

**FRENCHTOWN BOROUGH
BOARD OF EDUCATION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

OF THE

**FRENCHTOWN BOROUGH BOARD OF EDUCATION
FRENCHTOWN BOROUGH, NEW JERSEY
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Prepared by

**FRENCHTOWN BOROUGH BOARD OF EDUCATION
DEPARTMENT OF ADMINISTRATION**

**FRENCHTOWN BOROUGH SCHOOL DISTRICT
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INTRODUCTORY SECTION

**EDITH ORT THOMAS ELEMENTARY SCHOOL
FRENCHTOWN ELEMENTARY SCHOOL DISTRICT
902 HARRISON STREET
FRENCHTOWN, NEW JERSEY 08825
Phone (908) 996-2751
Fax (908) 996-3599**

David Bailey
Chief School Administrator

Susan Schaffner
*Business Administrator/
Board Secretary*

November 30, 2012

Honorable President and
Members of the Board of Education
Frenchtown Elementary School District
Hunterdon County, New Jersey

The comprehensive annual financial report of the Frenchtown Elementary 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 Frenchtown 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 schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and the U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments", and New Jersey 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". Information related to this single audit, including the auditor's report of 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: Frenchtown School District is an independent reporting entity within the criteria adopted by the GASB as established by Statement No. 14. All funds and account groups of the District are included in this report. The Frenchtown Board of Education and the school constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre-K through 8. This includes regular, as well as special education for special need students. The District completed the 2011-12 fiscal year with an enrollment of 157 students, which is above the below year's enrollment. The following details the changes in the student enrollment of the District over the last ten years.

Average Daily Enrollment

Fiscal Year	Student Enrollment	Percent Change
2011-2012	157	-9.0%
2010-2012	171	8.0%
2009-2010	159	.006%
2008-2009	158	12.%
2007-2008	143	.07%
2006-2007	142	3.0%
2005-2006	138	14.%
2004-2005	121	1.6%
2003-2004	123	-3.2%
2002-2003	127	1.1%

2) ECONOMIC CONDITION AND OUTLOOK: The Frenchtown areas outlook for development and expansion has some potential housing/ retail developments pending.

3.) MAJOR INITIATIVES: The staff collaboratively wrote our K-8 science curriculum to align with the new Common Core Standards, selected a new K-5 math text book aligned to Common Core standards, and implemented an assessment and support online system (Study Island) to assess and target individualized learning needs

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

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

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

7) FINANCIAL INFORMATION AT FISCAL YEAR-END: As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management for the fiscal year ended June 30, 2012.

<u>Revenues</u>	Amount 2011-12	% of Total	Increase/ (Decrease) from 10-11	%Increase (Decrease)
Local Sources				
Taxes	\$1,641,301	63.09	\$ 32,180	2.00
Debt	138,860	5.34	(5,088)	-3.53
Other	25,146	0.97	(32,114)	-56.08
Shared Service Rev	26,649	1.02	(24,134)	-47.52
State Sources	668,431	25.69	87,425	15.05
Federal Sources	<u>101,098</u>	<u>3.89</u>	<u>(793)</u>	<u>-0.78</u>
Total	\$2,601,485	100.00	\$ 57,476	2.26

Expenditures

General Fund:				
Current Expense	\$2,309,758	90.33	\$108,445	4.93
Capital Outlay	6,052	.24	(4,356)	-41.85
Special Revenues	102,224	4.00	333	0.33
Debt Service				
Principal	110,000	4.30	.	0.00
Interest	<u>28,860</u>	<u>1.13</u>	<u>(5,088)</u>	<u>-14.99</u>
Total	\$2,556,894	100.00	\$ 99,334	4.04

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

The funding formula from the State of New Jersey, Department of Education established the above maximum permitted net budget, dictated the amount of fund balance the district could maintain and reduced the amount of unrestricted state aid received. Within these constraints, the Frenchtown Board of Education provided a thorough and efficient education in alignment with the emerging core curriculum standards.

8) DEBT ADMINISTRATION: At June 30, 2012 the District had outstanding debt issues of \$514,000 at an interest rate of 4.625%.

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 3. The District has adopted a cash management plan which requires it to deposit funds in public depositories protect from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted to protect Governmental Units from a loss of Funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

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

12) OTHER INFORMATION:

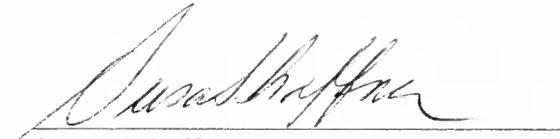
Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of William M. Colantano, Jr., CPA, was appointed by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1984, and the related OMB Circular A-133 New Jersey 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 single audit are included in the single audit section of this report.

12) ACKNOWLEDGMENTS: We would like to express our appreciation to the members of Frenchtown 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 services of our financial staff.

Respectfully submitted,

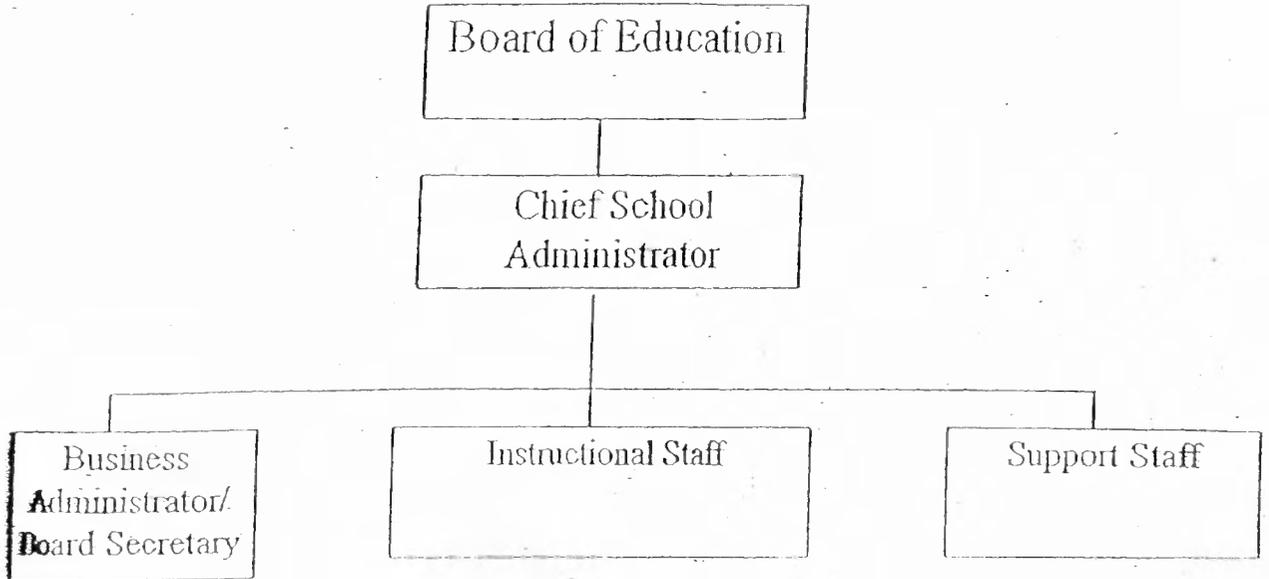


David Bailey
Chief School Administrator



Susan Schaffner
Business Administrator/Board Secretary

Frenchtown Elementary School District Organizational Chart



**BOROUGH OF FRENCHTOWN BOARD OF EDUCATION
FRENCHTOWN, NEW JERSEY**

**ROSTER OF OFFICIALS
JUNE 30, 2012**

MEMBERS OF THE BOARD OF EDUCATION

TERM EXPIRES

Kate Nugent	President	2012
Barbara Huey	Vice-President	2014
Laura Buxton		2012
Jodi DenBleyker		2013
Jeanne Herb		2013
Dr. Craig Eckel		2014
Kate Kunzmann		2014

OTHER OFFICIALS

David Bailey	Chief School Administrator
Susan Schaffner	Business Administrator/ Board Secretary
Raymond B. Krov	Treasurer

**BOROUGH OF FRENCHTOWN BOARD OF EDUCATION
CONSULTANTS AND ADVISORS**

AUDIT FIRM

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

SOLICITOR

Cleary Giacobbe Alfieri Jacobs LLC
5 Ravine Drive
Matawan, NJ 07747

OFFICIAL DEPOSITORY

PNC Bank
PO Box 746
Keene, NH 03431

FINANCIAL SECTION

Certified Public Accountant
Public School Accountant
Registered Municipal Accountant

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

INDEPENDENT AUDITOR'S REPORT

November 30, 2012

Honorable President and
Members of the Board of Education
Frenchtown Borough School District
County of Hunterdon, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Board of Education of the Frenchtown Borough School District in the County of Hunterdon, 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 Frenchtown Borough Board of Education's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In accordance with Government Auditing Standards, we have also issued our report dated November 30, 2012 on our consideration of the Frenchtown Borough Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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

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



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

REQUIRED SUPPLEMENTARY INFORMATION-PART I

FRENCHTOWN BOARD OF EDUCATION

Management's Discussion and Analysis for the Fiscal Year Ended June 30, 2012 Unaudited

The discussion and analysis of Frenchtown 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 basic financial statements and notes 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 \$52,681 which represents a 2.72% increase from 2011.
- General revenues accounted for \$ 2,686,147. in revenue or 92.60% percent of all revenues. Program specific revenues in the form of operating grants and contributions and capital grants and contributions accounted for \$ 214,661 or 7.40 percent of total revenues of \$2,900,808.
- Total assets of governmental activities decreased by \$90,799. As cash and cash equivalents increased by \$119,293., receivables and other assets decreased by \$144,922 and capital assets decreased by \$65,170.
- The School District had \$2,848,127. in expenses; only \$214,661. of these expenses was offset by program specific charges, grants or contributions. General revenues (primarily property taxes) of \$ 2,686,147, were adequate to provide for these expenses.
- Among major funds, the General Fund had \$ 2,598,064. in revenues and \$2,565,518. in expenditures. The General Fund's balance increased \$32,546 over 2011.

FRENCHTOWN BOARD OF EDUCATION

Management's Discussion and Analysis for the
Fiscal year Ended June 30, 2012 Unaudited

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Frenchtown 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 Frenchtown School District, the General Fund is by far the most significant fund.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2012?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. 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 position of the School District have improved or diminished. The causes of this change may be the result of many factors, some financial and some not. Non-financial factors include the School District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

FRENCHTOWN BOARD OF EDUCATION

Management Discussion and Analysis for the Fiscal Year Ended June 30, 2012 Unaudited

In the Statement of Net Assets and the Statement of Activities, the School District reports governmental activities. Governmental activities are the activities where most of the school district's programs and services are reported, including, but not limited to, instruction, support services, operation and maintenance of plant facilities, pupil transportation and extra curricular 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 – 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 begin on page 16. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Special Revenue Fund, Capital Projects Fund and Debt Service Fund.

Governmental Funds

The School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the school district's general government operations and the basic services it provides. Governmental fund information helps the reader 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.

FRENCHTOWN BOARD OF EDUCATION

Management's Discussion and Analysis for the
Fiscal Year Ended June 30, 2012 Unaudited

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**

	6/30/2012	6/30/2011	Variance	
			Dollars	Percent
ASSETS				
Current & Other Assets	\$578,060	\$ 609,142	\$(31,082)	-5.10%
Capital Assets	2,162,577	2,228,112	(65,535)	-2.94%
Total Assets	<u>2,740,637</u>	<u>2,837,254</u>	<u>(96,617)</u>	-3.41%
LIABILITIES				
Long Term Liabilities	611,094	697,900	(86,806)	-12.44%
Other Liabilities	141,462	203,954	(62,492)	-30.64%
Total Liabilities	<u>752,556</u>	<u>901,854</u>	<u>(149,298)</u>	-16.55%
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	1,639,412	1,586,135	53,277	3.36%
Restricted	139,675	114,219	25,456	22.29%
Unrestricted	208,994	235,046	(26,052)	-11.08%
	<u>\$1,988,081</u>	<u>\$1,935,400</u>	<u>\$52,681</u>	2.72%

FRENCHTOWN BOARD OF EDUCATION

Management's Discussion and Analysis for the Fiscal Year Ended June 30, 2012 Unaudited

Total assets decreased \$96,617.. Cash and cash equivalents increased by \$114,670, receivables and other assets increased by \$145,752 and capital assets decreased by \$65,535. 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 \$26,052.

Table 2 shows changes in net assets for fiscal year 2012

Table 2
Changes on Net Assets

	6/30/2012	6/30/2011	Variance	
			Dollars	Percent
REVENUES				
Program Revenues:				
Charges for Services	\$ 95,539	\$ 144,390	\$ (48,851)	-33.83%
Operating Grants	119,122	122,901	(3,779)	-3.07%
Capital Grants				
General Revenues:				
Property Taxes	1,780,162	1,753,069	27,093	1.55%
Unrestricted Grants	904,968	797,260	107,708	13.51%
Other	1,017	4,589	(3,572)	-77.84%
Total Revenues	2,900,808	2,822,209	78,599	2.79%
PROGRAM EXPENSES				
Instruction:				
Regular	1,186,985	1,113,235	73,750	6.62%
Special	440,462	459,095	(18,633)	-4.06%
Other	27,786	24,549	3,237	13.19%
Support Services:				
Tuition	66,420	1,125	65,295	5804%
Student & Instructional Staff	427,911	424,222	3,689	.87%
General & Business Administration	146,162	121,655	24,507	20.14%
School Administration	102,065	99,003	3,062	3.09%
Maintenance	274,994	205,402	69,592	33.88%
Transfer to Unemployment	5,000		5,000	
Transportation	63,487	51,771	11,716	22.63%
Food Service	71,134	58,450	12,684	-21.70%
Interest on Long Term Debt	35,721	45,511	(9,790)	-21.51%
Total Expenses	2,848,127	2,604,018	244,109	9.37%
Increase (Decrease) in Net Assets	\$ 52,681	\$ 218,191	\$(165,510)	-75.86%

FRENCHTOWN BOARD OF EDUCATION

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 67.37 percent of revenues for governmental activities for the Frenchtown School District for fiscal year 2012.

Instruction comprises 58.12 percent of district expenses. Support service expenses make up 41.88 percent of the expenses.

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

TABLE 3
COST OF GOVERNMENTAL SERVICES

	TOTAL COST OF SERVICES		NET COST OF SERVICES	
	6/30/2012	6/30/2011	6/30/2012	6/30/2011
		\$		
Instruction	\$ 1,655,233	1,596,879	\$ 1,554,468	\$ 1,426,249
Support Services:				
Tuition	66,420	1,125	27,014	1,125
Student & Instructional Staff	427,911	424,222	415,070	389,472
General & Business Administration	146,162	121,655	146,162	121,655
School Administration	102,065	99,003	102,065	99,003
Plant Operations & Maintenance	274,994	205,402	274,994	205,402
Pupil Transportation	63,487	51,771	63,487	51,771
Transfer to Unemployment	5,000		5,000	
Food Services	71,134	58,450	9,485	(3,461)
Interest on Long-Term Debt	35,721	45,511	35,721	45,511
	<u>\$ 2,848,127</u>	<u>2,604,018</u>	<u>\$ 2,633,466</u>	<u>\$ 2,336,727</u>

FRENCHTOWN BOARD OF EDUCATION

Management's Discussion and Analysis for the Fiscal Year Ended June 30, 2012 Unaudited

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 involve keeping the school grounds, buildings, and equipment in an effective working condition.

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

Extracurricular activities includes expenses related to student activities provided by the School district which are designed to provide opportunities for students to participate in school events, public events, or a combination of these for purposes of motivation, enjoyment and skill improvement.

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

The dependence upon tax revenues is apparent. For all activities general revenue support is 90.53 percent. The community, as a whole, is the primary support for the Frenchtown Public School District.

The Schools District's Funds

Information about the School District's major funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$2,839,149 and expenditures of \$2,806,603. The positive change in fund balance for the year was most significant in the General Fund, a increase of \$32,546.

FRENCHTOWN BOARD OF EDUCATION

Management's Discussion and Analysis for the Fiscal Year Ended June 30, 2012 Unaudited

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 fiscal year 2012, 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 program budgets but provide flexibility for program management.

For the general Fund, budget basis revenue and other financing sources was \$118,190, over the original budgeted estimates of \$2,242,211. This difference was due primarily to additional state aid.

Capital Assets

At the end of the fiscal year 2012, the School District had \$2,162,577 invested in land, building, furniture and equipment and vehicles. Table 4 shows fiscal year 2012 compared to 2011.

TABLE 4
CAPITAL ASSETS (NET OF DEPRECIATION)

	6/30/2012	6/30/2011	VARIANCE	
			Dollars	Percent
Land	\$ 69,500	\$ 69,500	\$ -	
Land Improvements	4,837	5,482	(645)	-11.77%
Buildings & Improvements	2,002,124	2,055,692	(53,568)	-2.61%
Machinery & Equipment	86,116	97,438	(11,322)	-11.62%
	<u>\$ 2,162,577</u>	<u>\$ 2,228,112</u>	<u>\$ (65,535)</u>	<u>-2.94%</u>

Overall capital assets decreased \$65,535 from fiscal year 2011 to fiscal year 2012. Increases in capital assets(primarily buildings and improvements, machinery and equipment) were offset by depreciation expenses for the year.

FRENCHTOWN BOARD OF EDUCATION

Management’s Discussion and Analysis for the
Fiscal Year Ended June 30, 2012 Unaudited

Debt Administration

At June 30, 2012, the School District had \$611,094 of outstanding debt. Of this amount, \$87,929. is for compensated absences, \$514,000 for bonds for school construction and the balance of \$9,165 for a lease purchase.

At June 30, 2012, the School District’s overall legal debt margin was \$5,140,934 and the unvoted debt margin was \$4,626,934.

TABLE 5
OUTSTANDING DEBT AT YEAR END

	6/30/2012	6/30/2011	VARIANCE	
			Dollars	Percent
2001 General Obligation Bonds	514,000	624,000	-110,000	-17.63%
	<u>\$ 514,000</u>	<u>\$ 624,000</u>	<u>\$ -110,000</u>	<u>-17.63%</u>

For the Future

The Frenchtown District is in good financial condition presently. The school district is proud of its community support of the public school. A major concern is increased reliance on local property taxes.

Frenchtown Borough is primarily a residential community, with very few ratables; thus the burden is focused on homeowners to carry the tax burden.

The Frenchtown Board of Education and Administration are acutely aware of this burden on the community and has sought alternate revenue sources. The District has actively sought tuition students in both its Preschool and Elementary programs. It has also sought out shared services opportunities with other local Districts and are currently sharing staff (Business Administrator, World Language Teacher and Music Teacher),and services (satellite food service, broad band access, transportation). It also actively participated in bids for supplies, energy and communication services.

FRENCHTOWN BOARD OF EDUCATIONManagement's Discussion and Analysis for the
Fiscal Year Ended June 30, 2012 Unaudited

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

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact: Susan Schaffner, School Business Administrator, Frenchtown School District, 902 Harrison, St., Frenchtown, NJ 08825 (908) 996-2751.

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.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Govern- mental Activities	Business- Type Activities	Total
ASSETS			
Cash & Cash Equivalents	\$ 386,581	\$ 7,450	\$ 394,031
Receivables, Net	33,818	1,749	35,567
Internal Balances	(2,636)	2,636	
Inventory		703	703
Bond Issuance Costs, Net	8,084		8,084
Restricted Assets:			
Cash	139,675		139,675
Capital Assets (Note 4):			
Land	69,500		69,500
Other Capital Assets, Net of Depreciation	2,090,705	2,372	2,093,077
Total Assets	<u>2,725,727</u>	<u>14,910</u>	<u>2,740,637</u>
LIABILITIES			
Accounts Payable	116,339		116,339
Accrued Interest	8,168		8,168
Deferred Revenue	16,640	315	16,955
Long-Term Liabilities (Note 5):			
Due Within One Year	124,165		124,165
Due Beyond One Year	399,000		399,000
Compensated Absences Payable	87,929		87,929
Total Liabilities	<u>752,241</u>	<u>315</u>	<u>752,556</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	1,637,040	2,372	1,639,412
Restricted For:			
Debt Service	4,810		4,810
Capital Reserve	134,865		134,865
Unrestricted	196,771	12,223	208,994
TOTAL NET ASSETS	<u>\$ 1,973,486</u>	<u>\$ 14,595</u>	<u>\$ 1,988,081</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

FRENCHTOWN BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Functions/Programs	Direct Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue & Changes in Net Assets		
			Charges for Services	Operating Grants & Contribution	Capital Grants & Contribution	Governmental Activities	Business-Types Activities	Total
Government Activities:								
Instruction:								
Regular	\$ 872,275	\$ 314,710	\$ 50,788	\$ 33,571		\$ (1,102,626)		\$ (1,102,626)
Special Education	280,871	135,725		1,493		(415,103)		(415,103)
Other Special Education	23,062	804		14,913		(8,953)		(8,953)
Other Instruction	26,849	937				(27,786)		(27,786)
Support Services:								
Tuition	66,420			39,406		(27,014)		(27,014)
Students & Instruction Related Services	315,007	112,904		12,841		(415,070)		(415,070)
General & Business Administrative Services	90,020	56,142				(146,162)		(146,162)
School Administrative Services	81,968	20,097				(102,065)		(102,065)
Plant Operations & Maintenance	219,182	55,812				(274,994)		(274,994)
Pupil Transportation	43,731	19,756				(63,487)		(63,487)
Interest and Other Charges on Long-Term Debt	35,721					(35,721)		(35,721)
Total Government Activities	2,055,106	716,887	50,788	102,224	\$ -	(2,618,981)	\$ -	(2,618,981)
Business-Type Activities:								
Food Service	71,134		44,751	16,898			(9,485)	(9,485)
Total Primary Government	\$ 2,126,240	\$ 716,887	\$ 95,539	\$ 119,122	\$ -	(2,618,981)	(9,485)	(2,628,466)
			General Revenues					
						1,641,301		1,641,301
						138,861		138,861
						904,968		904,968
						806	10	816
						201		201
						(13,065)	8,065	(5,000)
						2,673,072	8,075	2,686,147
						54,091	(1,410)	52,681
						1,919,395	16,005	1,935,400
						\$ 1,973,486	\$ 14,595	\$ 1,988,081

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

FUND FINANCIAL STATEMENTS

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Govern- mental Funds
ASSETS					
Cash & Cash Equivalents	\$ 386,581				\$ 386,581
Receivables from Other Governments:					
State	3,376				3,376
Federal		\$ 30,442			30,442
Due from Other Funds	14,972				14,972
Restricted Cash & Equivalents	134,865			\$ 4,810	139,675
TOTAL ASSETS	\$ 539,794	\$ 30,442	\$ -	\$ 4,810	\$ 575,046
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 116,339				\$ 116,339
Due to Other Funds	2,636	\$ 14,972			17,608
Deferred Revenue	1,170	15,470			16,640
Total Liabilities	120,145	30,442	\$ -	\$ -	150,587

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

FRENCHTOWN BOROUGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012
(Continued)

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Govern- mental Funds
LIABILITIES AND FUND BALANCES (Cont'd)					
Fund Balances:					
Restricted Fund Balance:					
Capital Reserve Account	\$ 134,865				\$ 134,865
Committed Fund Balance:					
Year End Encumbrances	89,344				89,344
Assigned Fund Balance-Designated for Subsequent Year's Expenditures	24,374			\$ 4,810	29,184
Unassigned Fund Balance	171,066				171,066
Total Fund Balances	419,649	\$ -	\$ -	4,810	424,459
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 539,794</u>	<u>\$ 30,442</u>	<u>\$ -</u>	<u>\$ 4,810</u>	

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

Capital assets used in government activities are not financial resources & therefore are not reported in the funds. The cost of the assets is and the accumulated depreciation is	\$ 3,224,106 <u>1,063,901</u>	2,160,205
Long-term liabilities, including bonds payable, are not due & payable in the current period & therefore are not reported as liabilities in the funds		(611,094)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due		(8,168)
Bond issuance costs are reported as expenditures in the governmental funds. The cost is and the accumulated amortization is	31,330 <u>23,246</u>	8,084
Total Net Assets of Governmental Activities		<u>\$ 1,973,486</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Govern- mental Funds
REVENUES					
Local Sources:					
Local Tax Levy	\$ 1,641,301			\$ 138,861	\$ 1,780,162
Other Local Governmental Units	26,649				26,649
Tuition-Individuals	24,139				24,139
Interest Earned on Capital Reserve Funds	456				456
Interest on Investments	350				350
Miscellaneous	201				201
Total	1,693,096	\$ -	\$ -	138,861	1,831,957
State Sources	882,762	1,126			883,888
Federal Sources	22,206	101,098			123,304
Total Revenues	2,598,064	102,224	-	138,861	2,839,149
EXPENDITURES					
Current :					
Instructional:					
Regular Instruction	838,704	33,571			872,275
Special Education Instruction	279,378	1,493			280,871
Other Special Instruction	8,149	14,913			23,062
Other Instruction	26,849				26,849
Support Service & Undistributed Costs:					
Tuition	27,014	39,406			66,420
Student & Instruction Related Services	302,166	12,841			315,007
General & Business Administrative Services	90,020				90,020
School Administrative Services	81,968				81,968
Plant Operations & Maintenance	219,182				219,182
Pupil Transportation	53,260				53,260
Unallocated Benefits	619,711				619,711

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Govern- mental Funds
EXPENDITURES (Cont'd)					
Debt Services:					
Principal				\$ 110,000	\$ 110,000
Interest & Other Charges	\$ 6,052			28,861	34,913
Total Expenditures	<u>2,552,453</u>	<u>\$ 102,224</u>	<u>\$ -</u>	<u>138,861</u>	<u>2,793,538</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	45,611	-	-	-	45,611
Other Financing Sources (Uses):					
Operating Transfers In (Out)	<u>(13,065)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,065)</u>
Net Change in Fund Balance	32,546	-	-	-	32,546
Fund Balances, July 1	<u>387,103</u>	<u>-</u>	<u>-</u>	<u>4,810</u>	<u>391,913</u>
Fund Balances, June 30	<u>\$ 419,649</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,810</u>	<u>\$ 424,459</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

FRENCHTOWN BOROUGH SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Total Net Changes in Fund Balances-Governmental Fund (from B-2)	\$	32,546
Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because:		
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expenses. This is the amount by which depreciation exceeds capital outlays in the period:</p>		
Capital Outlays	\$ -	
Depreciation Expense	<u>(65,170)</u>	(65,170)
<p>Repayment of debt principal and capital leases are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and are not reported in the statement of activities:</p>		
Bond Principal Payments	110,000	
Capital Lease Payments	<u>8,812</u>	118,812
<p>In the statement of activities, compensated absences & early retirement benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation; when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation.</p>		
		1,930
<p>Governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred & amortized in the statement of activities:</p>		
Amortization of Bond Issuance Costs		(2,021)
<p>In the statement of activities, interest on long-term debt is accrued regardless of when due. In the governmental funds interest is reported when due. The accrued interest is a reconciling item.</p>		
		<u>(32,006)</u>
Change in Net Assets of Governmental Activities	\$	<u>54,091</u>

FRENCHTOWN BOROUGH SCHOOL DISTRICT
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	<u>Food Service Total</u>
ASSETS	
Current Assets:	
Cash & Cash Equivalents	\$ 7,450
Receivables from Other Governments:	
State	25
Federal	737
Other	987
Interfund Receivable	2,636
Inventory	703
Total Current Assets	<u>12,538</u>
Noncurrent Assets:	
Capital Assets	27,228
Less: Accumulated Depreciation	<u>24,856</u>
Total Noncurrent Assets	<u>2,372</u>
Total Assets	<u>14,910</u>
LIABILITIES	
Current Liabilities:	
Deferred Revenues	315
Total Liabilities	<u>315</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	2,372
Unrestricted	<u>12,223</u>
TOTAL NET ASSETS	<u>\$ 14,595</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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

	Food Service Total
Operating Revenues:	
Charges for Services:	
Daily Sales-Reimbursable Programs	\$ 15,582
Daily Sales-Nonreimbursable Programs	5,584
Satellite Sales	23,585
Total Operating Revenues	44,751
Other Expenses:	
Costs of Sales	30,232
Salaries	23,804
Employee Benefits	2,816
Insurance	1,975
Management Fee	5,616
Other Purchased Services	1,230
Supplies & Materials	4,729
Office Expense	125
Repairs and Maintenance	172
Miscellaneous	70
Depreciation	365
Total Operating Expenses	71,134
Operating Income (Loss)	(26,383)
Nonoperating Revenues (Expenses):	
State Sources:	
State School Lunch Program	513
Federal Sources:	
National School Lunch Program	13,036
National School Breakfast Program	744
Food Distribution Program	2,605
Interest Earned on Investments	10
Total Nonoperating Revenues (Expenses)	16,908
Other Financing Sources:	
Operating Transfer In	8,065
Change in Net Assets	(1,410)
Net Assets, Beginning	16,005
Net Assets, Ending	\$ 14,595

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

FRENCHTOWN BOROUGH SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Food Service Total
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 45,168
Payments to Food Services Management Co	(63,790)
Payments to Employees and Vendors	(7,765)
Net Cash Provided by (Used For) Operating Activities	(26,387)
Cash Flows from Noncapital Financing Activities:	
State Sources	531
Federal Sources	14,051
Operating Transfer In	8,065
Net Interfund Transactions	(893)
Net Cash Provided by (Used For) Noncapital Financing Activities	21,754
Cash Flows from Investing Activities:	
Interest Earned on Investments	10
Net Cash Provided by (Used For) Investing Activities	10
Net Increase (Decrease) in Cash and Cash Equivalents	(4,623)
Cash and Cash Equivalents, July 1, 2011	12,073
Cash and Cash Equivalents, June 30, 2012	\$ 7,450
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:	
Operating Income (Loss)	\$ (26,383)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:	
Depreciation	365
Federal Food Distribution Program	1,905
(Increase) Decrease in Accounts Receivable	418
(Increase) Decrease in Inventory	1,017
Increase (Decrease) in Accounts Payable	(3,709)
Net Cash Provided by (Used For) Operating Activities	\$ (26,387)

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

FRENCHTOWN BOROUGH SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2012

	Unemployment Compensation Fund	Student Activity Agency Fund	Payroll Agency Fund
ASSETS			
Cash & Cash Equivalents	\$ 41,108	\$ 28,084	\$ 14,457
TOTAL ASSETS	<u>41,108</u>	<u>\$ 28,084</u>	<u>\$ 14,457</u>
LIABILITIES			
Accounts Payable	3,619		
Due to Student Groups		\$ 28,084	
Payroll Deductions & Withholdings			\$ 14,457
TOTAL LIABILITIES	<u>3,619</u>	<u>\$ 28,084</u>	<u>\$ 14,457</u>
NET ASSETS	<u>\$ 37,489</u>		

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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

	<u>Unemployment Compensation Fund</u>
ADDITIONS	
Contributions:	
Employee Withholdings	\$ 2,674
Investment Earnings-Interest	58
Operating Transfer In	<u>26,650</u>
Total Additions	29,382
DEDUCTIONS	
Unemployment Claims	<u>15,792</u>
Change in Net Assets	13,590
Net Assets, Beginning of the Year	<u>23,899</u>
Net Assets, End of the Year	<u><u>\$ 37,489</u></u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

FRENCHTOWN BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The basic financial statements include:

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

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

A. Reporting Entity

The District is a Type II district located in the County of Hunterdon, 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-8. The District had an approximate enrollment at June 30, 2012 of approximately 157 students.

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

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

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

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

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

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2012
 (Continued)

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

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

Additionally, the District reports the following fund types:

Proprietary Fund Types

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

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

The District's Enterprise Fund is comprised of the Food Service Fund.

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

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

Equipment	12 Years
Light Trucks & Vehicles	4 Years
Heavy Trucks & Vehicles	6 Years
Busses	8 Years

FRENCHTOWN BOROUGH SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2012
 (Continued)

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

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

Fiduciary Fund Types

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

Unemployment Compensation Trust Fund – This fund is used to account for the portion of employee deductions for unemployment compensation required to be deposited and accumulated for future unemployment claims under the “Benefit Reimbursement Method.”

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

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

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

D. Budgets/Budgetary Control

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

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

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

D. Budgets/Budgetary Control (Cont'd)

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.

E. Encumbrances

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

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

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

F. Tuition Receivable

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

G. Tuition Payable

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

H. Short-Term Interfund Receivables/Payables

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

I. Inventories and Prepaid Items

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

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2012
 (Continued)

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

J. Capital Assets

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

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

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

Assets	Years
Buildings	50
Building Improvements & Portable Classroom	50
Land Improvements	20
Furniture	20
Maintenance Equipment	15
Musical Instruments	10
Athletic Equipment	10
Audio Visual Equipment	10
Vehicles	4 to 8
Office Equipment	5 to 10
Computer Equipment	5 to 10

K. Compensated Absences

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

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

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

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

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

L. Deferred Revenue

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

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

M. Long-Term Obligations

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

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

N. Fund Equity

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

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

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

O. Comparative Data/Reclassifications

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

P. Allocation of Indirect Expenses

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

NOTE 2. TAX ASSESSMENTS AND PROPERTY TAXES

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

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

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

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

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2012
 (Continued)

NOTE 3. DEPOSITS AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

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

Cash		<u>\$ 617,355</u>
	<u>Ref.</u>	
Cash:		
Governmental Funds, Statement of Net Assets	B-1	\$ 526,256
Enterprise Fund, Statement of Net Assets	B-4	7,450
Fiduciary Funds, Statement of Net Assets	B-7	<u>83,649</u>
Total Cash		<u>\$ 617,355</u>

Deposits – The District's carrying amount of bank deposits at June 30, 2012 is \$617,355 and the bank balance is \$687,711. Of the bank balance, \$250,000 is covered by federal depository insurance and \$437,711 is insured by GUDPA.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2012
 (Continued)

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

Deposit and Investment Risk

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

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

Concentration of Credit Risk

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

NOTE 4. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES				
Capital Assets, Not Being Depreciated:				
Land	\$ 69,500	\$ -0-	\$ -0-	\$ 69,500
Capital Assets, Being Depreciated:				
Land Improvements	50,600			50,600
Building & Improvements	2,868,727			2,868,727
Furniture & Equipment	235,279			235,279
Total	<u>3,154,606</u>	<u>-0-</u>	<u>-0-</u>	<u>3,154,606</u>

FRENCHTOWN BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

NOTE 4. CAPITAL ASSETS (Cont'd)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES				
Accumulated Depreciation:				
Land Improvements	\$ 45,118	\$ 645		\$ 45,763
Building & Improvements	813,035	53,568		866,603
Furniture & Equipment	140,578	10,957		151,535
Total	<u>998,731</u>	<u>65,170</u>	<u>\$ -0-</u>	<u>1,063,901</u>
Total Capital Assets, Being Depreciated, Net	<u>2,155,875</u>	<u>(65,170)</u>	<u>-0-</u>	<u>2,090,705</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,225,375</u>	<u>\$ (65,170)</u>	<u>\$ -0-</u>	<u>\$ 2,160,205</u>
Business-Type Activities:				
Furniture & Equipment	\$ 27,228			\$ 27,228
Less: Accum Depreciation	<u>24,491</u>	<u>\$ 365</u>	<u>-0-</u>	<u>24,856</u>
Business-Type Activities Capital Assets, Net	<u>\$ 2,737</u>	<u>\$ (365)</u>	<u>\$ -0-</u>	<u>\$ 2,372</u>

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

Instruction:	
Regular	\$ 30,428
Special Education	9,798
Other Special Instruction	804
Other Instruction	937
Support Services:	
Student & Instruction	10,988
General & Business Admin	3,140
School Administration	2,859
Transportation	5,581
Plant & Maintenance	<u>635</u>
Total Depreciation Expense, Governmental Activities	<u>\$ 65,170</u>

FRENCHTOWN BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

NOTE 5. LONG-TERM DEBT

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
General Obligation Bonds Payable	\$ 624,000		\$ 110,000	\$ 514,000	\$ 115,000
Capital Leases Payable	17,977		8,812	9,165	9,165
Compensated Absences Payable	<u>55,923</u>	\$ 32,006		<u>87,929</u>	
Total Governmental Activities Long-Term Liabilities	<u>\$ 697,900</u>	<u>\$ 32,006</u>	<u>\$ 118,812</u>	<u>\$ 611,094</u>	<u>\$ 124,165</u>

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

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 115,000	\$ 23,773	\$ 138,773
2014	125,000	18,454	143,454
2015	135,000	12,673	147,673
2016	<u>139,000</u>	<u>6,429</u>	<u>145,429</u>
Total	<u>\$ 514,000</u>	<u>\$ 61,329</u>	<u>\$ 575,329</u>

FRENCHTOWN BOROUGH SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2012
 (Continued)

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

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

\$1,439,000 - 2001 general obligation school building bonds, due in annual installments of \$75,000 to \$139,000, beginning March 1, 2003, through March 1, 2016, interest at 4.625%	<u>\$ 514,000</u>
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The general obligation bonded debt of the District is limited by state law to 3% of the average equalized assessed values of the total taxable property in the District for the past three years. The legal debt limit at June 30, 2012 is \$5,140,934. General obligation debt at June 30, 2012 is \$514,000, resulting in a legal debt margin of \$4,626,934.

Capital Leases Payable

The District is leasing transportation equipment totaling \$44,650 under a capital lease. The following is a schedule of the future minimum lease payments under the capital lease and the net minimum lease payments at June 30, 2012:

<u>Year Ending June 30</u>	<u>General Fund</u>
2013	\$ 9,530
Amount Representing Interest	<u>365</u>
Present Value of Minimum Lease Payments	<u>\$ 9,165</u>

NOTE 6. PENSION PLANS

Description of Systems

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

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

NOTE 6. PENSION PLANS (Cont'd)

Description of Systems (Cont'd)

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

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

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

Significant Legislation

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

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

NOTE 6. PENSION PLANS (Cont'd)

Significant Legislation (Cont'd)

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

Contribution Requirements

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

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

Year Funding	TPAF Benefit Costs	Percentage of APC Contributed
06/30/12	\$ 152,307	100%
06/30/11	108,376	100%
06/30/10	100,538	100%

Three-Year Trend Information for PERS

Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed
06/30/12	\$ 19,871	100%
06/30/11	21,065	100%
06/30/10	14,821	100%

FRENCHTOWN BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

Contribution Requirements (Cont'd)

During the year ended June 30, 2012, the State of New Jersey contributed \$101,712 to the TPAF for post-retirement medical benefits, \$4,903 for non-contributory insurance premiums and \$45,692 for TPAF normal costs and accrued liability costs on behalf of the Board. Also, in accordance with NJSA 18A:66-66 the State of New Jersey reimbursed the Board \$97,401 during the year ended June 30, 2012 for the employer's share of social security contributions for TPAF members calculated on their base salaries. These amounts have been included in the financial statements and the combining and individual fund and account group statements and schedules as revenues and expenditures in accordance with GASB 27.

NOTE 7. POST-RETIREMENT BENEFITS

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

The State is also responsible for the cost attributable to Ch 126, PL 1992, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. In fiscal year 2011, the State paid \$144 million toward Ch 126 benefits for 15,079 eligible retired members.

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

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2012
 (Continued)

NOTE 7. POST-RETIREMENT BENEFITS (Cont'd)

Plan Description (cont'd)

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. The school district adopted a resolution to participate in the SHBP. The States Health Benefits Commission is the executive body established by the statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, PO Box 295, Trenton, NJ08625-0295 or by visiting their website at <http://www.state.nj.us/treasury/pensions/pdf/financial/gasb-43-july2011.pdf>

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

NOTE 8. DEFERRED COMPENSATION

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

The Hartford
 The Equitable
 Vanguard

NOTE 9. INTERFUND RECEIVABLE AND PAYABLES

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

Fund	Receivable Fund	Payable Fund
General Fund	\$ 14,972	\$ 2,636
Food Service Fund	2,636	
Special Revenue Fund		14,972
	\$ 17,608	\$ 17,608

The interfund of \$14,972 payable to the General Fund from the Special Revenue Fund represents a required loan due to delayed receipt of grant payments. The payable to the Food Service Fund represents federal and state lunch aid received in the General Fund and not transferred as of June 30th.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2012
 (Continued)

NOTE 10. INVENTORY

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

Food	\$ <u>703</u>
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The value of Federal donated commodities as reflected on Schedule A (required by the Single Audit Law of 1984) is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of nonoperating revenue in the financial statements.

NOTE 11. CONTINGENT LIABILITIES

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

NOTE 12. RISK MANAGEMENT

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

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

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

Fiscal Year	District	Interest Earnings	Employee Contrib	Amount Reimbursed	Ending Balance
2011-2012	\$ 26,650	\$ 58	\$ 2,674	\$ 15,792	\$ 37,489
2010-2011	-0-	175	2,511	16,181	23,899
2009-2010	-0-	204	2,705	3,448	37,394

NOTE 13. CAPITAL RESERVE ACCOUNTS

A capital reserve account was established by the District by inclusion of \$1 on September 26, 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.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

NOTE 13. CAPITAL RESERVE ACCOUNTS (Cont'd)

Funds placed in the capital reserve account are restricted to capital projects in the districts approved Long Range Facilities Plan (LRFP) and updated annually in the Quality Assurance Annual Report (QAAR). Upon submission of the LRFP to the Department of Education, a district may deposit funds into the capital reserve upon board resolution through the transfer of undesignated, unreserved general fund balance or of excess undesignated, unreserved general fund balance that is anticipated in the budget certified for taxes. Pursuant to NJAC 6:23A-5.1 (d) 7, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The following schedule is a summarization of the Capital Reserve Account:

<u>Fiscal Year</u>	<u>District Contribution</u>	<u>Interest Earnings</u>	<u>Ending Balance</u>
2000-2001	\$ 88,328		\$ 88,328
2001-2002		\$ 1,864	90,192
2002-2003		496	90,688
2003-2004		967	91,655
2004-2005		1,073	92,728
2005-2006		2,548	95,276
2006-2007		4,704	99,980
2007-2008		4,369	104,349
2008-2009		128	104,477
2009-2010		4,317	108,794
2010-2011		615	109,409
2011-2012	25,000	456	134,865

NOTE 14. FUND BALANCES-BUDGETARY BASIS

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

	<u>2012</u>	<u>2011</u>
Restricted:		
Capital Reserve Account-Represents funds restricted to capital projects in the District's Long Range Facilities Plan	\$ 134,865	\$ 109,409
Committed:		
Year End Encumbrance-Represents fund balance committed for purchase orders that have been issued but goods or services were not received as of June 30,	89,344	127,959
Assigned:		
Designated for Subsequent Year's Expenditures-Amount appropriated in the succeeding year's budget to reduce tax requirements	24,374	
Unassigned:		
Undesignated-Represents fund balance which has not been restricted or designated	<u>234,873</u>	<u>201,497</u>
Total Fund Balance	<u>\$ 483,456</u>	<u>\$ 438,865</u>

FRENCHTOWN BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

NOTE 15. CALCULATION OF EXCESS SURPLUS

In accordance with NJSA 18A:7F-7, as amended by PL 2004, Ch 73 (S1701), the designation for Reserved Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30, if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2012 is \$-0-.

REQUIRED SUPPLEMENTARY INFORMATION-PART II

BUDGETARY COMPARISON SCHEDULES

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES					
Local Sources:					
Local Tax Levy	\$ 1,641,301		\$ 1,641,301	\$ 1,641,301	
Other Local Governmental Units-Unrestricted				26,649	\$ 26,649
Tuition from Individuals	25,550		25,550	24,139	(1,411)
Interest on Investments				350	350
Interest Earned on Capital Reserve Funds				456	456
Unrestricted Miscellaneous Revenues	1,500		1,500	201	(1,299)
Total	<u>1,668,351</u>	<u>\$ -</u>	<u>1,668,351</u>	<u>1,693,096</u>	<u>24,745</u>
State Sources:					
Categorical Special Education Aid	80,064		80,064	80,064	
Equalization Aid	472,265		472,265	496,639	24,374
School Choice Aid		67,392	67,392	67,392	
Anti Bullying Aid				482	482
Nonpublic School Transportation Aid				522	522
On-Behalf TPAF Pension Contribution				152,307	152,307
Reimbursed TPAF Social Security Contribution				97,401	97,401
Total	<u>552,329</u>	<u>67,392</u>	<u>619,721</u>	<u>894,807</u>	<u>275,086</u>
Federal Sources:					
Education Jobs Fund	21,531	675	22,206	22,206	
Total	<u>21,531</u>	<u>675</u>	<u>22,206</u>	<u>22,206</u>	<u>-</u>
TOTAL REVENUES	<u>\$ 2,242,211</u>	<u>\$ 68,067</u>	<u>\$ 2,310,278</u>	<u>\$ 2,610,109</u>	<u>\$ 299,831</u>
EXPENDITURES					
Current:					
Regular Programs:					
Instruction-Salaries of Teachers:					
Kindergarten	\$ 72,572	\$ (4,465)	\$ 68,107	\$ 68,087	\$ 20
Grades 1-5	371,762	66,556	438,318	438,318	
Grades 6-8	280,669	(33,622)	247,047	250,047	(3,000)
Home Instruction:					
Salaries of Teachers	1,000	(1,000)			
Undistributed Instruction:					
Other Salaries for Instruction		888	888	888	
Purchased Professional-Educational Services	500	1,000	1,500		1,500
Purchased Technical Services		10,000	10,000	10,000	
Other Purchased Services	22,641	(5,349)	17,292	15,764	1,528
General Supplies	56,787	3,643	60,430	52,100	8,330
Textbooks		8,319	8,319		8,319
Other Objects	5,350	(1,840)	3,510	3,500	10
Total	<u>811,281</u>	<u>44,130</u>	<u>855,411</u>	<u>838,704</u>	<u>16,707</u>
Special Education:					
Resource Room/Center:					
Salaries of Teachers	182,470	3,183	185,653	181,301	4,352
Other Salaries for Instruction	58,011	(5,692)	52,319	49,919	2,400
Other Purchased Services	500	(35)	465	464	1
General Supplies	1,750	1,682	3,432	3,288	144
Textbooks	250	(250)			
Total	<u>242,981</u>	<u>(1,112)</u>	<u>241,869</u>	<u>234,972</u>	<u>6,897</u>
Preschool Disabilities-Part-Time:					
Salaries of Teachers	31,390	1,294	32,684	25,774	6,910
Other Salaries for Instruction	10,878	8,015	18,893	18,121	772
Other Purchased Services	200	(200)			
General Supplies	584	50	634	511	123
Total	<u>43,052</u>	<u>9,159</u>	<u>52,211</u>	<u>44,406</u>	<u>7,805</u>
Total Special Education	<u>286,033</u>	<u>8,047</u>	<u>294,080</u>	<u>279,378</u>	<u>14,702</u>

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (Cont'd)					
Current: (cont'd)					
Basic Skills/Remedial:					
Salaries of Teachers		\$ 9,792	\$ 9,792	\$ 8,149	\$ 1,643
Other Salaries for Instruction	\$ 8,149	(8,149)			
General Supplies	250	(250)			
Total	8,399	1,393	9,792	8,149	1,643
School Sponsored Co-Curricular Activities:					
Salaries	12,269	1,719	13,988	13,988	
Total	12,269	1,719	13,988	13,988	-
School Sponsored Athletics:					
Salaries	9,828	-	9,828	9,828	
Purchased Services	3,740	(1,079)	2,661	2,661	
Supplies & Materials	1,500	(1,125)	375	372	3
Total	15,068	(2,204)	12,864	12,861	3
Total Instruction Regular	\$ 1,133,050	\$ 53,085	\$ 1,186,135	\$ 1,153,080	\$ 33,055
Undistributed Expenditures					
Instruction Tuition:					
Other LEAs Within the State-Regular	\$ 2,987	\$ (2,987)			
Other LEAs Within the State-Special		27,245	\$ 27,245	\$ 26,224	\$ 1,021
Private School for the Disabled Within the State		790	790	790	
Total	2,987	25,048	28,035	27,014	1,021
Health Services:					
Salaries	53,601	659	54,260	54,260	
Purchased Professional & Technical Svcs	1,000	180	1,180	1,180	
Supplies & Materials	1,700	2,077	3,777	3,395	382
Total	56,301	2,916	59,217	58,835	382
Speech, OT, PT & Related Services:					
Salaries	32,640	(2,773)	29,867	29,867	
Purchased Professional-Educational Services	550	25,284	25,834	23,004	2,830
Supplies & Materials	500		500	111	389
Total	33,690	22,511	56,201	52,982	3,219
Guidance:					
Salaries of Other Professional Staff	22,195	(770)	21,425	21,425	
Supplies & Materials	250	(250)			
Total	22,445	(1,020)	21,425	21,425	-
Child Study Team:					
Salaries of Other Professional Staff	79,680	(2,261)	77,419	77,418	1
Salaries of Secretarial & Clerical Assistants	37,957	1,120	39,077	38,740	337
Purchased Professional-Educational Services	1,000	(1,000)			
Residential Costs	500	(490)	10		10
Supplies & Materials	676	(475)	201	191	10
Total	119,813	(3,106)	116,707	116,349	358

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (Cont'd)					
Current: (cont'd)					
Educational Media Services/School Library:					
Salaries	\$ 32,651	\$ (917)	\$ 31,734	\$ 31,656	\$ 78
Purchased Professional & Technical Services	4,769	362	5,131	5,127	4
Other Purchased Services	9,040	(48)	8,992	8,208	784
Supplies & Materials	2,300	2,787	5,087	5,087	
Total	48,760	2,184	50,944	50,078	866
Instructional Staff Training Services:					
Purchased Professional-Educational Services	491	(491)			
Other Purchased Services		2,497	2,497	2,497	
Total	491	2,006	2,497	2,497	-
Support Services-General Administration:					
Salaries	2,000	16,854	18,854	18,771	83
Legal Services	3,000	750	3,750	3,688	62
Audit Fees	11,750	(250)	11,500	11,500	
Other Purchased Professional Services	1,000	(424)	576		576
Board of Education Other Purchased Services	300	(300)			
Purchased Technical Services	20,000	(20,000)			
Communications/Telephone		400	400	291	109
Miscellaneous Purchased Services	1,000	25	1,025	841	184
General Supplies	200	(200)			
Board of Education In-House Training/Meeting Supplies	100		100		100
Miscellaneous Expenditures	300	1,850	2,150	1,986	164
Board of Education Membership Dues and Fees	4,057	(1,230)	2,827	2,763	64
Total	43,707	(2,525)	41,182	39,840	1,342
Support Services-School Administration:					
Salaries of Principals/Assistant Principals/Program Directors	62,252	3,000	65,252	64,604	648
Salaries of Secretarial & Clerical Assistants	17,392		17,392	17,364	28
Other Purchased Services	100	(100)			
Supplies & Materials	200	(115)	85		85
Other Objects	950	(950)			
Total	80,894	1,835	82,729	81,968	761
Required Maintenance for School Facilities:					
Cleaning, Repair & Maintenance Services	25,800	19,583	45,383	26,903	18,480
Custodial Services:					
Salaries	60,512	(509)	60,003	58,623	1,380
Purchased Professional and Technical Services	2,500	980	3,480	1,936	1,544
Cleaning, Repair & Maintenance Services	2,825	(1,089)	1,736	1,687	49
Other Purchased Property Services	5,900	40	5,940	5,939	1
Insurance	27,093	(13,142)	13,951	13,951	
Miscellaneous Purchased Services	300	300	600	300	300
General Supplies	8,000	5,686	13,686	13,098	588
Energy (Natural Gas)	960	900	1,860	1,690	170
Energy (Electricity)	40,000	(6,930)	33,070	32,377	693
Energy (Oil)	45,000	46,805	91,805	47,147	44,658
Total	193,090	33,041	226,131	176,748	49,383
Care and Upkeep of Grounds:					
Salaries	15,000	535	15,535	15,531	4
Central Services:					
Salaries	43,606	(3,340)	40,266	37,550	2,716
Purchased Professional Services	1,900	5,875	7,775	7,769	6
Miscellaneous Purchased Services	3,658	498	4,156	4,051	105
Supplies & Materials	100	1,035	1,135	810	325
Total	49,264	4,068	53,332	50,180	3,152

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (Cont'd)					
Current: (cont'd)					
Student Transportation Services:					
Salaries of Non-Instructional Aides	\$ 8,391	\$ (4,196)	\$ 4,195	\$ 4,189	\$ 6
Salaries for Pupil Transportation (Between Home & School)-Special Education	3,000	(3,000)			
Salaries for Pupil Transportation (Other Than Between Home & School)	17,664	1,361	19,025	18,025	1,000
Cleaning, Repair & Maintenance Services	1,500	(700)	800	763	37
Lease Purchase Payments-School Buses	9,530		9,530	9,530	
Contracted Services-AIL of Payments-Non Public	3,800	(760)	3,040	3,030	10
Contracted Services (Other than Between Home & School)-Vendors	2,000	6,545	8,545	8,329	216
Contracted Services (Special Education Students)- ESCs & CTSA's		10,182	10,182	6,324	3,858
Miscellaneous Purchased Services	500	(500)			
General Supplies	4,500	(708)	3,792	3,070	722
Total	50,885	8,224	59,109	53,260	5,849
Allocated Benefits-Employee:					
Regular Programs:					
Group Insurance	2,394	(2,144)	250	250	
Other Retirement Contributions-PERS	3,414	1,460	4,874	4,454	420
Workmen's Compensation	10,125	(4,028)	6,097	6,097	
Health Benefits	138,395	(5,900)	132,495	131,900	595
Total	154,328	(10,612)	143,716	142,701	1,015
Special Programs:					
Social Security Contributions	3,365		3,365	3,365	
Other Retirement Contributions-PERS	3,313		3,313	3,313	
Unemployment Compensation	20,000	(20,000)			
Workmen's Compensation	3,419		3,419	3,419	
Health Benefits	48,165		48,165	48,165	
Total	78,262	(20,000)	58,262	58,262	-
Other Instructional Programs:					
Social Security Contributions	500	(500)			
Total	500	(500)	-	-	-
Health Services:					
Workmen's Compensation	619		619	619	
Health Benefits	12,675	(750)	11,925	11,925	
Total	13,294	(750)	12,544	12,544	-
Speech, OT, PT & Related Services:					
Workmen's Compensation	691	13,050	13,741	13,741	
Health Benefits	800		800	800	
Total	1,491	13,050	14,541	14,541	-
Guidance:					
Workmen's Compensation	171		171	171	
Total	171	-	171	171	-

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (Cont'd)					
Current: (cont'd)					
Allocated Benefits-Employee: (cont'd)					
Child Study Team:					
Social Security Contributions	\$ 5,000		\$ 5,000	\$ 5,000	
Other Retirement Contributions-PERS	3,500		3,500	3,500	
Workmen's Compensation	797		797	797	
Health Benefits	12,293	\$ (8)	12,285	12,277	\$ 8
Other Employee Benefits	1,860	8	1,868	1,868	
Total	23,450	-	23,450	23,442	8
Educational Media Services/School Library:					
Workmen's Compensation	302		302	302	
Health Benefits	11,595	(95)	11,500	11,500	
Total	11,897	(95)	11,802	11,802	-
Support Services-General Administration:					
Workmen's Compensation		1,000	1,000	1,000	
Health Benefits		2,500	2,500	2,500	
Total	-	3,500	3,500	3,500	-
Support Services-School Administration:					
Social Security Contributions	800		800	800	
Other Retirement Contributions-PERS	550		550	550	
Workmen's Compensation	421	2,000	2,421	2,421	
Health Benefits	10,967	2,500	13,467	13,467	
Total	12,738	4,500	17,238	17,238	-
Central Services:					
Social Security Contributions	251		251	251	
Other Retirement Contributions-PERS	800		800	800	
Workmen's Compensation	577	3,000	3,577	3,577	
Health Benefits	11,822		11,822	11,822	
Total	13,450	3,000	16,450	16,450	-
Other Operation & Maintenance of Plant Services:					
Social Security Contributions	6,873	13,000	19,873	17,498	2,375
Other Retirement Contributions-PERS	3,901		3,901	3,901	
Workmen's Compensation	2,286		2,286	2,286	
Health Benefits	21,494	10,000	31,494	31,492	2
Total	34,554	23,000	57,554	55,177	2,377
Student Transportation Services:					
Social Security Contributions	1,500	(1,500)			
Other Retirement Contributions-PERS	5,428		5,428	5,428	
Workmen's Compensation	1,100	2,350	3,450	3,450	
Health Benefits	5,319	2	5,321	5,297	24
Total	13,347	852	14,199	14,175	24
Total Allocated Benefits	357,482	15,945	373,427	370,003	3,424

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (Cont'd)					
Current: (cont'd)					
Food Services:					
Transfer to Cover Deficit-(Enterprise Fund)	\$ 2,500	\$ (1,369)	\$ 1,131	\$ -	\$ 1,131
On-Behalf TPAF Pensions Contribution				152,307	(152,307)
Reimbursed TPAF Social Security Contribution				97,401	(97,401)
Total	-	-	-	249,708	(249,708)
Total Undistributed Expenditures	\$ 1,103,109	\$ 129,876	\$ 1,232,985	\$ 1,393,321	\$ (160,336)
TOTAL CURRENT	\$ 2,236,159	\$ 182,961	\$ 2,419,120	\$ 2,546,401	\$ (127,281)
CAPITAL OUTLAY					
Facilities Acquisition & Construction Services:					
Assessment for Debt Service on SDA Funding	\$ 6,052		\$ 6,052	\$ 6,052	
TOTAL CAPITAL OUTLAY	\$ 6,052	\$ -	\$ 6,052	\$ 6,052	\$ -
TOTAL EXPENDITURES	\$ 2,242,211	\$ 182,961	\$ 2,425,172	\$ 2,552,453	\$ (127,281)
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ (114,894)	\$ (114,894)	\$ 57,656	\$ 172,550
Other Financing Sources (Uses)					
Operating Transfer Out-Food Service Fund		(8,065)	(8,065)	(8,065)	
Operating Transfer Out-Unemployment Fund		(5,000)	(5,000)	(5,000)	
Total Other Financing Sources (Uses)	-	(13,065)	(13,065)	(13,065)	-
Excess (Deficiency) of Revenues & Other Financing Sources Over (Under) Expenditures & Other Financing Uses	-	(127,959)	(127,959)	44,591	172,550
Fund Balances, July 1	438,865		438,865	438,865	
Fund Balances, June 30	\$ 438,865	\$ (114,894)	\$ 323,971	\$ 483,456	\$ 172,550
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures					
Adjustment for Prior Year Encumbrances		\$ (127,959)	\$ (127,959)	\$ (127,959)	
Increase in Capital Reserve		25,000	25,000	25,456	\$ 456
Budgeted Fund Balance		(25,000)	(25,000)	147,094	172,094
TOTAL	\$ -	\$ (127,959)	\$ (127,959)	\$ 44,591	\$ 172,550

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

RECAPITULATION OF FUND BALANCE

Restricted Fund Balance:	
Capital Reserve	\$ 134,865
Committed Fund Balance:	
Year-End Encumbrances	89,344
Assigned Fund Balance:	
Designated for Subsequent Year's Expenditures	24,374
Unassigned Fund Balance	<u>234,873</u>
	483,456
Reconciliation to Governmental Statements (GAAP):	
Last State Aid Payments not Recognized on GAAP Basis	<u>(63,807)</u>
Fund Balance Per Governmental Funds (GAAP)	<u>\$ 419,649</u>

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES					
Federal Sources:					
Education Jobs Fund	\$ 21,531	\$ 675	\$ 22,206	\$ 22,206	
TOTAL REVENUES	<u>\$ 21,531</u>	<u>\$ 675</u>	<u>\$ 22,206</u>	<u>\$ 22,206</u>	<u>\$ -</u>
EXPENDITURES					
Regular Programs:					
Instruction-Salaries of Teachers:					
Grades 1-5	\$ 21,531	\$ 675	\$ 22,206	\$ 22,206	
Total	<u>21,531</u>	<u>675</u>	<u>22,206</u>	<u>22,206</u>	<u>\$ -</u>
TOTAL EXPENDITURES	<u>\$ 21,531</u>	<u>\$ 675</u>	<u>\$ 22,206</u>	<u>\$ 22,206</u>	<u>\$ -</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balances, July 1	-	-	-	-	-
Fund Balances, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES					
State Sources	\$ 1,126		\$ 1,126	\$ 1,126	
Federal Sources	88,387	\$ 1,825	90,212	88,387	\$ (1,825)
TOTAL REVENUES	<u>\$ 89,513</u>	<u>\$ 1,825</u>	<u>\$ 91,338</u>	<u>\$ 89,513</u>	<u>\$ (1,825)</u>
EXPENDITURES					
Instruction:					
Salaries for Teachers	\$ 11,325		\$ 11,325	\$ 11,325	
Supplies & Materials	30,891	\$ 968	31,859	30,034	\$ 1,825
Total	<u>42,216</u>	<u>968</u>	<u>43,184</u>	<u>41,359</u>	<u>1,825</u>
Support Services:					
Personal Service Employee Benefits	2,265		2,265	2,265	
Purchased Professional Educational Services	1,126		1,126	1,126	
Tuition	39,406		39,406	39,406	
Other Purchased Services	4,500	857	5,357	5,357	
Total	<u>47,297</u>	<u>857</u>	<u>48,154</u>	<u>48,154</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$ 89,513</u>	<u>\$ 1,825</u>	<u>\$ 91,338</u>	<u>\$ 89,513</u>	<u>\$ 1,825</u>

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION

FRENCHTOWN BOROUGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<u>Sources/Inflows of Resources</u>		
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	\$ 2,610,109	\$ 89,513
Difference-Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures and the related revenue is recognized:		
Outstanding Encumbrances Prior Year		26,355
Outstanding Encumbrances Current Year		(13,644)
The last State aid payment is recognized as revenue for budgetary purposes, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expenses (GASB 33):		
State Aid Receivable Prior Year	51,762	
State Aid Receivable Current Year	(63,807)	
Total Revenues (GAAP Basis)	<u>\$ 2,598,064</u>	<u>\$ 102,224</u>
<u>Uses/Outflows of Resources</u>		
Actual Amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 2,552,453	\$ 89,513
Differences-Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes:		
Outstanding Encumbrances Prior Year		26,355
Outstanding Encumbrances Current Year		(13,644)
Total Expenditures (GAAP Basis)	<u>\$ 2,552,453</u>	<u>\$ 102,224</u>

OTHER SUPPLEMENTAL INFORMATION

SCHOOL LEVEL SCHEDULES

(NOT APPLICABLE TO THIS REPORT)

SPECIAL REVENUE FUND

DETAIL STATEMENTS

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
 COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES-BUDGETARY BASIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	NJ 192/193	NCLB Title IA	NCLB Title IIA	IDEA Basic	IDEA Pre- School	REAP	Total 2012
REVENUES							
State Sources	\$ 1,126						\$ 1,126
Federal Sources		\$ 21,386	\$ 4,977	\$ 39,406	\$ 1,153	\$ 21,465	88,387
TOTAL REVENUES	\$ 1,126	\$ 21,386	\$ 4,977	\$ 39,406	\$ 1,153	\$ 21,465	\$ 89,513
EXPENDITURES							
Instruction:							
Salaries for Teachers		\$ 11,325					\$ 11,325
Supplies & Materials		7,796	\$ 477		\$ 1,153	\$ 20,608	30,034
Totals	\$ -	19,121	477	\$ -	1,153	20,608	41,359
Support Services:							
Personal Service Employee Benefits		2,265					2,265
Purchased Professional Educational Services	1,126						1,126
Tuition				39,406			39,406
Other Purchased Services			4,500			857	5,357
Totals	1,126	2,265	4,500	39,406	-	857	48,154
TOTAL EXPENDITURES	\$ 1,126	\$ 21,386	\$ 4,977	\$ 39,406	\$ 1,153	\$ 21,465	\$ 89,513

CAPITAL PROJECTS FUND

DETAIL STATEMENTS

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

(NOT APPLICABLE TO THIS REPORT)

PROPRIETARY FUND

DETAIL STATEMENTS

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
STATEMENT OF FUND NET ASSETS
FOOD SERVICE ENTERPRISE FUND
JUNE 30, 2012

ASSETS

Current Assets:

Cash & Cash Equivalents	\$ 7,450
Receivables from Other Governments:	
State	25
Federal	737
Other	987
Interfund Receivable	2,636
Inventory	703
Total Current Assets	<u>12,538</u>

Noncurrent Assets:

Capital Assets	27,228
Less: Accumulated Depreciation	<u>24,856</u>
Total Noncurrent Assets	<u>2,372</u>

Total Assets	<u>14,910</u>
--------------	---------------

LIABILITIES

Current Liabilities:

Deferred Revenues	<u>315</u>
Total Liabilities	<u>315</u>

NET ASSETS

Invested in Capital Assets, Net of Related Debt	2,372
Unrestricted	<u>12,223</u>
TOTAL NET ASSETS	<u>\$ 14,595</u>

FRENCHTOWN BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUES EXPENSES, AND
CHANGES IN FUND NET ASSETS
FOOD SERVICE ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Operating Revenues:	
Charges for Services:	
Daily Sales-Reimbursable Programs	\$ 15,582
Daily Sales-Nonreimbursable Programs	5,584
Satellite Sales	23,585
Total Operating Revenues	<u>44,751</u>
Other Expenses:	
Costs of Sales	30,232
Salaries	23,804
Employee Benefits	2,816
Insurance	1,975
Management Fee	5,616
Other Purchased Services	1,230
Supplies & Materials	4,729
Office Expense	125
Repairs and Maintenance	172
Miscellaneous	70
Depreciation	365
Total Operating Expenses	<u>71,134</u>
Operating Income (Loss)	<u>(26,383)</u>
Nonoperating Revenues (Expenses):	
State Sources:	
State School Lunch Program	513
Federal Sources:	
National School Lunch Program	13,036
National School Breakfast Program	744
Food Distribution Program	2,605
Interest Earned on Investments	10
Total Nonoperating Revenues (Expenses)	<u>16,908</u>
Other Financing Sources:	
Operating Transfer In	<u>8,065</u>
Change in Net Assets	(1,410)
Net Assets, Beginning	<u>16,005</u>
Net Assets, Ending	<u><u>\$ 14,595</u></u>

FRENCHTOWN BOROUGH SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
FOOD SERVICE ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 45,168
Payments to Food Services Management Co	(63,790)
Payments to Employees and Vendors	(7,765)
Net Cash Provided by (Used For) Operating Activities	<u>(26,387)</u>
Cash Flows from Noncapital Financing Activities:	
State Sources	531
Federal Sources	14,051
Operating Transfer In	8,065
Net Interfund Transactions	(893)
Net Cash Provided by (Used For) Noncapital Financing Activities	<u>21,754</u>
Cash Flows from Investing Activities:	
Interest Earned on Investments	10
Net Cash Provided by (Used For) Investing Activities	<u>10</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(4,623)
Cash and Cash Equivalents, July 1, 2011	<u>12,073</u>
Cash and Cash Equivalents, June 30, 2012	<u>\$ 7,450</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:	
Operating Income (Loss)	\$ (26,383)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:	
Depreciation	365
Federal Food Distribution Program	1,905
(Increase) Decrease in Accounts Receivable	418
(Increase) Decrease in Inventory	1,017
Increase (Decrease) in Accounts Payable	(3,709)
Net Cash Provided by (Used For) Operating Activities	<u>\$ (26,387)</u>

FIDUCIARY FUND

DETAIL STATEMENTS

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY FUND NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2012

	Unemployment Compensation Fund	Student Activity Agency Fund	Payroll Agency Fund	Totals
ASSETS				
Cash & Cash Equivalents	\$ 41,108	\$ 28,084	\$ 14,457	\$ 83,649
Total Assets	41,108	28,084	14,457	83,649
LIABILITIES				
Accounts Payable	3,619			3,619
Due to Student Groups		28,084		28,084
Payroll Deductions & Withholdings			14,457	14,457
Total Liabilities	3,619	28,084	14,457	46,160
NET ASSETS				
Held in Trust for Unemployment Claims & Other Purposes	37,489	-	-	37,489
Total Net Assets	\$ 41,108	\$ -	\$ -	\$ 37,489

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

	<u>Unemployment Compensation Fund</u>
ADDITIONS	
Contributions:	
Employee Withholdings	\$ 2,674
Investment Earnings-Interest	58
Operating Transfer In	<u>26,650</u>
Total Additions	29,382
DEDUCTIONS	
Unemployment Claims	<u>15,792</u>
Change in Net Assets	13,590
Net Assets, Beginning of the Year	<u>23,899</u>
Net Assets, End of the Year	<u><u>\$ 37,489</u></u>

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

	<u>Balance 07/01/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/12</u>
ASSETS				
Cash and Cash Equivalents	\$ 26,817	\$ 13,359	\$ 12,092	\$ 28,084
TOTAL ASSETS	<u>\$ 26,817</u>	<u>\$ 13,359</u>	<u>\$ 12,092</u>	<u>\$ 28,084</u>
LIABILITIES				
Due to Students Groups	\$ 26,817	\$ 13,359	\$ 12,092	\$ 28,084
TOTAL LIABILITIES	<u>\$ 26,817</u>	<u>\$ 13,359</u>	<u>\$ 12,092</u>	<u>\$ 28,084</u>

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

	Balance 07/01/11	Additions	Deletions	Balance 06/30/12
ASSETS				
Cash and Cash Equivalents	\$ 15,394	\$ 2,901,612	\$ 2,902,549	\$ 14,457
TOTAL ASSETS	<u>\$ 15,394</u>	<u>\$ 2,901,612</u>	<u>\$ 2,902,549</u>	<u>\$ 14,457</u>
LIABILITIES				
Due to Other Funds	\$ 3,000		\$ 3,000	
Payroll Deductions & Withholding	10,760	\$ 1,851,137	1,848,956	\$ 12,941
Net Payroll	<u>1,634</u>	<u>1,050,475</u>	<u>1,050,593</u>	<u>1,516</u>
TOTAL LIABILITIES	<u>\$ 15,394</u>	<u>\$ 2,901,612</u>	<u>\$ 2,902,549</u>	<u>\$ 14,457</u>

LONG-TERM DEBT SCHEDULES

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
 LONG-TERM DEBT
 SCHEDULE OF SERIAL BONDS
 JUNE 30, 2012

Issue	Date of Issue	Amount of Issue	Annual Maturities		Interest Rate	Balance 07/01/11	Issued	Retired	Balance 06/30/12
			Date	Amount					
Series 2001	05/01/01	\$ 1,439,000	03/01/13	\$ 115,000	4.625%	\$ 624,000		\$ 110,000	\$ 514,000
			03/01/14	125,000					
			03/01/15	135,000					
			03/01/16	139,000					
					\$ 624,000	\$ -	\$ 110,000	\$ 514,000	

FRENCHTOWN BOROUGH SCHOOL DISTRICT
 LONG-TERM DEBT
 SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
 JUNE 30, 2012

	Interest Rate Payable	Amount of Original Issue	Balance 07/01/11	Issued	Retired	Balance 06/30/12
24 Passenger School Bus	3.99%	\$ 44,650	\$ 17,977		\$ 8,812	\$ 9,165
			\$ 17,977	\$ -	\$ 8,812	\$ 9,165

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES					
Local Sources:					
Local Tax Levy	\$ 138,861		\$ 138,861	\$ 138,861	
Total Revenues	138,861	\$ -	138,861	138,861	\$ -
EXPENDITURES					
Regular Debt Service:					
Interest on Bonds	28,861		28,861	28,861	
Redemption of Bond Principal	110,000		110,000	110,000	
Total Expenditures	138,861	-	138,861	138,861	-
Net Change in Fund Balance	-	-	-	-	-
Fund Balance, July 1	4,810	-	4,810	4,810	-
Fund Balance, June 30	\$ 4,810	\$ -	\$ 4,810	\$ 4,810	\$ -

STATISTICAL SECTION

FRENCHTOWN BOROUGH SCHOOL DISTRICT
STATISTICAL SECTION J SERIES

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

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

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

	Fiscal Year Ending June 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
GOVERNMENT ACTIVITIES									
Invested in Capital Assets, Net of Related Debt	\$ 1,269,974	\$ 1,349,934	\$ 1,368,953	\$ 1,393,464	\$ 1,423,180	\$ 1,483,848	\$ 1,527,013	\$ 1,583,398	\$ 1,637,040
Restricted	94,701	98,002	100,550	104,791	109,159	109,287	113,604	114,219	139,675
Unrestricted	379,881	351,841	143,602	179,186	203,235	120,254	64,083	221,778	196,771
TOTAL GOVERNMENTAL ACTIVITIES NET ASSET	\$ 1,744,556	\$ 1,799,777	\$ 1,613,105	\$ 1,677,441	\$ 1,735,574	\$ 1,713,389	\$ 1,704,700	\$ 1,919,395	\$ 1,973,486
BUSINESS-TYPE ACTIVITIES									
Invested in Capital Assets, Net of Related Debt				\$ 4,196	\$ 3,831	\$ 3,466	\$ 3,102	\$ 2,737	\$ 2,372
Unrestricted	\$ 3,954	\$ (1,366)	\$ 2,834	(613)	7,374	9,627	9,407	13,268	12,223
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 3,954	\$ (1,366)	\$ 2,834	\$ 3,583	\$ 11,205	\$ 13,093	\$ 12,509	\$ 16,005	\$ 14,595
DISTRICT-WIDE									
Invested in Capital Assets, Net of Related Debt	\$ 1,269,974	\$ 1,349,934	\$ 1,368,953	\$ 1,397,660	\$ 1,427,011	\$ 1,487,314	\$ 1,530,115	\$ 1,586,135	\$ 1,639,412
Restricted	94,701	98,002	100,550	104,791	109,159	109,287	113,604	114,219	139,675
Unrestricted	383,835	350,475	146,436	178,573	210,609	129,881	73,490	235,046	208,994
TOTAL DISTRICT-WIDE	\$ 1,748,510	\$ 1,798,411	\$ 1,615,939	\$ 1,681,024	\$ 1,746,779	\$ 1,726,482	\$ 1,717,209	\$ 1,935,400	\$ 1,988,081

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

	Fiscal Year Ending June 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
EXPENSES									
Governmental Activities:									
Instruction:									
Regular	\$ 992,943	\$ 1,033,950	\$ 1,194,332	\$ 1,268,495	\$ 1,283,758	\$ 1,252,784	\$ 1,361,462	\$ 1,113,235	\$ 1,186,985
Special Education	145,159	214,793	292,387	322,633	325,980	371,898	356,717	408,963	416,596
Other Special Education	41,140	41,845	48,128	23,459	39,677	55,755	51,969	50,132	23,866
Other Instruction	30,260	19,235	25,189	37,853	24,811	22,525	17,509	24,549	27,786
Support Services:									
Tuition	1,325	34,342	47,397	25,696	52,030	23,416	52,799	1,125	66,420
Student & Instruction Related Services	256,463	299,225	350,114	406,115	414,783	439,504	469,155	424,222	427,911
General & Business Administrative Services	238,122	193,462	179,767	156,569	165,854	179,702	164,062	121,655	146,162
School Administration	111,885	117,152	88,491	65,542	74,063	70,792	63,896	99,003	102,065
Plant Operations & Maintenance	175,936	168,226	238,484	231,226	201,102	268,369	224,628	205,402	274,994
Pupil Transportation	11,580	18,344	30,250	20,026	35,784	51,538	49,362	51,771	63,487
Interest and Other Charges on Long-Term Debt	69,982	60,096	56,165	52,156	47,924	44,436	40,218	45,511	35,721
Total Governmental Activities Expenses	<u>2,074,795</u>	<u>2,200,670</u>	<u>2,550,704</u>	<u>2,609,770</u>	<u>2,665,766</u>	<u>2,780,719</u>	<u>2,851,777</u>	<u>2,545,568</u>	<u>2,771,993</u>
Business-Type Activities:									
Food Services	45,391	42,677	46,093	66,535	66,898	67,892	59,080	58,450	71,134
Total Business-Type Activities	<u>45,391</u>	<u>42,677</u>	<u>46,093</u>	<u>66,535</u>	<u>66,898</u>	<u>67,892</u>	<u>59,080</u>	<u>58,450</u>	<u>71,134</u>
TOTAL DISTRICT EXPENSES	<u>\$ 2,120,186</u>	<u>\$ 2,243,347</u>	<u>\$ 2,596,797</u>	<u>\$ 2,676,305</u>	<u>\$ 2,732,664</u>	<u>\$ 2,848,611</u>	<u>\$ 2,910,857</u>	<u>\$ 2,604,018</u>	<u>\$ 2,843,127</u>

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

	Fiscal Year Ending June 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
PROGRAM REVENUES									
Governmental Activities:									
Charges for Services	\$ 96,240	\$ 90,362	\$ 91,107	\$ 125,608	\$ 136,829	\$ 220,382	\$ 206,007	\$ 103,489	\$ 50,788
Operating Grants & Contributions	74,451	70,814	51,202	95,053	70,374	62,089	88,332	101,891	102,224
Capital Grants & Contributions	143,997			43,199					
Total Governmental Activities Program Revenues	314,688	161,176	142,309	263,860	207,203	282,471	294,339	205,380	153,012
Business-Type Activities:									
Charges for Services:									
Food Service	27,164	24,878	27,917	44,320	45,781	43,262	40,296	40,901	44,751
Operating Grants & Contributions	9,844	8,080	9,273	12,564	14,773	17,838	18,186	21,010	16,898
Total Business-Type Activities Program Revenues	37,008	32,958	37,190	56,884	60,554	61,100	58,482	61,911	61,649
TOTAL DISTRICT-PROGRAM REVENUES	\$ 351,696	\$ 194,134	\$ 179,499	\$ 320,744	\$ 267,757	\$ 343,571	\$ 352,821	\$ 267,291	\$ 214,661
NET (EXPENSE) REVENUES									
Governmental Activities	\$ (1,760,107)	\$ (2,039,494)	\$ (2,408,395)	\$ (2,345,910)	\$ (2,458,563)	\$ (2,498,248)	\$ (2,557,438)	\$ (2,340,188)	\$ (2,618,981)
Business-Type Activities	(8,383)	(9,719)	(8,903)	(9,651)	(6,344)	(6,792)	(598)	3,461	(9,485)
TOTAL DISTRICT-WIDE NET EXPENSES	\$ (1,768,490)	\$ (2,049,213)	\$ (2,417,298)	\$ (2,355,561)	\$ (2,464,907)	\$ (2,505,040)	\$ (2,558,036)	\$ (2,336,727)	\$ (2,628,466)
GENERAL REVENUES & OTHER CHANGES IN NET ASSETS									
Governmental Activities:									
Property Taxes Levied for General Purposes, Net	\$ 1,171,000	\$ 1,223,141	\$ 1,283,310	\$ 1,352,227	\$ 1,423,722	\$ 1,494,908	\$ 1,547,230	\$ 1,609,121	\$ 1,641,301
Taxes Levied for Debt Service	147,813	146,613	140,454	141,523	142,360	137,967	138,573	143,948	138,861
Unrestricted Grants & Contributions	744,368	722,297	798,181	904,541	948,897	822,528	851,842	797,260	904,968
Investment Earnings	6,802	6,532	11,798	18,028	13,342	4,060	6,020	2,928	806
Miscellaneous Income	2,518	531	1,083	4,327	1,875	7,652	5,084	1,626	201
Contribution-Parent Teacher Organization						17,603			
Operating Transfer	(14,426)	(4,399)	(13,103)	(10,400)	(13,500)	(8,655)			(13,065)
Total Governmental Activities	2,058,075	2,094,715	2,221,723	2,410,246	2,516,696	2,476,063	2,548,749	2,554,883	2,673,072

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

	Fiscal Year Ending June 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
GENERAL REVENUES & OTHER CHANGES IN NET ASSETS (Cont'd)									
Business-Type Activities:									
Investment Earnings	\$ 3						\$ 14	\$ 35	\$ 10
Miscellaneous Income					\$ 466	\$ 25			
Transfers	9,426	\$ 4,399	\$ 13,103	\$ 10,400	13,500	8,655			8,065
Total Business-Type Activities	9,429	4,399	13,103	10,400	13,966	8,680	14	35	8,075
TOTAL DISTRICT-WIDE	<u>\$ 2,067,504</u>	<u>\$ 2,099,114</u>	<u>\$ 2,234,826</u>	<u>\$ 2,420,646</u>	<u>\$ 2,530,662</u>	<u>\$ 2,484,743</u>	<u>\$ 2,548,763</u>	<u>\$ 2,554,918</u>	<u>\$ 2,681,147</u>
CHANGE IN NET ASSETS									
Governmental Activities	\$ 297,968	\$ 55,221	\$ (186,672)	\$ 64,336	\$ 58,133	\$ (22,185)	\$ (8,689)	\$ 214,695	\$ 54,091
Business-Type Activities	1,046	(5,320)	4,200	749	7,622	1,888	(584)	3,496	(1,410)
TOTAL DISTRICT	<u>\$ 299,014</u>	<u>\$ 49,901</u>	<u>\$ (182,472)</u>	<u>\$ 65,085</u>	<u>\$ 65,755</u>	<u>\$ (20,297)</u>	<u>\$ (9,273)</u>	<u>\$ 218,191</u>	<u>\$ 52,681</u>

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

	Fiscal Year Ending June 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund:									
Reserved	\$ 234,099	\$ 253,751	\$ 288,750	\$ 166,469	\$ 192,011	\$ 146,064	\$ 108,794	\$ 109,409	\$ 134,865
Unreserved	291,418	267,682	100,924	165,579	186,183	150,634	178,657	277,694	284,784
Total General Fund	<u>\$ 525,517</u>	<u>\$ 521,433</u>	<u>\$ 389,674</u>	<u>\$ 332,048</u>	<u>\$ 378,194</u>	<u>\$ 296,698</u>	<u>\$ 287,451</u>	<u>\$ 387,103</u>	<u>\$ 419,649</u>
All Other Governmental Funds:									
Unreserved, Reported In:									
Special Revenue Fund				\$ (112)	\$ (112)				
Capital Projects Fund	\$ (9,720)	\$ (28,393)	\$ (42,245)						
Debt Service Fund	3,046	5,274	5,274	4,811	4,810	\$ 4,810	\$ 4,810	\$ 4,810	\$ 4,810
Total All Other Governmental Funds	<u>\$ (6,674)</u>	<u>\$ (23,119)</u>	<u>\$ (36,971)</u>	<u>\$ 4,699</u>	<u>\$ 4,698</u>	<u>\$ 4,810</u>	<u>\$ 4,810</u>	<u>\$ 4,810</u>	<u>\$ 4,810</u>

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues:										
Tax Levy	\$ 1,271,431	\$ 1,318,813	\$ 1,369,754	\$ 1,423,764	\$ 1,493,750	\$ 1,566,082	\$ 1,632,875	\$ 1,685,803	\$ 1,753,069	\$ 1,780,162
Tuition Charges	5,000	6,225	25,025	54,519	60,660	67,305	83,683	75,211	52,706	24,139
Interest Earnings	13,058	6,802	6,532	11,798	18,028	13,342	4,060	6,020	2,928	806
Miscellaneous	32,042	92,533	65,868	37,671	70,870	71,795	161,954	135,880	52,409	26,850
State Sources	1,465,809	896,048	729,151	804,463	951,763	951,129	822,640	751,926	797,260	883,888
Federal Sources	51,765	66,768	63,960	44,920	89,435	67,746	61,977	188,248	101,891	123,304
Total Revenues	2,839,105	2,387,189	2,260,290	2,377,135	2,684,506	2,737,399	2,767,189	2,843,088	2,760,263	2,839,149
Expenditures:										
Instruction:										
Regular Instruction	754,564	743,299	770,789	881,395	906,450	918,099	968,116	983,222	889,341	838,704
Special Education Instruction	113,815	106,000	136,606	210,323	188,000	211,171	249,139	261,690	245,577	279,378
Other Special Instruction	30,323	31,791	33,290	34,516	17,689	29,225	38,748	32,429	31,485	8,149
Other Instruction	15,397	19,956	18,731	24,204	27,568	23,887	21,761	16,912	23,789	26,849
Support Services:										
Tuition	9,887	1,325	2,707	19,430	8,306	36,790	23,416	24,855	1,125	27,014
Student & Inst Related Services	196,323	184,304	228,519	268,218	278,617	256,159	336,285	337,419	274,110	302,166
General Administration	92,866	105,722	99,878	85,042	72,477	66,443	77,521	78,493	50,351	39,840
School Administration Services	89,740	94,610	98,550	63,892	55,446	59,387	65,348	57,652	91,681	81,968
Central Services/Business Services	84,864	90,477	61,324	51,575	56,951	59,812	62,564	48,559	40,196	50,180
Admin Information Technology										
Plant Operations & Maintenance	146,367	157,172	144,507	215,708	203,510	179,984	241,074	195,764	171,631	219,182
Pupil Transportation	11,549	11,580	18,344	30,250	19,596	34,354	53,407	36,891	37,928	53,260
Employee Benefits	150,070	218,942	262,909	278,609	297,199	275,837	265,098	326,563	344,099	370,003
On-Behalf TPAF Pension & Soc Sec Contributions	131,175	148,369	149,737	185,537	289,344	313,871	209,894	215,451	203,051	249,708
Capital Outlay	1,272	36,459	16,338				72,253	9,530	10,408	
Capital Projects	1,979,957	113,062	18,991		1,509					
Special Revenue Funds	64,461	74,451	70,814	51,202	95,165	70,374	61,977	88,332	101,891	102,224
Debt Service:										
Principal	75,000	80,000	85,000	85,000	90,000	95,000	95,000	100,000	110,000	110,000
Interest & Other Charges	117,578	79,205	59,385	55,454	51,523	47,361	42,967	38,573	33,948	34,913
Total Expenditures	4,065,208	2,296,724	2,276,419	2,540,355	2,659,350	2,677,754	2,884,568	2,852,335	2,660,611	2,793,538
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,226,103)	90,465	(16,129)	(163,220)	25,156	59,645	(117,379)	(9,247)	99,652	45,611
Other Financing Sources (Uses):										
Proceeds from Bond Issue							44,650			
Capital Leases (Non-Budgeted)							(8,655)			(13,065)
Transfers Out	(18,025)	(14,426)	(4,399)	(13,103)	(10,400)	(13,500)				
Total Other Financing Sources (Uses)	(18,025)	(14,426)	(4,399)	(13,103)	(10,400)	(13,500)	35,995	-	-	(13,065)
Net Change in Fund Balances	\$ (1,244,128)	\$ 76,039	\$ (20,528)	\$ (176,323)	\$ 14,756	\$ 46,145	\$ (81,384)	\$ (9,247)	\$ 99,652	\$ 32,546
Debt Service as a Percentage of Non-capital Expenditures	9.24%	8.01%	6.89%	5.85%	5.62%	5.61%	5.16%	5.12%	5.74%	5.47%

Source: District Records

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

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

Description	Fiscal Year Ending June 30.									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Interest Income	\$ 6,152	\$ 4,549	\$ 6,213	\$ 11,384	\$ 17,936	\$ 13,342	\$ 4,060	\$ 6,020	\$ 2,928	\$ 806
Tuition	5,000	6,225	25,025	54,519	60,660	67,305	83,683	75,211	52,706	24,139
Other School Districts-Shared Services	29,094	86,523	65,337	34,588	64,948	69,524	136,699	130,796	50,783	26,649
Prior Year Refunds		609			797		549	3,639	319	
Summer Music Project					1,494					
Outstanding Checks Voided	920				1,486		14			
Miscellaneous Other	403	329	219	4		729	274	18		
Milford Algebra Fee	1,000	1,000		2,000						
Textbook Sales & Fines		80								
Use of Facilities	75	1,926	312		50	1,044	1,065	1,187		
Sale of Bid Specifications										
Contributions		1,500		600	500		211	89	1,307	201
Play Tickets		566								
Transportation Reimbursement							896			
Joint Insurance Fund-Surplus Refund							4,643			
Contribution-Parent Teacher Organization							17,603			
Sale of Surplus Equipment & Materials				479		102		151		
Annual Totals	\$ 42,644	\$ 103,307	\$ 97,106	\$ 103,574	\$ 147,871	\$ 152,046	\$ 249,697	\$ 217,111	\$ 108,043	\$ 51,795

Source: District Records

FRENCHTOWN BOROUGH SCHOOL DISTRICT
 ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY,
 LAST TEN FISCAL YEARS

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Vacant Land	\$ 1,757,000	\$ 3,806,500	\$ 2,704,600	\$ 2,617,100	\$ 2,554,500	\$ 2,554,500	\$ 2,608,300	\$ 2,505,100	\$ 2,505,100	\$ 2,505,100
Residential	59,255,100	108,585,800	108,135,800	108,765,800	108,162,700	108,094,600	108,052,500	109,384,700	108,678,000	108,976,400
Farm Regular	441,200	898,600	898,600	898,600	898,600	898,600	898,600	898,600	898,600	898,600
Qualified Farm	19,700	27,705	76,805	76,805	52,749	52,749	14,200	14,700	14,700	14,700
Commercial	15,521,500	26,794,400	26,621,400	26,699,600	26,662,500	28,085,300	27,687,500	26,861,900	26,785,700	26,737,800
Industrial	2,238,750	3,622,350	3,726,350	3,726,350	3,726,350	3,726,350	3,726,350	3,726,350	3,726,350	3,726,350
Apartment	3,319,900	6,867,600	6,867,600	6,834,300	6,119,880	6,119,880	6,446,500	6,045,500	6,045,500	6,045,500
Total Assessed Value	82,553,150	150,602,955	149,031,155	149,618,555	148,177,279	149,531,979	149,433,950	149,436,850	148,653,950	148,904,450
Public Utilities (a)	969,810	611,511	881,591	970,914	945,769	1,059,003	1,130,900	889,485	725,240	592,657
Net Valuation Taxable	\$ 83,522,960	\$ 151,214,466	\$ 149,912,746	\$ 150,589,469	\$ 149,123,048	\$ 150,590,982	\$ 150,564,850	\$ 150,326,335	\$ 149,379,190	\$ 149,497,107
Estimated Actual County Equalized Value	\$ 124,833,989	\$ 129,596,570	\$ 142,156,740	\$ 166,760,565	\$ 180,920,032	\$ 189,110,834	\$ 182,114,565	\$ 177,418,076	\$ 171,957,166	\$ 166,644,863
Percentage of Net Valuations to Estimated Actual County Equalized Value	66.91%	116.68%	105.46%	90.30%	82.42%	79.63%	82.68%	84.73%	86.87%	89.71%
Total Direct School Tax Rate (b)	\$ 1.579	\$ 0.905	\$ 0.950	\$ 0.991	\$ 1.051	\$ 1.084	\$ 1.120	\$ 1.170	\$ 1.190	\$ 1.213

*

Source: Municipal Tax Assessor

NOTE

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

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

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

(b) Tax rates are per \$100

* Revalued/Reassessed

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

Assessment Year	School District Direct Rate				Regional School Tax Rate	Overlapping Rates			Total Direct & Overlapping Tax Rate
	Basic Rate (a)	General Obligation Debt Service (b)	(From J-6) Total Direct School Tax Rate			Municipality	County	Fire District	
2003	\$ 1.400	\$ 0.179	\$ 1.579	\$ 0.668	\$ 0.644	\$ 0.649		\$ 3.54	
2004	* 0.808	0.097	0.905	0.475	0.397	0.353		2.13	
2005	0.856	0.094	0.950	0.497	0.440	0.363		2.25	
2006	0.898	0.094	0.992	0.531	0.496	0.396		2.42	
2007	0.955	0.096	1.051	0.605	0.549	0.405		2.61	
2008	0.992	0.092	1.084	0.502	0.542	0.422		2.55	
2009	1.028	0.092	1.120	0.498	0.563	0.419		2.60	
2010	1.071	0.095	1.166	0.473	0.601	0.407		2.65	
2011	1.096	0.096	1.192	0.439	0.623	0.398		2.65	
2012	1.121	0.092	1.213	0.477	0.655	0.398		2.74	

Sources: Municipal Tax Collector

NOTE:

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

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

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

* Revalued/Reassessed

FRENCHTOWN BOROUGH SCHOOL DISTRICT
 PRINCIPAL PROPERTY TAXPAYERS,
 CURRENT YEAR AND NINE YEARS AGO

	2012			2003		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Frenchtown Associates LLC	\$ 2,950,000	1	1.97%	\$ 1,647,000	1	1.97%
Frenchtown Properties LLC	2,145,200	2	1.43%			
Frenchtown Barn Center LLC	1,500,000	3	1.00%	800,000	5	0.96%
Davon LLC	977,200	4	0.65%			
Bridge Race Properties LLC	972,200	5	0.65%	875,700	4	1.05%
Individual Property Owner	830,800	6	0.56%	1,150,000	2	1.38%
Warren House LLC	809,900	7	0.54%			
Traub Holdings LLC	758,400	8	0.51%			
B & B Properties LLC	748,500	9	0.50%			
T2 Services Inc	724,700	10	0.48%	576,800	8	0.69%
United Telephone Company of NJ				969,810	3	1.16%
Individual Property Owner				773,700	6	0.93%
Individual Property Owner				600,000	7	0.72%
RAM Enterprises				544,100	9	0.65%
FP Realty				531,350	10	0.64%
	<u>\$ 12,416,900</u>		<u>8.31%</u>	<u>\$ 8,468,460</u>		<u>10.14%</u>

Source: Municipal Tax Assessor

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

Year Ending December 31,	Taxes Levied for the Year	Collected Within the Fiscal Year of the Levy (a)	
		Amount	Percentage of Levy
2002	\$ 2,876,119	\$ 2,785,793	96.86%
2003	2,961,135	2,876,298	97.13%
2004	3,221,596	3,065,440	95.15%
2005	3,380,115	3,276,470	96.93%
2006	3,648,964	3,459,905	94.82%
2007	3,920,222	3,736,078	95.30%
2008	3,852,232	3,741,707	97.13%
2009	3,925,744	3,642,780	92.79%
2010	3,982,690	3,753,793	94.25%
2011	3,969,209	3,662,420	92.27%

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

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

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

Fiscal Year Ending June 30,	Governmental Activities				Business-Type Activities	Total District	% of Personal Income (a)	Per Capita (a)
	General Obligation Bonds (b)	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases			
2003	\$ 1,364,000					\$ 1,364,000	1.58%	\$ 905
2004	1,284,000					1,284,000	1.45%	851
2005	1,199,000					1,199,000	1.33%	802
2006	1,114,000					1,114,000	1.25%	750
2007	1,024,000					1,024,000	1.07%	693
2008	929,000					929,000	0.92%	631
2009	834,000		\$ 34,600			868,600	0.85%	592
2010	734,000		26,451			760,451	0.79%	518
2011	624,000		17,977			641,977	0.70%	467
2012	514,000		9,165			523,165	N/A	382

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

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

Fiscal Year Ending June 30,	General Bonded Debt Outstanding		% of Actual Taxable Value (a) of Property	Per Capita (a)	
	General Obligation Bonds	Deductions			Net General Bonded Debt Outstanding
	2003	\$ 1,364,000			
2004 *	1,284,000		1,284,000	0.85%	859
2005	1,199,000		1,199,000	0.80%	807
2006	1,114,000		1,114,000	0.74%	754
2007	1,024,000		1,024,000	0.69%	695
2008	929,000		929,000	0.62%	633
2009	834,000		834,000	0.55%	569
2010	734,000		734,000	0.49%	534
2011	624,000		624,000	0.42%	456
2012	514,000		514,000	0.34%	375

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

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2011

	<u>Debt Outstanding</u>	<u>Estimated % Applicable (a)</u>	<u>Estimated Share of Overlapping Debt</u>
GOVERNMENTAL UNIT			
Debt Repaid with Property Taxes:			
Municipality	\$ 1,947,597	100.00	\$ 1,947,597
Regional High School	4,039,000	6.57	265,343
County General Obligation Debt	83,215,385	0.71	<u>594,333</u>
Subtotal, Overlapping Debt			2,807,273
School District Direct Debt			<u>514,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 3,321,273</u></u>

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

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

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
 LEGAL DEBT MARGIN INFORMATION,
 LAST TEN FISCAL YEARS

Legal Debt Margin Calculation for Fiscal Year 2012

	Equalized Valuation Basis	
		2011 \$ 165,704,994
		2010 172,023,541
		2009 <u>176,364,865</u>
		<u>\$ 514,093,400</u>
	Average Equalized Valuation of Taxable Property	<u>\$ 171,364,467</u>
	Debt Limit (3.0% of Average Equalization Value)	\$ 5,140,934 (a)
	Total Net Debt Applicable to Limit	<u>514,000</u>
	Legal Debt Margin	<u>\$ 4,626,934</u>

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt Limit	\$ 2,815,652	\$ 3,122,978	\$ 3,647,223	\$ 4,202,670	\$ 4,759,376	\$ 5,213,702	\$ 5,534,083	\$ 5,531,279	\$ 5,362,191	\$ 5,140,934
Total Net Debt Applicable	<u>1,552,166</u>	<u>1,328,169</u>	<u>1,243,169</u>	<u>1,158,169</u>	<u>1,024,000</u>	<u>929,000</u>	<u>834,000</u>	<u>734,000</u>	<u>624,000</u>	<u>514,000</u>
Legal Debt Margin	<u>\$ 1,263,486</u>	<u>\$ 1,794,809</u>	<u>\$ 2,404,054</u>	<u>\$ 3,044,501</u>	<u>\$ 3,735,376</u>	<u>\$ 4,284,702</u>	<u>\$ 4,700,083</u>	<u>\$ 4,797,279</u>	<u>\$ 4,738,191</u>	<u>\$ 4,626,934</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	55.13%	42.53%	34.09%	27.56%	21.52%	17.82%	15.07%	13.27%	11.64%	10.00%

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

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN FISCAL YEARS

<u>Year</u>	<u>Population (a)</u>	<u>Personal Income (b)</u>	<u>Per Capita Personal Income (c)</u>	<u>Unemployment Rate (d)</u>
2003	1,509	\$ 88,783,524	\$ 58,836	4.4%
2004	1,495	89,937,705	60,159	3.6%
2005	1,486	88,981,680	59,880	4.1%
2006	1,477	95,541,222	64,686	3.1%
2007	1,473	100,735,524	68,388	2.7%
2008	1,467	102,348,189	69,767	3.6%
2009	1,467	96,477,255	65,765	6.3%
2010	1,374	92,130,822	67,053	6.6%
2011	1,369	N/A	N/A	6.5%
2012	1,369	N/A	N/A	N/A

Sources:

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

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

INFORMATION IS NOT AVAILABLE FOR THIS SCHOOL DISTRICT

FRENCHTOWN BOROUGH SCHOOL DISTRICT
 FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS

FUNCTION / PROGRAM	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Instruction	18.9	17.7	18.6	15.4	15.6	16.2	16.4	17.7	18.7	18.7
Health Services	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Related Services	0.4	1.0	1.0	1.0	1.0	0.5	0.5	0.5	0.5	0.5
Guidance	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Child Study Team	0.9	0.9	1.6	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Media Center	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
General Administration	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
School Administration	1.4	1.4	0.5	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Business Office	1.5	1.5	0.9	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Building Maintenance	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.4	1.4	1.4
Transportation			0.1	0.1	0.1	0.1	0.1	0.7	0.7	0.7
Cafeteria			0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total	27.3	26.7	26.9	23.7	23.9	24.0	24.2	25.5	26.5	26.5

Sources: District Personnel Records

FRENCHTOWN BOROUGH SCHOOL DISTRICT
 OPERATING STATISTICS
 LAST TEN FISCAL YEARS

Fiscal Year	Enrollment	Operating Expenditures (a)	Cost Per Pupil	Percentage Change	Teaching Staff (b)	Teacher Ratio	Average Daily Enrollment (ADE) (c)	Average Daily Attendance (ADA) (c)	% Change in Average Daily Enrollment	Student Attendance Percentage
2003	129	\$ 1,891,401	\$ 14,662	9.18%	21.4	1 to 6.03	129.3	123.1	2.95%	95.20%
2004	123	1,987,998	16,163	10.23%	21.1	1 to 5.83	124.1	118.7	-4.02%	95.65%
2005	121	2,096,705	17,328	7.21%	25.0	1 to 4.84	129.3	122.4	4.19%	94.66%
2006	138	2,399,901	17,391	0.36%	25.0	1 to 5.52	131.6	126.4	1.78%	96.05%
2007	141	2,516,318	17,846	2.62%	24.0	1 to 5.88	142.6	136.0	8.36%	95.37%
2008	143	2,535,393	17,730	-0.65%	24.0	1 to 5.96	146.3	139.0	2.59%	95.01%
2009	158	2,674,348	16,926	-4.53%	24.0	1 to 6.59	158.9	150.6	8.61%	94.78%
2010	158	2,704,232	17,115	1.12%	24.0	1 to 6.59	157.5	148.6	-0.88%	94.35%
2011	171	2,506,255	14,656	-14.37%	24.0	1 to 6.50	168.4	158.9	6.92%	94.36%
2012	157	2,648,625	16,870	15.10%	24.0	1 to 6.55	159.6	151.1	-5.23%	94.67%

Source: District Records

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

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

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
 SCHOOL BUILDING INFORMATION
 LAST TEN FISCAL YEARS

DISTRICT BUILDING	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<u>Elementary (1925)</u>										
Square Feet	35,992	35,992	35,992	35,992	35,992	35,992	35,992	35,992	35,992	35,992
Capacity (Students)	179.1	179.1	179.1	179.1	179.1	179.1	179.1	179.1	179.1	179.1
Enrollment	127.0	123.0	121.0	138.0	141.0	148.0	158.0	158.0	171.0	157.0
Number of Schools at June 30, 2012:										
Elementary	1									
Middle School	0									
High School	0									
Other	0									

District Facilities Office

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
SCHEDULE OF REQUIRED MAINTENANCE
LAST TEN FISCAL YEARS

UNDISTRIBUTED EXPENDITURES - REQUIRED
MAINTENANCE FOR SCHOOL FACILITIES

*School Facilities

	Amount	Total
2003	\$ 2,623	\$ 2,623
2004	8,243	8,243
2005	12,158	12,158
2006	14,339	14,339
2007	18,971	18,971
2008	21,309	21,309
2009	19,519	19,519
2010	15,265	15,265
2011	14,757	14,757
2012	26,903	26,903
	<hr/>	<hr/>
Total School Facilities	<u>\$ 154,087</u>	<u>\$ 154,087</u>

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

Source: District Records

FRENCHTOWN BOROUGH SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2012
(UNAUDITED)

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy-School Alliance Ins Fund:		
Property-Blanket Building & Contents (Fund Limit)	\$ 250,000,000	\$ 1,000
Comprehensive General Liability	5,000,000	1,000
Comprehensive Automobile Liability	5,000,000	1,000
School Board Legal Liability	5,000,000	1,000
Umbrella Liability-School Alliance Ins Fund:		
Umbrella Policy	10,000,000	
Student Accident-Monumental Life Ins Co	1,000,000	
Workers Compensation- School Alliance Insurance Fund:		
Per Accident Per Employee	250,000	
Per Disease Per Employee	250,000	
Per Disease Policy Limit	250,000	
Public Employees' Faithful Performance-Selective Insurance:		
Treasurer of School Monies Bond	150,000	
School Board Secretary Bond	150,000	
School Alliance Insurance Fund:		
Employee's Blanket Bond	100,000	1,000

Source: District Records

SINGLE AUDIT SECTION

Certified Public Accountant
Public School Accountant
Registered Municipal Accountant

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

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

November 30, 2012

Honorable President and
Members of the Board of Education
Frenchtown Borough School District
County of Hunterdon, New Jersey

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

Internal Control Over Financial Reporting

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

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any 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 Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

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



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

Certified Public Accountant
Public School Accountant
Registered Municipal Accountant

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

November 30, 2012

Honorable President and
Members of the Board of Education
Frenchtown Borough School District
County of Hunterdon, New Jersey

Compliance

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

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

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

Internal Control Over Compliance

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

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

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

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


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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS SCHEDULE A
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Grantor/Program Title	Federal CFDA Number	Project Number	Program or Award Amount	Grant Period From To	Balance	Cash Received	Budgetary Expenditure	Repay of Prior Year Balance	Balance June 30, 2012		
					June 30, 2011 (Acct Rec) Def Revenue				Accounts Receivable	Deferred Revenue	Due to Grantor
US Department of Education Passed Through											
State Department of Education:											
General Fund:											
Education Jobs Fund	84.410A	ARRA-168011	\$ 22,206	08/10/2010-9/30/2012		\$ 22,206	\$ 22,206				
Total General Fund					\$ -	22,206	22,206	\$ -	\$ -	\$ -	\$ -
Special Revenue Fund:											
NCLB Title IA	84.010A	NCLB 168012	21,386	09/01/2011-8/31/2012			21,386		(21,386)		
NCLB Title IA	84.010A	NCLB 168011	12,851	09/01/2010-8/31/2011	(12,851)	12,851					
NCLB Title IIA	84.367A	NCLB 168012	4,977	09/01/2011-8/31/2012		3,448	4,327		(1,529)	650	
NCLB Title IIA	84.367A	NCLB 168011	5,647	09/01/2010-8/31/2011	(4,997)	5,647	650				
NCLB Title IID	84.318X	NCLB 168011	25	09/01/2010-8/31/2011	(25)	25					
Small, Rural School Achievement Program	84.358A	S358A 113750	21,465	07/01/2011-9/30/2012		15,135	20,290		(6,330)	1,175	
Small, Rural School Achievement Program	84.358A	S358A 103750	23,826	07/01/2010-9/30/2011	(22,651)	23,826	1,175				
ARRA Title IA	84.389	ARRA-168010	4,697	09/01/2009-8/31/2011	(4,697)	4,697					
ARRA IDEA Basic	84.391	ARRA-168010	31,438	09/01/2009-8/31/2011	(29,233)	29,233					
ARRA IDEA Pre School	84.392	ARRA-168010	1,135	09/01/2009-8/31/2011	(1,135)	1,135					
IDEA Basic	84.027	IDEA-168012	39,406	09/01/2011-8/31/2012		38,385	39,406		(1,021)		
IDEA Basic	84.027	IDEA-168011	35,898	09/01/2010-8/31/2011	(35,898)	35,898					
IDEA Pre School	84.173	IDEA-168012	1,153	09/01/2011-8/31/2012		977	1,153		(176)		
IDEA Pre School	84.173	IDEA-168011	1,111	09/01/2010-8/31/2011	(1,111)	1,111					
Total Special Revenue Fund					(112,598)	172,368	88,387	-	(30,442)	1,825	-
US Department of Agriculture Passed Through State Department of Agriculture:											
Enterprise Fund:											
Food Distribution Program	10.550-	N/A	1,906	07/01/2011-6/30/2012		1,906	1,591			315	
Food Distribution Program	10.550-	N/A	6,356	07/01/2010-6/30/2011	1,014		1,014				
School Breakfast Program	10.553-	N/A	744	07/01/2011-6/30/2012		684	744		(60)		
National School Lunch Program	10.555-	N/A	13,036	07/01/2011-6/30/2012		12,359	13,036		(677)		
National School Lunch Program	10.555-	N/A	13,421	07/01/2010-6/30/2011	(1,008)	1,008					
Total Enterprise Fund					6	15,957	16,385	-	(737)	315	-
TOTAL FEDERAL FINANCIAL ASSISTANCE					\$ (112,592)	\$ 210,531	\$ 126,978	\$ -	\$ (31,179)	\$ 2,140	\$ -

SEE ACCOMPANYING NOTES TO SCHEDULES OF FINANCIAL ASSISTANCE

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

Grantor/Program Title	Project Number	Program or Award Amount	Grant Period From To	Balance	Cash	Budgetary	Adjustment	Balance June 30, 2012			Memo	
				6/30/2011 (Acct Rec) Def Revenue				Received	Expenditure	Accounts Receivable	Deferred Revenue	Due to Grantor
<u>State Department of Education</u>												
General Fund:												
Equalization Aid	11-495-034	\$ 447,892	07/01/2010-									
	-5120-078		6/30/2011	\$ (43,912)	\$ 43,912							
Equalization Aid	12-495-034	496,639	07/01/2011-									
	-5120-078		6/30/2012		447,440	\$ 496,639		\$ (49,199)			\$ (49,199)	\$ 496,639
School Choice Aid	12-495-034	67,392	07/01/2011-									
	-5120-068		6/30/2012		60,716	67,392		(6,676)			(6,676)	67,392
Special Education Aid	11-495-034	80,064	07/01/2010-									
	-5120-089		6/30/2011	(7,850)	7,850							
Special Education Aid	12-495-034	80,064	07/01/2011-									
	-5120-089		6/30/2012		72,132	80,064		(7,932)			(7,932)	80,064
Anti Bullying Bill of Rights Act Aid	N/A	482	07/01/2011-									
			6/30/2012		482	482						482
Extraordinary Special Education Costs Aid	11-100-034	52,528	07/01/2010-									
	-5120-473		6/30/2011	(52,528)	52,528							
Nonpublic Remote Transportation Aid	12-495-034	522	07/01/2011-									
	-5120-014		6/30/2012			522		(522)			(522)	522
Nonpublic Remote Transportation Aid	11-495-034	522	07/01/2010-									
	-5120-014		6/30/2011	(522)	522							
Reimbursement TPAF Social Security Contribution	12-495-034	97,401	07/01/2011-									
	-5095-002		6/30/2012		94,547	97,401		(2,854)			(2,854)	97,401
Reimbursement TPAF Social Security Contribution	11-495-034	94,675	07/01/2010-									
	-5095-002		6/30/2011	(4,052)	4,052							
On-Behalf TPAF Pension Contribution-Teachers' Pension and Annuity Fund	12-495-034	45,692	07/01/2011-									
	-5095-006		6/30/2012		45,692	45,692						45,692
On-Behalf TPAF Pension Contribution-Non-Contributory Insurance	12-495-034	4,903	07/01/2011-									
	-5095-007		6/30/2012		4,903	4,903						4,903
On-Behalf TPAF Pension Contribution-Post Retirement Medical	12-495-034	101,712	07/01/2011-									
	-5095-001		6/30/2012		101,712	101,712						101,712
Total General Fund				<u>(108,864)</u>	<u>936,488</u>	<u>894,807</u>	<u>\$ -</u>	<u>(67,183)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(67,183)</u>	<u>894,807</u>
Special Revenue Fund:												
Nonpublic Handicapped Service Aid:												
Chapter 193 Services:												
Initial Examination and Classification	12-100-034	1,126	07/01/2011-									
	-5120-066		6/30/2012		1,126	1,126						1,126
Total Special Revenue Fund:				<u>-</u>	<u>1,126</u>	<u>1,126</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,126</u>
<u>State Department of Agriculture</u>												
Enterprise Fund:												
National School Lunch Program (State Share)	11-100-010	501	07/01/2010-									
	-3350-023		6/30/2011	(43)	43							
National School Lunch Program (State Share)	12-100-010	513	07/01/2011-									
	-3350-023		6/30/2012		488	513		(25)			(25)	513
Total Enterprise Fund				<u>(43)</u>	<u>531</u>	<u>513</u>	<u>-</u>	<u>(25)</u>	<u>-</u>	<u>-</u>	<u>(25)</u>	<u>513</u>
TOTAL STATE FINANCIAL ASSISTANCE				<u>\$ (108,907)</u>	<u>\$ 938,145</u>	<u>\$ 896,446</u>	<u>\$ -</u>	<u>\$ (67,208)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (67,208)</u>	<u>\$ 896,446</u>

SEE ACCOMPANYING NOTES TO SCHEDULES OF FINANCIAL ASSISTANCE

FRENCHTOWN BOROUGH SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF FINANCIAL ASSISTANCE
JUNE 30, 2012

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

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

NOTE 3. RELATIONSHIP OF GENERAL-PURPOSE FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last state aid payment in the current budget year, which is mandated pursuant to PL 2004, Ch 97 (A3521). For GAAP purposes, that payment is not recognized until the subsequent budget year due to the state deferred and recording of the last state aid payment in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$12,711 for the general fund and (\$12,045) for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds.

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 22,206	\$ 882,762	\$ 904,968
Special Revenue Fund	101,098	1,126	102,224
Food Service Fund	<u>16,385</u>	<u>513</u>	<u>16,898</u>
	<u>\$ 139,689</u>	<u>\$ 884,401</u>	<u>\$ 1,024,090</u>

FRENCHTOWN BOROUGH SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF FINANCIAL ASSISTANCE
JUNE 30, 2012
(Continued)

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

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

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

SECTION I-SUMMARY OF AUDITOR'S RESULTS

Federal Awards (Cont'd) NOT APPLICABLE

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

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

State Awards

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

Auditee Qualified as low-risk auditee X Yes _____ No

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

Internal Control Over Major Programs:
1. Material weakness(es) identified? _____ Yes X No

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

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

Identification of Major Programs:

<u>GMIS Numbers</u>	<u>Amount</u>	<u>Name of State Program</u>
12-495-034-5120-078	\$ 496,639	Equalization Aid
12-495-034-5095-002	97,401	TPAF Social Security Aid

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

SECTION II-FINANCIAL STATEMENT FINDINGS

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

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

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There were no prior year findings or questioned costs.