

SCHOOL DISTRICT
OF
FRELINGHUYSEN TOWNSHIP

Frelinghuysen Township School District
Board of Education
Johnsonburg, Warren County
New Jersey

Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2012

Comprehensive Annual

Financial Report

of the

Frelinghuysen Township School District

Board of Education

Johnsonburg, New Jersey

For the Fiscal Year Ending June 30, 2012

Prepared by

Frelinghuysen Township School District

Board of Education

Finance Department

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Introductory Section

Frelinghuysen Township School

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School Business Administrator
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September 17, 2012

Honorable President and
Members of the Board of Education
Frelinghuysen School District
County of Warren, New Jersey

Dear Board Members,

The comprehensive annual financial report of the Frelinghuysen 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 1984 and the U. S. Office of Management and Budget Circular A-133, Audit of State and Local Governments, and the State Treasury Circular Letter 04-04 OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments. Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES: Frelinghuysen School District is an independent reporting entity within the criteria adopted by the GASB as established by NCGA Statements No. 3. All funds and account groups of the District are included in this report. The Frelinghuysen Board of Education and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Kindergarten through 6 and operates a half-day pre-school inclusion program. The District completed the 2011-2012 fiscal year with an enrollment of 169 students, which is seven students less than the previous year's enrollment. The following details the changes in the student enrollment of the District over the last five years.

<u>Fiscal Year</u>	<u>Average Daily Enrollment</u>	
	<u>Student Enrollment</u>	<u>Percent Change</u>
2006-2007	201	+104.0%
2007-2008	197	-13.5%
2008-2009	191	- 14.5%
2009-2010	187	-13.5%
2010-2011	176	-11.4%
2010-2012	168	-3.9%

2) ECONOMIC CONDITION AND OUTLOOK: A demographic study completed in March 2004 predicts a 4.8% growth population over the next ten years. Since much of Frelinghuysen Township's land has large parcels that are under agricultural assessment and/or have significant environmental constraints, there is little pressure for rapid, large-scale residential growth. Our primary economic challenge is the continued reduction in State Aid, especially in light of legislation.

3) MAJOR INITIATIVES: Frelinghuysen Elementary faculty has been working to align the school's curricula with New Jersey's Core Content Standards for a number of years.

Frelinghuysen Elementary School has successfully implemented new standards-based math, science, world language and language arts programs, is continuing with its emphasis on writing instruction at all grade levels, and is focusing on expanding technology resources in all of its classrooms. In addition, needs-based LAL intervention and Math Lab programs have been instituted to bolster student achievement on the NJ ASK. Professional development continues to support these initiatives as well as inclusion and differentiation of instruction in the classroom.

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

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

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

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 and the special revenue fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance account 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 account 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 to meet its

responsibility for sound financial management.

8) DEBT ADMINISTRATION: At June 30, 2012, the District's outstanding debt issues include \$185,000 of general obligation bonds. The principal amount paid during the year 2011/2012 was \$200,000. The final maturity of the bonds will be January 14, 2013.

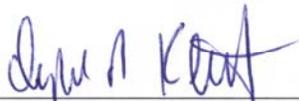
9) CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 2. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1070 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 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.

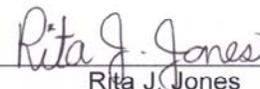
11) OTHER INFORMATION: State statutes require an annual audit by Independent certified public accountants or registered municipal accountants. The account firm of Ardito & Company, LLP was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1984 and the related OMB Circular A-133 and state Treasury Circular Letter 04-04 OMB. The auditor's report on the general purpose financial statements and combining and individual fund 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 Frelinghuysen Township School Board for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial and accounting staff.

Respectfully submitted,



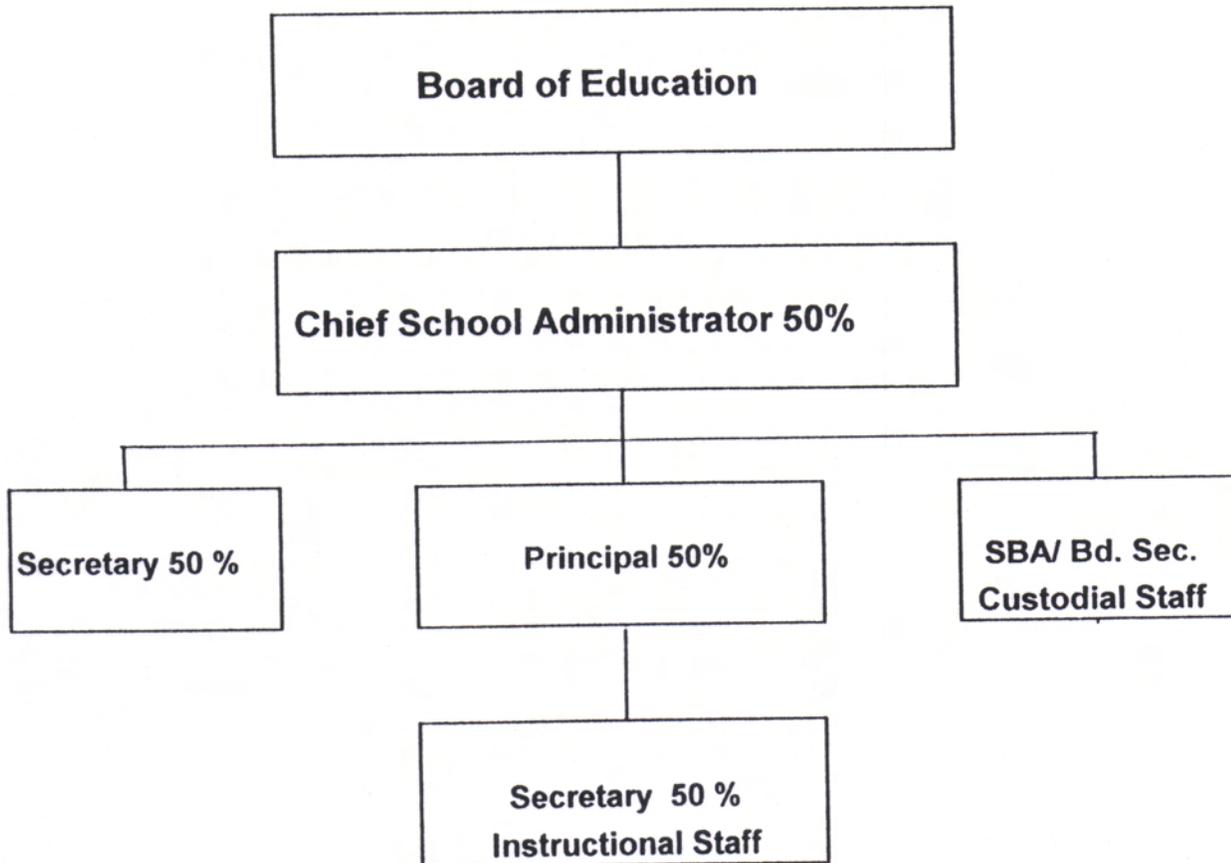
Dr. Dwight A. Klett
Chief School Administrator



Rita J. Jones
Business Administrator

FRELINGHUYSEN TOWNSHIP BOARD OF EDUCATION

Organization Chart (Unit Control)



**FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT
BOARD OF EDUCATION**

ROSTER OF OFFICIALS

June 30, 2012

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Mark C. Williard, <i>President</i>	2013
Donna Eitner, <i>Vice President</i>	2014
Sandie Irizarry	2012
David Hocking	2013
Harry Zweckbronner	2014
Tricia Cowell	2012
Janet V. DeFilippis	2013
Joseph Leno	2012
Karen Kellaheer	2014

Other Officials

Dwight A. Klett, Ph.D., *Chief School Administrator*

Rita J. Jones, *Business Administrator/Board Secretary*

Martha Pavlik, *Treasurer*

Morris, Downing & Sherred, *Attorney*

**FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT
BOARD OF EDUCATION**

CONSULTANTS AND ADVISORS

Audit Firm

Ardito & Co., LLP
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Frenchtown, New Jersey 08825-1192

Attorney

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Morris, Downing & Sherred
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Official Depository

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Financial Section

Independent Auditor's Report



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UNQUALIFIED OPINIONS ON BASIC FINANCIAL STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND SUPPLEMENTARY SCHEDULE OF STATE AWARDS AND OTHER SUPPLEMENTARY INFORMATION-GOVERNMENTAL ENTITY

Independent Auditor's Report

The Honorable President and
Members of the Board of Education
Frelinghuysen Township School District
County of Warren
Johnsonburg, New Jersey 07846

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund and the aggregate remaining fund information of the Board of Education of the Frelinghuysen Township School District in the County of Warren, State of New Jersey, 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 Frelinghuysen Township School District Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

-Continued-

In accordance with Government Auditing Standards, we have also issued our report dated September 17, 2012, on our consideration of the Frelinghuysen Township School District 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.

The Management Discussion and Analysis and Budgetary Comparison Information on pages 7 through 7.8, and 38 through 49 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Frelinghuysen Township School District Board of Education's basic financial statements. The accompanying introductory section, and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and long-term debt schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Licensed Public School Accountant No. 2369
ARDITO & CO., LLP

Date: September 17, 2012

**Required Supplementary Information -
Part I**

Management's Discussion and Analysis

FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT

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

The discussion and analysis of Frelinghuysen 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 \$144,295 which represents a 15.4 percent increase from 2011.
- ◆ General revenues accounted for \$1,972,552 in revenue or 65.9 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 \$1,021,123, or 34.1 percent of total revenues of \$2,993,675.
- ◆ Total assets of governmental activities decreased by \$50,976 as cash and cash equivalents increased by \$20,505, receivables decreased by \$8,420 and capital assets decreased by \$64,411.
- ◆ The School District had \$2,849,380 in expenses; only \$1,021,123 of these expenses were offset by program specific charges for services, grants or contributions. General Revenues (primarily property taxes) of \$1,972,522 were adequate to provide for these programs.
- ◆ Among major funds, the General Fund had \$2,630,415 in revenues and \$2,616,565 in expenditures. After transfers of \$4,500 to the food service fund to cover potential deficit operations, the General Fund's surplus balance increased \$9,350 over 2011.

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 Frelinghuysen 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 Frelinghuysen Township School District, the General Fund is by far the most significant fund.

FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT

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

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. Non-financial factors include the School District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

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

- Governmental activities--All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.
- Business-type Activity--This service is provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 10. 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 and Debt Service Fund.

FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT

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

Governmental Funds

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

The School District as a Whole

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

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

Table 1
Net Assets

	<u>2012</u>	<u>2011</u>
Assets		
Current and Other Assets	\$ 475,327	\$ 461,892
Capital Assets	<u>916,642</u>	<u>981,053</u>
Total Assets	<u>1,391,969</u>	<u>1,442,945</u>
Liabilities		
Long-Term Liabilities	102,708	277,918
Other Liabilities	<u>206,280</u>	<u>226,341</u>
Total Liabilities	<u>308,988</u>	<u>504,259</u>
Net Assets		
Invested in Capital Assets, Net of Debt	731,642	596,053
Restricted	297,178	260,954
Unrestricted	<u>54,161</u>	<u>81,679</u>
Total Net Assets	<u>\$ 1,082,981</u>	<u>\$ 938,686</u>

FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT

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

Total assets decreased \$50,976. Cash and cash equivalents increased by \$20,505, receivables decreased by \$8,420, and capital assets decreased by \$64,411. Unrestricted net assets, the part of net assets that can be used to finance day to day activities without constraints established by grants or legal requirements, of the School District decreased by \$27,518, due to transfer of available surplus into maintenance reserve at year end.

Table 2 shows the changes in net assets from fiscal year 2011.

Table 2
Changes in Net Assets

	<u>2012</u>	<u>2011</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 56,653	\$ 78,489
Operating Grants and Contributions	964,470	934,033
General Revenues:		
Property Taxes	1,947,923	1,956,315
Investment Earnings	6,119	1,305
Other	<u>18,510</u>	<u>22,147</u>
Total Revenues	<u>2,993,675</u>	<u>2,992,289</u>
Program Expenses		
Instruction	1,683,359	1,574,412
Support Services:		
Tuition	-	4,928
Pupils and Instructional Staff	384,814	362,749
General Administration, School Administration, Business	268,096	261,554
Operations and Maintenance of Facilities	294,078	298,460
Pupil Transportation	128,841	120,295
Business-Type Activities	64,773	74,406
Interest and Fiscal Charges	<u>25,419</u>	<u>36,770</u>
Total Expenses	<u>2,849,380</u>	<u>2,733,574</u>
Increase in Net Assets	<u>\$ 144,295</u>	<u>\$ 258,715</u>

FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT

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 65.1 percent of revenues for governmental activities for the Frelinghuysen Township School District for the fiscal year 2012.

Instruction comprises 59.1 percent of district expenses. Support services expenses make up 40.9 percent of the expenses.

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

Table 3

	Total Cost of Services <u>2012</u>	Net Cost of Services <u>2012</u>	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2011</u>
Instruction	\$ 1,683,359	\$ 1,135,258	\$ 1,574,412	\$ 1,058,256
Support Services:				
Tuition	-	-	4,928	(22,340)
Pupils and Instructional Staff	384,814	175,174	362,749	165,639
General Administration, School				
Administration, Business	268,096	254,895	261,554	247,265
Operation and Maintenance of Facilities	294,078	207,578	298,460	210,106
Pupil Transportation	128,841	90,944	120,295	84,684
Business-Type Activities	64,773	1,878	74,406	6,868
Interest and Fiscal Charges	<u>25,419</u>	<u>(37,470)</u>	<u>36,770</u>	<u>(29,426)</u>
Total Expenses	<u>\$ 2,849,380</u>	<u>\$ 1,828,257</u>	<u>\$ 2,733,574</u>	<u>\$ 1,721,052</u>

Instruction expenses include activities directly dealing 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.

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

FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT

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.

Business-type activities includes expenses related to activities provided by the School District which are designed to provide for students to participate in food service and child care.

Interest and fiscal charges involve the transactions associated with the unallocated depreciation.

The dependence upon tax revenues is apparent. Over 67.4 percent of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 59.4 percent. The community, as a whole, is the primary support for the Frelinghuysen Township School District.

The School District's Funds

Information about the School District's major funds starts on page 10 (Balance Sheet/Exhibit B-1) . These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$2,929,847 and expenditures of \$2,915,996. The net change in fund balance for the year was most significant in the General Fund, an increase of \$9,351 due to expense reduction initiatives and increase state aid.

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 and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management.

For the General Fund, budget basis revenue and other financing sources, excluding TPAF on-behalf amount, was \$2,432,022, \$25,571 over original budgeted estimates of \$2,406,451. This difference was due primarily to additional unplanned State aid revenue.

The General fund revenues and other financing sources of the School District exceeded expenditures by approximately \$14,515, still making the financial position of the School District strong.

FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT

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 \$916,642 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal 2012 balances compared to 2011.

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

	<u>2012</u>	<u>2011</u>
Land	\$ 102,300	\$ 102,300
Land Improvements	17,977	25,170
Buildings and Improvements	<u>796,365</u>	<u>853,583</u>
Totals	<u>\$ 916,642</u>	<u>\$ 981,053</u>

Overall capital assets decreased \$64,411 from fiscal year 2011 to fiscal year 2012. Decreases in capital assets were due to depreciation expense for the year. \$20,463 in major capital additions were purchased in 2012.

Debt Administration

At June 30, 2012, the School District had \$287,708 as outstanding debt. Of this amount \$102,708 is for compensated absences and the balance of \$185,000 for bonds for school construction.

At June 30, 2012, the School District's overall legal debt margin was \$9,428,127 and the unvoted debt margin was \$9,243,127.

For the Future

It has been increasingly difficult to balance educational needs with increases in property tax rates. However the district has been able to stabilize property tax rates over the last several years. A decrease in state aid could pose future risks to the funding of the school without a corresponding increase in property taxes. The Frelinghuysen Township School District is primarily a residential community, with very few ratables, thus the burden is focused on homeowners to bear the tax burden. Overall, the Frelinghuysen Township School District is in very good financial condition presently.

It 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 challenge of the future.

FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT

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

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information contact Rita J. Jones, School Business Administrator/ Board Secretary at Frelinghuysen Township School District, P.O. Box 421, Johnsonburg, NJ , 07846, or E-mail at rjjones@fts.k12.nj.us.

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.

FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET ASSETS

June 30, 2012

ASSETS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Cash and Cash Equivalents	\$205,964	\$6,080	\$212,044
Receivables, Net	20,109	420	20,529
Interfund Receivables		41	41
Inventory		2,551	2,551
Restricted Assets:			
Capital and Maintenance Reserve Account - Cash	240,162		240,162
Capital Assets, Net (Note 6):	916,642		916,642
Total Assets	1,382,877	9,092	1,391,969
LIABILITIES			
Accounts Payable	11,062	2,267	13,329
Deferred Revenue	1,241	1,498	2,739
Interfund Payable	41		41
Accrued Interest	5,171		5,171
Noncurrent Liabilities (Note 7):			
Due Within One Year	185,000		185,000
Due Beyond One Year	102,708		102,708
Total Liabilities	305,223	3,765	308,988
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	731,642		731,642
Restricted for:			
Other Purposes	297,178		297,178
Unrestricted	48,834	5,327	54,161
Total Net Assets	\$1,077,654	\$5,327	\$1,082,981

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

FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT

Exhibit A-2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Functions/Programs							
Governmental Activities:							
Instruction:							
Regular	\$ 1,414,452	\$ 6,845	\$ 462,160		\$ (945,447)		\$ (945,447)
Special Education	261,662		76,965		(184,697)		(184,697)
Other Special Instruction	7,245		2,131		(5,114)		(5,114)
Support Services:							
Student & Instruction Related Services	291,799		116,625		(175,174)		(175,174)
School Administrative Services	93,015		27,359		(65,656)		(65,656)
General and Business Admin. Services	268,096		78,857		(189,239)		(189,239)
Plant Operations and Maintenance	294,078		86,500		(207,578)		(207,578)
Pupil Transportation	128,841		37,897		(90,944)		(90,944)
Interest on Long-Term Debt	16,932		62,889		45,957		45,957
Unallocated Depreciation	8,487				(8,487)		(8,487)
Total Governmental Activities	2,784,607	6,845	951,383		(1,826,379)		(1,826,379)
Business-Type Activities:							
Food Service	64,773	49,808	13,087			\$ (1,878)	(1,878)
Total Business-Type Activities	64,773	49,808	13,087			(1,878)	(1,878)
Total Primary Government	\$ 2,849,380	\$ 56,653	\$ 964,470		\$ (1,826,379)	\$ (1,878)	\$ (1,828,257)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, Net					\$ 1,788,289		\$ 1,788,289
Taxes Levied for Debt Service					159,634		159,634
Investment Earnings					6,119		6,119
Miscellaneous Income					17,577	\$ 933	18,510
Transfers					(4,500)	4,500	
Total General Revenues, Special Items, Extraor. Items and Transfers					1,967,119	5,433	1,972,552
Change in Net Assets					140,740	3,555	144,295
Net Assets—Beginning (As Restated)					936,914	1,772	938,686
Net Assets—Ending					\$ 1,077,654	\$ 5,327	\$ 1,082,981

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

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.

FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT

Exhibit B-1

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2012

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>DEBT SERVICE FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS				
Cash and Cash Equivalents	\$ 446,125		\$ 1	\$ 446,126
Interfund Receivables	7,458			7,458
Receivables from Other Governments	348	\$ 19,761		20,109
TOTAL ASSETS	\$ 453,931	\$ 19,761	\$ 1	\$ 473,693
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts Payable		\$ 11,062		\$ 11,062
Interfund Payable	\$ 41	7,458		7,499
Deferred Revenue		1,241		1,241
Total Liabilities	41	19,761	-	19,802
Fund Balances:				
<u>Restricted for:</u>				
Capital Reserve Account	86,498			86,498
Maintenance Reserve	153,664			153,664
<u>Assigned to:</u>				
Design. for Subsequent Year's Expenditures	57,016			57,016
<u>Unassigned:</u>				
General Fund	156,712			156,712
Debt Service Fund			\$ 1	1
Total Fund Balances	453,890	-	1	453,891
TOTAL LIABILITIES AND FUND BALANCE	\$ 453,931	\$ 19,761	\$ 1	\$ 473,693

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$2,410,107 and the accumulated depreciation is \$1,493,465	\$ 916,642
Accrued Interest on Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 7)	(5,171)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 7)	(287,708)
Net assets of governmental activities	<u>\$ 1,077,654</u>

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

FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT

Exhibit B-2

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Local sources:				
Local Tax Levy	\$ 1,788,289		\$ 159,634	\$ 1,947,923
Tuition	6,845			6,845
Interest Earned on Capital reserve Funds	129			129
Miscellaneous	23,567			23,567
Total - Local Sources	1,818,830		159,634	1,978,464
State Sources	810,076		62,889	872,965
Federal Sources	1,509	\$ 76,909		78,418
Total Revenues	2,630,415	76,909	222,523	2,929,847
EXPENDITURES				
Current:				
Regular Instruction	1,148,804	46,114		1,194,918
Special Education Instruction	231,396			231,396
Other Special Instruction	6,407			6,407
Support services and undistributed costs:				
Student and Instruction Related Services	227,252	30,795		258,047
School Administrative Services	82,256			82,256
Other Administrative Services	237,085			237,085
Plant Operations and Maintenance	260,062			260,062
Pupil Transportation	128,841			128,841
Unallocated Benefits	203,210			203,210
Transfer to Charter School	91,252			91,252
Debt Service:				
Principal			200,000	200,000
Interest and Other Charges			22,522	22,522
Capital Outlay				
Total Expenditures	2,616,565	76,909	222,522	2,915,996
Excess (Deficiency) of Revenues Over Expenditures	13,850		1	13,851
OTHER FINANCING SOURCES (USES)				
Transfers - Food Service Fund	(4,500)			(4,500)
Total Other Financing Sources and Uses	(4,500)			(4,500)
Net Change in Fund Balances	9,350		1	9,351
Fund Balance—July 1	444,540			444,540
Fund Balance—June 30	\$ 453,890	-	\$ 1	\$ 453,891

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

FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT

Exhibit B-3

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ 9,351

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 expense. This is the amount by which capital outlays exceeded depreciation in the period.

Depreciation Expense	\$ (84,874)	
Capital Outlays	<u>20,463</u>	(64,411)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities. 200,000

In the statement of activities, compensated absences is accrued regardless of when paid. In the governmental funds, compensated absences are reported when paid. This is the amount by which the current year's compensated absence payments exceed the current year's amount earned. (9,790)

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. This is the amount by which current year's amount of interest accrual exceeds the prior year's amount. 5,590

Change in Net Assets of Governmental Activities \$ 140,740

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

STATEMENT OF PROPRIETARY NET ASSETS
 PROPRIETARY FUNDS

June 30, 2012

		Business-Type Activities- Enterprise Funds	
		Food Service	Totals
ASSETS			
Current assets:			
Cash and Cash Equivalents		\$ 6,080	\$ 6,080
Accounts Receivable		420	420
Interfund Receivable		41	41
Inventories		2,551	2,551
Total Current Assets		<u>9,092</u>	<u>9,092</u>
Noncurrent Assets:			
Furniture, Machinery and Equipment		49,678	49,678
Less Accumulated Depreciation		(49,678)	(49,678)
Total Noncurrent Assets		<u> </u>	<u> </u>
	Total Assets	<u>9,092</u>	<u>9,092</u>
LIABILITIES			
Current liabilities:			
Accounts Payable		2,267	2,267
Deferred Revenue		1,498	1,498
Total Current Liabilities		<u>3,765</u>	<u>3,765</u>
	Total Liabilities	<u>3,765</u>	<u>3,765</u>
NET ASSETS			
Unrestricted		5,327	5,327
	Total Net Assets	<u>\$ 5,327</u>	<u>\$ 5,327</u>

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

	Business-type Activities- Enterprise Fund	
	Food Service	Total Enterprise
Operating Revenues:		
Charges for Services:		
Daily Sales - Reimbursable Programs	\$ 39,364	\$ 39,364
Daily Sales - Non-Reimbursable Programs	10,444	10,444
Miscellaneous	933	933
Total Operating Revenues	<u>50,741</u>	<u>50,741</u>
Operating Expenses:		
Cost of Sales	30,082	30,082
Salaries	18,906	18,906
Employee Benefits	5,154	5,154
Supplies	1,857	1,857
Miscellaneous	1,774	1,774
Other Purchased Professional Services	7,000	7,000
Total Operating Expenses	<u>64,773</u>	<u>64,773</u>
Operating Income (Loss)	<u>(14,032)</u>	<u>(14,032)</u>
Nonoperating Revenues (Expenses):		
State Sources:		
State School Lunch Program	691	691
Federal Sources:		
National School Lunch Program	10,213	10,213
Food Distribution Program	2,183	2,183
Total Nonoperating Revenues (Expenses)	<u>13,087</u>	<u>13,087</u>
Income (Loss) Before Contributions and Transfers	(945)	(945)
Transfers In (Out)	4,500	4,500
Change in Net Assets	<u>3,555</u>	<u>3,555</u>
Total Net Assets—Beginning	1,772	1,772
Total Net Assets—Ending	<u>\$ 5,327</u>	<u>\$ 5,327</u>

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

FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT

Exhibit B-6

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended June 30, 2012

	Business-Type Activities- Enterprise Funds	
	Food Service	Total Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 50,740	\$ 50,740
Payments to Employees	(18,906)	(18,906)
Payments for Employee Benefits	(5,154)	(5,154)
Payments to Suppliers	(37,929)	(37,929)
Net Cash Provided by (used for) Operating Activities	(11,249)	(11,249)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Sources	727	727
Federal Sources	10,501	10,501
Operating Subsidies and Transfers to Other Funds	4,500	4,500
Net Cash Provided by (used for) Non-Capital Financing Activities	15,728	15,728
Net Increase (Decrease) in Cash and Cash Equivalents	4,479	4,479
Balances—Beginning of Year	1,601	1,601
Balances—End of Year	\$ 6,080	\$ 6,080
Reconciliation of Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:		
Operating Income (Loss)	\$ (14,032)	\$ (14,032)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:		
Federal Commodities	2,183	2,183
(Increase) Decrease in Inventories	189	189
Increase (Decrease) in Accounts Payable	411	411
Total Adjustments	2,783	2,783
Net Cash Provided by (used for) Operating Activities	\$ (11,249)	\$ (11,249)

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

FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT

Exhibit B-7

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS**

June 30, 2012

	Unemployment Compensation Trust	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 15,199	\$ 1,764
Total Assets	<u>\$ 15,199</u>	<u>\$ 1,764</u>
LIABILITIES		
Payroll Deductions and Withholdings		\$ -
Accounts Payable		<u>1,764</u>
Total Liabilities		- <u>\$ 1,764</u>
NET ASSETS		
Held in Trust for Unemployment Claims & Other Purposes	<u>\$ 15,199</u>	<u> </u>

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

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS**

For the Year Ended June 30, 2012

	Unemployment Compensation <u>Trust</u>
ADDITIONS	
Contributions:	
Board Contribution	\$ 4,919
Plan Member	<u>2,444</u>
Total Contributions	<u>7,363</u>
Investment Earnings:	
Interest	<u>16</u>
Net Investment Earnings	<u>16</u>
Total Additions	<u>7,379</u>
DEDUCTIONS	
Unemployment Claims	<u>4,153</u>
Total Deductions	<u>4,153</u>
Change in Net Assets	3,226
Net Assets—Beginning of the Year	<u>11,973</u>
Net Assets—End of the Year	<u><u>\$ 15,199</u></u>

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

Notes to Financial Statements

FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (Board) of the Frelinghuysen Township School District (District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to 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 of the Board's accounting policies are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments (Statement No.34). This Statement provides for the most significant change in financial reporting in over twenty years and is scheduled for a phase-in implementation period (based on amount of revenues) starting with fiscal years ending 2002 (for larger governments). The District was not required to implement the new model until the 2003-2004 school year.

In addition, the School District has implemented GASB Statement No.37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus, Statement No.38, Certain Financial Statement Note Disclosures, Statement No.40, Deposit and Investment Risk Disclosures, an amendment of GASB Statement No.3, and Statement 44, Economic Condition Reporting: The Statistical Section (GASB 44), an amendment of NCGA Statement 1, Governmental Accounting and Financial Reporting Principles is found in the Introduction, a revised statistical section in the Outline of the CAFR, GASB Statement No. 45, Other Post-retirement Employee Benefits, and GASB No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The implementation of these statements had no effect on equity balances as previously reported for the fiscal year ended June 30, 2011.

A. Reporting Entity:

The Frelinghuysen Township School 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. Grades 7 through 12 students are sent to North Warren Regional School District in Blairstown, New Jersey, which comprises the four surrounding municipalities of Knowlton Township, Blairstown Township, Frelinghuysen Township and Hardwick Township. The Frelinghuysen Township School District had an approximate enrollment at June 30, 2012, of 168 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:

- the organization is legally separate (can sue or be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is a fiscal dependency by the organization on the District

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

FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, Basis of Accounting:

The School District's basic financial statements consist of District-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Basis of Presentation

District-wide Statements: The statement of net assets and the statement of activities display information about the District as a whole. 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 activity of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees and charged to external parties. The statement of net assets presents the financial condition of the governmental and business-type activity of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the District and for each function of the District's governmental

activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the School District.

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

GOVERNMENTAL FUNDS

The District reports the following governmental funds:

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

FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, Basis of Accounting (Continued):

GOVERNMENTAL FUNDS (Continued)

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 Special Revenue Fund is used to account for the proceeds of specific revenue 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.

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.

PROPRIETARY FUNDS

The District reports the following proprietary fund:

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

FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, Basis of Accounting (Continued):

Additionally, the District reports the following fund type:

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

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

District-wide, Proprietary, and Fiduciary Fund Financial Statements: The District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the enterprise fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures. Ad Valorem (Property) Taxes are susceptible to accrual as under New Jersey Statute a municipality is required to remit to its school district the entire balance of taxes 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 monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

All governmental and business-type activities and enterprise funds of the District follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. 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 for approval 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, except for the special revenue funds. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be approved by School Board resolution. In addition, transfers are also covered by changes in N.J.A.C. 6A:23A-2.3 that can require approval through the state department. All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Appropriations, except remaining project appropriations, encumbrances and unexpended grant appropriations, lapse at the end of each fiscal year. The capital projects fund presents the remaining project appropriations compared to current year expenditures.

Formal budgetary integration into the accounting system is employed as a management control device during the fiscal 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.

D. Encumbrance Accounting:

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

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

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

FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. **Assets, Liabilities and Equity:**

Cash and Cash Equivalents:

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

Interfund Transactions:

Transfers between governmental and business-type activities on the District-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Inventories:

Inventory purchases, other than those recorded in the enterprise fund, are recorded as expenditures during the year of purchase. Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method.

Allowance for Uncollectible Accounts:

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

Capital Assets:

The District has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their estimated fair market value on the date received. 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. The School District does not possess any infrastructure. The capitalization threshold used by school districts in the State of New Jersey is \$2,000.

All reported capital assets except for land and construction in progress are depreciated. Depreciation is computed using the straight-line method under the half-year convention over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
School Buildings	50
Building Improvements	20
Electrical/Plumbing	30
Vehicles	8
Office and Computer Equipment	5-10
Instructional Equipment	10
Grounds Equipment	15

FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

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

Compensated Absences:

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

District employees are granted varying amounts of vacation and sick leave in accordance with the District's personnel policies. Upon termination, employees are not paid for accrued vacation unless authorized by the Board. The District's policy permits employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement, employees shall be paid by the District for the unused sick leave in accordance with the District's agreements with the various employee unions.

The liability for compensated absences was accrued using the termination payment method, whereby the liability is calculated based on the amount of sick leave that is expected to become eligible for payment upon termination. The District estimates its accrued compensated absences liability based on the accumulated sick and vacation days at the balance sheet date by those employees who are currently eligible to receive termination payments. Salary related payments for the employer's share of social security and medicare taxes, as well as pension contributions, are included.

For the District-wide Statements, the current portion is the amount estimated to be used in the following year. In accordance with GAAP, for the governmental funds, in the Fund Financial Statements, all of the compensated absences are considered long-term and therefore, are not a fund liability and represents a reconciling item between the fund level and District-wide presentations.

Deferred Revenue:

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue. Grants and entitlement received before the eligible requirements are met are also recorded as deferred revenue.

Accrued Liabilities and Long-Term Obligations:

All payables, accrued liabilities and long-term obligations are reported on the District-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, contractually required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

Net Assets:

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

Fund Balance Reserves:

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

Revenues—Exchange and Nonexchange Transactions

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

Operating Revenues and Expenses:

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

Allocation of Indirect Expenses:

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are reported separately in the Statement of Activities. Employee benefits, including the employer's share of social security, workers compensation and medical and dental benefits, were allocated based on salaries of that program. Depreciation expense, where practicable, is specifically identified by function and is included in the indirect expense column of the Statement of Activities. Depreciation expense, that could not be attributed to a specific function, is considered an indirect expense and is reported separately on the Statement of Activities. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Extraordinary and Special Items:

Extraordinary items are transactions or events that are unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

Management Estimates:

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

FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2: CASH AND CASH EQUIVALENTS

Deposits:

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

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

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

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

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

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the district's accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the municipality would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At June 30, 2012, all of the district's deposits were collateralized by securities held in its name and, accordingly, not exposed to custodial credit risk. The district does not have a policy for custodial credit risk.

As of June 30, 2012, cash and cash equivalents of the District consisted of the following:

	<u>Cash and Cash Equivalents (A-1)</u>	<u>Cash and Cash Equivalents (B-7)</u>	<u>Total</u>
Checking Accounts	\$212,044	\$16,963	\$229,007
Capital & Maint. Reserve Accounts	240,162		240,162
	<u>\$452,206</u>	<u>\$16,963</u>	<u>\$469,169</u>

The carrying amount of the Board's cash and cash equivalents at June 30, 2012, was \$469,169 and the bank balance was \$410,784. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes. Of these bank balances, \$250,000 was covered by federal depository insurances and \$160,784 was covered by collateral pool.

FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 3: RECEIVABLES

Receivables at June 30, 2012, consisted of intergovernmental accounts. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	Governmental Fund Financial <u>Statements</u>	Government-Wide Financial <u>Statements</u>
State Aid	\$348	\$377
Federal Aid	19,761	20,152
Gross Receivable	<u>20,109</u>	<u>20,529</u>
Less: Allow. for Uncollectibles		
Total Receivables, Net	<u><u>\$20,109</u></u>	<u><u>\$20,529</u></u>

NOTE 4: INVENTORY

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

Food	\$603
Supplies	<u>1,948</u>
	<u><u>\$2,551</u></u>

The value of Federal donated commodities as reflected on Schedule A (required by the Single Audit Law of 1996, as revised) 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 5: DEFERRED BOND ISSUANCE COSTS

In governmental funds, debt issuance costs are recognized in the current period. For the District-wide financial statements, governmental activity debt issuance costs are amortized straight-line over the life of the specific bonds (18 to 20 years). The costs associated with the issued of the various bonds are immaterial and are not amortized on the District-wide financial statements.

FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 6: CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 102,300			\$ 102,300
Total Capital Assets Not Being Depreciated	<u>102,300</u>			<u>102,300</u>
<i>Capital Assets Being Depreciated:</i>				
Land Improvements	143,850			143,850
Buildings and Building Improvements	1,883,545	\$ 20,463		1,904,008
Machinery and Equipment	259,949			259,949
Total at Historical Cost	<u>2,287,344</u>	<u>20,463</u>		<u>2,307,807</u>
Less Accumulated Depreciation for:				
Land Improvements	(118,680)	(7,193)		(125,873)
Building and Improvements	(1,040,029)	(74,325)		(1,114,354)
Equipment	(249,882)	(3,356)		(253,238)
Total Accumulated Depreciation	<u>(1,408,591)</u>	<u>(84,874)</u>		<u>(1,493,465)</u>
Total Capital Assets Being Depreciated, net of Accumulated Depreciation	<u>878,753</u>	<u>(64,411)</u>		<u>814,342</u>
Government Activity Capital Assets, Net	<u>\$ 981,053</u>	<u>\$ (64,411)</u>		<u>\$ 916,642</u>

On January 11, 2001, the NJ State Department of Education announced that effective July 1, 2001, the capitalization threshold used by school districts in the State of New Jersey is increased to \$2,000. The previous threshold was \$500. Applying the higher capitalization threshold retroactively (removal of old assets from the General Fixed Assets Account Group) will be permitted by the State regulations in situations where (1) the assets have been fully depreciated, or (2) the assets have exceeded their useful lives. The retirement of machinery and equipment is due to the retroactive application of the higher threshold of equipment capitalization. That is, the District has removed from their records assets with a historical cost greater than \$500 but not greater than \$2,000 that were fully depreciated or had exceeded their useful lives.

Depreciation expense was charged to functions as follows:

Regular Instruction	\$ 76,387
Unallocated	<u>8,487</u>
Total	<u>\$ 84,874</u>

FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 7: LONG-TERM OBLIGATIONS

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

A. Long-Term Obligation Activity:

Changes in long-term obligations for the year ended June 30, 2012, are as follows:

	Balance <u>7/1/11</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>6/30/12</u>	Amounts Due Within <u>One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Debt	\$185,000		(\$200,000)	\$185,000	\$185,000
Other Liabilities:					
Compensated Absences Payable	92,918	\$9,790		102,708	
Total	<u>\$277,918</u>	<u>\$9,790</u>	<u>(\$200,000)</u>	<u>\$287,708</u>	<u>\$185,000</u>

Compensated absences and capital leases have been liquidated in the General Fund.

Interest paid on debt issued by the District is exempt from federal income taxes. Because of this, bond holders are willing to accept a lower interest rate than they would on taxable debt. The District temporarily reinvests the proceeds of such debt in higher-yielding taxable securities, especially during construction projects. The federal tax code refers to this as arbitrage.

Earnings in excess of the yield on the debt issue are rebated to the federal government based on requirements in the Internal Revenue Code. Arbitrage rebate payable represents amounts due to the Internal Revenue Service for interest earned on unspent bond proceeds that exceeds legally allowable returns.

Rebatable arbitrage liabilities related to District debt are not recorded in governmental funds. There is no recognition in the balance sheet or income statement until rebatable amounts are due and payable to the federal government. Thus, rebatable arbitrage liabilities related to governmental debt will be accrued as incurred at least annually (at fiscal year end) on the District-wide financial statements.

For the year ended June 30, 2012, it is not necessary for the Board to establish a liability for arbitrage rebate.

	<u>Government Activities</u>			
	<u>Issue</u> <u>Dates</u>	<u>Interest</u> <u>Rates</u>	<u>Date of</u> <u>Maturity</u>	<u>Balance</u> <u>June 30, 2012</u>
Bonds Payable	1/15/93	5.85%	1/15/13	\$ 185,000
Total Bonds				<u>\$ 185,000</u>

FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 7: LONG-TERM OBLIGATIONS (Continued)

B. Debt Service Requirements:

Debt Service requirements on serial bonds payable at June 30, 2012, is as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 185,000	\$ 10,823	\$ 195,823
	<u>\$ 185,000</u>	<u>\$ 10,823</u>	<u>\$ 195,823</u>

As of June 30, 2012, the District had no authorized but not issued bonds.

C. Capital Leases

The District did not have any capital leases during the year ended June 30, 2012.

FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 8: PENSION PLANS

Description of Plans - All required employees of the District are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

Teachers' Pension and Annuity Fund (TPAF) - The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A.18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund 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 District and the system's other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

Public Employees' Retirement System (PERS) - The Public Employees' Retirement System (PERS) was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

Vesting and Benefit Provisions - The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:66 for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 55 and are generally determined to be 1/55 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 8: PENSION PLANS (Continued)

Significant Legislation - Legislation enacted during the year ended June 30, 1997, (Chapter 115, P.L. 1997) changed the asset valuation method from market related value to full-market value. This legislation also contained a provision to reduce the employee contribution rate by 1/2 of 1% to 4.5% for calendar years 1998 and 1999, and to allow for a reduction in the employee's rate after calendar year 1999, and to allow for a reduction in the employee's rate after calendar year 1999, providing excess valuation assets are available. The legislation also provided that the Districts' normal contributions to the Fund may be reduced based on the revaluation of assets.

Contribution Requirements - The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for both cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the District is a non-contributing employer of the TPAF.

Three-Year Trend Information for PERS

Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2012	\$16,907	100%	-0-
6/30/2011	\$15,246	100%	-0-
6/30/2010	\$15,292	100%	-0-

Three-Year Trend Information for TPAF (Paid on-behalf of the District)

Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2012	-0-	100 %	-0-
6/30/2011	-0-	100 %	-0-
6/30/2010	-0-	100 %	-0-

During the fiscal year ended June 30, 2012, the State of New Jersey did contribute \$110,914 to the TPAF for post-retirement benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$92,296 during the year ended June 30, 2012, for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has been included in the District-wide financial statements, and the fund-based statements and schedules as revenues and expenditures in accordance with GASB Statement No.24.

FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 9: POST-RETIREMENT BENEFITS

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2011 there were 93,323 retirees receiving post-retirement medical benefits. The cost of these benefits is funded through contributions by the state in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The state is also responsible for the cost attributable to P.L. 1992 c. 126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The state paid \$144 million toward Chapter 126 benefits for 15,709 eligible retired members in Fiscal Year 2011.

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 does not provide post-employment benefits other than pension. Healthcare provided to eligible TPAF and PERS board of education retirees through the NJ State Health Benefits Program are paid by the the State of New Jersey and as such, no district OPEB liability exists.

NOTE 11: 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, permits 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:

Aim Fund Services
The Equitable Financial Co.
Lincoln Investment Planning Co.
U.S.A. Life Insurance Co.
Variable Annuity Life Insurance Co.

FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 11: COMPENSATED ABSENCES

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

District employees are granted varying amounts of vacation and sick leave in accordance with the District's personnel policies. Upon termination, employees are not paid for accrued vacation unless authorized by the Board. The District's policy permits employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement, employees shall be paid by the District for the unused sick leave in accordance with the District's agreements with the various employee unions.

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

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2012, no liability existed for compensated absences in the proprietary fund types.

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, student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

New Jersey Unemployment Compensation Insurance - The District has elected to fund its New Jersey Unemployment Compensation Insurance under the *Benefit Reimbursement Method*. Under this plan, the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State. The following is a summary of District contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District's expendable trust fund for the current and previous two years:

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Interest Income</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2011-2012	\$4,919	\$2,444	\$16	\$4,153	\$15,199
2010-2011	-	\$2,352	\$24	-	\$11,973
2009-2010	\$19,238	\$2,257	\$12	\$15,184	\$9,597

FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 13: CONTINGENT LIABILITIES

GRANT PROGRAMS

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

LITIGATION

The Board is not involved in claims and lawsuits incidental to its operations.

NOTE 14: FUND BALANCE APPROPRIATED

General Fund (Exhibit B-1) - Of the \$453,890 General Fund fund balance at June 30, 2012, \$86,498 is reserved for capital reserve account; \$153,664 is reserved for Maintenance Reserve; \$57,016 is reserved for subsequent year's expenditures and has been appropriated and included as anticipated revenue for the year ending June 30, 2013; and, \$156,712 is unreserved/ undesignated.

NOTE 15: CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Frelinghuysen Township School District Board of Education by inclusion of \$1. on September 27, 2000, for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6A:23-2.13(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 2011 to June 30, 2012 fiscal year is as follows:

Beginning Balance, July 1, 2011	\$ 86,369
Interest Earnings	129
Deposits	
Board Resolution:	-
Budgeted Withdrawal	-
Ending Balance, June 30, 2012	<u>\$ 86,498</u>

FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 16: MAINTENANCE RESERVE ACCOUNT

A maintenance reserve account was established by the School District Board of Education in fiscal year 2011, for the accumulation of funds for use in accordance with PL 2007 c.62 (A1). The maintenance reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

The activity of the maintenance reserve for the July 1, 2011 to June 30, 2012 fiscal year is as follows:

Beginning balance July 1, 2011	\$ 123,809
Interest earnings	165
Withdrawals - Budgeted	(20,310)
Deposits (PL 2007 c.62 (A1)) - June 6, 2012 Board Resolution	<u>50,000</u>
Ending balance June 30, 2012	<u>\$ 153,664</u>

NOTE 17: CALCULATION OF EXCESS SURPLUS

The designation for Reserved Fund Balance – Excess Surplus is a required calculation pursuant to N.J.S.A. 18A:7F-7, as amended. 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 \$-0-.

NOTE 18: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2011:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund		\$ 41
Enterprise Fund	<u>\$ 41</u>	
	<u>\$ 41</u>	<u>\$ 41</u>

The infund balances represent federal and state lunch reimbursements received into the General Fund but not yet paid over to the food service fund.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 1,788,289		\$ 1,788,289	\$ 1,788,289	
Tuition	16,700		16,700	6,845	\$ (9,855)
Interest Earned on Capital Reserve Funds			-	129	129
Miscellaneous	15,600		15,600	23,567	7,967
Total - Local Sources	1,820,589		1,820,589	1,818,830	(1,759)
State Sources:					
Equalization Aid	318,534		318,534	318,534	
Transportation Aid	81,777		81,777	81,777	
Special Education Aid	99,510		99,510	99,510	
Security Aid	13,066		13,066	13,066	
Adjustment Aid	72,975		72,975	98,796	25,821
Other State Aid				348	348
TPAF Pension (On-Behalf - Non-Budgeted)				110,914	110,914
TPAF Social Security (Reimbursed - Non-Budgeted)				92,296	92,296
Total State Sources	585,862		585,862	815,241	229,379
Federal Sources:					
Education Jobs Grant		1,509	1,509	1,509	
Total Federal Sources		1,509	1,509	1,509	
TOTAL REVENUES	2,406,451	1,509	2,407,960	2,635,580	227,620

FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction					
Preschool - Salaries of Teachers	26,551	(9,787)	16,764	7,466	9,298
Kindergarten - Salaries of Teachers	49,922	(490)	49,432	49,432	-
Grades 1-5 - Salaries of Teachers	545,585	(2,732)	542,853	542,853	
Grades 6-8 - Salaries of Teachers	73,997	(83)	73,914	73,682	232
Regular Programs - Home Instruction:					
Salaries of Teachers		337	337	337	
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	30,000	610	30,610	24,520	6,090
Other Purchased Services (400-500 series)	25,150	(3,968)	21,182	21,182	-
General Supplies	43,715	13,506	57,221	57,221	-
Textbooks	7,000		7,000	7,000	
TOTAL REGULAR PROGRAMS - INSTRUCTION	801,920	(2,607)	799,313	783,693	15,620
SPECIAL EDUCATION - INSTRUCTION					
Resource Room/Resource Center:					
Salaries of Teachers	172,731	(2,027)	170,704	154,388	16,316
Other Purchased Services (400-500 series)	600		600	600	-
General Supplies	450	11	461	461	
Total Resource Room/Resource Center	173,781	(2,016)	171,765	155,449	16,316
Basic Skills/Remedial-Instruction:					
Salaries of Teachers	76,297	-	76,297	75,597	700
Other Purchased Services (400-500 series)	150	-	150	150	
General Supplies	200	-	200	200	
Total Basic Skills/Remedial-Instruction	76,647	-	76,647	75,947	700
TOTAL SPECIAL EDUCATION - INSTRUCTION	250,428	(2,016)	248,412	231,396	17,016

FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
School Sponsored Co/Extra Curricular Activities-Inst.:					
Salaries	1,300	-	1,300	417	883
Other Objects	5,000	112	5,112	5,112	-
Total School Sponsored Co/Extra Curric. Activ.-Inst.	6,300	112	6,412	5,529	883
Other Instructional Programs-Instruction:					
Other Purchased Services (300-500 series)	800	78	878	878	
Total Other Instructional Programs-Instruction	800	78	878	878	
TOTAL INSTRUCTION	1,059,448	(4,433)	1,055,015	1,021,496	33,519
UNDISTRIBUTED EXPENDITURES					
Health Services:					
Salaries	70,967	4	70,971	70,971	-
Purchased Professional and Technical Services	100		100	100	-
Supplies and Materials	600	-	600	600	
Total Health Services	71,667	4	71,671	71,671	-
Other Supp. Services Students-Related Services:					
Salaries	30,699	2,012	32,711	32,711	
Supplies and Materials	300		300	300	
Total Other Supp. Services Students-Related Services	30,999	2,012	33,011	33,011	
Other Supp. Services Students-Extra. Services:					
Purchased Professional - Educational Services	-	2,418	2,418	2,418	
Total Other Supp. Services Students-Extra. Services	-	2,418	2,418	2,418	

FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Other Supp. Services Students-Regular:					
Salaries of Other Professional Staff	9,000		9,000	9,000	
Supplies and Materials	300		300	300	-
Total Other Supp. Services Students-Regular	9,300		9,300	9,300	-
Other Supp. Services Students-Special:					
Salaries of Secretarial and Clerical Assistants	6,000	988	6,988	6,988	
Purchased Professional - Educational Services	82,047	(3,168)	78,879	78,640	239
Total Other Supp. Services Students-Special	88,047	(2,180)	85,867	85,628	239
Improvement of Instruction Services:					
Purchased Professional - Educational Services	2,100		2,100	2,100	-
Other Objects	360		360	360	-
Total Improvement of Instruction Services	2,460	-	2,460	2,460	-
Educational Media Services/School Library:					
Other Purchased Services (400-500 series)	600		600	600	
Supplies and Materials	4,700	-	4,700	4,700	-
Total Educational Media Services/School Library	5,300		5,300	5,300	-
Supp. Services - General Administration:					
Salaries	82,129	802	82,931	82,931	
Legal Services	500	(320)	180	-	180
Audit	10,700	(102)	10,598	10,598	
Communications/Telephone	6,000	(802)	5,198	4,941	257
Other Purchased Services (400-500 series)	11,000	-	11,000	10,641	359
General Supplies	700	25	725	725	
Miscellaneous Expenditures	800	390	1,190	1,190	
BOE Membership Dues	4,170	7	4,177	4,177	
Total Supp. Services - General Administration	115,999	-	115,999	115,203	796

FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	66,296	-	66,296	66,296	-
Salaries of Secretarial and Clerical Assistants	11,120	-	11,120	10,610	510
Supplies and Materials	300	-	300	300	
Other Objects	350	-	350	350	
Total Support Services - School Administration	78,066	-	78,066	77,556	510
Support Services - Central Services:					
Salaries	80,124	-	80,124	80,113	11
Purchased Technical Services	3,250	(75)	3,175	2,475	700
Miscellaneous Purchased Services (400-500 series)	1,341	75	1,416	1,416	-
Supplies and Materials	400	-	400	399	1
Other Objects	500	-	500	500	-
Total Support Services - Central Services	85,615	-	85,615	84,903	712
Required Maintenance for School Facilities:					
Cleaning, Repair and Maintenance Services	84,466	-	84,466	70,734	13,732
General Supplies	9,000	-	9,000	8,956	44
Other Objects	300	-	300	191	109
Total Required Maintenance for School Facilities	93,766	-	93,766	79,881	13,885
Other Operations and Maintenance of Plant:					
Salaries	64,954	-	64,954	59,818	5,136
Purchased Professional and Technical Services	18,533	201	18,734	18,734	
Cleaning, Repair and Maintenance Services	9,500	-	9,500	8,570	930
Other Purchased Property Services	5,500	127	5,627	5,627	
Insurance	9,650	-	9,650	9,650	
Miscellaneous Purchased Services	700	-	700	650	50
General Supplies	7,265	-	7,265	6,356	909
Energy (Electricity)	36,724	(254)	36,470	26,374	10,096
Energy (Oil)	38,378	127	38,505	38,505	
Other Objects	500	(201)	299	279	20
Total Other Operations and Maintenance of Plant	191,704	-	191,704	174,563	17,141

FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Student Transportation Services					
Salaries for Pupil Trans (Bet Home & Sch) - Reg.	6,000		6,000	6,000	-
Contracted Serv. - Aid in Lieu - NonPub School	4,385	(192)	4,193	4,193	-
Contracted Services (Betw. Home and School)-Vendors	78,263	(591)	77,672	77,672	-
Contrac. Serv.(Other than Bet.Home and School)-Vendors	3,989	2,966	6,955	6,955	-
Contracted Services (Betw. Home and School)-Jt Agmt	34,025	(4)	34,021	34,021	-
Total Student Transportation Services	126,662	2,179	128,841	128,841	-
ALLOCATED BENEFITS					
Regular Programs-Instruction:					
Social Security Contributions	14,702	138	14,840	14,840	-
Other Retirement Contributions - Regular	9,880	-	9,880	9,852	28
Unemployment Compensation	10,649	(9,678)	971	971	-
Workmen's Compensation	20,700	422	21,122	21,122	-
Health Benefits	298,158	18,321	316,479	316,479	-
Tuition Reimbursement	2,700	(1,985)	715	-	715
Other Employee Benefits	-	1,847	1,847	1,847	-
Total Regular Programs-Instruction	356,789	9,065	365,854	365,111	743
Health Services-Employee Benefits:					
Social Security Contributions	1,050	(422)	628	628	-
Workmen's Compensation	100	-	100	100	-
Health Benefits	14,600	(4,500)	10,100	10,100	-
Total Health Services-Employee Benefits	15,750	(4,922)	10,828	10,828	
Other Support Services-Students-Regular:					
Social Security Contributions	400	-	400	400	-
Workmen's Compensation	100	-	100	100	-
Health Benefits	6,136	-	6,136	6,136	-
Total Other Support Services-Students-Regular	6,636		6,636	6,636	

FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Support Services - General Administration:					
Social Security Contributions	300	-	300	300	
Other Retirement Contributions - Regular	2,137	-	2,137	2,137	-
Workmen's Compensation	800	-	800	800	-
Health Benefits	26,830	-	26,830	26,830	-
Total Support Services - General Administration	30,067		30,067	30,067	
Support Services - School Administration:					
Social Security Contributions	200	-	200	200	
Workmen's Compensation	500	-	500	500	-
Health Benefits	4,000	-	4,000	4,000	-
Total Support Services - School Administration	4,700		4,700	4,700	
Central Services:					
Social Security Contributions	200	-	200	200	
Workmen's Compensation	320	-	320	320	-
Health Benefits	6,392	-	6,392	6,392	-
Total Central Services	6,912		6,912	6,912	
Operation and Maintenance of Plant Services:					
Social Security Contributions	350	-	350	350	
Other Retirement Contributions - Regular	4,918	-	4,918	4,918	-
Workmen's Compensation	350	-	350	350	-
Total Operation and Maintenance of Plant Services	5,618		5,618	5,618	
TOTAL ALLOCATED BENEFITS	426,472	4,143	430,615	429,872	743
UNALLOCATED BENEFITS					
On-behalf TPAF pension Contrib. (non-budgeted)				110,914	(110,914)
Reimbursed TPAF Social Security Contrib. (non-budgeted)				92,296	(92,296)
TOTAL ON-BEHALF CONTRIBUTIONS				203,210	(203,210)
TOTAL PERSONAL SERVICES-EMPLOYEE BEN.	426,472	4,143	430,615	633,082	(202,467)

FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

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 Favorable/ (Unfavorable)</u>
TOTAL UNDISTRIBUTED EXPENDITURES	1,326,057	8,576	1,334,633	1,503,817	(169,184)
Transfer of Funds to Charter Schools	99,895	(8,643)	91,252	91,252	
TOTAL GENERAL CURRENT EXPENSE	2,485,400	(4,500)	2,480,900	2,616,565	(135,665)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(78,949)	6,009	(72,940)	19,015	91,955
Other Financing Sources:					
Operating Transfer Out:					
Transfer to Food Service Fund		(4,500)	(4,500)	(4,500)	
Total Other Financing Sources:	-	(4,500)	(4,500)	(4,500)	
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	(78,949)	1,509	(77,440)	14,515	91,955
Fund Balance, July 1	499,694		499,694	499,694	
Fund Balance, June 30	\$ 420,745	1,509	\$ 422,254	\$ 514,209	\$ 91,955

FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Recapitulation:					
Restricted for:					
Capital Reserve				\$ 86,498	
Maintenance Reserve				153,664	
Assigned to:					
Designated for Subsequent Year's Expenditures				57,016	
Unassigned:					
Unrestricted Fund Balance				<u>217,031</u>	
Fund Balance per Governmental Funds(Budgetary Basis)				514,209	
Reconciliation to Governmental Funds Statement(GAAP Basis):					
Last State Aid Payment not recognized on GAAP basis				<u>(60,319)</u>	
Fund Balance per Governmental Funds(GAAP Basis)				<u>\$ 453,890</u>	

Exhibit C-1b

FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT
APPROPRIATIONS COMBINING SCHEDULE - FUNDS 11 AND 18
EDUCATION JOBS FUND
GENERAL FUND

Line	Description	Account #	Fund 11/12/13 Approps	Fund 18 Approps	Schedule C-1 Total General Fund Approps
	Undist. Expend.-Custodial Services				
7626	Salaries	11-000-262-100	\$ 58,309	\$ 1,509	\$ 59,818

FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT

Exhibit C-2

**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 Favorable/ (Unfavorable)
REVENUES:					
Federal Sources	\$ 77,806	\$ -	\$ 77,806	\$ 76,909	\$ (897)
Total Revenues	77,806	-	77,806	76,909	(897)
EXPENDITURES:					
Instruction					
Salaries of Teachers	44,621		44,621	44,621	
Other Purchased Services	1,500		1,500	1,493	7
Total Instruction	46,121	-	46,121	46,114	7
Support Services					
Personal Services - Employee Bene.	8,565		8,565	7,675	890
Purchased Professional Education Serv.	22,690		22,690	22,690	
Other Purchased Professional Serv.	430		430	430	
Total Support Services	31,685		31,685	30,795	890
Total Expenditures	77,806	-	77,806	76,909	897
Total Outflows	\$ 77,806	-	\$ 77,806	\$ 76,909	\$ 897
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)					
Fund Balance per Governmental Funds(Budgetary Basis)				None	
Reconciliation to Governmental Funds Statement(GAAP Basis):					
Last State Aid Payment not recognized on GAAP basis				<u>None</u>	
Fund Balance per Governmental Funds(GAAP Basis)				<u>None</u>	

FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT

Exhibit C-3

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended June 30, 2012

**Explanation of Differences between Budgetary Inflows and Outflows and
GAAP Revenues and Expenditures**

	General Fund	Special Revenue Fund
	<hr/>	<hr/>
Sources/Inflows of Resources		
Actual amounts (budgetary basis) "revenue"		
from the budgetary comparison schedule (Exhibits C-1 and C-2, respectively)	\$ 2,635,580	\$ 76,909
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Prior Year Encumbrances	N/A	N/A
Current Year Encumbrances	N/A	N/A
Adjustment for: Prior Year Final State Aid Payment not included in Budgetary State Source Revenues and is considered a revenue for GAAP reporting purposes	55,154	N/A
Adjustment for: Final State Aid Payment included in State Source Revenues that is not considered a revenue for GAAP reporting purposes	<hr/> (60,319)	<hr/> N/A
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds. (Exhibit B-2)	<hr/> \$ 2,630,415	<hr/> \$ 76,909
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedules (Exhibits C-1 and C-2, respectively)	\$ 2,616,565	\$ 76,909
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.		
Prior Year Encumbrances	N/A	N/A
Current Year Encumbrances	N/A	N/A
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.	N/A	N/A
Net transfers (outflows) to general fund	<hr/>	<hr/>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (Exhibit B-2)	<hr/> \$ 2,616,565	<hr/> \$ 76,909

OTHER SUPPLEMENTARY INFORMATION

**SPECIAL REVENUE FUND
DETAIL STATEMENTS**

The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT

Exhibit E-1

SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS

For the Fiscal Year Ended June 30, 2012

	Title I I Part A	IDEA Basic	IDEA Preschool	REAP	Totals
REVENUES					
Federal Sources	\$ 7,911	\$ 44,357	\$ 3,266	\$ 21,375	\$ 76,909
TOTAL REVENUES	7,911	44,357	3,266	21,375	76,909
EXPENDITURES:					
Instruction:					
Salaries of Teachers	6,383	20,000		18,238	44,621
Other Purchased Services		1,493			1,493
Total Instruction	6,383	21,493		18,238	46,114
Support Services:					
Salaries of Instruction					
Personal Services - Employee Bene.	1,098	3,440		3,137	7,675
Purchased Professional Education Serv.		19,424	3,266		22,690
Other Purchased Professional Serv.	430				430
Total Support Services	1,528	22,864	3,266	3,137	30,795
TOTAL EXPENDITURES	\$ 7,911	\$ 44,357	\$ 3,266	\$ 21,375	\$ 76,909
Total Outflows	\$ 7,911	\$ 44,357	\$ 3,266	\$ 21,375	\$ 76,909
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)					

<p style="text-align: center;">PROPRIETARY FUND DETAIL STATEMENTS</p>
--

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.

Food Services Fund - This fund provides for the operation of food services in all schools within the school district.

THIS SECTION HAS ALREADY BEEN INCLUDED IN STATEMENTS B-4, B-5 AND B-6.

<p style="text-align: center;">FIDUCIARY FUND DETAIL STATEMENTS</p>
--

Fiduciary Funds are used to account for funds received by the school district for a specific purpose.

Agency Funds are used to account for assets held by the school district as an agent for individuals, private organizations, other governments and/or other funds.

Student Activity Fund - This agency fund is used to account for student funds held at the schools.

Payroll Fund - This agency fund is used to account for the payroll transactions of the school district.

FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT

Exhibit H-1

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012**

	UNEMPLOYMENT COMPENSATION INSURANCE <u>TRUST</u>	PAYROLL AGENCY	<u>TOTALS</u>
ASSETS:			
Cash and Cash Equivalents	<u>\$15,199</u>	<u>\$1,764</u>	<u>\$16,963</u>
TOTAL ASSETS	<u>\$15,199</u>	<u>\$1,764</u>	<u>\$16,963</u>
LIABILITIES:			
Liabilities:			
Payroll Deductions and Withholdings			
Accounts Payable		<u>1,764</u>	<u>1,764</u>
Total Liabilities		<u>1,764</u>	<u>1,764</u>
NET ASSETS			
Held in Trust for Unemployment Claims and Other Purposes	<u>\$15,199</u>		<u>15,199</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$15,199</u>	<u>\$1,764</u>	<u>\$16,963</u>

FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT

Exhibit H-2

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012**

	UNEMPLOYMENT COMPENSATION INSURANCE <u>TRUST</u>	<u>TOTALS</u>
ADDITIONS		
Contributions:		
Board Contribution	\$ 4,919	\$ 4,919
Plan Member	<u>2,444</u>	<u>2,444</u>
Total Contributions	<u>7,363</u>	<u>7,363</u>
Investment Earnings:		
Interest	<u>16</u>	<u>16</u>
Net Investment Earnings	<u>16</u>	<u>16</u>
Total Additions	<u>7,379</u>	<u>7,379</u>
DEDUCTIONS		
Unemployment Claims	<u>4,153</u>	<u>4,153</u>
Total Deductions	<u>4,153</u>	<u>4,153</u>
Change in Net Assets	3,226	3,226
Net Assets—Beginning of the Year	<u>11,973</u>	<u>11,973</u>
Net Assets—End of the Year	<u>\$ 15,199</u>	<u>\$ 15,199</u>

FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT

Exhibit H-4

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS
PAYROLL AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>BALANCE</u> <u>JULY 1, 2011</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2012</u>
ASSETS:				
Cash and Cash Equivalents	\$ 1,379	\$ 1,579,798	\$ 1,579,413	\$ 1,764
Total Assets	<u>\$ 1,379</u>	<u>\$ 1,579,798</u>	<u>\$ 1,579,413</u>	<u>\$ 1,764</u>
LIABILITIES:				
Payroll Deductions and Withholdings	\$ 3,303	\$ 602,683	\$ 605,986	-
Accounts Payable	(1,924)	3,688		\$ 1,764
Salaries and Wages	<u>-</u>	<u>973,427</u>	<u>973,427</u>	<u>-</u>
Total Liabilities	<u>\$ 1,379</u>	<u>\$ 1,579,798</u>	<u>\$ 1,579,413</u>	<u>\$ 1,764</u>

LONG-TERM DEBT SCHEDULES

The Long-Term Schedules are used to reflect the outstanding principal balances of the general long-term liabilities of the school district. This includes serial bonds outstanding and obligations under capital leases.

FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT

Exhibit I-1

**SCHEDULE OF SERIAL BONDS
AS OF ENDED JUNE 30, 2012**

<u>ISSUE</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>ANNUAL MATURITIES</u>		<u>INTEREST RATE</u>	<u>BALANCE July 1, 2011</u>	<u>RETIRED</u>	<u>BALANCE June 30, 2012</u>
			<u>DATE</u>	<u>AMOUNT</u>				
Elementary School Addition	1/15/93	\$ 2,985,000	1/15/2013	\$ 185,000	5.85%	\$385,000	\$200,000	\$185,000
Total						<u>\$385,000</u>	<u>\$200,000</u>	<u>\$185,000</u>

FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT

Exhibit I-3

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE 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 Positive/ (Negative) Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 159,634		\$ 159,634	\$ 159,634	
State Sources:					
Debt Service Aid Type II	62,889		62,889	62,889	
Total - State Sources	62,889		62,889	62,889	
TOTAL REVENUES	\$ 222,523	-	\$ 222,523	\$ 222,523	
EXPENDITURES:					
Regular Debt Service:					
Interest	22,523		22,523	22,522	
Redemption of Principal	200,000		200,000	200,000	
Total Regular Debt Service	222,523		222,523	222,522	
TOTAL EXPENDITURES	\$ 222,523	-	\$ 222,523	\$ 222,522	
Fund Balance, July 1					-
Fund Balance, June 30				\$ 1	
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures					
Budgeted Fund Balance					

Frelinghuysen Township School District
Statistical Section

<u>Contents</u>	<u>Page</u>
Financial Trends (J-1 thru J-5) These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	56-61
Revenue Capacity (J-6 thru J-9) These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	62-65
Debt Capacity (J-10 thru J-13) These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the district's ability to issue additional debt in the future.	66-69
Demographic and Economic Information (J-14 and J-15) These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	70-71
Operating Information (J-16 thru J-20) 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.	72-76

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.

Frelinghuysen Township School District
Net Assets by Component,
Last Ten Fiscal Years
(accrual basis of accounting)

Exhibit J-1

	2003	2004	2005	2006	Fiscal Year Ending June 30,		2009	2010	2011	2012
	<u>N/A</u>				2007	2008				
Governmental activities										
Invested in capital assets, net of related debt		\$ (272,578)	\$ (191,027)	\$ (84,476)	\$ 22,075	\$ 128,626	\$ 279,801	\$ 442,427	\$ 596,053	\$ 731,642
Restricted		102,983	153,139	130,790	54,216	141,051	175,424	174,893	260,954	297,178
Unrestricted		5,377	2,793	78,058	190,077	69,989	18,622	58,735	79,907	48,834
Total governmental activities net assets	<u>-</u>	<u>\$ (164,218)</u>	<u>\$ (35,095)</u>	<u>\$ 124,372</u>	<u>\$ 266,368</u>	<u>\$ 339,666</u>	<u>\$ 473,847</u>	<u>\$ 676,055</u>	<u>\$ 936,914</u>	<u>\$ 1,077,654</u>
Business-type activities										
Invested in capital assets, net of related debt	-	\$ 7,764	\$ 5,083	\$ 2,401						-
Restricted	-	-	-	-						-
Unrestricted	-	6,216	8,161	594	\$ 3,455	\$ (1,499)	\$ (420)	\$ 3,916	\$ 1,772	\$ 5,327
Total business-type activities net assets	<u>-</u>	<u>\$ 13,980</u>	<u>\$ 13,244</u>	<u>\$ 2,995</u>	<u>\$ 3,455</u>	<u>\$ (1,499)</u>	<u>\$ (420)</u>	<u>\$ 3,916</u>	<u>\$ 1,772</u>	<u>\$ 5,327</u>
District-wide										
Invested in capital assets, net of related debt	-	\$ (264,814)	\$ (185,944)	\$ (82,075)	\$ 22,075	\$ 128,626	\$ 279,801	\$ 442,427	\$ 596,053	\$ 731,642
Restricted	-	102,983	153,139	130,790	54,216	141,051	175,424	174,893	260,954	297,178
Unrestricted	-	11,593	10,954	78,652	193,532	68,490	18,202	62,651	81,679	54,161
Total district net assets	<u>-</u>	<u>\$ (150,238)</u>	<u>\$ (21,851)</u>	<u>\$ 127,367</u>	<u>\$ 269,823</u>	<u>\$ 338,167</u>	<u>\$ 473,427</u>	<u>\$ 679,971</u>	<u>\$ 938,686</u>	<u>\$ 1,082,981</u>

Source: CAFR Schedule A-1

Frelinghuysen Township School District
Changes in Net Assets, Last Nine Fiscal Years
(accrual basis of accounting)

Exhibit J-2

	Fiscal Year Ending June 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses									
Governmental activities									
Instruction									
Regular	\$ 1,110,108	\$ 1,238,808	\$ 1,222,096	\$ 1,218,387	\$ 1,386,066	\$ 1,389,668	\$ 1,380,015	\$ 1,330,942	\$ 1,414,452
Special education	205,309	186,822	208,513	221,242	239,422	275,128	239,631	238,707	261,662
Other special education	4,192	4,550	6,328	6,765	7,527	6,944	6,716	4,763	7,245
Support Services:									
Tuition	109,059	129,854	152,084	167,703	112,876	22,354	21,930	4,928	-
Student & instruction related services	256,798	295,856	280,907	287,880	312,767	258,667	308,584	273,057	291,799
General administrative services	295,595	248,275	233,996	238,862	261,062	246,340	252,990	261,554	268,096
School administrative services	72,353	94,047	106,158	95,095	100,893	83,984	86,936	89,692	93,015
Business administrative services									
Plant operations and maintenance	269,357	235,916	232,590	423,972	360,499	295,538	328,938	298,460	294,078
Pupil transportation	130,088	147,504	155,842	139,076	132,049	135,629	126,491	120,295	128,841
Interest on long-term debt	100,396	91,260	84,041	71,743	61,506	51,269	40,333	28,633	16,932
Unallocated depreciation	6,845	6,845	6,845	6,845	6,845	6,845	7,737	8,137	8,487
Total governmental activities expenses	<u>2,560,100</u>	<u>2,679,737</u>	<u>2,689,400</u>	<u>2,877,570</u>	<u>2,981,512</u>	<u>2,772,366</u>	<u>2,800,301</u>	<u>2,659,168</u>	<u>2,784,607</u>
Business-type activities:									
Food service	63,899	72,255	71,716	76,768	75,176	80,260	73,983	74,406	64,773
Total business-type activities expense	<u>63,899</u>	<u>72,255</u>	<u>71,716</u>	<u>76,768</u>	<u>75,176</u>	<u>80,260</u>	<u>73,983</u>	<u>74,406</u>	<u>64,773</u>
Total district expenses	<u>\$ 2,623,999</u>	<u>\$ 2,751,992</u>	<u>\$ 2,761,116</u>	<u>\$ 2,954,338</u>	<u>\$ 3,056,688</u>	<u>\$ 2,852,626</u>	<u>\$ 2,874,284</u>	<u>\$ 2,733,574</u>	<u>\$ 2,849,380</u>
Program Revenues									
Governmental activities:									
Charges for services:									
Tuition	\$ 112,910	\$ 45,957	\$ 4,190	\$ 14,870	\$ 10,015	\$ 6,310	\$ 10,600	\$ 25,809	\$ 6,845
Operating grants and contributions	863,131	909,631	941,763	1,029,922	1,074,864	950,506	1,023,620	919,175	951,383
Capital grants and contributions									
Total governmental activities program revenues	<u>976,041</u>	<u>955,588</u>	<u>945,953</u>	<u>1,044,792</u>	<u>1,084,879</u>	<u>956,816</u>	<u>1,034,220</u>	<u>944,984</u>	<u>958,228</u>

Frelinghuysen Township School District
Changes in Net Assets, Last Nine Fiscal Years
(accrual basis of accounting)

Exhibit J-2

	Fiscal Year Ending June 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Business-type activities:									
Charges for services									
Food service	48,903	50,765	50,111	55,871	56,003	56,962	57,724	52,680	49,808
Operating grants and contributions	10,469	12,731	9,123	13,223	12,471	16,324	13,559	14,858	13,087
Capital grants and contributions	-	-	-	-	-	-	-	-	-
Total business type activities program revenues	59,372	63,496	59,234	69,094	68,474	73,286	71,283	67,538	62,895
Total district program revenues	<u>\$ 1,035,413</u>	<u>\$ 1,019,084</u>	<u>\$ 1,005,187</u>	<u>\$ 1,113,886</u>	<u>\$ 1,153,353</u>	<u>\$ 1,030,102</u>	<u>\$ 1,105,503</u>	<u>\$ 1,012,522</u>	<u>\$ 1,021,123</u>
Net (Expense)/Revenue									
Governmental activities	\$ (1,584,059)	\$ (1,724,149)	\$ (1,743,447)	\$ (1,832,778)	\$ (1,896,633)	\$ (1,815,550)	\$ (1,766,081)	\$ (1,714,184)	\$ (1,826,379)
Business-type activities	(4,527)	(8,759)	(12,482)	(7,674)	(6,702)	(6,974)	(2,700)	(6,868)	(1,878)
Total district-wide net expense	<u>\$ (1,588,586)</u>	<u>\$ (1,732,908)</u>	<u>\$ (1,755,929)</u>	<u>\$ (1,840,452)</u>	<u>\$ (1,903,335)</u>	<u>\$ (1,822,524)</u>	<u>\$ (1,768,781)</u>	<u>\$ (1,721,052)</u>	<u>\$ (1,828,257)</u>
General Revenues and Other Changes in Net Assets									
Governmental activities:									
Property taxes levied for general purposes, net	\$ 1,638,500	\$ 1,677,285	\$ 1,713,711	\$ 1,788,289	\$ 1,788,289	\$ 1,788,289	\$ 1,788,289	\$ 1,788,289	\$ 1,788,289
Taxes levied for debt service	169,829	163,971	174,802	167,968	161,133	154,300	164,155	168,026	159,634
Investment earnings	3,151	4,125	11,182	15,303	16,312	4,179	1,209	1,305	6,119
Miscellaneous income	5,719	15,891	5,219	11,214	5,196	10,963	18,637	19,423	17,577
Transfers	-	(8,000)	(2,000)	(8,000)	(1,000)	(8,000)	(4,000)	(2,000)	(4,500)
Total governmental activities	<u>1,817,199</u>	<u>1,853,272</u>	<u>1,902,914</u>	<u>1,974,774</u>	<u>1,969,930</u>	<u>1,949,731</u>	<u>1,968,290</u>	<u>1,975,043</u>	<u>1,967,119</u>
Business-type activities:									
Miscellaneous Income	371	23	233	134	749	53	3,035	2,724	933
Transfers	-	8,000	2,000	8,000	1,000	8,000	4,000	2,000	4,500
Total business-type activities	<u>371</u>	<u>8,023</u>	<u>2,233</u>	<u>8,134</u>	<u>1,749</u>	<u>8,053</u>	<u>7,035</u>	<u>4,724</u>	<u>5,433</u>
Total district-wide	<u>\$ 1,817,570</u>	<u>\$ 1,861,295</u>	<u>\$ 1,905,147</u>	<u>\$ 1,982,908</u>	<u>\$ 1,971,679</u>	<u>\$ 1,957,784</u>	<u>\$ 1,975,325</u>	<u>\$ 1,979,767</u>	<u>\$ 1,972,552</u>
Change in Net Assets									
Governmental activities	\$ 233,140	\$ 129,123	\$ 159,467	\$ 141,996	\$ 73,297	\$ 134,181	\$ 202,209	\$ 260,859	\$ 140,740
Business-type activities	(4,156)	(736)	(10,249)	460	(4,953)	1,079	4,335	(2,144)	3,555
Total district	<u>\$ 228,984</u>	<u>\$ 128,387</u>	<u>\$ 149,218</u>	<u>\$ 142,456</u>	<u>\$ 68,344</u>	<u>\$ 135,260</u>	<u>\$ 206,544</u>	<u>\$ 258,715</u>	<u>\$ 144,295</u>

Source: CAFR Schedule A-2

Frelinghuysen Township School District
Fund Balances, Governmental Funds,
Last Nine Fiscal Years
(modified accrual basis of accounting,

Exhibit J-3

	Fiscal Year Ending June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Reserved	\$ 22,763	\$ 118,478	\$ 137,637	\$ 181,571	\$ 92,575	\$ 141,051	\$ 175,424	\$ 174,893	\$ 260,954	\$ 297,178
Unreserved	20,433	72,993	97,018	104,859	221,706	218,554	163,376	177,925	183,586	156,712
Total general fund	<u>\$ 43,196</u>	<u>\$ 191,471</u>	<u>\$ 234,655</u>	<u>\$ 286,430</u>	<u>\$ 314,281</u>	<u>\$ 359,605</u>	<u>\$ 338,800</u>	<u>\$ 352,818</u>	<u>\$ 444,540</u>	<u>\$ 453,890</u>
All Other Governmental Funds										
Reserved	\$ 6,397									
Unreserved, reported in:										
Special revenue fund	(476)									
Capital projects fund										
Debt service fund					\$ 1	\$ 1	\$ 1	\$ 1		\$ 1
Permanent fund	-	-	-	-	-	-	-	-		
Total all other governmental funds	<u>\$ 5,921</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>-</u>	<u>\$ 1</u>

Source: CAFR Schedule B-1

**Frelinghuysen Township School District
Changes in Fund Balances, Governmental Funds,
Last Ten Fiscal Years**

Exhibit J-4

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Revenues										
Tax levy	\$ 1,727,039	\$ 1,808,329	\$ 1,841,256	\$ 1,888,513	\$ 1,956,257	\$ 1,949,422	\$ 1,942,589	\$ 1,952,444	\$ 1,956,315	\$ 1,947,923
Tuition charges	81,269	112,910	45,957	4,190	14,870	10,015	6,310	10,600	25,809	6,845
Interest earnings	234	100	86	123	306	1,497	445	286	227	129
Miscellaneous	7,540	8,770	19,930	16,278	26,211	20,011	14,697	19,560	20,501	23,567
State sources	772,224	791,917	822,910	866,123	954,529	1,001,725	874,142	836,599	820,476	872,965
Federal sources	42,660	71,214	86,721	75,641	75,393	73,139	76,364	187,021	98,699	78,418
Total revenue	2,630,966	2,793,240	2,816,860	2,850,868	3,027,566	3,055,809	2,914,547	3,006,510	2,922,027	2,929,847
Expenditures										
Instruction										
Regular Instruction	780,058	829,418	924,453	885,103	1,023,213	1,131,411	1,170,370	1,162,922	1,125,837	1,194,918
Special education instruction	144,749	164,790	148,705	161,526	196,988	206,075	243,907	214,026	215,056	231,396
Other special instruction	43,438	3,365	3,622	4,902	6,023	6,479	6,156	5,998	4,291	6,407
Support Services:										
Tuition	95,119	109,059	129,854	152,084	167,703	112,876	22,354	21,930	4,928	-
Student & instruction related services	190,821	206,118	235,493	217,607	256,320	269,205	229,314	275,612	246,003	258,047
General administrative services	111,726	237,258	197,620	181,267	212,687	224,701	217,360	225,958	235,639	237,085
School Administrative services	77,518	58,074	74,859	82,236	84,670	86,841	74,454	77,647	80,805	82,256
Business administrative services	95,635									
Plant operations and maintenance	163,301	216,198	187,783	180,178	377,493	310,289	277,651	293,791	268,889	260,062
Pupil transportation	132,678	130,088	147,504	155,842	139,076	132,049	135,629	126,491	120,295	128,841
Unallocated employee benefits	397,488	435,698	470,135	514,475	275,907	288,173	181,796	179,101	180,941	203,210
Special Revenue	77,374									
Charter Schools							107,201	119,093	76,399	91,252
Capital outlay							30,000	40,000	35,000	-
Debt service:										
Principal	150,000	150,000	150,000	175,000	175,000	175,000	175,000	200,000	200,000	200,000
Interest and other charges	113,198	104,423	95,648	86,872	76,635	66,397	56,160	45,923	34,223	22,522
Total expenditures	2,573,103	2,644,489	2,765,676	2,797,092	2,991,715	3,009,496	2,927,352	2,988,492	2,828,306	2,915,996
Excess (Deficiency) of revenues over (under) expenditures	57,863	148,751	51,184	53,776	35,851	46,313	(12,805)	18,018	93,721	13,851
Other Financing Sources (uses)										
Transfers in										
Transfers out	(8,000)		(8,000)	(2,000)	(8,000)	(1,000)	(8,000)	(4,000)	(2,000)	(4,500)
Total other financing sources (uses)	(8,000)	-	(8,000)	(2,000)	(8,000)	(1,000)	(8,000)	(4,000)	(2,000)	(4,500)
Net change in fund balances	\$ 49,863	\$ 148,751	\$ 43,184	\$ 51,776	\$ 27,851	\$ 45,313	\$ (20,805)	\$ 14,018	\$ 91,721	\$ 9,351
Debt service as a percentage of noncapital expenditures										
	10.2%	9.6%	8.9%	9.4%	8.4%	8.0%	8.0%	8.3%	8.4%	7.6%

Source: CAFR Schedule B-2

FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
UNAUDITED

Exhibit J-5

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Prior Year</u> <u>Expenditures</u>	<u>Tuition</u>	<u>Donations</u>	<u>Interest on</u> <u>Cap.Reserve</u> <u>Funds</u>	<u>Rentals</u>	<u>Insurance</u> <u>Rebates</u>	<u>Misc</u> <u>Grants</u>	<u>State</u> <u>Health</u> <u>Benefits</u>	<u>Miscellaneous</u>	<u>Total</u>
2003	\$ 1,260		\$ 75,269		\$ 162	\$ 3,600			\$ 1,121		\$ 81,412
2004	3,051		112,910		100	3,600				\$ 2,120	121,781
2005	4,038		45,957		86	3,600				12,291	65,972
2006	11,059		4,190		123	3,600				1,619	20,591
2007	14,997		14,870	\$ 250	306	3,600				7,364	41,387
2008	14,815				1,497	3,600		\$ 682		914	21,508
2009	3,734		6,310		445	4,812				6,151	21,452
2010	923	\$ 1,352	10,600		286	12,300				4,985	30,446
2011	1,078		25,809		277	13,350				6,023	46,537
2012	5,990	1	6,845		129	10,725				6,851	30,541

SOURCE: District Records

**Frelinghuysen Township School District
Assessed Value and Actual Value of Taxable Property,
Last Ten Fiscal Years**

Exhibit J-6

<u>Fiscal Year Ended June 30.</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm Reg.</u>	<u>Qfarm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartment</u>	<u>Total Assessed Value</u>	<u>Less: Tax-Exempt Property</u>	<u>Public Utilities a</u>	<u>Net Valuation Taxable</u>	<u>Total Direct School Tax Rate b</u>	<u>Estimated Actual (County Equalized Value)</u>
2003	\$4,862,200	\$109,580,200	\$37,114,900	\$2,484,200	\$6,145,500	-	-	\$174,717,282	\$13,621,140	\$909,142	\$161,096,142	\$1.072	\$178,735,447
2004	5,017,400	109,678,900	38,648,900	2,495,900	6,254,500	-	-	177,071,062	14,305,540	669,922	162,765,522	1.112	196,229,007
2005	7,638,800	178,530,800	64,329,200	2,632,030	8,425,778	-	-	283,941,009	21,539,440	844,961	262,401,569	0.702	223,259,836
2006	7,422,700	180,493,500	65,710,900	2,488,600	8,159,478	-	-	287,397,687	22,321,040	801,469	265,076,647	0.713	252,571,303
2007	8,169,000	182,259,100	66,522,800	2,378,200	8,159,478	-	-	291,672,682	23,460,640	723,464	268,212,042	0.730	278,032,265
2008	7,533,700	186,195,600	69,599,100	2,350,000	8,171,878	-	-	299,278,753	24,775,340	653,135	274,503,413	0.711	314,116,799
2009	7,496,700	189,917,700	68,833,300	2,375,900	8,212,778	-	-	302,963,589	25,470,840	656,371	277,492,749	0.700	313,681,081
2010	8,335,200	189,585,600	72,266,300	2,760,700	14,259,178	-	-	313,738,318	25,905,840	625,500	287,832,478	0.678	324,405,769
2011	6,610,600	189,298,100	73,119,000	2,431,500	19,512,578	-	-	319,031,244	27,399,040	660,426	291,632,204	0.671	325,652,702
2012	6,290,600	190,055,000	73,634,400	2,415,900	19,532,578	-	-	319,977,547	27,399,040	650,029	292,578,507	0.666	310,300,130

Source: District records Tax list summary & 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 ordered by the County Board of Taxation

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

b Tax rates are per \$100

**Frelinghuysen Township School District
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years**

Exhibit J-7

(rate per \$100 of assessed value)

Fiscal Year Ended June 30,	Frelinghuysen Board of Education			Overlapping Rates				Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Regional High School District	Frelinghuysen Township	Library	Warren County	
2003	\$0.955	\$0.117	\$1.072	\$0.796	\$0.093	\$0.065	\$0.723	\$2.749
2004	1.004	0.108	1.112	0.817	0.109	0.063	0.749	2.850
2005	0.637	0.065	0.702	0.548	0.141	0.045	0.524	1.960
2006	0.651	0.062	0.713	0.588	0.139	0.049	0.561	2.050
2007	0.636	0.094	0.730	0.608	0.143	0.053	0.596	2.130
2008	0.623	0.088	0.711	0.613	0.145	0.061	0.640	2.170
2009	0.617	0.083	0.700	0.571	0.141	0.059	0.629	2.100
2010	0.593	0.085	0.678	0.578	0.158	0.059	0.622	2.095
2011	0.671	0.000	0.671	0.586	0.158	0.054	0.628	2.097
2012	0.590	0.076	0.666	0.599	0.164	0.052	0.622	2.103

Source: District Records and Municipal Tax Collector

Note:

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

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.

**Frelinghuysen Township School District
Principal Property Tax Payers,
Current Year and Nine Years Ago**

Exhibit J-8

Taxpayer	2012			2002		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
TI Properties, LLC	\$ 11,482,000	1	3.92%	\$ 746,900	4	0.55%
Frelinghuysen, LLC	1,783,800	2	0.61%			
Individual Taxpayer #1	1,412,100	3	0.48%	859,400	2	0.63%
Individual Taxpayer #2	1,306,100	4	0.45%	802,700	3	0.59%
Individual Taxpayer #3	1,116,300	5	0.38%	612,500	5	0.45%
Individual Taxpayer #4	988,400	6	0.34%	525,700	6	0.38%
Individual Taxpayer #5	928,800	7	0.32%	462,900	8	0.34%
Individual Taxpayer #6	856,300	8	0.29%	437,300	9	0.32%
Individual Taxpayer #7	813,300	9	0.28%	413,300	10	0.30%
Individual Taxpayer #8	811,300	10	0.28%			
Westbrook Realty				969,000	1	0.71%
United Telephone Co. of NJ, Inc.				512,818	7	0.38%
	<u>\$ 8,232,600</u>		<u>2.81%</u>	<u>\$ 5,595,618</u>		<u>4.10%</u>

Source: District CAFR & Municipal Tax Assessor

**Frelinghuysen Township School District
Property Tax Levies and Collections,
Last Ten Fiscal Years**

Exhibit J-9

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2003	\$1,551,353	\$1,551,353	100.00%	-
2004	\$1,638,500	\$1,638,500	100.00%	-
2005	\$1,677,285	\$1,677,285	100.00%	-
2006	\$1,713,711	\$1,713,711	100.00%	-
2007	\$1,788,289	\$1,788,289	100.00%	-
2008	\$1,788,289	\$1,788,289	100.00%	-
2009	\$1,788,289	\$1,788,289	100.00%	-
2010	\$1,788,289	\$1,788,289	100.00%	-
2011	\$1,788,289	\$1,788,289	100.00%	-
2012	\$1,788,289	\$1,788,289	100.00%	-

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

Note: 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 is the amount voted upon or certified prior to the end of the school year.

**Frelinghuysen Township School District
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years**

Exhibit J-10

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds ^b	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District		
2003	\$1,785,000	-0-	-0-	-0-	-0-	\$1,785,000	2.43%	\$832.56
2004	\$1,635,000	-0-	-0-	-0-	-0-	\$1,635,000	2.14%	\$758.35
2005	\$1,485,000	-0-	-0-	-0-	-0-	\$1,485,000	1.86%	\$684.96
2006	\$1,310,000	-0-	-0-	-0-	-0-	\$1,310,000	1.53%	\$598.45
2007	\$1,135,000	-0-	-0-	-0-	-0-	\$1,135,000	1.24%	\$514.51
2008	\$960,000	-0-	-0-	-0-	-0-	\$960,000	0.99%	\$430.11
2009	\$785,000	-0-	-0-	-0-	-0-	\$785,000	0.82%	\$352.65
2010	\$585,000	-0-	-0-	-0-	-0-	\$585,000	0.59%	\$262.80
2012	\$385,000	-0-	-0-	-0-	-0-	\$385,000	0.39%	\$172.65
2012	\$185,000	-0-	-0-	-0-	-0-	\$185,000	0.19%	\$83.18

Source: District CAFR Schedules I-1, I-2

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

**Frelinghuysen Township School District
 Ratios of Net General Bonded Debt Outstanding
 Last Ten Fiscal Years**

Exhibit J-11

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2003	\$ 1,785,000	-0-	\$ 1,785,000	1.11%	\$ 833
2004	\$ 1,635,000	-0-	\$ 1,635,000	1.00%	\$ 758
2005	\$ 1,485,000	-0-	\$ 1,485,000	0.57%	\$ 685
2006	\$ 1,310,000	-0-	\$ 1,310,000	0.49%	\$ 598
2007	\$ 1,135,000	-0-	\$ 1,135,000	0.42%	\$ 515
2008	\$ 960,000	-0-	\$ 960,000	0.35%	\$ 430
2009	\$ 785,000	-0-	\$ 785,000	0.28%	\$ 353
2010	\$ 585,000	-0-	\$ 585,000	0.20%	\$ 263
2011	\$ 385,000	-0-	\$ 385,000	0.13%	\$ 173
2012	\$ 185,000	-0-	\$ 185,000	0.06%	\$ 83

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.

* Current data unavailable

**Frelinghuysen Township School District
Ratios of Overlapping Governmental Activities Debt
As of June 30, 2012**

Exhibit J-12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Frelinghuysen Township	\$ 995,486	100.00%	\$ 995,486
Other debt			
Warren County	8,760,000	2.42%	212,002
Subtotal, overlapping debt			1,207,488
Frelinghuysen Township School District Direct Debt			<u>185,000</u>
Total direct and overlapping debt			<u><u>\$ 1,392,488</u></u>

Sources: Frelinghuysen Township Finance Officer, Warren County Finance Office and Utility Authorities

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 district. 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.

**Frelinghuysen Township School District
Legal Debt Margin Information,
Last Ten Fiscal Years**

Exhibit J-13

Legal Debt Margin Calculation for Fiscal Year 2012

Equalized valuation basis

2011	\$	316,797,046
2010		306,932,255
2009		319,083,411
[A]	\$	<u>942,812,712</u>

Average equalized valuation of taxable property **[A/3]** \$ 314,270,904

Debt limit (3 % of average	[B]	9,428,127
Net bonded school debt	[C]	185,000
Legal debt margin	[B-C]	<u>9,243,127</u>

Fiscal Year

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Debt limit	\$5,243,985	\$5,820,733	\$6,558,520	\$7,363,782	\$8,249,650	\$8,851,353	\$9,230,548	\$9,374,815	\$9,364,400	\$9,428,127
Total net debt applicable to limit	<u>1,785,000</u>	<u>1,635,000</u>	<u>1,485,000</u>	<u>1,310,000</u>	<u>1,135,000</u>	<u>960,000</u>	<u>785,000</u>	<u>585,000</u>	<u>385,000</u>	<u>185,000</u>
Legal debt margin	<u>\$3,458,985</u>	<u>\$4,185,733</u>	<u>\$5,073,520</u>	<u>\$6,053,782</u>	<u>\$7,114,650</u>	<u>\$7,891,353</u>	<u>\$8,445,548</u>	<u>\$8,789,815</u>	<u>\$8,979,400</u>	<u>\$9,243,127</u>
Total net debt applicable to the limit as a percentage of debt limit	34.04%	28.09%	22.64%	17.79%	13.76%	10.85%	8.50%	6.24%	4.11%	1.96%

Source: Abstract of Ratables and District Records CAFR Schedule J-7

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

**Frelinghuysen Township School District
Demographic and Economic Statistics
Last Ten Fiscal Years**

Exhibit J-14

<u>Year</u>	<u>Population^a</u>	<u>Personal Income (thousands of dollars)^b</u>	<u>Per Capita Personal Income^c</u>	<u>Unemployment Rate^d</u>
2003	2,124	\$ 73,309,860	\$34,515 R	4.30%
2004	2,144	\$ 76,349,984	\$35,611 R	3.10%
2005	2,156	\$ 79,649,108	\$36,943 R	3.00%
2006	2,168	\$ 85,618,656	\$39,492 R	3.20%
2007	2,189	\$ 91,640,296	\$41,864 R	3.00%
2008	2,206	\$ 96,682,362	\$43,827 R	3.00%
2009	2,232	\$ 96,134,472	\$43,071 R	7.10%
2010	2,226	\$ 98,351,358	\$44,183 P	7.30%
2011	2,230	\$ 98,528,090	\$44,183 *	6.80%
2012	2,224	\$ 98,262,992	\$44,183 *	*

Source:

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

^b Personal Income provided by US Dept of Commerce

^c Per Capita provided by US Dept of Commerce

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

R Revised

* Current data unavailable

**Frelinghuysen Township School District
Principal Employers,
Current Year and Nine Years Ago**

Exhibit J-15

N/A

<u>Employer</u>	<u>2012</u>			<u>2003</u>		
	<u>Employees</u>	<u>Rank (Optional)</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Rank (Optional)</u>	<u>Percentage of Total Employment</u>
		1	0.00%	-		0.00%
		2	0.00%	-		0.00%
		3	0.00%	-		0.00%
		4	0.00%	-		0.00%
		5	0.00%	-		0.00%
		6	0.00%	-		0.00%
		7	0.00%	-		0.00%
		8	0.00%	-		0.00%
		9	0.00%	-		0.00%
		10	0.00%	-		0.00%
	-			-		0.00%
	-			-		0.00%
	-			-		0.00%
	-		0.00%	-		0.00%

Source:
No reliable information is available at the local or county level.

**Frelinghuysen Township School District
 Full-time Equivalent District Employees by Function/Program,
 Last Ten Fiscal Years**

Exhibit J-16

<u>Function/Program</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Instruction										
Regular	13	13	13	13	14	14	14	13	13	13
Special education	3	3	3	4	4	4	4	4	4	4
Support Services:										
Student & instruction related services	1	1	1	1	1	1	1	1	1	1
General administrative services	1	1	1	1	1	1	1	1	1	1
School administrative services	2	2	2	2	2	2	2	2	2	2
Business administrative services	1	1	1	1	1	1	1	1	1	1
Plant operations and maintenance	2	2	2	2	2	2	2	2	0	0
Total	<u>23</u>	<u>23</u>	<u>23</u>	<u>24</u>	<u>25</u>	<u>25</u>	<u>25</u>	<u>24</u>	<u>22</u>	<u>22</u>

Source: District Personnel Records

Frelinghuysen Township School District
 Operating Statistics
 Last Ten Fiscal Years

Exhibit J-17

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio	Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary				
2003	210	\$2,314,566	\$ 11,022	-0.11%	26	1:8.1	210.3	200.5	2.56%	95.3%
2004	211	\$2,390,066	\$ 11,327	2.77%	26	1:8.1	210.2	200.7	0.10%	95.5%
2005	197	\$2,528,028	\$ 12,833	13.29%	26	1:7.6	200.5	190.5	-5.08%	95.0%
2006	195	\$2,535,220	\$ 13,001	1.31%	26	1:7.5	193.6	186.0	-2.36%	96.1%
2007	201	\$2,740,080	\$ 13,632	4.85%	23	1:8.7	201.2	199.3	7.15%	99.1%
2008	197	\$2,768,099	\$ 14,051	3.07%	23	1:8.6	196.5	190.2	-4.57%	96.8%
2009	191	\$2,558,991	\$ 13,398	-4.65%	23	1:8.3	188.0	180.3	-5.21%	95.9%
2010	195	\$2,583,476	\$ 13,249	-1.11%	22	1:8.9	194.0	186.0	3.16%	95.9%
2011	176	\$2,482,684	\$ 14,106	6.47%	22	1:8.0	177.5	169.0	-9.14%	95.2%
2012	175	\$2,602,222	\$ 14,870	5.41%	22	1:8.0	168.0	161.7	-4.32%	96.3%

Sources: District records, ASSA and Schedules J-12, J-14

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay; Schedule J-1
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS)

**Frelinghuysen Township School District
School Building Information
Last Ten Fiscal Years**

Exhibit J-18

<u>District Building</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>Elementary</u>										
Frelinghuysen School (1954)										
Square Feet (Floor area)	31,650	31,650	31,650	31,650	31,650	31,650	31,650	31,650	31,650	31,650
Capacity (students)	374	374	374	374	374	374	374	374	374	374
Enrollment	210	211	197	195	201	197	191	195	176	168

Number of Schools at June 30, 2012

Source: District records, ASSA

Elementary = 1

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

FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
Last Nine Fiscal Years Ending June 30, 2012

Exhibit J-19

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

<u>School Facilities</u>	<u>Project #</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>Total</u>
Elementary School - Grades K through 6	N/A	\$14,143	\$46,080	\$23,232	\$21,036	\$122,197	\$78,525	\$62,409	\$62,409	\$48,910	79,881	\$558,822
Total School Facilities		14,143	46,080	23,232	21,036	122,197	78,525	62,409	62,409	48,910	79,881	104,491
Other Facilities		NONE	NONE	NONE	NONE	NONE	NONE	NONE	NONE	NONE	NONE	NONE
Grand Total		\$14,143	\$46,080	\$23,232	\$21,036	\$122,197	\$78,525	\$62,409	\$62,409	\$48,910	\$79,881	\$558,822

FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT

INSURANCE SCHEDULE
JUNE 30, 2012
UNAUDITED

Exhibit J-20

<u>POLICY TYPE</u>	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
COMPREHENSIVE PACKAGE POLICY - School Alliance Insurance Fund		
Property-Blanket Building and Contents Warren/Hunterdon Insurance Pool Limit	\$ 250,000,000	\$ 1,000
Crime and Fidelity	50,000	1,000
Comprehensive General Liability: Occurrence Limit	5,000,000	None
Comprehensive Automobile Liability	5,000,000	None
Workers' Compensation	5,000,000	1,000
Environmental Impairment Liability	1,000,000	10,000
School Leaders Professional Liability	5,000,000	5,000
PUBLIC EMPLOYEES' FAITHFUL PERFORMANCE		
BLANKET POSITION BOND - Selective Insurance Company		
School Board Secretary	62,000	
Treasurer of School Monies	140,000	

SOURCE: District Records

Single Audit Section



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 Douglas R. Williams, CPA, RMA, PSA
 Anthony F. Ardito, PA, RMA, PSA

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

Honorable President and
 Members of the Board of Education
 Frelinghuysen Township School District
 County of Warren
 Johnsonburg, New Jersey 07846

We have audited the financial statements of the Board of Education of the Frelinghuysen Township School District in the County of Warren, State of New Jersey, as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated September 17, 2012. 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 Division of Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

Management of the Frelinghuysen Township School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Frelinghuysen Township School District 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 Frelinghuysen Township School District Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Frelinghuysen Township School District 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.

-Continued-

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

Compliance and Other Matters

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

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



Licensed Public School Accountant No.2369
ARDITO & CO., LLP

Date: September 17, 2012



ARDITO & Co., LLP

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

Honorable President and
 Members of the Board of Education
 Frelinghuysen Township School District
 County of Warren
 Johnsonburg, New Jersey 07846

Compliance

We have audited the compliance of the Frelinghuysen Township School District in the County of Warren, State of New Jersey, with the types of compliance requirements described in the New Jersey State Aid/Grant Compliance Supplement that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2012. The Frelinghuysen Township School District Board of Education's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Frelinghuysen Township School District Board of Education's management. Our responsibility is to express an opinion on the Frelinghuysen Township School District 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 Division of Finance, Department of Education, State of New Jersey, and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and New Jersey OMB Circular 04-04, require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred.

-Continued-

An audit includes examining, on a test basis, evidence about the Frelinghuysen Township School District Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Frelinghuysen Township School District Board of Education's compliance with those requirements.

In our opinion the Board of Education of the Frelinghuysen Township School District, in the County of Warren, State of New Jersey, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2012.

Internal Control Over Compliance

The management of the Board of Education of the Frelinghuysen Township School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the Frelinghuysen Township School District of Education's internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Frelinghuysen Township School District 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 state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis.

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

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



Licensed Public School Accountant No.2369
ARDITO & CO., LLP

Date: September 17, 2012

FRELINGHUYSEN TOWNSHIP SCHOOL DISTRICT

K-4

Schedule of Expenditures of State Financial Assistance
for the Fiscal Year ended June 30, 2012

Schedule B

STATE GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE 6/30/2011	CARRY- OVER AMOUNT	CASH RECEIVED	BUDGET. EXPEND.	ADJUST.	REPAYMENT OF PRIOR YEARS' BALANCES	BALANCE AT JUNE 30, 2012			MEMO		
										(ACCTS. RECEIV.)	INTERFUND PAYABLE/ DEFER. REVENUE	DUE TO GRANTOR	BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPEND.	
State Department of Education															
General Fund:															
Equalization Aid	12-495-034-5120-078	7/1/11-6/30/12	\$ 318,534			\$ 318,534	\$ (318,534)								
Transportation Aid	12-495-034-5120-014	7/1/11-6/30/12	81,777			81,777	(81,777)							\$ 8,064	\$ 81,777
Special Education Aid	12-495-034-5120-089	7/1/11-6/30/12	99,510			99,510	(99,510)							9,813	99,510
Security Aid	12-495-034-5120-084	7/1/11-6/30/12	13,066			13,066	(13,066)							1,288	13,066
Adjustment Aid	12-495-034-5120-084	7/1/11-6/30/12	72,975			72,975	(72,975)							9,743	72,975
Non-Public Transportation Aid	11-100-034-5120-068	7/1/10-6/30/11		\$ (348)		348									
Non-Public Transportation Aid	12-100-034-5120-068	7/1/11-6/30/12	348				(348)			\$ (348)					348
On-behalf TPAF Pension Contrib.	12-495-034-5095-001	7/1/11-6/30/12	110,914			110,914	(110,914)								110,914
Reimbursed TPAF Soc.Secur.Contrib.	12-495-034-5095-002	7/1/11-6/30/12	92,296			96,696	(92,296)								92,296
Total General Fund				(4,748)		793,820	(789,420)			(348)	-			60,319	789,420
Debt Service Fund:															
Debt Service Aid	12-495-034-5120-017	7/1/11-6/30/12	62,889			62,889	(62,889)								62,889
State Department of Agriculture:															
Enterprise Fund:															
Nat.School Lunch Prog.(State Share)	11-100-010-3350-023	7/1/10-6/30/11		\$ (64)		64									
Nat.School Lunch Prog.(State Share)	12-100-010-3350-023	7/1/11-6/30/12	691			662	(691)				(29)				691
Total Enterprise Fund				(64)		726	(691)				(29)				691
Total State Financial Assistance				\$ (4,812)	-	\$ 857,435	\$ (853,000)	-	-	\$ (377)	-	-		\$ 60,319	\$ 853,000

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

NOTES TO THE SCHEDULES OF STATE FINANCIAL ASSISTANCE
JUNE 30, 2012

NOTE 1. GENERAL

The accompanying schedule of expenditures of state financial assistance includes state award activity of the Board of Education, Frelinghuysen Township School District. The Board of Education is defined in Note 1 to the Board's basic financial statements. All state awards received directly from state agencies, as well as state financial assistance passed through other government agencies is included on the schedule of expenditure of state financial assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3. RELATIONSHIP TO GENERAL PURPOSE FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on 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 *N.J.S.A. 18A:22-44.2*. 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 special revenue fund also recognizes the last state aid payment in the current budget year, consistent with *N.J.S.A. 18A:22-4.2*.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$5,165) for the general fund and \$-0- 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. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented on the following page:

NOTES TO THE SCHEDULES OF STATE FINANCIAL ASSISTANCE
 JUNE 30, 2012

NOTE 3. (Continued)

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 1,509	\$ 810,076	\$ 811,585
Special Revenue Fund	76,909	-	76,909
Debt Service Fund		62,889	62,889
Food Service Fund	<u>12,396</u>	<u>691</u>	<u>13,087</u>
Total Financial Assistance	<u>\$ 90,814</u>	<u>\$ 873,656</u>	<u>\$ 964,470</u>

NOTE 4. RELATIONSHIP TO STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and 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 Contributions represents the amount reimbursed by the state for employer's share of social security contributions for TPAF members for the year ended June 30, 2012.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Part I - Summary of Auditor's Results

Financial Statement Section

- A) Type of auditor's report issued: Unqualified
- B) Internal control over financial reporting:
 1) Material weakness(es) identified? ___ Yes x No
 2) Were significant deficiencies identified that were not considered to be material weaknesses?
___ Yes
x None Reported
- C) Noncompliance material to financial statements noted? ___ Yes x No

Federal Awards Section

N/A

- D) Dollar threshold used to determine Type A programs: \$300,000
- E) Auditee qualified as low-risk auditee? ___ Yes ___ No
- F) Type of auditor's report on compliance for major programs: Unqualified
- G) Internal Control over compliance:
 1) Material weakness(es) identified? ___ Yes ___ No
 2) Were significant deficiencies identified that were not considered to be material weaknesses? ___ Yes ___ No
- H) Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133(Section .510(a))? ___ Yes ___ No
- I) Identification of major programs:

CFDA NUMBER(S)

NAME OF FEDERAL PROGRAM OR CLUSTER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Part I - Summary of Auditor's Results

State Financial Assistance Section

- J) Dollar threshold used to determine Type A programs: \$300,000
- K) Auditee qualified as low-risk auditee? (1) x_yes__no
- L) Type of auditor's report on compliance for major programs: Unqualified
- M) Internal Control over compliance:
 - 1) Material weakness(es) identified? ___yes_x_no
 - 2) Were significant deficiencies identified that were not considered to be material weaknesses? ___yes_x_none reported
- N) Any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular 04-04? ___yes_x_no
- O) Identification of major programs:

GMIS Number(s)

Name of State Program

<u>12-495-034-5120-078</u>	<u>Equalization Aid</u>
_____	_____
_____	_____
_____	_____
_____	_____

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Section II-Financial Statement Findings

There were no matters of noncompliance or reportable conditions noted, that are required to be reported in accordance with Government Auditing Standards.

Section III - State Financial Assistance Findings and Questioned Costs

STATE FINANCIAL ASSISTANCE-There were no state financial assistance findings or questioned costs noted, that are required to be reported in accordance with NJOMB Circular 04-04.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

In accordance with government auditing standards, our procedures included a review of all prior year recommendations. There were no prior year findings.