	31,258			3,485			3,485				27,773
Supplementary Instruction	11-100-034-5120-066	9/1/10 - 6/30/11	15,286				15,286	(12,576)			2,710		12,576
Supplementary Instruction	10-100-034-5120-066	9/1/09 - 6/30/10	16,725			1,857			1,857				14,868
Corrective Speech	11-100-034-5120-066	9/1/10 - 6/30/11	15,098				15,098	(13,925)			1,173		13,925
Corrective Speech	10-100-034-5120-066	9/1/09 - 6/30/10	15,244			1,387			1,387				13,857
Auxiliary Services:													
Compensatory Education	11-100-034-5120-067	9/1/10 - 6/30/11	60,283				60,283	(47,720)			12,563		47,720
Compensatory Education	10-100-034-5120-067	9/1/09 - 6/30/10	70,729			63			63				70,666
English as a Second Language	11-100-034-5120-067	9/1/10 - 6/30/11	854				854	(854)					854
English as a Second Language	10-100-034-5120-067	9/1/09 - 6/30/10	489			83			83				406
Home Instruction	N/A	9/1/10 - 6/30/11	2,838					(2,838)			2,838		2,838
Total Special Revenue Fund						7,871	135,407	(118,133)	7,871	2,838	20,112	2,838	257,597

FRANKLIN BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2010			Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2011		MEMO	
				Budgetary Accounts Receivable	Budgetary Deferred Revenue	Due to Grantor				GAAP Accounts Receivable	Due to Grantor	Budgetary Accounts Receivable	Cumulative Total Expenditures
Capital Projects Fund:													
Schools Development Authority:													
Educational Facilities Construction & Financing Act:													
Franklin Elementary School	1570-060-10-G0EE												
Roof Replacement	#G5-4178	11/10/10-11/10/11	\$ 157,531										\$(157,531)
Enterprise Fund:													
State School Lunch Program	11-100-010-3350-023	9/1/10 - 6/30/11	2,207				\$ 2,020	\$ (2,207)		\$ 187		187	\$ 2,207
State School Lunch Program	10-100-010-3350-023	9/1/09 - 6/30/10	3,367	\$ 250			250						3,367
State School Breakfast Program	10-100-010-3350-021	9/1/09 - 6/30/10	186	49			49						186
Total Enterprise Fund				299			2,319	(2,207)		187		187	5,760
Total Awards				\$ 344,096	\$ - 0 -	\$ 7,871	\$ 3,471,432	\$ (3,416,813)	\$ 7,871	\$ 9,924	\$ 20,112	\$ 151,180	\$ 6,141,879

N/A - Not Available.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards include the federal and state grant activity of the Franklin Borough School District Board of Education under programs of the federal and state governments for the fiscal year ended June 30, 2011. The information in these schedules are presented in accordance with the Federal Office of Management and Budget (OMB), *Audits of States and Local Governments and Non-Profit Organizations* and New Jersey OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net assets or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the accompanying schedules of expenditures of federal and state awards are reported on the budgetary basis of accounting with the exception of programs recorded in the Food Service Fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements. Such expenditures are recognized following the cost principles contained in Federal OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governmental Units*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through identifying numbers are presented where available.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The General Fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last two state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes those payments are not recognized until the subsequent budget year due to the state deferral and recording of the last two state aid payments in the subsequent year. The Special Revenue Fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$38,256 for the General Fund, and \$-0- for the Special Revenue Fund. See Note 1 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the General and Special Revenue Funds. Additionally, the schedule of expenditures of state awards does not include the on-behalf TPAF Non Contributory Insurance and Post Retirement Contributions revenue of \$12,614 and \$267,929 respectively.

FRANKLIN BOROUGH SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

Revenue from federal and state awards are reported on the Board's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 15,274	\$ 3,615,272	\$ 3,630,546
Special Revenue Fund	323,367	118,133	441,500
Food Service Fund	<u>87,677</u>	<u>2,207</u>	<u>89,884</u>
Total Financial Assistance	<u>\$ 426,318</u>	<u>\$ 3,735,612</u>	<u>\$ 4,161,930</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

Revenue and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2011.

FRANKLIN BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Summary of Auditors' Results:

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

	<u>State Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
<u>State:</u>				
Equalization Aid	11-495-034-5120-078	7/1/10-6/30/11	\$ 2,523,956	\$ 2,523,956
Special Education Categorical Aid	11-495-034-5120-089	7/1/10-6/30/11	255,804	255,804
Security Aid	11-495-034-5120-084	7/1/10-6/30/11	73,780	41,545
Adjustment Aid	11-495-034-5120-085	7/1/10-6/30/11	102,797	102,797

- The threshold for distinguishing Type A and Type B federal and state programs was \$300,000.
- The District qualified as a "low-risk" auditee for state programs under the provisions of section 530 of the federal Circular.

FRANKLIN BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

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

Findings and Questioned Costs for Federal Awards:

- Not applicable since the total federal award expenditures did not exceed the single audit threshold.

Findings and Questioned Costs for State Awards:

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

FRANKLIN BOROUGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

Status of Prior Year Findings:

There were no prior year audit findings.