

FRANKLIN TOWNSHIP SCHOOL DISTRICT
BOARD OF EDUCATION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

OF THE

FRANKLIN TOWNSHIP BOARD OF EDUCATION

WASHINGTON, NEW JERSEY

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Prepared by

FRANKLIN TOWNSHIP BOARD OF EDUCATION

DEPARTMENT OF ADMINISTRATION

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
TABLE OF CONTENTS**

INTRODUCTORY SECTION	<u>PAGE</u>
Letter of Transmittal	2
Organizational Chart	3
Roster of Officials	4
Consultants and Advisors	5
FINANCIAL SECTION	
Independent Auditor's Report	7-8
Required Supplementary Information – Part I	
Management's Discussion and Analysis	10
Basic Financial Statements	
A. District-Wide Financial Statements:	
A-1 Statement of Net Assets	13
A-2 Statement of Activities	14
B. Fund Financial Statements	
Governmental Funds:	
B-1 Balance Sheet	16-17
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balances	18-19
B-3 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Proprietary Funds:	
B-4 Combining Statement of Net Assets	21
B-5 Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	22
B-6 Combining Statement of Cash Flows	23
Fiduciary Funds:	
B-7 Statement of Fiduciary Net Assets	24
B-8 Statement of Changes in Fiduciary Net Assets	25
Notes to the Financial Statements	27-46
Required Supplementary Information – Part II	
C. Budgetary Comparison Schedules	
C-1 Budgetary Comparison Schedule-General Fund	49-54
C-1A Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual	N/A
C-1B Education Jobs Fund Program-Budget and Actual	55
C-2 Budgetary Comparison Schedule-Special Revenue Fund	56
Notes to the Required Supplementary Information:	
C-3 Budget-to-GAAP Reconciliation	58

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
TABLE OF CONTENTS
(Continued)**

FINANCIAL SECTION (Continued)	<u>PAGE</u>
 Other Supplemental Information	
D. School Level Schedule	N/A
E. Special Revenue Fund:	
E-1 Combining Schedule of Program Revenues and Expenditures Special Revenue Fund-Budgetary Basis	62
F. Capital Projects Fund:	
F-1 Summary Schedule of Revenues, Expenditures and Change in Fund Balance-Budgetary Basis	64
F-1a Schedule of Project Revenues, Expenditures, Project Balance and Project Status-Budgetary Basis	65
G. Proprietary Funds	
Enterprise Fund:	
G-1 Combining Statement of Fund Net Assets	67
G-2 Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	68
G-3 Combining Statement of Cash Flows	69
H. Fiduciary Funds:	
H-1 Combining Statement of Net Assets	71
H-2 Statement of Changes in Fiduciary Net Assets	72
H-3 Student Activity Agency Fund Statement of Changes in Assets and Liabilities	73
H-4 Payroll Agency Fund Statement of Changes in Assets and Liabilities	74
I. Long-Term Debt:	
I-1 Schedule of Serial Bonds	76
I-2 Budgetary Comparison Schedule-Debt Service Fund	77
 STATISTICAL SECTION (Unaudited)	
Table of Contents	79
J-1 Net Assets by Component	80
J-2 Changes in Net Assets	81-83
J-3 Fund Balances, Governmental Funds	84
J-4 Changes in Fund Balances, Governmental Funds	85
J-5 General Fund-Other Local Revenues by Source	86
J-6 Assessed Value and Actual Value of Taxable Property	87
J-7 Direct and Overlapping Property Tax Rates	88
J-8 Principal Property Taxpayers	89
J-9 Property Tax Levies and Collections	90

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
TABLE OF CONTENTS
(Continued)**

**STATISTICAL SECTION (Unaudited)
(Continued)**

PAGE

Table of Contents (Cont'd)

J-10	Ratios of Outstanding Debt by Type	91
J-11	Ratios of General Bonded Debt Outstanding	92
J-12	Direct and Overlapping Governmental Activities Debt	93
J-13	Legal Debt Margin Information	94
J-14	Demographic and Economic Statistics	95
J-15	Principal Employers	96
J-16	Full Time Equivalent District Employees by Function/Program	97
J-17	Operating Statistics	98
J-18	School Building Information	99
J-19	Required Maintenance	100
J-20	Insurance Schedule	101

SINGLE AUDIT SECTION

K-1	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	103-104
K-2	Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04	105-106
K-3	Schedule of Expenditures of Federal Awards, Schedule A	107
K-4	Schedule of Expenditures State Financial Assistance, Schedule B	108
K-5	Notes to the Schedules of Awards and Financial Assistance	109-110
K-6	Schedule of Findings and Questioned Costs	111-113
K-7	Summary Schedule of Prior Audit Findings	113

INTRODUCTORY SECTION

FRANKLIN TOWNSHIP BOARD OF EDUCATION

52 Asbury Broadway Road,
Washington, New Jersey 07882

Matthew Eagleburger
Chief School Administrator
Phone: (908) 689-2958 x 409
E-mail: meagleburger@franklinschool.org
Fax: (908) 689-1786

Tim Duryea
Business Administrator/Board Secretary
Phone: (908) 689-2879 x 403
E-mail: hspitzer@franklinschool.org
Fax: (908) 689-1786

November 2, 2012

Honorable President and
Members of the Board of Education
Franklin Township School District
52 Asbury Broadway Road,
Washington, New Jersey 07882

Dear Board Members:

The comprehensive annual financial report of the Franklin Township School District for the fiscal year ended June 30, 2012 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the district. All disclosures necessary to enable the reader to gain an understanding of the district's financial activities have been included.

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

1. REPORTING ENTITY AND ITS SERVICES: Franklin Township School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB) as established by Statement No. 14. All funds and account groups of the District are included in this report. The Franklin Township Board of Education constitutes the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre-K through 6 as well as special education. The district completed the 2011/2012 fiscal year with an enrollment of 287.2 students, which is a -2.4% decrease over the previous year's enrollment. The following details the changes in the student enrollment of the District over the last eight years.

Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2004-2005	382.0	1.3%
2005/2006	384.0	0.5%
2006/2007	395.0	2.9%
2007/2008	348.0	-11.9%
2008/2009	340.8	-2.1%
2009/2010	318.0	-9.8%
2010/2011	294.3	-7.5%
2011/2012	287.2	-2.4%

2. ECONOMIC CONDITION AND OUTLOOK: The long-term residential picture for the district should be rather stable. As Franklin Township's residential growth is limited by the current five-acre zoning restriction. Currently, there are only a few isolated minor subdivisions proposed in the Township. Incorporating these isolated subdivisions in our demographic study reflects that the school district can easily manage the increased population with its existing facilities over the next five years.

Commercial development within the municipality is very limited.

3. MAJOR INITIATIVES: Franklin Township School continues to be the center for activities within the community, both academically and civically. The community's support for the school programs was made clear through the passage of a building expansion and renovation project that began in 2002. The \$4.62 million project, paid in part with state funding, in large part completed in September 2003 has given our school community needed space and improvements for its educational programs.

Our school goals for the 2011/2012 school year included implementing a math program that was researched and identified in collaboration with the regional district. In addition, the Board of Education, Administration, and Staff worked towards improving student writing skills by implementing a National Writing Project. This was an intensive teacher training program designed by East Stroudsburg University.

Planning for the 2012-2013 academic year has included a continuation of the National Writing Project, through LAI Consulting, working in conjunction with East Stroudsburg University. In addition, the upcoming year will see the implementation of common core standards for language arts and mathematics. In response to the new guidelines established by the State of New Jersey, regarding teacher evaluations, both administration and teachers will be trained in the Marzano Causal Teacher Evaluation System and implementation of the new evaluation system will commence in 2012-2013, as well.

Over the past several years, the district has focused on upgrading its technology equipment and infrastructure. This past year, in particular, we strengthened our networking capabilities, by

adding wireless access points to our network, increased the number of instructional areas equipped with Smart Boards and obtained an additional mobile cart of Net Books for use in our classrooms. As we move forward, we will be broadening our focus of enhancements to include technology support functions, in the areas of staff technology training and technical/maintenance support.

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

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2012.

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

7. FINANCIAL INFORMATION AT FISCAL YEAR-END: As demonstrated by the various statements and schedules included in the financial section of this report, the District continues meeting its responsibilities for sound financial management.

The following schedule presents a summary of the general fund, special revenue fund and debt

service fund revenues for the fiscal year ended June 30, 2012, and the amount of percentage of increases (decreases) in relation to prior year revenues.

Revenues	Amount	% of Total	Increase (Decrease) from 2011	% of Increase (Decrease)
Local Sources:				
Tax Levy	\$3,806,507	74.78%	\$43,657	1.16%
Debt Service	231,657	4.55%	(25,797)	-10.02%
Other Revenues	91,211	1.79%	(19,477)	-17.60%
State Aid	866,070	17.01%	(5,770)	-0.66%
Federal Aid	94,828	1.86%	(67,056)	-41.42%
TOTAL:	<u>\$5,090,273</u>	<u>100.00%</u>	<u>(\$74,443.00)</u>	<u>-1.44%</u>

The following schedule presents a summary of general fund, special revenue fund and debt service fund expenditures for the fiscal year ended June 30, 2012 and the percentage of increases (decreases) in relation to prior year amounts.

Expenditures	Amount	% of Total	Increase (Decrease) from 2011	% of Increase (Decrease)
General Fund:				
Current Expense	\$4,742,597	93.55%	\$400,656	9.23%
Capital Outlay	9,245	0.18%	(6,652)	-41.84%
Special Projects	71,083	1.40%	(95,801)	-57.41%
Debt Service:				
Principle	180,000	3.55%	(5,000)	-2.7%
Interest	66,762	1.32%	9,413	16.41%
TOTAL:	<u>\$5,069,687</u>	<u>100.00%</u>	<u>\$302,616</u>	<u>6.35%</u>

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

8. DEBT ADMINISTRATION: At June 30, 2012, the District's outstanding debt issue was \$1,680,000 issued in February 2010 for the refunding of the 2001 bond issue.

9. CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statement", Note 3. The District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under 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.

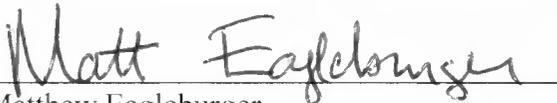
10. RISK MANAGEMENT: The Board carries various forms of insurance, including but not limited to, general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents and fidelity bonds.

11. OTHER INFORMATION:

Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The Board’s audit committee selected the accounting firm of William Colantano, CPA. In addition to meeting the requirements set forth in statute, the audit was also designed to meet the requirements of the Single Audit Act of 1996 and New Jersey OMB’s Circular 04-04. The auditor’s report on the general-purpose financial statements and schedules 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.

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

Respectfully Submitted,

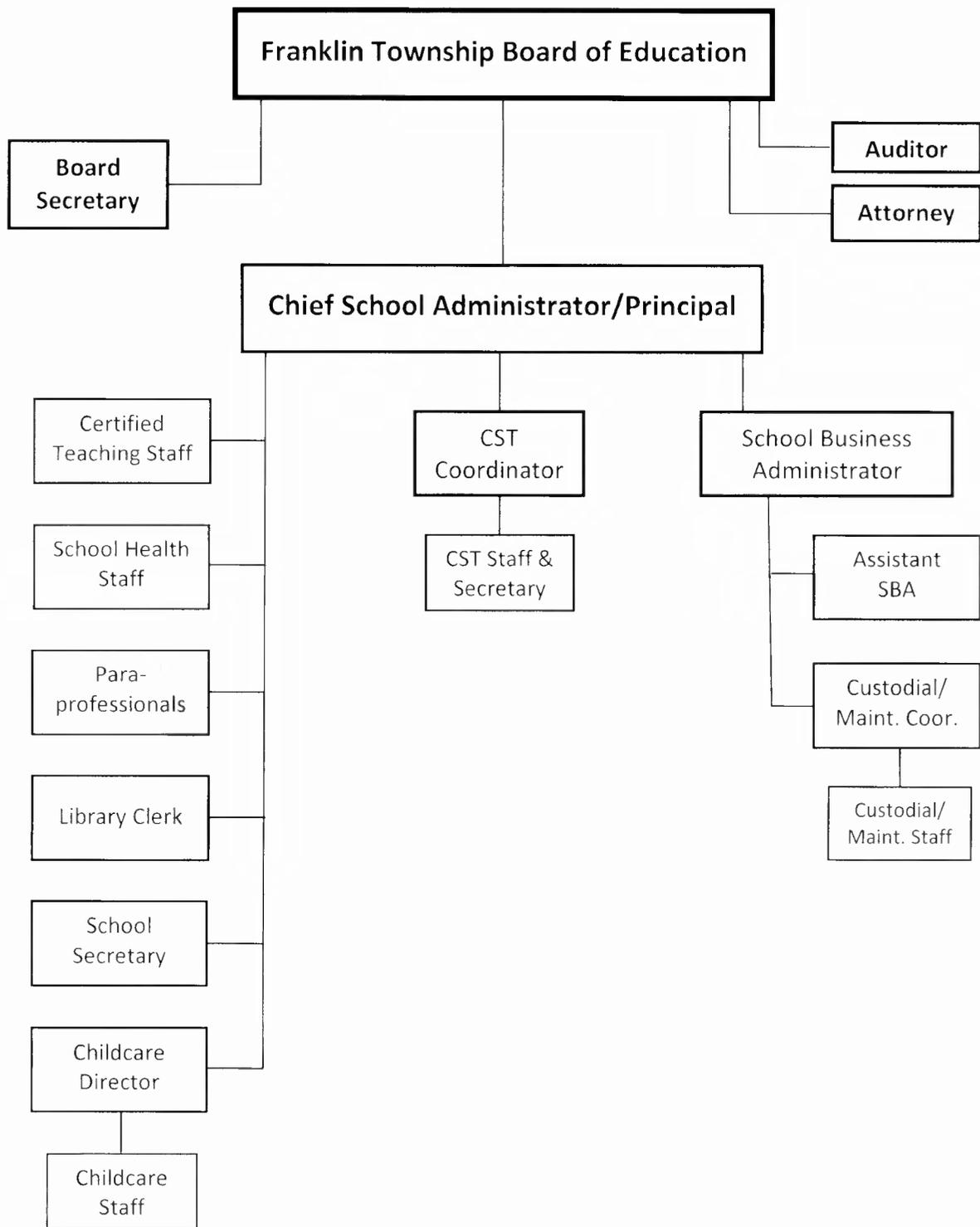


Matthew Eagleburger
Chief School Administrator



Tim Duryea

School Business Administrator/Board Secretary



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

**ROSTER OF OFFICIALS
JUNE 30, 2012**

MEMBERS OF THE BOARD OF EDUCATION

TERM EXPIRES

Jeannene Butler	President	2013
Jean Hansen	Vice-President	2014
Rudy Di Gilio		2012
Janice DiMaio		2012
Mark Fitzsimmons		2012
Elizabeth Ames		2013
Stacy Roth		2013
Michael Fama		2014
Renee Hart		2014

OTHER OFFICIALS

Matthew Eagleburger	Chief School Administrator
Heather Spitzer	School Business Administrator/ Board Secretary
James Miller	Treasurer
Swartz, Simon, Edelstein, Celso & Zitomer	Solicitor

**FRANKLIN TOWNSHIP SCHOOL
BOARD OF EDUCATION**

CONSULTANTS AND ADVISORS

AUDIT FIRM

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

ATTORNEY

Swartz, Simon, Edelstein, Celso & Zitomer
44 Whippany Rd
Morristown NJ 07962

OFFICIAL DEPOSITORY

Investors Bank
101 JFK Parkway
Short Hills, NJ 07078

FINANCIAL SECTION

Certified Public Accountant
Public School Accountant
Registered Municipal Accountant

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

INDEPENDENT AUDITOR'S REPORT

November 2, 2012

Honorable President and
Members of the Board of Education
Franklin Township School District
County of Warren, 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 Township School District in the County of Warren, as of and for the fiscal year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Franklin Township Board of Education management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

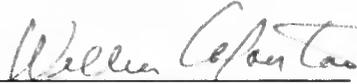
In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Franklin Township Board of Education in the County of Warren, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 2, 2012 on our consideration of the Franklin Township Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board of Education's financial statements. The schedules of expenditures of federal awards and state financial assistance as required by Office of Management and Budget Circular A-133 "Audits of States, Local Governments and Non-Profit Organizations", and New Jersey OMB's Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid", respectively and other accompanying supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of expenditures of federal awards and state financial assistance and other accompanying supplementary information are fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board of Education's basic financial statements. The introductory section, statistical section and other accompanying information are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.


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

REQUIRED SUPPLEMENTARY INFORMATION-PART I

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

The discussion and analysis of Franklin Township School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2012 are as follows:

- ◆ In total, net assets increased \$93,478 which represents a 3.09 percent increase from 2011.
- ◆ General revenues accounted for \$5,300,707 revenue or 95.53 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$248,181 or 4.47 percent to total revenues of \$5,548,888.
- ◆ Total assets of governmental activities increased by \$16,042 as cash and cash equivalents decreased by \$67,533, receivables and other assets decreased by \$173,894 and capital assets increased by \$257,469.
- ◆ The School District had \$5,455,410 in expenses; only \$248,181 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$5,300,707 were adequate to provide for these programs.
- ◆ Among major funds, the General Fund had \$5,141,943 in revenues and \$5,117,373 in expenditures. The General Fund's balance increased \$24,570 over 2011.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

Using this Generally Accepted Accounting Principals Report (GAAP)

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

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2012?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial positions of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. No financial factors include the School District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
FRANKLIN TOWNSHIP**

10.2

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

In the Statement of New Assets and The Statement of Activities, the School District reports governmental activities. Governmental activities are the activities where most of the School District's programs and services are reported including, but no limited to, instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

The School District as a Whole

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

Table 1 provides a summary of the School District's net assets for 2012 in comparison to 2011.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
FRANKLIN TOWNSHIP**

10.3

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

**Table 1
Net Assets**

	6/30/2012	6/30/2011	Variance	
			Dollars	Percent
Assets				
Current and Other Assets	1,218,036	1,463,831	(245,795)	(16.79)
Capital Assets	4,120,553	3,863,545	257,008	6.65
Total Assets	5,338,589	5,327,376	11,213	0.21
Liabilities				
Long-Term Liabilities	1,922,557	2,094,683	(172,126)	(8.22)
Other Liabilities	294,499	204,638	89,861	43.91
Total Liabilities	2,217,056	2,299,321	(82,265)	(3.58)
Net Assets				
Invested in Capital Assets, Net of Debt	2,440,553	2,003,545	437,008	21.81
Restricted	470,166	675,438	(205,272)	(30.39)
Unrestricted	210,814	349,072	(138,258)	(39.61)
Total Net Assets	3,121,533	3,028,055	93,478	3.09

Total assets increased \$11,213. Cash and cash equivalents decreased by \$48,807, receivables and other assets decreased by \$196,988 and capital assets decreased by \$257,008. Unrestricted net assets of the School District decreased by \$138,258. These are the part of net assets that can be used to finance day to day activities without constraints established by grants or legal requirements.

Table 2 shows the changes in net assets in fiscal year 2012 with comparisons to 2011.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
FRANKLIN TOWNSHIP**

10.4

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

**Table 2
Changes in Net Assets**

	Fiscal Year Ending		Variance	
	6/30/2012	6/30/2011	Dollars	%
Revenues				
Program Revenues:				
Charges for Services	157,835	221,476	(63,641)	(28.73)
Operating Grants and Contributions	90,346	196,406	(106,060)	(54.00)
Capital Grants		261,320	(261,320)	(100.00)
General Revenues:				
Property Taxes	4,038,164	4,020,304	17,860	0.44
Unrestricted Grants	1,249,222	1,197,408	51,814	4.33
Other	13,321	4,822	8,499	176.25
Total Revenues	<u>5,548,888</u>	<u>5,901,736</u>	<u>(352,848)</u>	<u>(5.98)</u>
Program Expenses				
Instruction:				
Regular	2,266,263	2,135,097	131,166	6.14
Special	947,596	884,904	62,692	7.08
Other	17,715	31,695	(13,980)	(44.11)
Support Services:				
Tuition	35,000	83,885	(48,885)	(58.28)
Student & Instructional Staff	932,188	650,921	281,267	(43.21)
General & Business Admin.	445,804	447,691	(1,887)	(0.42)
School Administration	52,423	69,281	(16,858)	(24.33)
Maintenance	436,339	383,317	53,022	13.83
Transportation	143,278	170,156	(26,878)	(15.80)
Food Services	78,761	89,517	(10,756)	(12.02)
Child Care	30,347	65,004	(34,657)	(53.32)
Transfer of Funds to Charter School	-	8,483	(8,483)	-
Interest on Long Term Debt	69,696	76,733	(7,037)	(9.17)
Total Expenses	<u>5,455,410</u>	<u>5,096,684</u>	<u>358,726</u>	<u>7.04</u>
Increase (Decrease) in Net Assets	<u>93,478</u>	<u>805,052</u>	<u>(711,574)</u>	<u>(88.39)</u>

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
FRANKLIN TOWNSHIP**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

Governmental Activities

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. Property taxes made up 74.16 percent of revenues for governmental activities for the Franklin Township School District for fiscal year 2012.

Instruction comprises 59.23 percent of district expenses. Support services expenses make up 40.77 percent of the expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services for 2011 and 2012. That is, it identifies the cost of these services supported by tax revenue and unrestricted State Entitlements.

Table 3

	Total Cost of Services		Net Cost of Services	
	6/30/2012	6/30/2011	6/30/2012	6/30/2011
Instruction				
Support Services:	3,231,574	3,051,696		2,906,791
Tuition	35,000	83,885		83,885
Student & Instructional Staff	932,188	650,921		557,266
General & Business Admin.	445,804	447,691		447,691
School Admin.	52,423	69,281		69,281
Plant Operations & Maintenance	436,339	383,317		354,060
Pupil Transport.	143,278	170,156		170,156
Food Service	78,761	89,517		(1,384)
Child Care	30,347	65,004		5,840
Transfer of Funds to Charter School		8,483		8,483
Interest on Long-Term Debt	69,696	76,733		76,733
Total Expenses	<u>5,455,410</u>	<u>5,096,684</u>		<u>4,678,802</u>

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

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

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

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
FRANKLIN TOWNSHIP**

10.6

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

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

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

The dependence upon tax revenues and aid is apparent. For all activities general revenue support is 95.52 percent. The community, as a whole, is the primary support or funding source for the Franklin Township School District.

The School District's Funds

Information about the School district's major funds starts in the section entitled Fund Financial Statements. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$5,444,683 and expenditures of \$5,773,267. The net negative change in fund balance for the year was most significant in the Capital Projects Fund, reflecting an decrease of \$338,049.

General Fund Budgeting Highlights

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

During the course of the fiscal 2012 year, the School District amended its General Fund budget as needed. The School District uses program based budgeting. The budgeting systems are designed to tightly control total program budgets but provide the flexibility for program management.

For the General Fund, budget basis revenue and other financing sources were \$4,787,536, \$147,702 above original budgeted estimates of \$4,639,834. This difference was due primarily to conservative revenue estimates and additional state aid funding for special education.

The General fund revenues and other financing sources of the School District exceeded expenditures by approximately \$24,570; the financial position of the School District is good.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
FRANKLIN TOWNSHIP**

10.7

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

Capital Assets

At the end of the fiscal year 2012, the School District had \$4,120,553 invested in land, building, furniture and equipment. Table 4 shows fiscal 2012 balances compared to 2011.

**Table 4
Capital Assets (Net of Depreciation) at June 30, 2012**

	6/30/2012	6/30/2011	Variance	
			Dollars	%
Land	\$180,000	\$180,000		
Construction in Progress	584,950	246,902	\$338,048	136.92
Land Improvements	81,241	84,058	-2,817	(3.35)
Buildings and Improvements	3,188,991	3,269,227	-80,236	(2.45)
Machinery and Equipment	85,371	83,358	2,013	2.41
Totals	<u>4,120,553</u>	<u>\$3,863,545</u>	<u>\$257,008</u>	6.65

Overall capital assets increased \$257,008 from fiscal 2011 to fiscal year 2012.

Debt Administration

At June 30, 2012, the School District had \$1,922,557 as its outstanding debt. Of this amount, \$153,150 is for compensated absences, and the balance \$89,407 is for unamortized bond premium, and the balance of \$1,680,000 is for bonds for school construction. Table 5 shows fiscal 2012 balances compared to 2011.

**Table 5
Outstanding Debt at Year End**

	6/30/2012	6/30/2011	Variance	
			Dollars	%
2010 Refunding Bond Issue	1,680,000	1,860,000	(180,000)	(9.68)
	<u>1,680,000</u>	<u>1,860,000</u>	<u>(180,000)</u>	(9.68)

For the Future

At the present time, the Franklin Township School District is in a very good financial condition. A major concern is the continued decrease in state funding resulting in an increased reliance on local property taxes.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
FRANKLIN TOWNSHIP**

10.8

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

Franklin Township is primarily a residential, farming community, with very few industrial ratables; thus the burden is focused on homeowners to foot the tax burden.

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

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information, kindly contact Tim Duryea, School Business Administrator/Board Secretary at Franklin Township Board of Education, 52 Asbury Broadway Road, Washington, NJ 07882 or email at tduryea@franklinschool.org.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Govern- mental Activities	Business- Type Activities	Total
ASSETS			
Cash & Cash Equivalents	\$ 227,954	\$ 26,631	\$ 254,585
Internal Balances	20,842	(20,842)	
Receivables, Net	512,325	6,655	518,980
Due from Other Funds	481		481
Inventory		2,374	2,374
Bond Issuance Costs, Net	39,799		39,799
Restricted Assets:			
Capital Reserve-Cash	204,817		204,817
Maintenance Reserve-Cash	197,000		197,000
Capital Assets (Note 4):			
Land and Construction in Progress	764,950		764,950
Other Capital Assets, Net of Depreciation	3,351,751	3,852	3,355,603
Total Assets	<u>5,319,919</u>	<u>18,670</u>	<u>5,338,589</u>
LIABILITIES			
Accounts Payable	234,799		234,799
Accrued Interest	23,686		23,686
Deferred Revenue	34,997	1,017	36,014
Long-Term Liabilities (Note 5):			
Due Within One Year	193,941		193,941
Due Beyond One Year	1,575,466		1,575,466
Compensated Absences Payable	153,150		153,150
Total Liabilities	<u>2,216,039</u>	<u>1,017</u>	<u>2,217,056</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	2,436,701	3,852	2,440,553
Restricted For:			
Capital Reserve	204,817		204,817
Maintenance Reserve	197,000		197,000
Capital Project	68,349		68,349
Unrestricted	197,013	13,801	210,814
TOTAL NET ASSETS	<u>\$ 3,103,880</u>	<u>\$ 17,653</u>	<u>\$ 3,121,533</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

FRANKLIN TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Functions/Programs	Direct Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue & Changes in Net Assets		
			Charges for Services	Operating Grants & Contribution	Capital Grants & Contribution	Governmental Activities	Business-Types Activities	Total
Government Activities:								
Instruction:								
Regular	\$ 1,516,617	\$ 749,646	\$ 54,399	\$ 6,077		\$ (2,205,787)		\$ (2,205,787)
Special Education	357,787	226,128				(583,915)		(583,915)
Other Special Education	228,420	135,261				(363,681)		(363,681)
Other Instruction	17,183	532				(17,715)		(17,715)
Support Services:								
Tuition	35,000					(35,000)		(35,000)
Students & Instruction Related Services	666,319	265,869		65,006		(867,182)		(867,182)
General & Business Administrative Services	316,621	129,183				(445,804)		(445,804)
School Administrative Services	34,411	18,012				(52,423)		(52,423)
Plant Operations & Maintenance	350,209	86,130	18,653			(417,686)		(417,686)
Pupil Transportation	136,791	6,487				(143,278)		(143,278)
Interest on Long-Term Debt	69,696					(69,696)		(69,696)
Total Government Activities	3,729,054	1,617,248	73,052	71,083	\$ -	(5,202,167)	\$ -	(5,202,167)
Business-Type Activities:								
Food Service	78,761		59,984	19,263			486	486
Child Care	30,347		24,799				(5,548)	(5,548)
Total Business-Type Activities	109,108		84,783	19,263			(5,062)	(5,062)
Total Primary Government	\$ 3,838,162	\$ 1,617,248	\$ 157,835	\$ 90,346	\$ -	(5,202,167)	(5,062)	(5,207,229)
General Revenues								
						3,806,507		3,806,507
						231,657		231,657
						1,249,222		1,249,222
						9,013	159	9,172
						4,149		4,149
						5,300,548	159	5,300,707
						98,381	(4,903)	93,478
						3,005,499	22,556	3,028,055
						\$ 3,103,880	\$ 17,653	\$ 3,121,533

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

FUND FINANCIAL STATEMENTS

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Govern- mental Funds
ASSETS					
Cash & Cash Equivalents	\$ 227,954				\$ 227,954
Receivables:					
State	174,312		\$ 261,320		435,632
Federal		\$ 41,004			41,004
Other Local Governments	30,398				30,398
Other	5,291				5,291
Due from Other Funds	220,726				220,726
Restricted Cash & Cash Equivalents	401,817				401,817
TOTAL ASSETS	\$ 1,060,498	\$ 41,004	\$ 261,320	\$ -	\$ 1,362,822
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 234,799				\$ 234,799
Due to Other Funds		\$ 6,432	\$ 192,971		199,403
Deferred Revenue	425	34,572			34,997
Total Liabilities	235,224	41,004	192,971	\$ -	469,199

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

FRANKLIN TOWNSHIP SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012
(Continued)

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Govern- mental Funds
LIABILITIES AND FUND BALANCES (Cont'd)					
Fund Balances:					
Restricted Fund Balance:					
Capital Reserve Account	\$ 204,817				\$ 204,817
Maintenance Reserve Account	197,000				197,000
Excess Surplus-Designated for Subsequent Year's Expenditures	134,682				134,682
Committed Fund Balance:					
Year-End Encumbrances	8,618				8,618
Assigned Fund Balance:					
Designated for Subsequent Year's Expenditures			\$ 68,349		68,349
Unassigned Fund Balance	280,157				280,157
Total Fund Balances	<u>825,274</u>	<u>\$ -</u>	<u>68,349</u>	<u>\$ -</u>	<u>893,623</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,060,498</u>	<u>\$ 41,004</u>	<u>\$ 261,320</u>	<u>\$ -</u>	

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

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

\$ 5,920,615
1,803,914

4,116,701

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

(1,922,557)

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

49,749
9,950

39,799

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

(23,686)

Total Net Assets of Governmental Activities

\$ 3,103,880

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

FRANKLIN TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local Sources:					
Local Tax Levy	\$ 3,806,507			\$ 231,657	\$ 4,038,164
Tuition Charges-Individuals	54,399				54,399
Interest on Investments	9,013				9,013
Miscellaneous	22,802	\$ 5,000			27,802
Total	3,892,721	5,000	\$ -	231,657	4,129,378
State Sources	1,220,477				1,220,477
Federal Sources	28,745	66,083			94,828
Total Revenues	5,141,943	71,083	-	231,657	5,444,683
EXPENDITURES					
Current:					
Instructional:					
Regular Instruction	1,529,646	6,077			1,535,723
Special Education Instruction	357,787				357,787
Other Special Instruction	228,420				228,420
Other Instruction	17,183				17,183
Support Service & Undistributed Costs:					
Tuition	35,000				35,000
Student & Instruction Related Services	601,313	65,006			666,319
General & Business Administrative Services	316,621				316,621
School Administrative Services	34,411				34,411
Plant Operations & Maintenance	350,209				350,209
Pupil Transportation	136,791				136,791
Unallocated Benefits	1,500,747				1,500,747

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

FRANKLIN TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Govern- mental Funds
EXPENDITURES (Cont'd)					
Capital Outlay			\$ 338,049		\$ 338,049
Debt Services:					
Principal				\$ 180,000	180,000
Interest & Other Charges	\$ 9,245			66,762	76,007
Total Expenditures	<u>5,117,373</u>	<u>\$ 71,083</u>	<u>338,049</u>	<u>246,762</u>	<u>5,773,267</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	24,570	-	(338,049)	(15,105)	(328,584)
Fund Balances, July 1	<u>800,704</u>	<u>-</u>	<u>406,398</u>	<u>15,105</u>	<u>1,222,207</u>
Fund Balances, June 30	<u><u>\$ 825,274</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 68,349</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 893,623</u></u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

FRANKLIN TOWNSHIP SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Total Net Changes in Fund Balances-Governmental Fund (from B-2) \$ (328,584)

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

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

Capital Outlays	\$ 357,135	
Depreciation Expenses	<u>(99,666)</u>	
		257,469

Repayment of debt principal and capital leases are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and are not reported in the statement of activities:

Debt Principal Payments		180,000
-------------------------	--	---------

Governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred & amortized in the statement of activities:

Amortization of Bond Issuance Costs	(3,980)	
Amortization of Bond Premium	<u>8,941</u>	
		4,961

In the statement of activities, interest on long-term debt is accrued regardless of when due. In the governmental funds interest is reported when due. The accrued interest is a reconciling item.

1,350

In the statement of activities, compensated absences & early retirement benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation; when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation.

(16,815)

Change in Net Assets of Governmental Activities		<u>\$ 98,381</u>
---	--	------------------

FRANKLIN TOWNSHIP SCHOOL DISTRICT
COMBINING STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	Food Service Fund	Child Care Program	Total
ASSETS			
Current Assets:			
Cash & Cash Equivalents	\$ 6,743	\$ 19,888	\$ 26,631
Accounts Receivable		5,040	5,040
Receivable from Other Governments:			
Federal	1,510		1,510
State	105		105
Inventories	2,374		2,374
Total Current Assets	<u>10,732</u>	<u>24,928</u>	<u>35,660</u>
Fixed Assets:			
Capital Assets	30,019		30,019
Accumulated Depreciation	26,167		26,167
Total Fixed Assets	<u>3,852</u>	<u>-</u>	<u>3,852</u>
Total Assets	<u>14,584</u>	<u>24,928</u>	<u>39,512</u>
LIABILITIES			
Current Liabilities:			
Due to Other Funds		20,842	20,842
Deferred Revenue	1,017		1,017
Total Current Liabilities	<u>1,017</u>	<u>20,842</u>	<u>21,859</u>
NET ASSETS			
Invested in Capital Assets	3,852		3,852
Unrestricted	<u>9,715</u>	<u>4,086</u>	<u>13,801</u>
TOTAL NET ASSETS	<u>\$ 13,567</u>	<u>\$ 4,086</u>	<u>\$ 17,653</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

FRANKLIN TOWNSHIP SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Food Service Fund	Child Care Program	Total
Operating Revenues:			
Local Sources:			
Daily Sales-Reimbursable Programs	\$ 43,478		\$ 43,478
Daily Sales-Nonreimbursable Programs	16,506		16,506
Fees for Services		\$ 24,799	24,799
Total Operating Revenues	<u>59,984</u>	<u>24,799</u>	<u>84,783</u>
Operating Expenses:			
Cost of Sales	37,449		37,449
Salaries	18,207	23,486	41,693
Employee Benefits	2,774	6,221	8,995
Management Fee	7,000		7,000
Other Purchased Services	5,257	393	5,650
General Supplies	4,598	247	4,845
Insurance	2,036		2,036
Repairs and Maintenance	978		978
Depreciation	462		462
Total Operating Expenses	<u>78,761</u>	<u>30,347</u>	<u>109,108</u>
Operating Income (Loss)	<u>(18,777)</u>	<u>(5,548)</u>	<u>(24,325)</u>
Nonoperating Revenues (Expenses):			
Federal Sources:			
National School Lunch Program	12,587		12,587
Food Distribution Program	5,819		5,819
State Sources:			
School Lunch Program	857		857
Interest Income	87	72	159
Total Nonoperating Revenues (Expenses)	<u>19,350</u>	<u>72</u>	<u>19,422</u>
Change in Net Assets	573	(5,476)	(4,903)
Total Net Assets, Beginning	<u>12,994</u>	<u>9,562</u>	<u>22,556</u>
Total Net Assets, Ending	<u>\$ 13,567</u>	<u>\$ 4,086</u>	<u>\$ 17,653</u>

FRANKLIN TOWNSHIP SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Food Service Fund	Child Care Program	Total
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 59,984	\$ 27,528	\$ 87,512
Payments to Employees and Benefits		(8,865)	(8,865)
Payments to Food Service Management Co	(66,469)		(66,469)
Payments to Vendors (Net)	(5,696)	(639)	(6,335)
Net Cash Provided by (Used For) Operating Activities	<u>(12,181)</u>	<u>18,024</u>	<u>5,843</u>
Cash Flows from Noncapital Financing Activities:			
Federal Sources	11,854		11,854
State Sources	870		870
Net Cash Provided by (Used For) Noncapital Financing Activities	<u>12,724</u>	<u>-</u>	<u>12,724</u>
Cash Flows from Investing Activities:			
Interest Income	87	72	159
Net Cash Provided by (Used For) Financing Activities	<u>87</u>	<u>72</u>	<u>159</u>
Net Increase (Decrease) in Cash and Cash Equivalents	630	18,096	18,726
Cash and Cash Equivalents, July 1, 2011	<u>6,113</u>	<u>1,792</u>	<u>7,905</u>
Cash and Cash Equivalents, June 30, 2012	<u>\$ 6,743</u>	<u>\$ 19,888</u>	<u>\$ 26,631</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:			
Operating Income (Loss)	\$ (18,777)	\$ (5,548)	\$ (24,325)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:			
Depreciation	462		462
Federal Food Distribution Program	5,819		5,819
(Increase) Decrease in Receivables		2,730	2,730
(Increase) Decrease in Inventory	241		241
Increase (Decrease) in Due to Other Funds		20,842	20,842
Increase (Decrease) in Deferred Revenue	74		74
Net Cash Provided by (Used For) Operating Activities	<u>\$ (12,181)</u>	<u>\$ 18,024</u>	<u>\$ 5,843</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

FRANKLIN TOWNSHIP SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2012

	Medical Savings Section 125	Student Activity Agency Fund	Payroll Agency Fund
ASSETS			
Cash & Cash Equivalents	\$ 13,308	\$ 9,974	\$ 4,725
TOTAL ASSETS	<u>13,308</u>	<u>\$ 9,974</u>	<u>\$ 4,725</u>
LIABILITIES			
Due to Other Funds			\$ 481
Due to Student Groups		\$ 9,974	
Payroll Deductions & Withholdings			<u>4,244</u>
TOTAL LIABILITIES	<u>-</u>	<u>\$ 9,974</u>	<u>\$ 4,725</u>
NET ASSETS			
Held in Trust for Section 125 & Other Purposes	<u>\$ 13,308</u>		

FRANKLIN TOWNSHIP SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Medical Savings Section 125</u>
ADDITIONS	
Contributions:	
Plan Members	\$ 21,614
Investment Earnings:	
Interest	75
Total Additions	<u>21,689</u>
DEDUCTIONS	
Medical Payments	<u>18,742</u>
Change in Net Assets	2,947
Net Assets, Beginning of the Year	<u>10,361</u>
Net Assets, End of the Year	<u><u>\$ 13,308</u></u>

NOTES TO FINANCIAL STATEMENTS

FRANKLIN TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The basic financial statements include:

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

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

A. Reporting Entity

The District is a Type II district located in the County of Warren, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The Board is comprised of nine members elected to three-year-terms. The purpose of the district is to educate students in Grades K-6. The District had an approximate enrollment at June 30, 2012 of 285 students.

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

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

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

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

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

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

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

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

Additionally, the District reports the following fund types:

Proprietary Fund Types

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

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

The District's Enterprise Fund is comprised of the Food Service and Child Care Funds.

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

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

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

Fiduciary Fund Types

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

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

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

Fiduciary Fund Types (cont'd)

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

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

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

D. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the General, Special Revenue, and Debt Service Funds. The budgets are submitted to the county office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in NJAC 6:20-2A.2(m)1. All budget amendments must be approved by School Board resolution. Budget amendments during the year ended June 30, 2012 were insignificant.

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

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

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

E. Encumbrances

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

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

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

F. Tuition Receivable

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

G. Tuition Payable

Tuition charges for the fiscal years 2011-2012 and 2010-2011 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

H. Short-Term Interfund Receivables/Payables

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

I. Inventories and Prepaid Items

Inventories and prepaid items, which benefit future periods, other than those recorded in the Enterprise Fund are recorded as an expenditure during the year of purchase.

Enterprise Fund inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. The commodities inventory value at balance sheet date is reported as a deferred revenue as title does not pass to the school district until the commodities are used. Prepaid items in the Enterprise Fund represent payments made to vendors for services that will benefit periods beyond June 30, 2012.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2012
 (Continued)

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

J. Capital Assets

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

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

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

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

K. Compensated Absences

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

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

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

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2012
 (Continued)

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

L. Deferred Revenue

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

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

M. Long-Term Obligations

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

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

N. Fund Equity

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

In the government-wide statements, net assets represent the difference between assets and liabilities. Invested in Capital Assets, Net of Related Debt consists of capital assets, net of accumulated depreciation, and reduced by the balance of long-term debt used to finance these assets. Net assets are reported as restricted when there are limitations externally imposed on their use either through enabling legislation or other restrictions imposed by creditors, grantors or laws or regulations of other governments. The District's restricted net assets in the governmental activities as of June 30, 2012 consists of:

Capital Reserve	\$	204,817
Maintenance Reserve		197,000
Capital Projects		68,349
	\$	470,166

FRANKLIN TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

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

O. Comparative Data/Reclassifications

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

P. Allocation of Indirect Expenses

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

NOTE 2. TAX ASSESSMENTS AND PROPERTY TAXES

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

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

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

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

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

NOTE 3. DEPOSITS AND CASH EQUIVALENTS AND INVESTMENTS

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

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

Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

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

Deposits at June 30, 2012 appear in the financial statements as summarized below:

Cash		<u>\$ 684,409</u>
	<u>Ref.</u>	
Cash:		
Governmental Funds, Balance Sheet	B-1	\$ 629,771
Enterprise Fund, Statement of Net Assets	B-4	26,631
Fiduciary Funds, Statement of Net Assets	B-7	<u>28,007</u>
Total Cash		<u>\$ 684,409</u>

Deposits – The District's carrying amount of bank deposits at June 30, 2012 is \$684,409 and the bank balance is \$847,940. Of the bank balance, \$250,000 is covered by federal depository insurance and \$597,940 is insured by GUDPA.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

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

Deposit and Investment Risk

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

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

Concentration of Credit Risk

The State of New Jersey does not place any limit on the amount that the district may invest with any one issuer. As of June 30, 2012, the district has no investments.

NOTE 4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES				
Capital Assets, Not Being				
Depreciated:				
Land	\$ 180,000			\$ 180,000
Construction in Progress	246,902	\$ 338,048		584,950
Total	<u>426,902</u>	<u>338,048</u>	<u>\$ -0-</u>	<u>764,950</u>
Capital Assets, Being				
Depreciated:				
Land Improvements	106,142			106,142
Building & Improvements	4,805,833			4,805,833
Furniture & Equipment	224,603	19,087		243,690
Total	<u>5,136,579</u>	<u>19,087</u>	<u>-0-</u>	<u>5,155,665</u>

FRANKLIN TOWNSHIP SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2012
 (Continued)

NOTE 4. CAPITAL ASSETS (Cont'd)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES				
Accumulated Depreciation:				
Land Improvements	\$ 22,084	\$ 2,817		\$ 24,901
Building & Improvements	1,536,606	80,236		1,616,842
Furniture & Equipment	145,558	16,613		162,171
Total	<u>1,704,248</u>	<u>99,666</u>	<u>\$ -0-</u>	<u>1,803,914</u>
Total Capital Assets, Being Depreciated, Net	<u>3,432,330</u>	<u>(80,579)</u>	<u>-0-</u>	<u>3,351,751</u>
Governmental Activities Capital Assets, Net	<u>\$ 3,859,232</u>	<u>\$ 257,469</u>	<u>\$ -0-</u>	<u>\$ 4,116,701</u>
Business-Type Activities:				
Furniture & Equipment	\$ 30,019			\$ 30,019
Less: Accum Depreciation	25,706	\$ 461		26,167
Business-Type Activities Capital Assets, Net	<u>\$ 4,313</u>	<u>\$ (461)</u>	<u>\$ -0-</u>	<u>\$ 3,852</u>

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

Instruction:	
Regular	\$ 47,572
Special Education	11,083
Other Special Instruction	7,076
Other Instruction	532
Support Services:	
Student & Instruction	20,640
General & Business Admin	9,808
School Administration	1,066
Plant Operations	1,889
Total Depreciation Expense, Governmental Activities	<u>\$ 99,666</u>

FRANKLIN TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

NOTE 5. LONG-TERM DEBT

Long-Term Liability Activity for the Year Ended June 30, 2012 is as Follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable	\$ 1,860,000		\$ 180,000	\$ 1,680,000	\$ 185,000
Unamortized Bond Premium	98,348		8,941	89,407	8,941
Compensated Absences Payable	<u>136,335</u>	<u>\$ 28,335</u>	<u>11,520</u>	<u>153,150</u>	
Total Governmental Activities Long-Term Liabilities	<u>\$ 2,094,683</u>	<u>\$ 28,335</u>	<u>\$ 200,461</u>	<u>\$ 1,922,557</u>	<u>\$ 193,941</u>

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

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2012 including interest payments are listed as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 185,000	\$ 63,162	\$ 248,162
2014	190,000	59,462	249,462
2015	190,000	54,238	244,238
2016	190,000	49,212	239,212
2017	185,000	43,012	228,012
2018	185,000	37,000	222,000
2019	185,000	27,750	212,750
2020	185,000	18,500	203,500
2021	<u>185,000</u>	<u>9,250</u>	<u>194,250</u>
Total	<u>\$ 1,680,000</u>	<u>\$ 361,586</u>	<u>\$ 2,041,586</u>

FRANKLIN TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

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

General Obligation Bonds

General obligation school building bonds payable at June 30, 2012, with their outstanding balances are comprised of the following individual issues:

\$2,045,000-2010 refunding school building bonds, interest at 2.00% to 5.00% due in annual installments beginning February 15, 2011, through February 15, 2021	<u>\$ 1,680,000</u>
--	---------------------

The general obligation bonded debt of the District is limited by state law to 2.5% of the average equalized assessed values of the total taxable property in the District for the past three years. The legal debt limit at June 30, 2012 is \$11,085,593. General obligation debt at June 30, 2012 is \$1,680,000, resulting in a legal debt margin of \$9,405,593.

NOTE 6. PENSION PLANS

Description of Systems

Substantially all of the Board's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS) and the Defined Contribution Retirement Program (DCRP). The PERS and TPAF systems are sponsored and administered by the State of New Jersey. The DCRP system is administered by Prudential Financial for the Division of Pension and Benefits. The Teachers' Pension and Annuity Fund retirement system is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Board and the system's other related non-contributing employers. The Public Employees Retirement System and Defined Contribution Retirement Program are considered cost sharing multiple-employer plans.

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

NOTE 6. PENSION PLANS (Cont'd)

Description of Systems (cont'd)

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

C. Defined Contribution Retirement Program - The Defined Contribution Retirement Program (DCRP) was established under the provisions Ch 92, PL 2007 and expanded under the provisions of Ch 89, PL 2008 and Ch 1, PL 2010 to provide eligible members with a tax sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Employees eligible to enroll in the program include the following: First, employees enrolled in the Public Employees Retirement System (PERS) or Teachers Pension and Annuity Fund (TPAF) on or after July 1, 2007 who earn salary in excess of maximum compensation limits. Also, employees otherwise eligible to enroll in the TPAF and PERS who do not earn the minimum salary (\$7,700 in 2010) but who earn salary of at least \$5,000 annually are eligible to participate. The program administrator, Prudential Financial, makes information regarding the program available on its New Jersey Defined Contribution Program Web Site: www.prudential.com/njdcprp.

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

Significant Legislation

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

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

NOTE 6. PENSION PLANS (Cont'd)

Significant Legislation (cont'd)

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

Contribution Requirements

The contribution policy is set by state statutes and contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Significant legislation which became effective October 1, 2011 will gradually increase the employee contribution rate for PERS and TPAF members. Effective October 1, 2011 the rate increased from 5.50% to 6.50% of annual contractual compensation for employees enrolled in the TPAF and PERS pension plans. The rate will increase each year on the first of July over a seven year phase-in period until the withholding rate reaches 7.50% effective July 1, 2018. Contribution rates for DCRP provide for employee contributions of 5.50% of annual contractual compensation as defined. Employers are required to contribute at an actuarially determined rate in TPAF, PERS and DCRP. The actuarially determined contribution includes funding for cost-of-living adjustments, non-contributory death benefits and post-retirement medical premiums. Under current statute, the Board is a noncontributing employer of the TPAF.

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

Year Funding	TPAF Benefit Costs	Percentage of APC Contributed
06/30/12	\$ 217,109	100%
06/30/11	151,862	100%
06/30/10	146,604	100%

Three-Year Trend Information for PERS

Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed
06/30/12	\$ 56,040	100%
06/30/11	53,361	100%
06/30/10	47,008	100%

During the year ended June 30, 2012, the State of New Jersey contributed \$144,986 to the TPAF for post-retirement medical benefits, \$6,990 for the non-contributory insurance premiums and \$65,133 for TPAF normal costs and accrued liability costs on behalf of the Board. Also, in accordance with NJSA 18A:66-66 the State of New Jersey reimbursed the Board \$148,422 during the year ended June 30, 2012 for the employer's share of social security contributions for TPAF members calculated on their base salaries. These amounts have been included in the financial statements and the combining and individual fund and account group statements and schedules as revenues and expenditures in accordance with GASB 27.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

NOTE 7. POST-RETIREMENT BENEFITS

Chapter 384 of PL 1987 and Ch 6 of PL 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. PL 2007, Ch 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2011, there were 93,323 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Ch 62, PL 1994. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning the fiscal year 1994.

The State is also responsible for the cost attributable to Ch 126, PL 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 2011, the State paid \$144 million toward Ch 126 benefits for 15,079 eligible retired members.

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

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

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. The school district adopted a resolution to participate in the SHBP. The State Health Benefits Commission is the executive body established by the statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, PO Box 295, Trenton, NJ 08625-0295 or by visiting their website at <http://www.state.nj.us/treasury/pensions/pdf/financial/gasb-43-july2011.pdf>

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

NOTE 8. DEFERRED COMPENSATION

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

Equitable Insurance Co
Phoenix Home Life Mutual Insurance Co

NOTE 9. INTERFUND RECEIVABLE AND PAYABLES

The composition of Interfund balances at June 30, 2012 is as follows:

Fund	Receivable Fund	Payable Fund
General Fund	\$ 220,726	
Special Revenue Fund		\$ 6,432
Capital Projects Fund		192,971
Child Care Program		20,842
Payroll Agency Fund		481
	\$ 220,726	\$ 220,726

The amount due by the Special Revenue and Capital Projects Fund are required loans due to delayed grant payments. The Child Care Program represents payroll and fringe benefits paid by the General Fund not reimbursed at year end. The balance due by the Payroll Agency Fund represents interest income and health benefit withholdings not turned over to the General Fund by the end of the year.

NOTE 10. INVENTORY

Inventory in the Food Service Fund June 30, 2012 consisted of the following:

Food	\$ 1,971
Supplies	403
	\$ 2,374

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

NOTE 11. CONTINGENT LIABILITIES

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

NOTE 12. RISK MANAGEMENT

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

Property and Liability Insurance - The District maintains commercial insurance coverage for property, liability, and student accident and surety bonds. There was no significant reduction in insurance coverage from coverage of the prior year. The District did not have any insurance settlements which exceeded insurance coverage for the past three years. A complete schedule of insurance coverage can be found in the Statistical Section of the Comprehensive Annual Financial Report. A complete schedule of insurance coverage can be found in the Statistical Section of the Comprehensive Annual Financial Report.

NOTE 13. LEGAL RESERVE ACCOUNTS

A capital reserve account was established by the District by inclusion of \$1 on October 11, 2000 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the districts approved Long Range Facilities Plan (LRFP) and updated annually in the Quality Assurance Annual Report (QAAR). Upon submission of the LRFP to the Department of Education, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes. 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 NJSA 19:60-2. Pursuant to NJAC 6A:26-9.1(d)1, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

Beginning in fiscal year 2008, Districts are allowed as per NJSA 18A:7F-41(a) & 41(b) to deposit to the legal reserves by board resolution during the month of June for any unanticipated revenue and/or unexpended line-item appropriation amounts. Pursuant to this state statute, the District deposited \$147,000 to their Maintenance Reserve account by board resolution in June 2012 as summarized in the following schedule.

The following schedule is a summarization of the Legal Reserve Accounts for the current year:

Reserve Type	Beginning Balance	District Contribution	Interest Earnings	Return Unused With- drawal	With- drawal	Ending Balance
Capital	\$ 203,935		\$ 882			\$ 204,817
Maintenance	50,000	\$ 147,000				197,000
Totals	<u>\$ 253,935</u>	<u>\$ 147,000</u>	<u>\$ 882</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 401,817</u>

FRANKLIN TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

NOTE 14. FUND BALANCES-BUDGETARY BASIS

As described in Note 1 N-Fund Equity (Fund Balance) may be restricted, committed or assigned. An analysis of the General Fund Balance on June 30, 2012 and 2011 is as follows:

	2012	2011
Restricted:		
Excess Surplus-Represents amount in excess of allowable percentage of expenditures. In accordance with state statute, the excess surplus is designated for utilization in succeeding year's budgets	\$ 92,841	\$ 41,841
Excess Surplus-Designated for Subsequent Year's Expenditures-Amount appropriated in the succeeding year's budget to reduce tax requirements	41,841	23,031
Capital Reserve Account-represents funds restricted to capital projects in the Districts Long Range Facilities Plan	204,817	203,935
Maintenance Reserve-Represents funds accumulated for the required maintenance of a facility in accordance with the EFCFA (NJSA18A:76-9)	197,000	50,000
Committed:		
Year End Encumbrance-Represents fund balance committed for purchase orders that have been issued but goods or services were not received as of June 30,	8,618	17,541
Unassigned:		
Undesignated-Represents fund balance which has not been restricted or designated	345,266	518,341
Total Fund Balance	\$ 890,383	\$ 854,689

NOTE 15. CALCULATION OF EXCESS SURPLUS

In accordance with NJSA 18A:7F-7, as amended by PL 2004, Ch 73 (S1701), the designation for Reserved Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30, if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2012 is \$92,841.

REQUIRED SUPPLEMENTARY INFORMATION-PART II

BUDGETARY COMPARISON SCHEDULES

FRANKLIN TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES					
Local Sources:					
Local Tax Levy	\$ 3,806,507		\$ 3,806,507	\$ 3,806,507	
Tuition from Individuals	65,460		65,460	54,399	\$ (11,061)
Interest on Investments				8,131	8,131
Interest Earned on Capital Reserve Funds	749		749	882	133
Miscellaneous-Unrestricted	16,000		16,000	22,802	6,802
Total	<u>3,888,716</u>	<u>\$ -</u>	<u>3,888,716</u>	<u>3,892,721</u>	<u>4,005</u>
State Sources:					
Categorical Special Education Aid	142,156		142,156	142,156	
Equalization Aid	508,900		508,900	556,458	47,558
Extraordinary Aid	72,190		72,190	166,546	94,356
Nonpublic Transportation Aid				910	910
On-Behalf TPAF Payments				217,109	217,109
Reimbursed TPAF Social Security Contrib				148,422	148,422
Total	<u>723,246</u>	<u>-</u>	<u>723,246</u>	<u>1,231,601</u>	<u>508,355</u>
Federal Sources:					
Education Jobs Fund	27,872	873	28,745	28,745	
Total	<u>27,872</u>	<u>873</u>	<u>28,745</u>	<u>28,745</u>	<u>-</u>
TOTAL REVENUES	<u>\$ 4,639,834</u>	<u>\$ 873</u>	<u>\$ 4,640,707</u>	<u>\$ 5,153,067</u>	<u>\$ 512,360</u>
EXPENDITURES					
Current:					
Instruction-Regular Program:					
Salaries of Teachers:					
Preschool	\$ 61,120	\$ 2,800	\$ 63,920	\$ 63,608	\$ 312
Kindergarten	111,287	4,026	115,313	115,163	150
Grades 1-5	900,917	12,263	913,180	909,705	3,475
Grades 6-8	181,875	4,327	186,202	185,927	275
Regular Program-Undistributed Instruction:					
Other Purchased Services	22,376	(5,571)	16,805	16,624	181
General Supplies	75,494	167,230	242,724	237,180	5,544
Textbooks	500	299	799	764	35
Other Objects	1,000	(325)	675	675	
Total	<u>1,354,569</u>	<u>185,049</u>	<u>1,539,618</u>	<u>1,529,646</u>	<u>9,972</u>

FRANKLIN TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (Cont'd)					
Current: (cont'd)					
Special Education:					
Resource Room/Center:					
Salaries of Teachers	\$ 186,532	\$ 7,415	\$ 193,947	\$ 193,239	\$ 708
Other Salaries for Instruction	246,325	(82,039)	164,286	163,387	899
Purchased Professional Educational Services	1,050	(1,050)			
General Supplies		1,161	1,161	1,161	
Total	433,907	(74,513)	359,394	357,787	1,607
Special Education:					
Home Instruction:					
Salaries of Teachers	520	(520)			
Total	520	(520)	-	-	-
Total Special Education	434,427	(75,033)	359,394	357,787	1,607
Basic Skills for Remedial:					
Salaries of Teachers	198,799	25,933	224,732	224,544	188
General Supplies	5,500	(1,624)	3,876	3,876	
Total	204,299	24,309	228,608	228,420	188
School Sponsored Co-curricular Activities:					
Salaries	12,000	3,000	15,000	11,680	3,320
Supplies and Materials	260	2,074	2,334	1,415	919
Other Objects	350	(273)	77	77	
Total	12,610	4,801	17,411	13,172	4,239
Summer School-Instruction					
Salaries of Teachers	2,934	(1,776)	1,158	1,158	
Other Salaries for Instruction	3,410	(557)	2,853	2,853	
Purchased Professional & Technical Services	4,765	(4,765)			
Total	11,109	(7,098)	4,011	4,011	-
Total Instruction Regular	\$ 2,017,014	\$ 132,028	\$ 2,149,042	\$ 2,133,036	\$ 16,006
Undistributed Expenditures:					
Instruction Tuition:					
Tuition to CSSD & Regional Day Schools	\$ 78,180	\$ (35,000)	\$ 43,180	\$ 35,000	\$ 8,180
Tuition to Priv Sch For the Disabled W/I State	39,938	24,062	64,000		64,000
Total	118,118	(10,938)	107,180	35,000	72,180
Health Services:					
Salaries	59,395	1,805	61,200	61,153	47
Purchased Professional & Tech Services	518	(248)	270	270	
Supplies and Materials	2,560	(1,059)	1,501	1,501	
Total	62,473	498	62,971	62,924	47

FRANKLIN TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

EXPENDITURES (Cont'd)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Current: (cont'd)					
Guidance:					
Salaries of Other Professional Staff		\$ 20,181	\$ 20,181	\$ 20,181	
Purchased Professional Educational Services	\$ 2,400	(642)	1,758	1,758	
Supplies and Materials	1,750	(771)	979	979	
Total	4,150	18,768	22,918	22,918	\$ -
Speech, OT, PT & Related Svcs:					
Salaries	61,795	1,350	63,145	62,982	163
Purchased Professional Educational Services		7,509	7,509	7,509	
Supplies & Materials	600	68	668	668	
Total	62,395	8,927	71,322	71,159	163
Other Support Service Students - Extra Services					
Salaries		112,473	112,473	112,473	
Aide Subs		2,000	2,000	1,950	50
Purchase Professional & Educational Services		35,000	35,000	35,000	
Total	-	149,473	149,473	149,423	50
Child Study Team:					
Salaries of Other Professional Staff	176,533	(858)	175,675	175,675	
Salaries of Secretarial & Clerical Assistants	32,087	582	32,669	32,669	
Purchased Professional-Educational Services	39,500	(37,800)	1,700	1,700	
Miscellaneous Purchased Services	100	(25)	75	75	
Supplies & Materials	2,550	(727)	1,823	1,823	
Other Objects	3,000	(2,570)	430	430	
Total	253,770	(41,398)	212,372	212,372	-
Improvement of Instructional Services:					
Other Purchased Services	13,049	(600)	12,449	11,939	510
Instructional Staff Training Services:					
Other Purchased Services	750	(245)	505	505	
Supplies & Materials		577	577	577	
Other Objects	1,800	22,469	24,269	24,269	
Total	2,550	22,801	25,351	25,351	-
Educational Media Service/School Library:					
Salaries	8,922	1,239	10,161	10,161	
Purchased Professional & Technical Services	600	33,564	34,164	34,164	
Supplies & Materials	1,000	190	1,190	902	288
Total	10,522	34,993	45,515	45,227	288
Support Services General Administration:					
Salaries	115,000	3,000	118,000	114,000	4,000
Legal Services	6,200	9,100	15,300	13,335	1,965
Audit Fees	13,500		13,500	13,500	
Architect		3,000	3,000		3,000
Purchased Technical Services	1,000	(1,000)			
Communications & Telephone	4,250	(1,112)	3,138	2,213	925
Board of Education Other Purchased Services	300	502	802	802	
Miscellaneous Purchased Services	5,543		5,543	4,509	1,034
General Supplies	3,500	(2,200)	1,300	1,157	143
Miscellaneous Expenditures	16,355	1,559	17,914	17,404	510
BOE Membership Dues and Fees		3,246	3,246	3,246	
Total	165,648	16,095	181,743	170,166	11,577
Support Services School Administration:					
Salaries of Secretarial & Clerical Assistants	37,000		37,000	33,245	3,755
Supplies & Materials	6,683	(2,200)	4,483	1,166	3,317
Total	43,683	(2,200)	41,483	34,411	7,072

FRANKLIN TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (Cont'd)					
Current: (cont'd)					
Central Services:					
Salaries	\$ 123,683	\$ 6,956	\$ 130,639	\$ 130,639	
Miscellaneous Purchased Services	1,636	848	2,484	1,568	\$ 916
Supplies and Materials	1,000	(325)	675	86	589
Miscellaneous Expenditures	2,100	(280)	1,820	1,820	
Total	128,419	7,199	135,618	134,113	1,505
Administration Information Technology:					
Purchased Professional Services	12,830	-	12,830	5,132	7,698
Purchased Technical Services	11,176	2,325	13,501	7,210	6,291
Total	24,006	2,325	26,331	12,342	13,989
Required Maintenance for School Facilities:					
Salaries		62,546	62,546	62,546	
Cleaning Repair & Maintenance Services	18,176	(9,487)	8,689	8,681	8
Total	18,176	53,059	71,235	71,227	8
Custodial Services:					
Salaries	147,467	(38,034)	109,433	108,222	1,211
Purchased Professional & Technical Svcs	1,350	(33)	1,317	1,092	225
Cleaning, Repair & Maintenance Services	43,600	(34,858)	8,742	8,318	424
Insurance	26,000	3,125	29,125	29,125	
Miscellaneous Purchased Services	5,550	(894)	4,656	4,656	
General Supplies	22,000	8,225	30,225	13,610	16,615
Energy (Electricity)	68,000	(16,374)	51,626	51,626	
Energy (Natural Gas)	47,000	(26,349)	20,651	20,651	
Other Objects	700	(525)	175	175	
Total	361,667	(105,717)	255,950	237,475	18,475
Care and Upkeep of Grounds:					
Purchase Professional & Technical Svcs		16,632	16,632	16,018	614
Cleaning, Repair & Maintenance Services		22,817	22,817	21,221	1,596
Total	-	39,449	39,449	37,239	2,210
Security:					
Cleaning, Repair & Maintenance Services		4,268	4,268	4,268	
Total	-	4,268	4,268	4,268	-
Student Transportation Services:					
Salaries of Non-Instructional Aides	12,943	234	13,177	11,901	1,276
Contracted Services (Between Home & School)-Vendors	94,647	15	94,662	94,462	200
Contracted Services (Between Home & School)-Joint Agreements	14,630	(2,729)	11,901	11,901	
Contracted Services (Special Education Students)-ESCs & CTSA's	36,800	(14,041)	22,759	16,759	6,000
Contracted Services-Aid In Lieu of Pymts Non Public School	3,000	536	3,536	1,768	1,768
Total	162,020	(15,985)	146,035	136,791	9,244
Unallocated Benefits-Employee Benefits:					
Social Security Contributions	62,800	11,200	74,000	73,842	158
Other Retirement Contribution-PERS	64,796	(8,756)	56,040	53,702	2,338
Unemployment Compensation	13,500		13,500	12,494	1,006
Workmen's Compensation	25,000	877	25,877	23,335	2,542
Health Benefits	991,838	(30,584)	961,254	948,112	13,142
Tuition Reimbursement	16,500	2,000	18,500	14,731	3,769
Other Employee Benefits	7,500	1,500	9,000	9,000	
Total	1,181,934	(23,763)	1,158,171	1,135,216	22,955

FRANKLIN TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (Cont'd)					
Current: (cont'd)					
On-Behalf TPAF Payments				\$ 217,109	\$ (217,109)
Reimbursed TPAF Social Security Contrib				148,422	(148,422)
Total	\$ -	\$ -	\$ -	365,531	(365,531)
Total Undistributed Expenditures	\$ 2,612,580	\$ 157,254	\$ 2,769,834	\$ 2,975,092	\$ (205,258)
TOTAL CURRENT	\$ 4,629,594	\$ 289,282	\$ 4,918,876	\$ 5,108,128	\$ (189,252)
CAPITAL OUTLAY					
Facilities Acquisition & Construction Serv: NJ SDA Debt Service Assessment	\$ 9,245		\$ 9,245	\$ 9,245	
TOTAL CAPITAL OUTLAY	\$ 9,245	\$ -	\$ 9,245	\$ 9,245	\$ -
TRANSFER OF FUNDS TO CHARTER SCHOOLS	\$ 23,277	\$ (2,325)	\$ 20,952		\$ 20,952
TOTAL EXPENDITURES	\$ 4,662,116	\$ 286,957	\$ 4,949,073	\$ 5,117,373	\$ (168,300)
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (22,282)	\$ (286,084)	\$ (308,366)	\$ 35,694	\$ 344,060
Fund Balances, July 1	854,689		854,689	854,689	
Fund Balances, June 30	\$ 832,407	\$ (286,084)	\$ 546,323	\$ 890,383	\$ 344,060
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures					
Adjustment for Prior Year Encumbrances		\$ (17,541)	\$ (17,541)	\$ (17,541)	
Increase in Capital Reserve	\$ 749		749	882	\$ 133
Increase in Maintenance Reserve		147,000	147,000	147,000	
Budget Fund Balance	(23,031)	(415,543)	(438,574)	(94,647)	343,927
TOTAL	\$ (22,282)	\$ (286,084)	\$ (308,366)	\$ 35,694	\$ 344,060

FRANKLIN TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

RECAPITULATION OF FUND BALANCE

Restricted Fund Balance:		
Capital Reserve	\$ 204,817	
Maintenance Reserve	197,000	
Excess Surplus:		
Prior Year-Designated for 2012-2013 Budget	41,841	
Current Year-Designated for 2013-2014 Budget	<u>92,841</u>	
		\$ 536,499
Committed Fund Balance:		
Year-End Encumbrances		8,618
Unassigned Fund Balance		<u>345,266</u>
		890,383
Reconciliation to Governmental Statements (GAAP):		
Last State Aid Payments not Recognized on GAAP Basis		<u>(65,109)</u>
Fund Balance Per Governmental Funds (GAAP)		<u>825,274</u>

FRANKLIN TOWNSHIP SCHOOL DISTRICT
 EDUCATION JOBS FUND PROGRAM-BUDGET AND ACTUAL
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES					
Federal Sources:					
Education Jobs Fund	\$ 27,872	\$ 873	\$ 28,745	\$ 28,745	
TOTAL REVENUES	<u>\$ 27,872</u>	<u>\$ 873</u>	<u>\$ 28,745</u>	<u>\$ 28,745</u>	<u>\$ -</u>
EXPENDITURES					
Fund 18 Education Jobs Fund:					
Special Education Instruction-Resource Room/Resource Center:					
Other Salaries for Instruction	\$ 27,872	\$ 873	\$ 28,745	\$ 28,745	
Total	<u>27,872</u>	<u>873</u>	<u>28,745</u>	<u>28,745</u>	<u>\$ -</u>
TOTAL EXPENDITURES	<u>\$ 27,872</u>	<u>\$ 873</u>	<u>\$ 28,745</u>	<u>\$ 28,745</u>	<u>\$ -</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balances, July 1	-	-	-	-	-
Fund Balances, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

FRANKLIN TOWNSHIP SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES					
Local Sources	\$ 5,000		\$ 5,000	\$ 5,000	
Federal Sources	100,155		100,155	67,882	\$ (32,273)
TOTAL REVENUES	\$ 105,155	\$ -	\$ 105,155	\$ 72,882	\$ (32,273)
EXPENDITURES					
Instruction:					
Supplies & Materials	\$ 7,876		\$ 7,876	\$ 7,876	
Totals	7,876	\$ -	7,876	7,876	\$ -
Support Services:					
Purchased Professional Educational Services	60,006		60,006	60,006	
Supplies & Materials	37,273		37,273	5,000	32,273
Totals	97,279	-	97,279	65,006	32,273
TOTAL EXPENDITURES	\$ 105,155	\$ -	\$ 105,155	\$ 72,882	\$ 32,273

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION

FRANKLIN TOWNSHIP SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE

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

	General Fund	Special Revenue Fund
	<u> </u>	<u> </u>
<u>Sources/Inflows of Resources</u>		
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	\$ 5,153,067	\$ 72,882
Difference-Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures and the related revenue is recognized:		
Outstanding Encumbrances-Current Year		(1,799)
The last State aid payment is recognized as revenue for budgetary purposes, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expenses (GASB 33):		
State Aid Receivable Prior Year	53,985	
State Aid Receivable Current Year	<u>(65,109)</u>	
Total Revenues (GAAP Basis)	<u>\$ 5,141,943</u>	<u>\$ 71,083</u>
<u>Uses/Outflows of Resources</u>		
Actual Amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 5,117,373	\$ 72,882
Differences-Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes		
Outstanding Encumbrances-Current Year		<u>(1,799)</u>
Total Expenditures (GAAP Basis)	<u>\$ 5,117,373</u>	<u>\$ 71,083</u>

OTHER SUPPLEMENTAL INFORMATION

SCHOOL LEVEL SCHEDULES

(NOT APPLICABLE TO THIS REPORT)

SPECIAL REVENUE FUND

DETAIL STATEMENTS

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES-BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	NCLB TITLE IIA	IDEA Basic	IDEA Pre School	Local Grants	2012 Total
REVENUES					
Local Sources				\$ 5,000	\$ 5,000
Federal Sources	\$ 7,876	\$ 57,832	\$ 2,174		67,882
TOTAL REVENUES	<u>\$ 7,876</u>	<u>\$ 57,832</u>	<u>\$ 2,174</u>	<u>\$ 5,000</u>	<u>\$ 72,882</u>
EXPENDITURES					
Instruction:					
Supplies & Materials	\$ 7,876				\$ 7,876
Total	<u>7,876</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>7,876</u>
Support Services:					
Purchase Professional Educational Services		57,832	2,174		60,006
Supplies & Materials				5,000	5,000
Total	<u>-</u>	<u>57,832</u>	<u>2,174</u>	<u>5,000</u>	<u>65,006</u>
TOTAL EXPENDITURES	<u>\$ 7,876</u>	<u>\$ 57,832</u>	<u>\$ 2,174</u>	<u>\$ 5,000</u>	<u>\$ 72,882</u>

CAPITAL PROJECTS FUND

DETAIL STATEMENTS

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE-BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Expenditures and Other Financing Uses:	
Purchased Professional & Technical Services	\$ 4,866
Construction Services	333,183
	<hr/>
Total Expenditures and Other Financing Uses:	338,049
	<hr/>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(338,049)
Fund Balance-Beginning	406,398
	<hr/>
Fund Balance-Ending	\$ 68,349
	<hr/> <hr/>

FRANKLIN TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND
PROJECT STATUS-BUDGETARY BASIS- BOILER AND WINDOW REPLACEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues & Other Financing Sources:				
State Sources-SCC Grant	\$ 261,320		\$ 261,320	\$ 261,320
Local Sources:				
Operating Transfer-Capital Reserve	247,993		247,993	247,993
Operating Transfer-Capital Outlay	143,987		143,987	143,987
Total Revenues & Other Financing Sources	653,300	\$ -	653,300	653,300
Expenditures & Other Financing Uses:				
Purchased Professional & Technical Services	50,261	4,866	55,127	58,000
Construction Services	196,035	333,183	529,218	594,300
Other Objects	606		606	1,000
Total Expenditures & Other Financing Uses	246,902	338,049	584,951	653,300
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 406,398	\$ (338,049)	\$ 68,349	\$ -

Additional Project Information:

Project Number	1620-050-10-1001
Authorization Date	09/13/10
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 653,300
Additional Authorized Cost	\$ -
Revised Authorized Cost	\$ 653,300
Percentage Complete	89.54%

PROPRIETARY FUND

DETAIL STATEMENTS

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
COMBINING STATEMENT OF FUND NET ASSETS
ENTERPRISE FUND
JUNE 30, 2012

	Food Service Fund	Child Care Program	Total
ASSETS			
Current Assets:			
Cash & Cash Equivalents	\$ 6,743	\$ 19,888	\$ 26,631
Accounts Receivable		5,040	5,040
Receivable from Other Governments:			
Federal	1,510		1,510
State	105		105
Inventories	2,374		2,374
Total Current Assets	<u>10,732</u>	<u>24,928</u>	<u>35,660</u>
Fixed Assets:			
Capital Assets	30,019		30,019
Accumulated Depreciation	26,167		26,167
Total Fixed Assets	<u>3,852</u>	<u>-</u>	<u>3,852</u>
Total Assets	<u>14,584</u>	<u>24,928</u>	<u>39,512</u>
LIABILITIES			
Current Liabilities:			
Due to Other Funds		20,842	20,842
Deferred Revenue	1,017		1,017
Total Current Liabilities	<u>1,017</u>	<u>20,842</u>	<u>21,859</u>
NET ASSETS			
Invested in Capital Assets	3,852		3,852
Unrestricted	9,715	4,086	13,801
TOTAL NET ASSETS	<u>\$ 13,567</u>	<u>\$ 4,086</u>	<u>\$ 17,653</u>

FRANKLIN TOWNSHIP SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 ENTERPRISE FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Food Service Fund	Child Care Program	Total
Operating Revenues:			
Local Sources:			
Daily Sales-Reimbursable Programs	\$ 43,478		\$ 43,478
Daily Sales-Nonreimbursable Programs	16,506		16,506
Fees for Services		\$ 24,799	24,799
Total Operating Revenues	<u>59,984</u>	<u>24,799</u>	<u>84,783</u>
Operating Expenses:			
Cost of Sales	37,449		37,449
Salaries	18,207	23,486	41,693
Employee Benefits	2,774	6,221	8,995
Management Fee	7,000		7,000
Other Purchased Services	5,257	393	5,650
General Supplies	4,598	247	4,845
Insurance	2,036		2,036
Repairs and Maintenance	978		978
Depreciation	462		462
Total Operating Expenses	<u>78,761</u>	<u>30,347</u>	<u>109,108</u>
Operating Income (Loss)	<u>(18,777)</u>	<u>(5,548)</u>	<u>(24,325)</u>
Nonoperating Revenues (Expenses):			
Federal Sources:			
National School Lunch Program	12,587		12,587
Food Distribution Program	5,819		5,819
State Sources:			
School Lunch Program	857		857
Interest Income	87	72	159
Total Nonoperating Revenues (Expenses)	<u>19,350</u>	<u>72</u>	<u>19,422</u>
Change in Net Assets	573	(5,476)	(4,903)
Total Net Assets, Beginning	<u>12,994</u>	<u>9,562</u>	<u>22,556</u>
Total Net Assets, Ending	<u>\$ 13,567</u>	<u>\$ 4,086</u>	<u>\$ 17,653</u>

FRANKLIN TOWNSHIP SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Food Service Fund	Child Care Program	Total
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 59,984	\$ 27,528	\$ 87,512
Payments to Employees and Benefits		(8,865)	(8,865)
Payments to Food Service Management Co	(66,469)		(66,469)
Payments to Vendors (Net)	(5,696)	(639)	(6,335)
Net Cash Provided by (Used For) Operating Activities	<u>(12,181)</u>	<u>18,024</u>	<u>5,843</u>
Cash Flows from Noncapital Financing Activities:			
Federal Sources	11,854		11,854
State Sources	870		870
Net Cash Provided by (Used For) Noncapital Financing Activities	<u>12,724</u>	<u>-</u>	<u>12,724</u>
Cash Flows from Investing Activities:			
Interest Income	87	72	159
Net Cash Provided by (Used For) Financing Activities	<u>87</u>	<u>72</u>	<u>159</u>
Net Increase (Decrease) in Cash and Cash Equivalents	630	18,096	18,726
Cash and Cash Equivalents, July 1, 2011	<u>6,113</u>	<u>1,792</u>	<u>7,905</u>
Cash and Cash Equivalents, June 30, 2012	<u>\$ 6,743</u>	<u>\$ 19,888</u>	<u>\$ 26,631</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:			
Operating Income (Loss)	\$ (18,777)	\$ (5,548)	\$ (24,325)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:			
Depreciation	462		462
Federal Food Distribution Program	5,819		5,819
(Increase) Decrease in Receivables		2,730	2,730
(Increase) Decrease in Inventory	241		241
Increase (Decrease) in Due to Other Funds		20,842	20,842
Increase (Decrease) in Deferred Revenue	74		74
Net Cash Provided by (Used For) Operating Activities	<u>\$ (12,181)</u>	<u>\$ 18,024</u>	<u>\$ 5,843</u>

FIDUCIARY FUND

DETAIL STATEMENTS

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
COMBINING STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	Medical Savings Section 125	Student Activity Agency Fund	Payroll Agency Fund	Totals
ASSETS				
Cash & Cash Equivalents	\$ 13,308	\$ 9,974	\$ 4,725	\$ 28,007
TOTAL ASSETS	<u>13,308</u>	<u>9,974</u>	<u>4,725</u>	<u>28,007</u>
LIABILITIES				
Due to Other Funds			481	481
Due to Student Groups		9,974		9,974
Payroll Deductions & Withholdings			4,244	4,244
TOTAL LIABILITIES	<u>-</u>	<u>9,974</u>	<u>4,725</u>	<u>14,699</u>
NET ASSETS				
Held in Trust for Section 125 Claims & Other Purposes	<u>\$ 13,308</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,308</u>

FRANKLIN TOWNSHIP SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Medical Savings Section 125</u>
ADDITIONS	
Contributions:	
Plan Members	\$ 21,614
Investment Earnings:	
Interest	<u>75</u>
Total Additions	<u>21,689</u>
DEDUCTIONS	
Medical Payments	<u>18,742</u>
Change in Net Assets	2,947
Net Assets, Beginning of the Year	<u>10,361</u>
Net Assets, End of the Year	<u><u>\$ 13,308</u></u>

FRANKLIN TOWNSHIP SCHOOL DISTRICT
 STUDENT ACTIVITY AGENCY FUND
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Balance 07/01/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/12</u>
ASSETS				
Cash and Cash Equivalents	<u>\$ 9,652</u>	<u>\$ 31,976</u>	<u>\$ 31,654</u>	<u>\$ 9,974</u>
TOTAL ASSETS	<u><u>\$ 9,652</u></u>	<u><u>\$ 31,976</u></u>	<u><u>\$ 31,654</u></u>	<u><u>\$ 9,974</u></u>
LIABILITIES				
Due to Student Groups	<u>\$ 9,652</u>	<u>\$ 31,976</u>	<u>\$ 31,654</u>	<u>\$ 9,974</u>
TOTAL LIABILITIES	<u><u>\$ 9,652</u></u>	<u><u>\$ 31,976</u></u>	<u><u>\$ 31,654</u></u>	<u><u>\$ 9,974</u></u>

FRANKLIN TOWNSHIP SCHOOL DISTRICT
PAYROLL AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Balance</u> <u>07/01/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/12</u>
ASSETS				
Cash and Cash Equivalents	<u>\$ 22,092</u>	<u>\$ 3,270,507</u>	<u>\$ 3,287,874</u>	<u>\$ 4,725</u>
TOTAL ASSETS	<u>\$ 22,092</u>	<u>\$ 3,270,507</u>	<u>\$ 3,287,874</u>	<u>\$ 4,725</u>
LIABILITIES				
Due to Other Funds		\$ 481		\$ 481
Payroll Deductions & Withholding	\$ 21,513	1,309,230	\$ 1,326,230	4,513
Net Payroll	<u>579</u>	<u>1,960,796</u>	<u>1,961,644</u>	<u>(269)</u>
TOTAL LIABILITIES	<u>\$ 22,092</u>	<u>\$ 3,270,507</u>	<u>\$ 3,287,874</u>	<u>\$ 4,725</u>

LONG-TERM DEBT SCHEDULES

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS
JUNE 30, 2012

Issue	Date of Issue	Amount of Issue	Annual Maturities		Interest Rate	Balance 07/01/11	Issued	Retired	Balance 06/30/12
			Date	Amount					
Refunding School Bonds Refunding School Bonds of 2010	02/15/10	\$ 2,045,000	02/15/13	\$ 185,000	2.00%				
			02/15/14	190,000	2.75%				
			02/15/15	190,000	2.75%				
			02/15/16	190,000	2.75%				
			02/15/17	185,000	3.25%				
			02/15/18	185,000	5.00%				
			02/15/19	185,000	5.00%				
			02/15/20	185,000	5.00%				
			02/15/21	185,000	5.00%				
						\$ 1,860,000		\$ 180,000	\$ 1,680,000
						\$ 1,860,000	\$ -	\$ 180,000	\$ 1,680,000

FRANKLIN TOWNSHIP SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 DEBT SERVICE FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES					
Local Sources:					
Local Tax Levy	\$ 231,657		\$ 231,657	\$ 231,657	
Total Revenues	<u>231,657</u>	<u>\$ -</u>	<u>231,657</u>	<u>231,657</u>	<u>\$ -</u>
EXPENDITURES					
Regular Debt Service:					
Interest	51,657		51,657	66,762	(15,105)
Redemption of Principal	180,000		180,000	180,000	
Total Expenditures	<u>231,657</u>	<u>-</u>	<u>231,657</u>	<u>246,762</u>	<u>(15,105)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	(15,105)	(15,105)
Fund Balance, July 1	<u>15,105</u>	<u>-</u>	<u>15,105</u>	<u>15,105</u>	
Fund Balance, June 30	<u>\$ 15,105</u>	<u>\$ -</u>	<u>\$ 15,105</u>	<u>\$ -</u>	<u>\$ (15,105)</u>
Recapitulation of Excess (Deficiency) of Revenue Over (under) Expenditures					
Budgeted Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (15,105)</u>	<u>\$ (15,105)</u>

STATISTICAL SECTION

FRANKLIN TOWNSHIP SCHOOL DISTRICT
STATISTICAL SECTION J SERIES

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

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

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

	Fiscal Year Ending June 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
GOVERNMENT ACTIVITIES									
Invested in Capital Assets, Net of Related Debt	\$ 959,555	\$ 1,175,971	\$ 1,318,639	\$ 1,438,150	\$ 1,467,982	\$ 1,518,088	\$ 1,545,240	\$ 1,999,232	\$ 2,436,701
Restricted	335,265	156,303	95,766	8,788	8,546	251,551	301,661	675,438	470,166
Unrestricted	123,217	246,896	123,915	95,335	80,273	110,718	349,158	330,829	197,013
TOTAL GOVERNMENTAL ACTIVITIES NET ASSET	<u>\$ 1,418,037</u>	<u>\$ 1,579,170</u>	<u>\$ 1,538,320</u>	<u>\$ 1,542,273</u>	<u>\$ 1,556,801</u>	<u>\$ 1,880,357</u>	<u>\$ 2,196,059</u>	<u>\$ 3,005,499</u>	<u>\$ 3,103,880</u>
BUSINESS-TYPE ACTIVITIES									
Invested in Capital Assets, Net of Related Debt	\$ 2,218	\$ 1,444	\$ 670	\$ 2,104	\$ 1,242	\$ 1,721	\$ 1,530	\$ 4,313	\$ 3,852
Restricted									
Unrestricted	12,878	742	9,663	12,752	3,219	16,759	25,414	18,243	13,801
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$ 15,096</u>	<u>\$ 2,186</u>	<u>\$ 10,333</u>	<u>\$ 14,856</u>	<u>\$ 4,461</u>	<u>\$ 18,480</u>	<u>\$ 26,944</u>	<u>\$ 22,556</u>	<u>\$ 17,653</u>
DISTRICT-WIDE									
Invested in Capital Assets, Net of Related Debt	\$ 961,773	\$ 1,177,415	\$ 1,319,309	\$ 1,440,254	\$ 1,469,224	\$ 1,519,809	\$ 1,546,770	\$ 2,003,545	\$ 2,440,553
Restricted	335,265	156,303	95,766	8,788	8,546	251,551	301,661	675,438	470,166
Unrestricted	136,095	247,638	133,578	108,087	83,492	127,477	374,572	349,072	210,814
TOTAL DISTRICT-WIDE	<u>\$ 1,433,133</u>	<u>\$ 1,581,356</u>	<u>\$ 1,548,653</u>	<u>\$ 1,557,129</u>	<u>\$ 1,561,262</u>	<u>\$ 1,898,837</u>	<u>\$ 2,223,003</u>	<u>\$ 3,028,055</u>	<u>\$ 3,121,533</u>

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

	Fiscal Year Ending June 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
EXPENSES									
Governmental Activities:									
Instruction:									
Regular	\$ 1,712,404	\$ 2,006,354	\$ 2,210,028	\$ 2,409,390	\$ 2,487,167	\$ 2,427,118	\$ 2,219,596	\$ 2,135,097	\$ 2,266,263
Special Education	480,239	351,620	423,157	455,683	452,966	321,046	503,788	642,525	947,596
Other Instruction	200,817	324,479	259,108	264,954	268,194	268,764	304,343	274,074	17,715
Support Services:									
Tuition	74,537	89,610	84,539	93,089	118,303	122,852	128,310	83,885	35,000
Student & Instruction Related Services	510,350	425,170	512,329	637,971	630,649	674,266	665,251	650,921	932,188
General & Business Administrative Services	309,330	295,704	293,767	363,179	387,243	447,549	517,578	447,691	445,804
School Administration	121,652	118,900	74,154	83,374	68,504	47,067	49,669	69,281	52,423
Plant Operations & Maintenance	326,002	378,855	343,911	384,422	481,864	415,028	468,117	383,317	436,339
Pupil Transportation	224,229	217,422	232,873	199,227	276,489	277,866	285,642	170,156	143,278
Special Schools	9,618	12,301	14,859	20,568	21,206	14,281	17,061		
Transfer to Charter Schools								8,483	
Interest on Long-Term Debt	136,604	130,021	124,989	119,729	114,160	108,141	79,236	76,733	69,696
Total Governmental Activities Expenses	<u>4,105,782</u>	<u>4,350,436</u>	<u>4,573,714</u>	<u>5,031,586</u>	<u>5,306,745</u>	<u>5,123,978</u>	<u>5,238,591</u>	<u>4,942,163</u>	<u>5,346,302</u>
Business-Type Activities:									
Food Services	84,858	105,557	113,435	109,798	84,075	91,343	91,675	89,517	78,761
Child Care	47,948	54,472	55,304	88,967	111,573	88,799	83,277	65,004	30,347
Total Business-Type Activities	<u>132,806</u>	<u>160,029</u>	<u>168,739</u>	<u>198,765</u>	<u>195,648</u>	<u>180,142</u>	<u>174,952</u>	<u>154,521</u>	<u>109,108</u>
TOTAL DISTRICT EXPENSES	<u>\$ 4,238,588</u>	<u>\$ 4,510,465</u>	<u>\$ 4,742,453</u>	<u>\$ 5,230,351</u>	<u>\$ 5,502,393</u>	<u>\$ 5,304,120</u>	<u>\$ 5,413,543</u>	<u>\$ 5,096,684</u>	<u>\$ 5,455,410</u>

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

	Fiscal Year Ending June 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
PROGRAM REVENUES									
Governmental Activities:									
Charges for Services	\$ 69,780	\$ 71,504	\$ 138,061	\$ 138,083	\$ 119,317	\$ 123,529	\$ 100,230	\$ 100,933	\$ 73,052
Operating Grants & Contributions	316,394	170,276	133,586	192,685	175,318	135,132	158,022	166,884	71,083
Total Governmental Activities Program Revenues	<u>386,174</u>	<u>241,780</u>	<u>271,647</u>	<u>330,768</u>	<u>294,635</u>	<u>258,661</u>	<u>258,252</u>	<u>267,817</u>	<u>144,135</u>
Business-Type Activities:									
Charges for Services:									
Food Service	62,702	64,270	65,831	73,364	66,313	69,869	71,210	61,379	59,984
Child Care	50,383	50,988	62,082	84,999	100,492	100,432	86,138	59,164	24,799
Operating Grants & Contributions	21,831	23,861	25,654	22,891	17,906	23,672	26,569	29,522	19,263
Total Business-Type Activities Program Revenues	<u>134,916</u>	<u>139,119</u>	<u>153,567</u>	<u>181,254</u>	<u>184,711</u>	<u>193,973</u>	<u>183,917</u>	<u>150,065</u>	<u>104,046</u>
TOTAL DISTRICT-PROGRAM REVENUES	<u>\$ 521,090</u>	<u>\$ 380,899</u>	<u>\$ 425,214</u>	<u>\$ 512,022</u>	<u>\$ 479,346</u>	<u>\$ 452,634</u>	<u>\$ 442,169</u>	<u>\$ 417,882</u>	<u>\$ 248,181</u>
NET (EXPENSE) REVENUES									
Governmental Activities	\$ (3,719,608)	\$ (4,108,656)	\$ (4,302,067)	\$ (4,700,818)	\$ (5,012,110)	\$ (4,865,317)	\$ (4,980,339)	\$ (4,674,346)	\$ (5,202,167)
Business-Type Activities	2,110	(20,910)	(15,172)	(17,511)	(10,937)	13,831	8,965	(4,456)	(5,062)
TOTAL DISTRICT-WIDE NET EXPENSES	<u>\$ (3,717,498)</u>	<u>\$ (4,129,566)</u>	<u>\$ (4,317,239)</u>	<u>\$ (4,718,329)</u>	<u>\$ (5,023,047)</u>	<u>\$ (4,851,486)</u>	<u>\$ (4,971,374)</u>	<u>\$ (4,678,802)</u>	<u>\$ (5,207,229)</u>
GENERAL REVENUES & OTHER CHANGES IN NET ASSETS									
Governmental Activities:									
Property Taxes Levied for General Purposes	\$ 2,594,461	\$ 2,840,586	\$ 2,930,480	\$ 3,229,209	\$ 3,481,557	\$ 3,705,084	\$ 3,721,912	\$ 3,762,850	\$ 3,806,507
Taxes Levied for Debt Service	241,604	241,879	241,930	241,754	246,092	250,504	254,204	257,454	231,657
Unrestricted Grants & Contributions	844,592	1,056,384	1,091,604	1,236,138	1,288,391	1,230,621	1,339,432	1,197,408	1,249,222
Capital Grant-Unallocated			260					261,320	
Investment Earnings	2,502	3,676	7,978	11,751	9,200	2,455	3,056	2,682	9,013
Miscellaneous Income	53,047	2,631	12,284	291	1,398	209	447	2,072	4,149
Special Item-Payment to Refunding Bond Agent							(23,010)		
Operating Transfer	(17,000)	(8,000)	(23,319)	(21,572)					
Contracts & Accounts Payable Adjustment	62,866			7,200					
Total Governmental Activities	<u>3,782,072</u>	<u>4,137,156</u>	<u>4,261,217</u>	<u>4,704,771</u>	<u>5,026,638</u>	<u>5,188,873</u>	<u>5,296,041</u>	<u>5,483,786</u>	<u>5,300,548</u>

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

	Fiscal Year Ending June 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
GENERAL REVENUES & OTHER CHANGES IN NET ASSETS (Cont'd)									
Business-Type Activities:									
Investment Earnings				\$ 462	\$ 542	\$ 188	\$ 111	\$ 68	\$ 159
Prior Year Refunds							(612)		
Transfers		\$ 8,000	\$ 23,319	21,572					
Total Business-Type Activities	\$ -	8,000	23,319	22,034	542	188	(501)	68	159
TOTAL DISTRICT-WIDE	<u>\$ 3,782,072</u>	<u>\$ 4,145,156</u>	<u>\$ 4,284,536</u>	<u>\$ 4,726,805</u>	<u>\$ 5,027,180</u>	<u>\$ 5,189,061</u>	<u>\$ 5,295,540</u>	<u>\$ 5,483,854</u>	<u>\$ 5,300,707</u>
CHANGE IN NET ASSETS									
Governmental Activities	\$ 62,464	\$ 28,500	\$ (40,850)	\$ 3,953	\$ 14,528	\$ 323,556	\$ 315,702	\$ 809,440	\$ 98,381
Business-Type Activities	2,110	(12,910)	8,147	4,523	(10,395)	14,019	8,464	(4,388)	(4,903)
TOTAL DISTRICT	<u>\$ 64,574</u>	<u>\$ 15,590</u>	<u>\$ (32,703)</u>	<u>\$ 8,476</u>	<u>\$ 4,133</u>	<u>\$ 337,575</u>	<u>\$ 324,166</u>	<u>\$ 805,052</u>	<u>\$ 93,478</u>

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

	Fiscal Year Ending June 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund:									
Reserved	\$ 685	\$ 87,575	\$ 115,330	\$ 91,950	\$ 31,042	\$ 307,944	\$ 470,143	\$ 336,348	\$ 545,117
Unreserved	327,648	235,668	163,938	184,715	221,989	249,977	309,885	464,356	280,157
Total General Fund	<u>\$ 328,333</u>	<u>\$ 323,243</u>	<u>\$ 279,268</u>	<u>\$ 276,665</u>	<u>\$ 253,031</u>	<u>\$ 557,921</u>	<u>\$ 780,028</u>	<u>\$ 800,704</u>	<u>\$ 825,274</u>
All Other Governmental Funds:									
Unreserved, Reported In:									
Capital Projects Fund	\$ 240,092	\$ 223,218	\$ 94,094	\$ 7,114	\$ 7,114	\$ 114		\$ 406,398	\$ 68,349
Debt Service Fund	1	1	262	262				15,105	
Total All Other Governmental Funds	<u>\$ 240,093</u>	<u>\$ 223,219</u>	<u>\$ 94,356</u>	<u>\$ 7,376</u>	<u>\$ 7,114</u>	<u>\$ 114</u>	<u>\$ -</u>	<u>\$ 421,503</u>	<u>\$ 68,349</u>

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues:										
Tax Levy	\$ 2,474,432	\$ 2,836,065	\$ 3,082,465	\$ 3,172,410	\$ 3,470,963	\$ 3,727,649	\$ 3,955,588	\$ 3,976,116	\$ 4,020,304	\$ 4,038,164
Tuition Charges	53,646	69,780	50,244	116,322	114,525	95,403	98,658	75,359	76,676	54,399
Interest Earnings	6,858	2,502	3,676	7,978	11,751	9,200	2,455	3,056	2,682	9,013
Miscellaneous	25,735	53,048	23,891	34,023	31,049	26,312	25,080	30,318	31,329	27,802
State Sources	910,811	1,010,798	1,061,127	1,099,757	1,237,015	1,290,446	1,230,621	1,238,336	1,197,408	1,220,477
State Sources-Capital Projects				260					261,320	
Federal Sources	72,291	150,187	165,533	125,433	191,808	172,263	135,132	254,118	161,884	94,828
Total Revenues	3,543,773	4,122,380	4,386,936	4,556,183	5,057,111	5,321,273	5,447,534	5,577,303	5,751,603	5,444,683
Expenditures:										
Instruction:										
Regular Instruction	1,162,669	1,244,950	1,394,392	1,513,426	1,593,485	1,627,135	1,633,579	1,438,717	1,388,873	1,529,646
Special Education Instruction	181,828	236,978	194,486	271,798	264,361	264,553	222,233	362,337	395,302	357,787
Other Special Instruction	153,558	148,776	219,659	156,287	167,200	169,495	176,692	178,187	154,290	228,420
Other Instruction	5,950	7,773	8,607	11,636	9,379	8,266	8,566	12,805	24,063	17,183
Support Services:										
Tuition	57,999	74,537	89,610	84,539	93,089	118,303	122,852	128,310	83,885	35,000
Student & Instruction Related Services	342,664	345,219	333,126	334,493	401,542	396,519	428,555	409,758	390,354	601,313
General Administration	137,806	147,784	157,389	169,921	172,858	171,078	187,281	211,684	174,830	170,166
School Administration Services	83,320	86,672	90,304	65,071	66,478	43,759	44,140	48,112	46,259	34,411
Central Services / Business	77,593	82,631	83,472	93,120	93,828	109,611	117,383	119,384	127,848	134,113
Administrative Information Technology									19,432	12,342
Plant Operations & Maintenance	254,813	311,311	337,481	324,076	335,131	427,941	364,843	411,902	310,564	350,209
Pupil Transportation	196,726	224,229	199,655	201,287	172,870	255,096	272,961	279,341	161,879	136,791
Employee Benefits	395,317	489,752	585,899	684,929	792,156	870,287	869,111	1,012,320	1,055,879	1,135,216
On-Behalf TPAF Pension & Soc Sec Contributions	193,901	218,883	224,521	278,094	416,086	440,248	294,978	304,388	295,451	365,531
Special Schools	10,193	9,617	11,360	13,580	20,568	21,206	13,834	16,526		
Transfer to Charter Schools									8,483	
Capital Outlay			5,015		4,672			9,199		
Capital Projects	469,909	(45,620)	18,068	127,930	86,980		7,000	114	246,902	338,049
Special Revenue Funds	94,352	154,187	170,276	133,586	192,685	175,318	135,132	158,022	166,884	71,083
Debt Service:										
Principal	100,000	105,000	110,000	115,000	120,000	130,000	140,000	150,000	185,000	180,000
Interest & Other Charges	141,104	136,604	131,879	126,929	121,754	116,354	110,504	104,204	73,246	76,007
Total Expenditures	4,059,702	3,979,283	4,365,199	4,705,702	5,125,122	5,345,169	5,149,644	5,355,310	5,309,424	5,773,267
Excess (Deficiency) of Revenues										
Over (Under) Expenditures	(515,929)	143,097	21,737	(149,519)	(68,011)	(23,896)	297,890	221,993	442,179	(328,584)
Other Financing Sources (Uses):										
Transfers Out	(11,000)	(17,000)	(8,000)	(23,319)	(21,572)					
Total Other Financing Sources (Uses)	(11,000)	(17,000)	(8,000)	(23,319)	(21,572)					
Net Change in Fund Balances	\$ (526,929)	\$ 126,097	\$ 13,737	\$ (172,838)	\$ (89,583)	\$ (23,896)	\$ 297,890	\$ 221,993	\$ 442,179	\$ (328,584)
Debt Service as a Percentage of Non-capital Expenditures	7.20%	6.39%	5.90%	5.58%	5.05%	4.83%	5.12%	4.99%	5.38%	4.94%

Source: District Records

NOTE: Non-capital expenditures are total expenditures less capital outlay, capital projects and debt service.
 Central Service and Administrative Information Technology account classifications were added beginning with year end June 30, 2005
 Prior to June 30, 2005, Central Service and Administrative Information Technology were combined in Other Support Services as Business and Other Support Services.

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

Description	Fiscal Year Ending June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Interest Income	\$ 6,858	\$ 1,952	\$ 2,482	\$ 7,978	\$ 11,751	\$ 9,200	\$ 2,455	\$ 3,056	\$ 2,682	\$ 9,013
Tuition	53,646	69,780	50,244	116,322	114,525	95,403	98,658	75,359	76,676	54,399
Building Use Fees	15,481	15,946	21,260	21,739	23,558	23,914	24,871	24,871	24,258	18,653
Prior Year Refunds	130	29,663	4,879	11,400	51	325	77		2,071	4,149
Miscellaneous	7,617	7,439		884	15	5		447		
Donations			271		225	293	132			
Sale of Surplus Equipment			2,914							
Accounts Payable Cancelled					7,200					
Prior Year Differences			(5,433)							
Asbestos Litigation						775				
Annual Totals	<u>\$ 83,732</u>	<u>\$ 124,780</u>	<u>\$ 76,617</u>	<u>\$ 158,323</u>	<u>\$ 157,325</u>	<u>\$ 129,915</u>	<u>\$ 126,193</u>	<u>\$ 103,733</u>	<u>\$ 105,687</u>	<u>\$ 86,214</u>

Source: District Records

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Vacant Land	\$ 7,343,800	\$ 6,446,100	\$ 6,415,300	\$ 6,750,600	\$ 6,937,700	\$ 6,012,600	\$ 6,267,600	\$ 5,875,000	\$ 6,258,200	\$ 4,438,400
Residential	167,544,500	281,424,600	282,125,400	284,086,600	288,425,300	292,976,100	294,741,100	294,234,600	291,200,700	292,209,000
Farm Regular	25,684,800	45,455,700	45,366,500	46,589,100	47,296,000	48,390,200	48,434,700	51,517,400	53,529,700	53,550,700
Qualified Farm	2,791,377	5,214,055	5,195,405	5,198,525	5,121,825	5,110,225	5,055,805	5,093,305	5,029,405	5,053,215
Commercial	21,694,700	33,094,200	32,808,300	32,616,800	32,616,800	32,985,700	33,199,300	33,139,800	32,839,800	32,503,800
Industrial	17,587,000	25,757,900	26,257,900	28,866,100	28,866,100	31,274,600	31,199,800	31,199,800	31,024,800	30,969,000
Apartment	396,900	617,500	306,300	306,300	306,300	306,300	306,300	306,300	306,300	306,300
Total Assessed Value	243,043,077	398,010,055	398,475,105	404,414,025	409,570,025	417,055,725	419,204,605	421,366,205	420,188,905	419,030,415
Public Utilities (a)	1,055,104	1,171,527	1,081,481	1,053,317	966,940	949,522	969,682	1,010,638	942,686	978,714
Net Valuation Taxable	\$ 244,098,181	\$ 399,181,582	\$ 399,556,586	\$ 405,467,342	\$ 410,536,965	\$ 418,005,247	\$ 420,174,287	\$ 422,376,843	\$ 421,131,591	\$ 420,009,129
Estimated Actual County Equalized Value	\$ 291,100,123	\$ 346,516,477	\$ 373,453,320	\$ 412,227,879	\$ 459,604,905	\$ 480,024,399	\$ 470,783,514	\$ 470,614,867	\$ 442,040,087	\$ 420,724,361
Percentage of Net Valuation to Estimated Actual County Equalized Value	83.85%	115.20%	106.99%	98.36%	89.32%	87.08%	89.25%	89.75%	95.27%	99.83%
Total Direct School Tax Rate (b)	\$ 1.16	\$ 0.77	\$ 0.79	\$ 0.86	\$ 0.91	\$ 0.96	\$ 0.94	\$ 0.95	\$ 0.96	\$ 0.96

*

Source: Municipal Tax Assessor

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

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

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

(b) Tax rates are per \$100

* Revalued/Reassessed

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

Assessment Year	School District Direct Rate							Total Direct & Overlapping Tax Rate
	Basic Rate (a)	General Obligation Debt Service (b)	(From J-6)	Regional School Debt	Overlapping Rates		Fire District	
			Total Direct School Tax Rate		Municipality	County		
2003	\$ 1.06	\$ 0.10	\$ 1.16	\$ 0.91	\$ 0.15	\$ 0.81	\$ 3.03	
2004	* 0.71	0.06	0.77	0.61	0.13	0.59	2.10	
2005	0.73	0.06	0.79	0.66	0.17	0.61	2.23	
2006	0.80	0.06	0.86	0.67	0.18	0.64	2.35	
2007	0.85	0.06	0.91	0.75	0.18	0.69	2.53	
2008	0.90	0.06	0.96	0.75	0.20	0.70	2.61	
2009	0.88	0.06	0.94	0.80	0.23	0.69	2.66	
2010	0.89	0.06	0.95	0.87	0.24	0.69	2.75	
2011	0.92	0.04	0.96	0.89	0.24	0.67	2.76	
2012	0.91	0.05	0.96	0.92	0.22	0.68	2.78	

Sources: Municipal Tax Collector

NOTE:

NJSA 18A:7F-5d limits the amount that the district can submit for a general fund tax levy. The levy when added to other components of the district's net budget may not exceed the pre-budget by more than the spending growth limitation calculated as follows: the prebudget year net budget increased by the cost of living or 2.5 percent, whichever is greater, plus any spending growth adjustments.

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

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

* Revalued/Reassessed

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

	2012			2003		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Transcontinental Gas Pipeline	\$ 17,917,900	1	4.27%	\$ 11,398,300	1	4.67%
ISE America	9,981,100	2	2.38%	8,949,700	2	3.67%
Franklin Realty Group	9,275,200	3	2.21%	4,572,900	3	1.87%
Franklin Realty Group	5,958,100	4	1.42%			
Viking Development Co	2,313,400	5	0.55%			
J.W.D Farms, LLC	1,950,700	6	0.46%			
Elizabethtown Gas Company	1,451,700	7	0.35%	1,141,500	6	0.47%
Individual Property Owner	1,290,600	8	0.31%	1,050,000	7	0.43%
Victaulic Reh, LLC	1,122,300	9	0.27%			
Individual Property Owner	1,109,100	10	0.26%	1,020,200	8	0.42%
PSEG Power LLC				1,931,000	4	0.79%
Toll NJ III LP				1,883,900	5	0.77%
Asbury Graphite Mills, Inc				979,600	9	0.40%
New Jersey Bell				899,233	10	0.37%
	<u>\$ 52,370,100</u>		<u>12.47%</u>	<u>\$ 33,826,333</u>		<u>13.86%</u>

Source: Municipal Tax Assessor

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

Year Ending December 31,	Taxes Levied for the Year	Collected Within the Fiscal Year of the Levy (a)	
		Amount	Percentage of Levy
2002	\$ 7,094,648	\$ 6,822,315	96.16%
2003	7,648,028	7,453,778	97.46%
2004	8,423,461	8,187,049	97.19%
2005	9,028,475	8,818,737	97.68%
2006	9,663,991	9,366,240	96.92%
2007	10,519,675	10,097,610	95.99%
2008	10,972,721	10,549,194	96.14%
2009	11,265,721	10,844,048	96.26%
2010	11,669,010	11,310,905	96.93%
2011	11,644,684	11,332,972	97.32%

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

(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.

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

Fiscal Year Ending June 30,	General Obligation Bonds (b)	Governmental Activities			Business-Type Activities		Total District	% of Personal Income (a)	Per Capita (a)
		Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases				
2003	\$ 2,954,000					\$ 2,954,000	2.81%	\$ 951	
2004	2,849,000					2,849,000	2.61%	903	
2005	2,739,000					2,739,000	2.43%	866	
2006	2,624,000					2,624,000	2.25%	831	
2007	2,504,000					2,504,000	2.01%	795	
2008	2,374,000					2,374,000	1.81%	757	
2009	2,234,000					2,234,000	1.63%	714	
2010	2,045,000					2,045,000	1.52%	655	
2011	1,860,000					1,860,000	1.33%	586	
2012	1,680,000					1,680,000	N/A	531	

NOTE

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

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

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

Fiscal Year Ending June 30,	General Bonded Debt Outstanding			% of Actual Taxable Value (a) of Property	Per Capita (a)
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2003	\$ 2,954,000		\$ 2,954,000	1.21%	\$ 936
2004	2,849,000		2,849,000	0.71%	901
2005	2,739,000		2,739,000	0.69%	868
2006	2,624,000		2,624,000	0.65%	833
2007	2,504,000		2,504,000	0.61%	799
2008	2,374,000		2,374,000	0.57%	759
2009	2,234,000		2,234,000	0.53%	716
2010	2,045,000		2,045,000	0.48%	644
2011	1,860,000		1,860,000	0.44%	588
2012	1,680,000		1,680,000	0.40%	531

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

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2011

GOVERNMENTAL UNIT	Gross Debt Outstanding	Estimated % Applicable (a)	Estimated Share of Overlapping Debt
Debt Repaid with Property Taxes:			
Municipality	\$ 3,133,858	100.00	\$ 3,133,858
Regional High School	27,054,000	16.45	4,450,535
County General Obligation Debt	19,726,201	3.50	689,525
Subtotal, Overlapping Debt			8,273,918
School District Direct Debt			1,860,000
Total Direct and Overlapping Debt			\$ 10,133,918

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

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

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
 LEGAL DEBT MARGIN INFORMATION,
 LAST TEN FISCAL YEARS

Legal Debt Margin Calculation for Fiscal Year 2012

	Equalized Valuation Basis	
		2011 \$ 420,904,443
		2010 442,286,349
		2009 <u>467,080,340</u>
		<u>\$ 1,330,271,132</u>
	Average Equalized Valuation of Taxable Property	<u>\$ 443,423,711</u>
	Debt Limit (2.5% of Average Equalization Value)	\$ 11,085,593 (a)
	Total Net Debt Applicable to Limit	<u>1,680,000</u>
	Legal Debt Margin	<u>\$ 9,405,593</u>

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt Limit	\$ 5,711,416	\$ 6,715,741	\$ 7,903,075	\$ 9,129,589	\$ 10,248,551	\$ 11,068,555	\$ 11,586,640	\$ 11,705,894	\$ 11,472,133	\$ 11,085,593
Total Net Debt Applicable	<u>2,954,000</u>	<u>2,849,000</u>	<u>2,804,723</u>	<u>2,624,000</u>	<u>2,504,000</u>	<u>2,374,000</u>	<u>2,234,000</u>	<u>2,045,000</u>	<u>1,860,000</u>	<u>1,680,000</u>
Legal Debt Margin	<u>\$ 2,757,416</u>	<u>\$ 3,866,741</u>	<u>\$ 5,098,352</u>	<u>\$ 6,505,589</u>	<u>\$ 7,744,551</u>	<u>\$ 8,694,555</u>	<u>\$ 9,352,640</u>	<u>\$ 9,660,894</u>	<u>\$ 9,612,133</u>	<u>\$ 9,405,593</u>
Total Net Debt Applicable to the Limit as a Percent- age of Debt Limit	51.72%	42.42%	35.49%	28.74%	24.43%	21.45%	19.28%	17.47%	16.21%	15.15%

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

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

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

<u>Year</u>	<u>Population (a)</u>	<u>Personal Income (b)</u>	<u>Per Capita Personal Income (c)</u>	<u>Unemployment Rate (d)</u>
2003	3,156	\$ 109,052,424	\$ 34,554	7.0%
2004	3,162	112,601,982	35,611	5.2%
2005	3,156	116,592,108	36,943	2.9%
2006	3,149	124,360,308	39,492	3.1%
2007	3,135	131,243,640	41,864	2.9%
2008	3,128	137,090,856	43,827	3.9%
2009	3,120	134,381,520	42,631	6.9%
2010	3,175	140,281,025	42,631	7.2%
2011	3,164	N/A	N/A	6.6%
2012	N/A	N/A	N/A	N/A

Sources:

- (a) Population Information Provided by the NJ Dept of Labor and Workforce Development
- (b) Personal Income has Been Estimated Based Upon the Municipal Population and Per Capita Personal Income Presented
- (c) Per Capita Personal Income by County Estimated Based Upon the 2010 Census Published by the US Bureau of Economic Analysis.
- (d) Unemployment Data Provided by the NJ Dept of Labor and Workforce Development

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

Employer	2012			2003		
	Employees	Rank	Percentage of Total Municipal Employment	Employees	Rank	Percentage of Total Municipal Employment

INFORMATION IS NOT AVAILABLE FOR THIS SCHOOL DISTRICT

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

FUNCTION/PROGRAM	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Instruction:										
Regular	31.6	32.6	37.0	37.4	39.0	42.2	41.2	41.4	34.8	34.8
Special Education	4.7	4.7	2.0	3.0	4.3	4.7	4.7	4.7	4.0	4.0
Support Services:										
General Administration	1.5	2.0	1.5	1.5	1.5	2.0	1.5	2.0	2.0	2.0
School Administrative Services	3.2	4.1	3.3	2.8	4.0	2.0	2.0	1.0	1.0	1.0
Other Administrative Services	1.6	1.6	2.1	2.0	1.8	2.0	2.0	3.0	1.5	1.5
Administrative Information Technology	0.8	0.8	0.4							
Plant Operations and Maintenance	3.0	3.0	3.6	5.0	4.0	4.0	3.5	3.5	3.3	3.3
Pupil Transportation	0.8	1.6	2.0	2.3	2.3	2.6	2.6	2.6	0.4	0.4
Other Support Services	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.5
Total	48.2	51.4	52.9	55.0	57.9	60.5	58.5	59.2	48.0	48.5

Sources: District Personnel Records

FRANKLIN TOWNSHIP SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	Enrollment	Operating Expenditures (a)	Cost Per Pupil	Percentage Change	Teaching Staff (b)	Teacher Ratio	Average Daily Enrollment (ADE) (c)	Average Daily Attendance (ADA) (c)	% Change in Average Daily Enrollment	Student Attendance Percentage
2003	376	\$ 3,348,689	\$ 8,906	7.57%	36.0	1 to 10.44	365.7	351.2	7.72%	96.04%
2004	391	3,783,299	9,676	8.64%	36.7	1 to 10.65	391.3	374.5	7.00%	95.71%
2005	380	4,100,237	10,790	11.51%	38.2	1 to 9.95	380.1	362.0	-2.86%	95.24%
2006	399	4,335,843	10,867	0.71%	38.0	1 to 10.5	399.0	381.4	4.97%	95.59%
2007	385	4,791,716	12,446	14.53%	35.1	1 to 10.97	394.7	374.4	-1.08%	94.86%
2008	348	5,098,815	14,652	17.72%	37.6	1 to 10.51	347.8	332.3	-11.88%	95.54%
2009	337	4,892,140	14,517	-0.92%	36.0	1 to 8.73	340.8	326.9	-2.01%	95.92%
2010	336	5,091,793	15,154	4.39%	26.4	1 to 11.51	318.0	302.9	-6.69%	95.25%
2011	304	4,804,276	15,804	4.29%	23.3	1 to 13.05	294.3	280.1	-7.45%	95.17%
2012	285	5,179,211	18,173	14.99%	23.6	1 to 12.08	287.2	275.1	-2.41%	95.79%

Source: District Records

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

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

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
 SCHOOL BUILDING INFORMATION
 LAST TEN FISCAL YEARS

DISTRICT BUILDING	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Elementary (1960)										
Square Feet	47,552	47,552	47,552	47,552	47,552	47,552	47,552	47,552	47,552	47,552
Capacity (Students)	367	367	367	367	367	367	367	367	367	367
Enrollment	358	377	382	384	385	348	337	336	304	285

Number of Schools at June 30, 2012:

Elementary	1
Middle School	0
High School	0
Other	0

District Facilities Office

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

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

UNDISTRIBUTED EXPENDITURES - REQUIRED
MAINTENANCE FOR SCHOOL FACILITIES

*School Facilities

	<u>Amount</u>	<u>Total</u>
2003	\$ 18,542	\$ 18,542
2004	39,587	39,587
2005	34,014	34,014
2006	17,931	17,931
2007	30,162	30,162
2008	50,707	50,707
2009	14,054	14,054
2010	27,437	27,437
2011	18,356	18,356
2012	<u>71,227</u>	<u>71,227</u>
Total School Facilities	<u>\$ 322,017</u>	<u>\$ 322,017</u>

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

Source: District Records

FRANKLIN TOWNSHIP SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2012
(UNAUDITED)

	<u>Coverage</u>
School Package Policy-NJ School Boards Assoc:	
Property-Blanket Building & Contents (Policy Limit)	\$ 500,000,000
Comprehensive General Liability (Policy Limit)	16,000,000
Automobile Liability (Policy Limit)	16,000,000
Employee Benefits (Policy Limit)	16,000,000
Flood (Policy Limit)	50,000,000
Earthquake (Policy Limit)	50,000,000
School Board Legal Liability-NJ School Boards Assoc:	
Directors and Officers Policy (Policy Limit)	16,000,000
Public Employees' Faithful Performance-	
NJ School Boards Assoc:	
Treasurer of School Monies Bond	200,000
Business Administrator's Bond	200,000
Blanket Bond	250,000

Source: District Records

SINGLE AUDIT SECTION

Certified Public Accountant
Public School Accountant
Registered Municipal Accountant

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

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

November 2, 2012

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

We have audited the financial statements of the Board of Education of the Franklin School District in the County of Warren as of and for the year ended June 30, 2012, and have issued our report thereon dated November 2, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; Government Auditing Standards issued by the Comptroller General of the United States; and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

Management of the Board of Education is responsible for establishing and maintaining effective internal control over financial reporting.

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

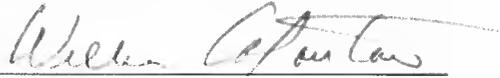
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination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

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

Compliance and Other Matters

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

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



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

Certified Public Accountant
Public School Accountant
Registered Municipal Accountant

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

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04

November 2, 2012

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

Compliance

We have audited the compliance of the Board of Education of the Franklin School District in the County of Warren, with the types of compliance requirements described in the US Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the New Jersey State Aid/Grant Compliance Supplement that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2012. The Board of Education's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the Board of Education's management. Our responsibility is to express an opinion on the Board of Education's compliance based on our audit.

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

In our opinion the Board of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2012.

Internal Control Over Compliance

The management of the Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Board of Education's internal control over compliance with requirements that could have a direct and material effect on a major federal and state program in order to determine our audit procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04 but not for the purpose of expressing an opinion on the effectiveness on internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board of Education's internal control over compliance.

A 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 program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of management, the Board of Education, others within the entity, the New Jersey Department of Education, 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.



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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL ASSISTANCE SCHEDULE A
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Grantor/Program Title	Federal CFDA Number	Project Number	Program or Award Amount	Grant Period From To	Balance June 30, 2011		Cash Received	Budgetary Expenditure	Adjustment	Repay of Prior Year Balance	Balance June 30, 2012		
					(Acct Rec) Def Revenue	Carryover Amount					Accounts Receivable	Deferred Revenue	Due to Grantor
US Department of Education Passed Through State Department of Education:													
General Fund:													
Education Jobs Fund	84.410A	ARRA-162011	\$ 28,745	8/10/2010-9/30/2012			\$ 28,745	\$ 28,745					
Total General Fund:					\$ -	\$ -	28,745	28,745	\$ -	\$ -	\$ -	\$ -	\$ -
US Department of Education Passed Through State Department of Education:													
Special Revenue Fund:													
NCLB Title IA	84.010A	NCLB 162011	19,364	9/01/2010-8/31/2011	\$ (4,577)		4,577						
NCLB Title II A	84.367A	NCLB 162012	7,876	9/01/2011-8/31/2012				7,876			(7,876)		
NCLB Title II A	84.367A	NCLB 162011	4,145	9/01/2010-8/31/2011	(4,145)		4,145						
NCLB Title II A	84.367A	NCLB 162010	8,545	9/01/2009-8/31/2010	(475)		475						
ARRA IDEA Basic	84.391	ARRA-162010	62,350	9/01/2009-8/31/2011	(31,595)		31,595						
IDEA Pre School	84.173	IDEA 162012	2,174	9/01/2011-8/31/2012				2,174	2,174				
IDEA Pre School	84.173	IDEA 162011	2,222	9/01/2010-8/31/2011	(2,222)		2,222						
IDEA Basic	84.027	IDEA 162012	57,832	9/01/2011-8/31/2012				56,977	57,832		(855)		
IDEA Basic	84.027	IDEA 162011	59,838	9/01/2010-8/31/2011	(59,838)		59,838						
Small Rural School Achievement Prog	84.358A	S358A 113563	32,273	7/01/2011-9/30/2012							(32,273)	32,273	
Total Special Revenue Fund					(102,852)	-	162,003	67,882	-	-	(41,004)	32,273	-
US Department of Agriculture Passed Through State Department of Agriculture:													
Enterprise Fund:													
Food Distribution Program	10.550 -	N/A	5,893	7/01/2011-6/30/2012			5,893	4,876				1,017	
Food Distribution Program	10.550 -	N/A	16,462	7/01/2010-6/30/2011		943		943					
National School Lunch Program	10.555	N/A	12,587	7/01/2011-6/30/2012			11,077	12,587			(1,510)		
National School Lunch Program	10.555	N/A	11,426	7/01/2010-6/30/2011	(776)		776						
Total Enterprise Fund					167	-	17,746	18,406	-	-	(1,510)	1,017	-
TOTAL FEDERAL FINANCIAL ASSISTANCE					\$ (102,685)	\$ -	\$ 208,494	\$ 115,033	\$ -	\$ -	\$ (42,514)	\$ 33,290	\$ -

SEE ACCOMPANYING NOTES TO SCHEDULES OF FINANCIAL ASSISTANCE

FRANKLIN TOWNSHIP SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE SCHEDULE B
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Grantor/Program Title	Project Number	Program or Award Amount	Grant Period From To	Balance	Cash Received	Budgetary Expenditure	Adjustment	Balance June 30, 2012			Memo	
				6/30/2011 (Acct Rec) Def Revenue				Accounts Receivable	Deferred Revenue	Due to Grantor	Budgetary Receivable	Cumulative Expenditures
State Department of Education												
General Fund:												
Equalization Aid	11-495-034	\$ 461,342	7/01/2010-									
	5120-078		6/30/2011	\$ (41,269)	\$ 41,269							
Equalization Aid	12-495-034	556,458	7/01/2011-									
	5120-078		6/30/2012		504,598	\$ 556,458		\$ (51,860)			\$ (51,860)	\$ 556,458
Special Education Aid	12-495-034	142,156	7/01/2011-									
	5120-089		6/30/2012		128,907	142,156		(13,249)			(13,249)	142,156
Special Education Aid	11-495-034	142,156	7/01/2010-									
	5120-089		6/30/2011	(12,716)	12,716							
Extraordinary Special Education Costs Aid	11-100-034	266,320	7/01/2010-									
	5120-473		6/30/2011	(266,320)	266,320							
Extraordinary Special Education Costs Aid	12-100-034	166,546	7/01/2011-									
	5120-473		6/30/2012			166,546		(166,546)				166,546
Nonpublic School Transportation	12-495-034	910	7/01/2011-									
	5120-014		6/30/2012			910		(910)				910
Nonpublic School Transportation	11-495-034	2,022	7/01/2010-									
	5120-014		6/30/2011	(2,022)	2,022							
Reimbursement TPAF Social Security Contributions	11-495-034	143,589	7/01/2010-									
	5095-002		6/30/2011	(25,760)	25,760							
Reimbursement TPAF Social Security Contributions	12-495-034	148,422	7/01/2011-									
	5095-002		6/30/2012		141,566	148,422		(6,856)				148,422
On-Behalf TPAF Pension Contribution- Teachers' Pension and Annuity Fund	12-495-034	65,133	7/01/2011-									
	-5095-006		6/30/2012		65,133	65,133						65,133
On-Behalf TPAF Pension Contribution- Non-Contributory Insurance	12-495-034	6,990	7/01/2011-									
	-5095-007		6/30/2012		6,990	6,990						6,990
On-Behalf TPAF Pension Contribution- Post Retirement Medical	12-495-034	144,986	7/01/2011-									
	-5095-001		6/30/2012		144,986	144,986						144,986
Total General Fund				<u>(348,087)</u>	<u>1,340,267</u>	<u>1,231,601</u>	<u>\$ -</u>	<u>(239,421)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(65,109)</u>	<u>1,231,601</u>
Capital Projects Fund:												
NJSDA Grant-Boiler and Window Replacement	1620-050-10-1001	261,320										
				<u>(98,761)</u>		<u>135,220</u>		<u>(261,320)</u>	<u>27,339</u>			<u>233,981</u>
Total Capital Projects Fund:				<u>(98,761)</u>	<u>-</u>	<u>135,220</u>	<u>-</u>	<u>(261,320)</u>	<u>27,339</u>	<u>-</u>	<u>-</u>	<u>233,981</u>
State Department of Agriculture												
Enterprise Fund												
State School Lunch Program	12-100-010	857	7/01/2011-									
	-3350-023		6/30/2012		752	857		(105)				857
State School Lunch Program	11-100-010	923	7/01/2010-									
	-3350-023		6/30/2011	(118)	118							
Total Enterprise Fund				<u>(118)</u>	<u>870</u>	<u>857</u>	<u>-</u>	<u>(105)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>857</u>
TOTAL STATE FINANCIAL ASSISTANCE				<u>\$ (446,966)</u>	<u>\$ 1,341,137</u>	<u>\$ 1,367,678</u>	<u>\$ -</u>	<u>\$ (500,846)</u>	<u>\$ 27,339</u>	<u>\$ -</u>	<u>\$ (65,109)</u>	<u>\$ 1,466,439</u>

SEE ACCOMPANYING NOTES TO SCHEDULES OF FINANCIAL ASSISTANCE

FRANKLIN TOWNSHIP SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF AWARDS AND FINANCIAL ASSISTANCE
JUNE 30, 2012

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

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

NOTE 3. RELATIONSHIP OF GENERAL-PURPOSE FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last state aid payment in the current budget year, which is mandated pursuant to PL 2003, Ch 97 (A3521). For GAAP purposes that payment is not recognized until the subsequent budget year due to the state deferral and recording of the last state aid payment in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$11,124 for the general fund and \$1,799 for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds.

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 28,745	\$ 1,220,477	\$ 1,249,222
Special Revenue Fund	66,083		66,083
Food Service Fund	18,406	857	19,263
Capital Projects Fund		<u>135,220</u>	<u>135,220</u>
	<u>\$ 113,234</u>	<u>\$ 1,356,554</u>	<u>\$ 1,469,788</u>

FRANKLIN TOWNSHIP SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF AWARDS AND FINANCIAL ASSISTANCE
JUNE 30, 2012
(Continued)

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

Revenues and expenditures reported under the USDA Commodities Program represent current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the district for the year ended June 30, 2012. TPAF Social Security Contribution represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the year ended June 30, 2012.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

SECTION I-SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Auditor's Report Issued:

Unqualified

Internal Control Over Financial Reporting:

1. Material weakness(es) identified?

_____ Yes X No

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

_____ Yes X No

Noncompliance Material to General-Purpose
Financial Statements Noted?

_____ Yes X No

Federal Awards

NOT APPLICABLE

Internal Control Over Major Programs:

1. Material weakness(es) identified?

_____ Yes _____ No

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

_____ Yes _____ No

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

Any Audit Findings Disclosed that are Required
to be Reported in Accordance with Section .510
(a) of Circular A-133?

_____ Yes _____ No

Identification of Major Programs:

CFDA Numbers

Amount

Name of Federal Program

FRANKLIN TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

SECTION I-SUMMARY OF AUDITOR'S RESULTS

Federal Awards (Cont'd) NOT APPLICABLE

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

Auditee qualified as a low-risk auditee _____ Yes _____ No

State Awards

Dollar Threshold used to Distinguish Between
Type A and Type B Programs: _____ \$300,000 _____

Auditee Qualified as low-risk auditee _____ X _____ Yes _____ No

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

Internal Control Over Major Programs:

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

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

Any Audit Findings Disclosed That are Required
to be Reported in Accordance with NJ OMB
Circular Letter 04-04? _____ Yes _____ X _____ No

Identification of Major Programs:

<u>GMIS Numbers</u>	<u>Amount</u>	<u>Name of State Program</u>
12-495-034-5120-078	\$ 556,458	Equalization Aid
12-495-034-5120-089	142,156	Special Education Aid
12-495-034-5095-002	148,422	Reimbursement TPAF Social Security
1620-056-10-1001	135,220	NJ SDA Grant

FRANKLIN TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

SECTION II-FINANCIAL STATEMENT FINDINGS

There were no findings or questioned costs for the year ended June 30, 2012.

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

There were no findings or questioned costs for the year ended June 30, 2012.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

K-7

There were no prior year findings or questioned costs.