

**SCHOOL DISTRICT  
OF THE  
BOROUGH OF FRANKLIN LAKES**

**Borough of Franklin Lakes School District  
Franklin Lakes, New Jersey**

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

**Comprehensive Annual  
Financial Report**

**of the**

**Borough of Franklin Lakes School District**

**Franklin Lakes, New Jersey**

**For the Fiscal Year Ended June 30, 2012**

**Prepared by**

**Borough of Franklin Lakes School District  
Board of Education**

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**INTRODUCTORY SECTION**

# FRANKLIN LAKES PUBLIC SCHOOLS

490 Pulis Avenue, Franklin Lakes, New Jersey 07417

(201) 891-1856 • (201) 891-9333  
www.franklinlakes.k12.nj.us

Frank Romano, III, Ed.D.  
Superintendent of Schools

Michael J. Solokas  
Board Secretary and  
Business Administrator

October 8, 2012

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

Dear Board Members:

The comprehensive annual financial report of the Borough of Franklin Lakes School District (the "District") for the fiscal year ended June 30, 2012, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (the "Board"). 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 basic financial statements and results of operations 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 Independent Auditors' Report, management's discussion and analysis, the basic financial statements and notes providing an overview of the District's financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected economic and demographic information, financial trends and the fiscal capacity of the District, 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 Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' reports on the internal control and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, is included in the single audit section of this report.

**1) REPORTING ENTITY AND ITS SERVICES:** The Borough of Franklin Lakes School District is an independent reporting entity within the criteria adopted by the Government Accounting Standards Board ("GASB") in codification section 2100. All funds of the District are included in this report. The Borough of Franklin Lakes School District and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre-K through 8. These include regular, vocational as well as special education for handicapped youngsters. The District completed the 2011-2012 fiscal year with an average daily enrollment of 1,414 students, which is a decrease of 15 students from the previous year's enrollment. The following details the changes in the average daily student enrollment of the District over the last five years:

The Honorable President and Members of  
the Board of Education  
Borough of Franklin Lakes School District  
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Fiscal Year	Average Daily Enrollment	
	Student Enrollment	Percent Change
2011-2012	1,414	-1.05 %
2010-2011	1,429	-1.99 %
2009-2010	1,458	-2.28 %
2008-2009	1,492	0.20 %
2007-2008	1,489	-2.10 %

**2) ECONOMIC CONDITION AND OUTLOOK:** Currently the District is in stable financial condition. Franklin Lakes is experiencing the same economic slowdown as the State and Nation in general with slower home sales at lower values.

The primary factors considered by the District's Administration during the process of developing the fiscal year 2012-13 budget were the projected continuing declining student population, restoration of 1% of State Aid and the required employee contribution towards health care costs. These factors should enable the District to remain under the 2% Cap without eliminating any programs.

**3) MAJOR INITIATIVES:** During the 2011-2012 school year the District continued to monitor the new Singapore Math curriculum. The District also expanded Bright Horizons, a regular education pre-school program funded by parent paid tuition by 2 sections. Franklin Lakes also completed the installation of new boilers at Woodside Avenue elementary school and roofing at Franklin Avenue Middle School.

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

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

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

**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 reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as restrictions, commitments and assignments of fund balance at June 30, 2012.

The Honorable President and Members of  
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Borough of Franklin Lakes School District  
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**6) ACCOUNTING SYSTEM AND REPORTS:** The District's accounting records reflect generally accepted accounting principles, as promulgated by the GASB. The accounting system of the District is organized on the basis of funds. These funds are explained in "Notes to the Basic Financial Statements", Note 1.

**7) DEBT ADMINISTRATION:** At June 30, 2012, the District had \$7,040,000 in outstanding bonded debt and \$478,000 in outstanding temporary notes. Bond referendums were approved by the affirmative vote of a majority of the legal voters present and voting at the School District elections, which authorized the issuance of the school bonds. The proceeds of these bond issues were placed in the District's capital projects fund for use to provide funds for various capital improvements to the District's buildings and grounds. At June 30, 2012, the District had debt authorized but not issued of \$600.

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

**9) RISK MANAGEMENT:** The Board carries various forms of insurance, including, but not limited to, general liability, excess liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. Nathan Lane Insurance Agency oversees risk management for the District. A schedule of insurance coverage is found on Exhibit J-20.

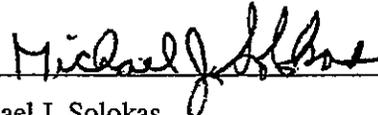
**10) OTHER INFORMATION:** Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia, LLP, CPAs, was selected by the Board of Education. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related Federal OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditors' report on the basic financial statements and specific required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

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

Respectfully submitted,

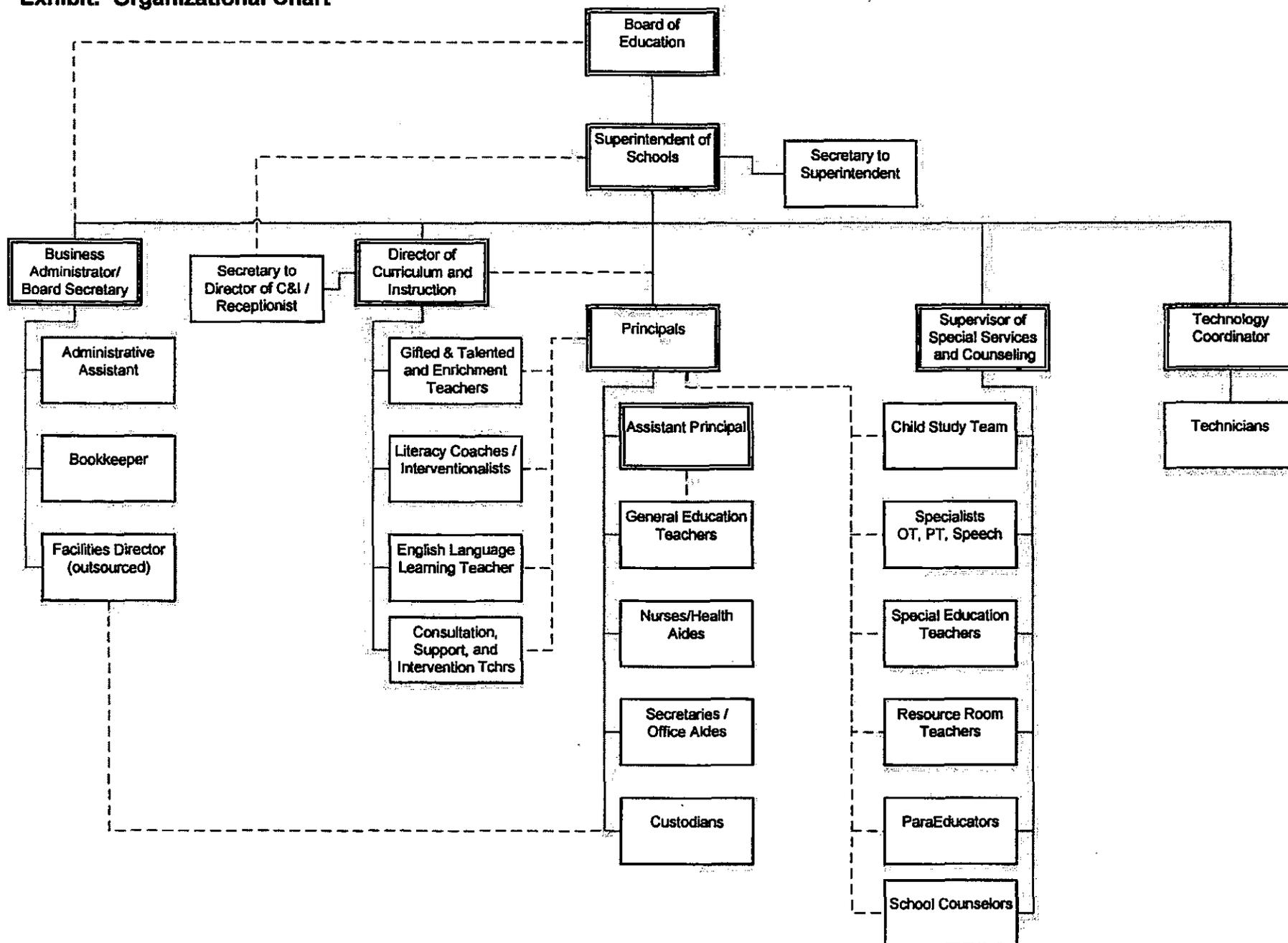


Dr. Frank Romano III  
Superintendent



Michael J. Solokas  
Business Administrator/Board Secretary

**Exhibit: Organizational Chart**



**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
 ROSTER OF OFFICIALS  
 JUNE 30, 2012**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Kathleen Schwartz, President	2012
Christine Christopoul, Vice President	2013
Margaret Bennett	2012
Joseph Conti	2012
Richard Koenigsberg	2013
Laurence Loprete	2014
James Martino	2013
Susan McGowan	2014
Craig Urciuoli	2014

<u>Other Officials</u>	<u>Title</u>
Dr. Frank Romano, III	Superintendent of Schools
Michael J. Solokas	Board Secretary/School Business Administrator
Nancy Ciavaglia	Treasurer

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
Consultants and Advisors**

**Attorney**

Fogarty & Hara  
16-00 Route 208 South  
Fair Lawn, NJ 07410

**Audit Firm**

Nisivoccia LLP, CPAs  
Mount Arlington Corporate Center  
200 Valley Road, Suite 300  
Mount Arlington, NJ 07856

**Official Depository**

Capital One Bank, N.A.  
805 Franklin Lakes Road  
Franklin Lakes, NJ 07417

**FINANCIAL SECTION**



Mount Arlington Corporate Center  
 200 Valley Road, Suite 300  
 Mt. Arlington, NJ 07856  
 973-328-1825 | 973-328-0507 Fax

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

### Independent Auditors' Report

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2012 on our consideration of the Board of Education of the Borough of Franklin Lakes School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report, and Budgetary Comparison Information in Exhibits C-1 through C-3 and I-3 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 of the Borough of Franklin Lakes School District's basic financial statements. The accompanying supplementary information schedules such as the combining and individual non-major fund financial statements and the Schedules of Expenditures of Federal and State Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-profit Organizations* and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively, 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 accompanying supplementary information such as the combining and individual non-major fund financial statements and the schedules of expenditures of federal and state awards are fairly stated in all material respects in relation to the financial statements as a whole. The accompanying other information, such as the introductory and statistical sections, is presented for the purposes of additional analysis and is 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.

*Nisivoccia, LLP*

NISIVOCCIA, LLP

Mount Arlington, New Jersey  
October 8, 2012

*Kathryn L. Mantell*

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

**REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)**

This section of Borough of Franklin Lakes School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2012. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* adopted in June, 1999. Certain comparative information between the current year (2011-2012) and the prior year (2010-2011) is required to be presented in the MD&A.

**Financial Highlights**

- The District's net assets increased \$803,183 during the fiscal year.
- Overall revenue was \$30,094,087.
- Overall expenditures were \$29,290,904.
- Actual local revenue was \$290,835 higher than expected, primarily in tuition from other LEA's and miscellaneous revenues.
- Unexpended budget appropriations were \$625,948.
- District enrollments have decreased by 1-2% annually causing slight increases in cost per pupil over the past three years.
- The District's outstanding long-term debt was \$7,040,000 at June 30 due to the retirement of \$650,000 in bonds and \$89,102 in capital leases during the fiscal year.

**Overview of the Financial Statements**

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

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

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

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)**

**Figure A-1  
Organization of the Borough of Franklin Lakes School District's Financial Report**

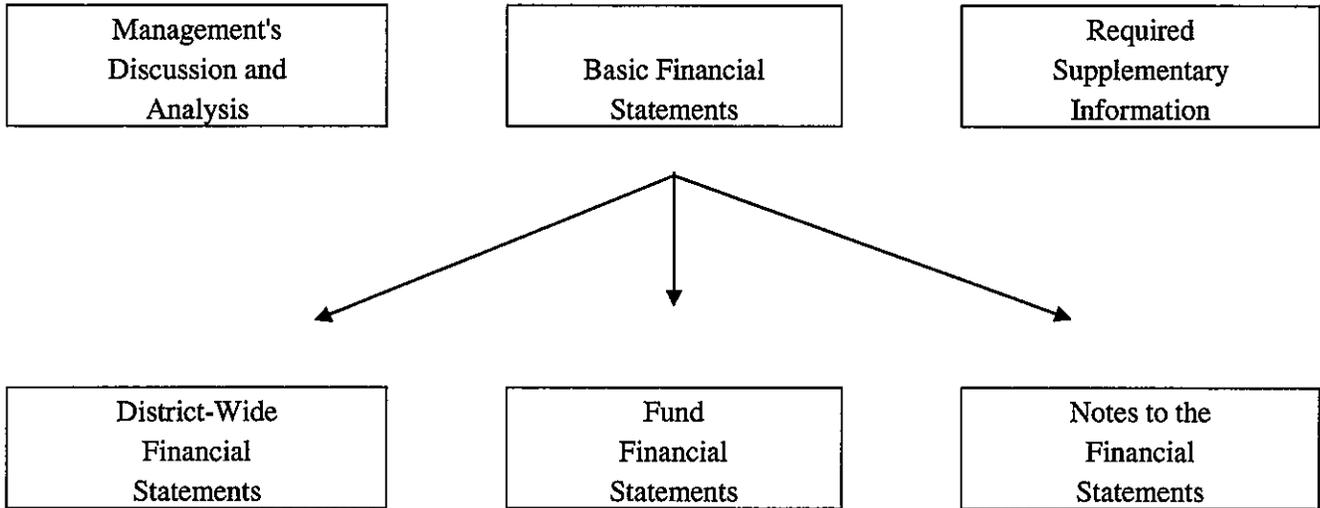


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents of each of the statements.

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)**

Figure A-2

*Major Features of the District-Wide and Fund Financial Statements*

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

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)**

### **District-wide Statements**

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

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

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

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on {1} how cash and other financial assets that can readily be converted to cash flow in and out, and {2} the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.
- *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The *internal service funds* (the other kind of proprietary fund) report activities that provide supplies and services for its other programs and activities. The District currently does not maintain any internal service funds.

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)**

**Fund Financial Statements**

- *Fiduciary funds:* The District is the trustee, or *fiduciary*, for assets that belong to others, such as scholarship funds and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

**Notes to Financial Statements**

Provide additional information essential to a full understanding of District-wide and fund financial statements.

**Financial Analysis of the District as a Whole**

*Net Assets.* The District's combined net assets were \$22,106,383 on June 30, 2012, \$803,183 or 3.77% more than they were the year before (See Figure A-3). Net Assets Invested in Capital Assets net of related debt increased \$168,442, Restricted Net Assets increased \$423,576, and Unrestricted Net Assets increased \$211,165.

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

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2011/2012
	2011/2012	2010/2011	2011/2012	2010/2011	2011/2012	2010/2011	
Current and							
Other Assets	3,168,182	2,647,195	\$ 9,829	\$ 26,847	\$ 3,178,011	\$ 2,674,042	18.85%
Capital Assets, Net	27,505,956	28,073,678			27,505,956	28,073,678	-2.02%
Total Assets	30,674,138	30,720,873	9,829	26,847	30,683,967	30,747,720	-0.21%
Long-Term Debt							
Outstanding	7,111,196	7,855,445			7,111,196	7,855,445	-9.47%
Other Liabilities	1,466,388	1,589,075			1,466,388	1,589,075	-7.72%
Total Liabilities	8,577,584	9,444,520			8,577,584	9,444,520	-9.18%
Net Assets:							
Invested in Capital Assets, Net of Related Debt	20,376,854	20,208,412			20,376,854	20,208,412	0.83%
Restricted	2,023,639	1,600,063			2,023,639	1,600,063	26.47%
Unrestricted (Deficit)	(303,939)	(532,122)	9,829	26,847	(294,110)	(505,275)	41.79%
Total Net Assets	\$ 22,096,554	\$ 21,276,353	\$ 9,829	\$ 26,847	\$ 22,106,383	\$ 21,303,200	3.77%

The increase in Net Assets Invested in Capital Assets net of related debt was the result of the combination of capital assets acquisitions of \$110,880, the retirement of \$650,000 of bonds and \$86,164 of capital leases offset by depreciation expenses of \$678,602. The increase in Restricted Net Assets was due to the \$101,800 increase in the capital reserve balance, the \$1,001 increase in the debt service fund balance and the \$320,775 increase in general fund excess surplus. The increase in Unrestricted Net Assets was due to the retirement of \$159,000 of capital projects fund notes payable, the \$55,288 amortization of the bond premium, the \$112,403 increase in general fund unassigned fund balance, the \$46,494 decrease in the compensated absence liability, and the \$9,818 decrease in accrued interest payable, offset by the \$107,916 decrease in year-end encumbrances, the \$8,495 amortization of bond issuance costs, the \$38,409 amortization of deferred interest and the \$17,018 decrease in food service fund net assets.

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)**

*Changes in Net Assets.* The District's net assets from governmental activities increased \$820,201 while net assets from business-type activities decreased \$17,018 (See Figure A-4).

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

	Governmental Activities		Business-Type Activities		Total School District		Percentage Change 2011/2012
	2011/2012	2010/2011	2011/2012	2010/2011	2011/2012	2010/2011	
Revenue:							
Program Revenue:							
Charges for Services	\$ 1,879,264	\$ 1,619,206	\$ 17,271	\$ 15,037	\$ 1,896,535	\$ 1,634,243	16.05%
Grants/Contributions:							
Operating	3,358,334	2,689,538	13,019	12,540	3,371,353	2,702,078	24.77%
General Revenue:							
Property Taxes	24,571,928	25,362,356			24,571,928	25,362,356	-3.12%
Federal/State Aid Not Restricted		15,569				15,569	-100.00%
Other	254,212	249,960	59		254,271	249,960	1.72%
Total Revenue	<u>30,063,738</u>	<u>29,936,629</u>	<u>30,349</u>	<u>27,577</u>	<u>30,094,087</u>	<u>29,964,206</u>	0.43%
Expenses:							
Instruction	17,872,536	17,658,349			17,872,536	17,658,349	1.21%
Pupil and Instruction Services	4,320,908	3,945,271			4,320,908	3,945,271	9.52%
Administrative and Business	2,545,252	2,530,526			2,545,252	2,530,526	0.58%
Maintenance and Operations	3,419,560	2,765,484			3,419,560	2,765,484	23.65%
Transportation	831,477	796,237			831,477	796,237	4.43%
Other	253,804	304,782	47,367	27,807	301,171	332,589	-9.45%
Total Expenses	<u>29,243,537</u>	<u>28,000,649</u>	<u>47,367</u>	<u>27,807</u>	<u>29,290,904</u>	<u>28,028,456</u>	4.50%
Increase/(Decrease) in Net Assets	<u>\$ 820,201</u>	<u>\$ 1,935,980</u>	<u>\$ (17,018)</u>	<u>\$ (230)</u>	<u>\$ 803,183</u>	<u>\$ 1,935,750</u>	-58.51%

*Revenue Sources.* The District's total revenue for the 2011/2012 school year was \$30,094,087 (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$24,571,928 of the total, or 81.66% (See Figure A-5). Another 11.21% came from state and federal aid for specific programs and the remaining 7.14% came from miscellaneous sources and charges for services.

**Figure A-5  
Sources of Revenue for Fiscal Years 2012 and 2011**

Sources of Income:	2012	Percentage	2011	Percentage
State Formula Aid	\$ 516,300	1.72%	\$ 157,682	0.53%
Property Taxes	24,571,928	81.66%	25,362,356	84.64%
Federal and State Categorical Grants	2,855,053	9.49%	2,559,965	8.54%
Charges for Services	1,896,535	6.30%	1,634,243	5.46%
Other	254,271	0.83%	249,960	0.83%
	<u>\$ 30,094,087</u>	<u>100.00%</u>	<u>\$ 29,964,206</u>	<u>100.00%</u>

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)**

The total cost of all programs and services was \$29,290,904. The District's expenses are predominantly related to instructing, caring for (pupil and instruction services) and transporting students (78.60%) (See Figure A-6). The District's administrative and business activities accounted for 8.69% of total costs. The most significant contributors to the cost of maintenance and operations (11.67% of total costs) were higher energy costs (including fuel) and insurance.

**Figure A-6**  
**Expenses for Fiscal Years 2012 and 2011**

Expense Category:	<u>2012</u>	<u>Percentage</u>	<u>2011</u>	<u>Percentage</u>
Instruction	\$ 17,872,536	61.01%	\$ 17,658,349	63.00%
Pupil and Instruction Services	4,320,908	14.75%	3,945,271	14.07%
Administrative and Business	2,545,252	8.69%	2,530,526	9.03%
Maintenance and Operations	3,419,560	11.67%	2,765,484	9.87%
Transportation	831,477	2.84%	796,237	2.84%
Other	301,171	1.04%	332,589	1.19%
	<u>\$ 29,290,904</u>	<u>100.00%</u>	<u>\$ 28,028,456</u>	<u>100.00%</u>

***Governmental Activities***

As discussed elsewhere in this commentary, the financial position of the District increased slightly in this past year. Maintaining existing programs with decreasing regular pupil enrollment and the provision of a multitude of special programs and services for disabled pupils place great demands on the District's resources. Veteran teachers continue to retire and have been replaced by teachers of less experience. Such changes continue to generate salary savings.

Careful management of expenses remains essential for the District to sustain its financial health. Among the many significant cost savings actions realized during the year were attributable to:

- Standard practice has been to maintain lower costs by seeking competitive proposals each year and seeking opportunities for shared services by joining more Regional Co-ops to enhance purchasing power.
- The District has implemented required employee contributions towards health care.

It is crucial that the District monitor its expenditures carefully throughout the year. District resources are at their tightest level in a decade, while State aid has been significantly reduced.

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)**

***Governmental Activities***

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

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

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2011/2012</u>	<u>2010/2011</u>	<u>2011/2012</u>	<u>2010/2011</u>
Instruction	\$ 17,872,536	\$ 17,658,349	\$ 12,904,690	\$ 13,933,389
Pupil and Instruction Services	4,320,908	3,945,271	4,276,440	3,648,358
Administrative and Business	2,545,252	2,530,526	2,421,644	2,412,470
Maintenance and Operations	3,419,560	2,765,484	3,419,560	2,765,484
Transportation	831,477	796,237	729,801	660,524
Other	253,804	304,782	253,804	271,680
	<u>\$ 29,243,537</u>	<u>\$ 28,000,649</u>	<u>\$ 24,005,939</u>	<u>\$ 23,691,905</u>

- The cost of all governmental activities this year was \$29,243,537.
- The federal and state governments subsidized certain programs with grants and contributions (\$3,358,334).
- Most of the District's costs (\$24,571,928) were financed by District taxpayers.
- Charges for services (tuition and transportation) totaled \$1,879,264.

***Business-Type Activities***

Net assets from the District's business-type activity decreased \$17,018 (Refer to Figure A-4). Factors contributing to these results included:

- The \$17,018 decrease in net assets of the business-type activities was attributable to milk expenses which exceeded revenues during the current fiscal year. The Federal Special Milk Program reimbursements help offset the costs of the District's milk purchases.

**Financial Analysis of the District's Funds**

The District's financial position increased despite difficult economic times. Expenditures during the recent year increased as a result of higher than expected increase in health care costs.

Difficult economic times have had a direct impact upon the District's revenue sources. Interest from General Fund investments remained unfavorable as compared to years past. Subscription busing revenue declined over 6.5% due to lower ridership.

These factors are likely to continue for the next few years. To maintain a stable financial position, the District must continue to practice sound fiscal management and seek alternative revenue sources such as grants and continued support from the Franklin Lakes Education Foundation.

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)**

**General Fund Budgetary Highlights**

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

- Changes made within budgetary line items for changes in school-based needs for programs, supplies and equipment.
- The preparation of the 2011/2012 budget was difficult as a result of rising costs and the state mandated 2% tax levy increase cap. This resulted in the need for numerous line item transfers during the year.
- Allowable appropriations of additional unexpected revenue.

**Capital Asset and Debt Administration**

**Figure A-8**

**Capital Assets (Net of Depreciation)**

	Governmental Activities		Total School District		Percentage Change 2011/2012
	2011/2012	2010/2011	2011/2012	2010/2011	
Land	\$ 1,807,879	\$ 1,807,879	\$ 1,807,879	\$ 1,807,879	0.00%
Construction in Progress	995,289	995,289	995,289	995,289	0.00%
Buildings and Building Improvements	24,292,503	24,962,948	24,292,503	24,962,948	-2.69%
Machinery and Equipment	410,285	307,562	410,285	307,562	33.40%
Total Capital Assets (Net of Depreciation)	<u>\$27,505,956</u>	<u>\$28,073,678</u>	<u>\$27,505,956</u>	<u>\$28,073,678</u>	-2.02%

The District had \$110,880 in capital asset acquisitions and \$678,602 in depreciation expense during the current fiscal year. More detailed information about the District's capital assets is presented in Note 7 to the Basic Financial Statements.

**Long-term Debt**

At year-end, the District had \$7,040,000 in general obligation bonds – a decrease of \$650,000 from last year – as shown in Figure A-9. More detailed information about the District's long-term liabilities is presented in Note 8 to the Basic Financial Statements.

**Figure A-9**

**Outstanding Long-Term Debt**

	Total School District		Percentage Change 2011/2012
	2011/2012	2010/2011	
General Obligation Bonds (Financed with Property Taxes)	\$ 7,040,000	\$ 7,690,000	-8.45%
Less: Deferred Amount on Refunding	(422,498)	(460,907)	-8.33%
Net Serial Bonds Payable	6,617,502	7,229,093	-8.46%
Other Long Term Liabilities	493,694	626,352	-21.18%
	<u>\$ 7,111,196</u>	<u>\$ 7,855,445</u>	-9.47%

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)**

**Long-term Debt**

- The District continued to pay down its existing debt, retiring \$650,000 of bonded debt and \$86,164 of capital leases payable.
- The District retired the net amount of \$46,494 of compensated absences payable.

**Factors Bearing on the District's Future Revenue/Expense Changes**

Currently, the District is in good financial condition. Everyone associated with the Borough of Franklin Lakes School District is grateful for the community support, as evidenced by the successful passage of the District's annual budget for 15 out of the last 16 years.

The primary factors considered by the District's Administration during the process of developing the fiscal year 2012-13 budget were the projected continuing declining student population and the required employee contribution towards health care costs. These factors should enable the District to remain under the 2% Cap without eliminating any programs.

**Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers and customers with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board of Education Office, 490 Pulis Avenue, Franklin Lakes, New Jersey 07417.

**BASIC FINANCIAL STATEMENTS**

**DISTRICT-WIDE FINANCIAL STATEMENTS**

Exhibit A-1

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2012

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,747,128	\$ 5,247	\$ 1,752,375
Receivable from Federal Government		858	858
Receivable from State Government	339,359		339,359
Receivable from Local Governments	55,658		55,658
Other Accounts Receivable	15,386		15,386
Internal Balances	(3,724)	3,724	
Interfund Receivables	10,503		10,503
Unamortized Bond Issuance Costs	93,442		93,442
Restricted Assets:			
Emergency Reserve Account - Cash	100,000		100,000
Capital Reserve Account - Cash	810,430		810,430
Capital Assets:			
Land	1,807,879		1,807,879
Construction-in-Progress	995,289		995,289
Depreciable Buildings and Building Improvements and Furniture, Machinery and Equipment	24,702,788		24,702,788
Total Assets	<u>30,674,138</u>	<u>9,829</u>	<u>30,683,967</u>
<b>LIABILITIES</b>			
Accounts Payable - Vendors	98,841		98,841
Payable to State Government	61,148		61,148
Temporary Notes Payable	478,000		478,000
Accrued Interest Payable	108,427		108,427
Deferred Revenue	111,800		111,800
Unamortized Bond Premium	608,172		608,172
Noncurrent Liabilities:			
Due Within One Year	700,693		700,693
Due Beyond One Year	6,410,503		6,410,503
Total Liabilities	<u>8,577,584</u>		<u>8,577,584</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	20,376,854		20,376,854
Restricted for:			
Capital Projects	868,210		868,210
Debt Service	81,684		81,684
Other Purposes	1,073,745		1,073,745
Unrestricted / (Deficit)	(303,939)	9,829	(294,110)
Total Net Assets	<u>\$ 22,096,554</u>	<u>\$ 9,829</u>	<u>\$ 22,106,383</u>

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

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
<b>Instruction:</b>							
Regular	\$ 12,421,382		\$ 1,542,021		\$ (10,879,361)		\$ (10,879,361)
Special Education	4,752,660	\$ 1,794,954	1,540,755		(1,416,951)		(1,416,951)
Other Instruction	573,125		76,373		(496,752)		(496,752)
School-Sponsored Instruction	125,369		13,743		(111,626)		(111,626)
<b>Support Services:</b>							
Tuition	357,294				(357,294)		(357,294)
Student & Instruction Related Services	3,963,614		44,468		(3,919,146)		(3,919,146)
General Administrative Services	573,298				(573,298)		(573,298)
School Administrative Services	1,380,949		123,608		(1,257,341)		(1,257,341)
Central Services	411,303				(411,303)		(411,303)
Administrative Information Technology	179,702				(179,702)		(179,702)
Plant Operations and Maintenance	3,419,560				(3,419,560)		(3,419,560)
Pupil Transportation	831,477	84,310	17,366		(729,801)		(729,801)
Interest and Other Charges	253,804				(253,804)		(253,804)
<b>Total Governmental Activities</b>	<b>29,243,537</b>	<b>1,879,264</b>	<b>3,358,334</b>		<b>(24,005,939)</b>		<b>(24,005,939)</b>

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012  
(Continued)

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Business-Type Activities:							
Food Service	\$ 47,367	\$ 17,271	\$ 13,019			\$ (17,077)	\$ (17,077)
Total Business-Type Activities	47,367	17,271	13,019			(17,077)	(17,077)
Total Primary Government	\$ 29,290,904	\$ 1,896,535	\$ 3,371,353	\$ -0-	\$ (24,005,939)	(17,077)	(24,023,016)
General Revenue:							
Taxes:							
Property Taxes, Levied for General Purposes, Net					23,489,921		23,489,921
Taxes Levied for Debt Service					1,082,007		1,082,007
Interest					1,800	\$ 59	1,859
Miscellaneous Income					252,412		252,412
Total General Revenue					24,826,140	59	24,826,199
Change in Net Assets					820,201	(17,018)	803,183
Net Assets - Beginning					21,276,353	26,847	21,303,200
Net Assets - Ending					\$ 22,096,554	\$ 9,829	\$ 22,106,383

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

**FUND FINANCIAL STATEMENTS**

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<u>ASSETS:</u>					
Cash and Cash Equivalents	\$ 1,601,606	\$ 61,148	\$ 2,935	\$ 81,439	\$ 1,747,128
Receivables From State Government	339,359				339,359
Receivables From Local Governments	55,658				55,658
Other Receivables	15,386				15,386
Interfund Receivable	368,866			245	369,111
Restricted Cash and Cash Equivalents	910,430				910,430
<b>Total Assets</b>	<b>\$ 3,291,305</b>	<b>\$ 61,148</b>	<b>\$ 2,935</b>	<b>\$ 81,684</b>	<b>\$ 3,437,072</b>
<u>LIABILITIES AND FUND BALANCES:</u>					
Liabilities:					
Interfund Payable	\$ 3,724		\$ 358,608		\$ 362,332
Accounts Payable - Vendors	98,841				98,841
Payable to State Government		\$ 61,148			61,148
Temporary Notes Payable			478,000		478,000
Deferred Revenue	111,800				111,800
<b>Total Liabilities</b>	<b>214,365</b>	<b>61,148</b>	<b>836,608</b>		<b>1,112,121</b>
Fund Balances:					
Restricted:					
Excess Surplus	641,513				641,513
Excess Surplus - Designated for Subsequent Year's Expenditures	332,232				332,232
Emergency Reserve	100,000				100,000
Capital Reserve Account	810,430				810,430
Capital Projects			57,780		57,780
Debt Service				\$ 81,684	81,684

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Fund Balances:					
Assigned:					
Year-End Encumbrances	\$ 408,454				\$ 408,454
Unassigned (Deficit)	784,311		\$ (891,453)		(107,142)
Total Fund Balances (Deficit)	3,076,940		(833,673)	\$ 81,684	2,324,951
Total Liabilities and Fund Balances	\$ 3,291,305	\$ 61,148	\$ 2,935	\$ 81,684	

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

Capital Assets Used in Governmental Activities are not Financial Resources and Therefore are not Reported in the Funds. The Cost of the Assets is \$40,300,633 and the Accumulated Depreciation is \$12,794,677.	27,505,956
Bond Issuance costs are reported as expenditures in the Governmental Funds in the year of expenditure. The original costs were \$110,432 and accumulated amortization is \$16,990.	93,442
Bond Issuance Premiums are reported as revenue in the Governmental Funds in the year the bonds are sold. The original amount was \$718,748 and accumulated amortization is \$110,576.	(608,172)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(108,427)
Long-Term Liabilities, Including Bonds Payable and Compensated Absences, Are Not Due and Payable in the Current Period and Therefore are not Reported as Liabilities in the Funds.	(7,111,196)
Net Assets of Governmental Activities	\$ 22,096,554

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

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

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES:</b>					
<b>Local Sources:</b>					
Local Tax Levy	\$ 23,489,921			\$ 1,082,007	\$ 24,571,928
Other Local Government Units - Restricted	118,648				118,648
Tuition from Individuals	280,300				280,300
Tuition from Other LEAs	1,514,654				1,514,654
Transportation Fees	84,310				84,310
Interest Earned on Capital Reserve	1,800				1,800
Miscellaneous	133,764	\$ 33,101	\$ 159,000		325,865
<b>Total - Local Sources</b>	<b>25,623,397</b>	<b>33,101</b>	<b>159,000</b>	<b>1,082,007</b>	<b>26,897,505</b>
State Sources	2,847,302	87,923			2,935,225
Federal Sources	44,468	345,540			390,008
<b>Total Revenues</b>	<b>28,515,167</b>	<b>466,564</b>	<b>159,000</b>	<b>1,082,007</b>	<b>30,222,738</b>
<b>EXPENDITURES:</b>					
<b>Current:</b>					
Regular Instruction	9,077,207	107,923			9,185,130
Special Education Instruction	3,152,776	325,540			3,478,316
Other Instruction	423,521				423,521
School-Sponsored/Other Instruction	93,249				93,249
<b>Support Services and Undistributed Costs:</b>					
Tuition	357,294				357,294
Student and Other Instruction Related Services	3,150,929				3,150,929
General Administration Services	477,462				477,462
School Administration Services	1,013,628				1,013,628
Central Services	319,201				319,201
Administrative Information Technology	152,541				152,541
Plant Operations and Maintenance	2,591,421				2,591,421
Student Transportation	828,372				828,372
Unallocated Benefits	6,318,468				6,318,468

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

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
EXPENDITURES:					
Debt Service:					
Interest and Other Charges				\$ 272,006	\$ 272,006
Principal				809,000	809,000
Capital Outlay	\$ 132,036	\$ 33,101			165,137
Total Expenditures	<u>28,088,105</u>	<u>466,564</u>		<u>1,081,006</u>	<u>29,635,675</u>
Excess/(Deficit) of Revenue Over/(Under) Expenditures	<u>427,062</u>		<u>\$ 159,000</u>	<u>1,001</u>	<u>587,063</u>
Net Change in Fund Balances	<u>427,062</u>		<u>159,000</u>	<u>1,001</u>	<u>587,063</u>
Fund Balance (Deficit) - July 1	<u>2,649,878</u>		<u>(992,673)</u>	<u>80,683</u>	<u>1,737,888</u>
Fund Balance (Deficit) - June 30	<u><u>\$ 3,076,940</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ (833,673)</u></u>	<u><u>\$ 81,684</u></u>	<u><u>\$ 2,324,951</u></u>

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

BOROUGH OF FRANKLIN LAKES 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 Change in Fund Balances - Governmental Funds (from B-2)		\$	587,063
Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because:			
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.			
	Depreciation Expense	\$ (678,602)	
	Capital Outlays	<u>110,880</u>	(567,722)
In the statement of activities, certain operating expenses, e.g., compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).			
			46,494
Repayment of serial bonds and capital leases is an expenditure in the Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Assets and is not reported in the Statement of Activities.			
	Serial Bonds Principal	650,000	
	Capital Lease Principal	<u>86,164</u>	736,164
The governmental funds report the effect of bond issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities over the life of the bonds.			
			(8,495)
Also, the governmental funds report the effect of deferred interest costs relative to an advance refunding when debt is first issued whereas these amounts are deferred and amortized in the statement of activities.			
			(38,409)
Finally, the governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.			
			55,288
In the Statement of Activities, interest on long term debt in the Statement of Activities is accrued, regardless of when due. In the Governmental Funds, interest is reported when due.			
			<u>9,818</u>
Change in Net Assets of Governmental Activities (Exhibit A-2)		\$	<u><u>820,201</u></u>

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

Exhibit B-4

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2012

	<u>Business-type                      Activities -                      Enterprise Funds                      Food Service</u>
<b>ASSETS:</b>	
<b>Current Assets:</b>	
Cash and Cash Equivalents	\$          5,247
Intergovernmental Accounts Receivable:	
Federal	858
Interfund Accounts Receivable:	
General Fund	<u>3,724</u>
<b>Total Current Assets</b>	<u>9,829</u>
<b>Total Assets</b>	<u>9,829</u>
<b>NET ASSETS:</b>	
Unrestricted	<u>9,829</u>
<b>Total Net Assets</b>	<u><u>\$          9,829</u></u>

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

## Exhibit B-5

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

	<u>Business-type Activities - Enterprise Funds Food Service</u>
Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs - Special Milk Program	\$ 17,271
Total Operating Revenue	<u>17,271</u>
Operating Expenses:	
Cost of Sales	<u>47,367</u>
Total Operating Expenses	<u>47,367</u>
Operating Loss	(30,096)
Non-Operating Revenue:	
Local Sources:	
Interest on Deposits	59
Federal Sources:	
Special Milk Program	<u>13,019</u>
Total Non-Operating Revenue	<u>13,078</u>
Change in Net Assets	(17,018)
Net Assets - Beginning of Year	<u>26,847</u>
Net Assets - End of Year	<u>\$ 9,829</u>

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

## Exhibit B-6

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

	<u>Business-type            Activities -            Enterprise Funds</u> <u>Food Service</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 17,271
Payments to Suppliers	(47,367)
Net Cash Used for Operating Activities	<u>(30,096)</u>
Cash Flows from Noncapital Financing Activities:	
Interfund Receivable - General Fund	12,724
Local Sources:	
Interest on Deposits	59
Federal Sources:	
Special Milk Program	14,550
Net Cash Provided by Noncapital Financing Activities	<u>27,333</u>
Net Decrease in Cash and Cash Equivalents	(2,763)
Cash and Cash Equivalents, July 1	<u>8,010</u>
Cash and Cash Equivalents, June 30	<u>\$ 5,247</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	<u>\$ (30,096)</u>
Net Cash Used for Operating Activities	<u>\$ (30,096)</u>

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

## Exhibit B-7

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2012

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>	<u>Totals</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 139,090	\$ 355,376	\$ 5,245	\$ 499,711
Interfund Receivable - Payroll Agency		10,012		10,012
<b>Total Assets</b>	<u>139,090</u>	<u>365,388</u>	<u>5,245</u>	<u>509,723</u>
<b>LIABILITIES:</b>				
Accrued Payroll - Summer Savings	57,550			57,550
Interfund Payable - General Fund	10,503			10,503
Interfund Payable - Unemployment Trust	10,012			10,012
Due to Student Groups	56,346			56,346
Payroll Deductions and Withholdings	4,679			4,679
<b>Total Liabilities</b>	<u>139,090</u>			<u>139,090</u>
<b>NET ASSETS:</b>				
Held in Trust for Unemployment Claims		365,388		365,388
Restricted for Scholarships			5,245	5,245
<b>Total Net Assets</b>	<u>\$ - 0 -</u>	<u>\$ 365,388</u>	<u>\$ 5,245</u>	<u>\$ 370,633</u>

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

## Exhibit B-8

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

	Unemployment Compensation Trust	Private Purpose Scholarship Trust	Totals
Additions:			
Contributions:			
Plan Contributions	\$ 27,383		\$ 27,383
Board Contributions	140,000		140,000
Total Contributions	167,383		167,383
Investment Earnings:			
Interest	745	\$ 17	762
Net Investment Earnings	745	17	762
Total Additions	168,128	17	168,145
Deductions			
Unemployment Compensation Claims	56,429		56,429
Scholarships Awarded		160	160
Total Deductions	56,429	160	56,589
Change in Net Assets	111,699	(143)	111,556
Net Assets - Beginning of the Year	253,689	5,388	402,681
Net Assets - End of the Year	\$ 365,388	\$ 5,245	\$ 514,237

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

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

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

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

B. Basis of Presentation:

District-Wide Financial Statements:

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

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

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

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

B. Basis of Presentation: (Cont'd)

Fund Financial Statements:

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

The District reports the following governmental funds:

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

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

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

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

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

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

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

B. Basis of Presentation: (Cont'd)

The District reports the following proprietary fund:

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

Additionally, the District reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

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

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 budget for the fiscal year ended June 30, 2012 was submitted to the County office and was voted upon at the annual school election on the fourth Wednesday in April, 2011. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

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

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

The Capital Projects Fund budgetary revenue differs from GAAP revenue due to a difference in the recognition of SDA grants. Grants are recognized in full on the budgetary basis in the year the grants are awarded, but are not recognized on the GAAP basis until they are expended and submitted for reimbursement.

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue"		
from the Budgetary Comparison Schedule	\$ 28,546,515	\$ 465,860
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis recognizes Encumbrances as Revenue and Expenditures while the GAAP Basis does not.		704
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(31,348)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 28,515,167	\$ 466,564

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

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

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

	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 28,088,105	\$ 465,860
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.		704
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 28,088,105	\$ 466,564
		Capital Projects Fund
Fund Balance (Deficit) per Summary Schedule of Revenue, Expenditures and Changes in Fund Balance (Budgetary Basis)		\$ (87,609)
Reconciliation to Governmental Funds Statement (GAAP):		
SDA Grants not Recognized on GAAP Basis		(746,064)
Fund Balance (Deficit) per Governmental Funds (GAAP)		\$ (833,673)

E. Cash and Cash Equivalents and Investments:

Cash and cash equivalents include petty cash and cash in banks. Certificates of deposit with maturities of one year or less when purchased are stated at cost.

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

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

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

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

F. Interfund Transactions:

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

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

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

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

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

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2012.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

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

K. Capital Assets:

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

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

	<u>Estimated Useful Life</u>
Buildings	30 years
Site Improvements	20 years
Machinery and Equipment	10 to 15 years
Computer and Related Technology	5 years
Vehicles	8 years

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

L. Long Term Liabilities:

In the District-wide and enterprise fund statements of net assets, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or enterprise funds. Bond issuance costs, as well as applicable bond premium and discounts, are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements, governmental fund types recognize bond discounts, as well as bond issuance costs, as expenditures in the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

M. Accrued Salaries and Wages:

The District allows employees who provide services over the ten-month academic year the option to have their salaries evenly distributed during the entire twelve-month year. The accrued salaries and wages as of June 30, 2012 was \$57,550.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

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

N. Compensated Absences:

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

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

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

O. Deferred Revenue:

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

P. Fund Balance Appropriated:

General Fund: The \$3,076,940 General Fund fund balance at June 30, 2012, is comprised of \$408,454 assigned for year-end encumbrances; \$810,430 restricted in the capital reserve account; \$100,000 restricted in the emergency reserve account; \$332,232 prior year excess surplus that has been restricted and appropriated and included in as anticipated revenue for the fiscal year ending June 30, 2013; \$641,513 restricted for excess surplus in accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2004, C.73 (S1701) and will be appropriated and included as anticipated revenue for the fiscal year ending June 30, 2014; and \$784,311 is unassigned which is \$31,348 less than the calculated unassigned fund balance, on a GAAP basis, due to the last two June state aid payments, which are not recognized until the fiscal year ended June 30, 2013.

Capital Projects Fund: Of the \$833,673 deficit in Capital Projects Fund balance at June 30, 2012, \$57,780 is restricted and the \$891,453 deficit is unassigned and is \$746,064 less on the GAAP basis due to SDA grants receivables which are not recognized on the GAAP basis of accounting until expended and submitted for reimbursement.

Debt Service Fund: The entire \$81,684 Debt Service Fund fund balance at June 30, 2012 is restricted.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, C.73 (S1701), the designation for Restricted Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District has excess surplus at June 30, 2012 as outlined above.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

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

Q. Net Assets

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

R. Deficit Fund Balances/Net Assets

The District had a \$833,673 deficit in fund balance in the Capital Projects Fund primarily due to the issuance of \$478,000 of temporary notes which do not constitute revenue and \$746,064 of Schools Development Authority grants receivable which are not recognized on a GAAP basis and a \$303,939 deficit in the Unrestricted Net Assets of its Governmental Activities as of June 30, 2012 – a combination of the \$833,673 deficit in the Capital Projects Fund offset by \$784,311 unassigned fund balance in the General Fund offset by the accrual of bond issue costs, bond premiums, interest payable and deferred interest on the refunding bond issue. These deficits do not indicate that the District is having financial difficulties and is a permitted practice under generally accepted accounting principles.

S. Fund Balance Restrictions, Commitments and Assignments:

The District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during the prior fiscal year. The objective of this standard is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions (as detailed in Note 1B). This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined for a formal action of the District's highest level of decision-making authority. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts has been restricted, committed or assigned.

Fund balance restrictions have been established for excess surplus, a capital reserve, an emergency reserve, capital projects and debt service.

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has no committed resources at June 30, 2012.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

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

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

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has \$408,454 in assigned resources for year-end encumbrances in the General Fund at June 30, 2012.

T. Revenue - Exchange and Nonexchange Transactions:

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

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

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

U. Operating Revenue and Expenses:

Operating revenue are those revenues that are generated directly from the primary activity of the Enterprise Fund. These revenues are generated from the sale of milk to students. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Enterprise Fund.

V. Management Estimates:

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

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

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

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

Credit Risk – The Board limits its investments to those authorized in its formal cash management plan which are those permitted under state statute as detailed below and on the following page.

Deposits:

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

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

The market value of the collateral must equal 5% of the average daily balance of public funds on deposit, and

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

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

Investments

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

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

Investments: (Cont'd)

- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund; or
- (7) Agreements for the repurchase of fully collateralized securities if:
  - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
  - (b) the custody of collateral is transferred to a third party;
  - (c) the maturity of the agreement is not more than 30 days;
  - (d) the underlying securities are purchased through a public depository as defined in statute; and
  - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

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

	Cash and Cash Equivalents	Capital Reserve Account	Emergency Reserve Account	Total
Checking Accounts	\$ 2,252,086	\$ 810,430	\$ 100,000	\$ 3,162,516

During the period ended June 30, 2012, the District did not hold any investments. The carrying amount of the District's cash and cash equivalents at June 30, 2012 was \$3,162,516 and the bank balance was \$3,860,966.

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by Board resolution on June 30, 2000 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the State Department of Education, a District may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line item appropriation amounts, or both. A District may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 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.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT (Cont'd)

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

Balance June 30, 2011	\$ 708,630
Interest Earnings	1,800
Deposit per Board Resolution June 13, 2012	<u>100,000</u>
Balance June 30, 2012	<u><u>\$ 810,430</u></u>

The June 30, 2012 Capital Reserve Account balance does not exceed the local support costs of uncompleted capital projects in the District's Long Range Facilities Plan ("LRFP"). There were no withdrawals from the capital reserve for use in a DOE approved facilities project, consistent with the District's LRFP.

NOTE 5: EMERGENCY RESERVE ACCOUNT

An emergency reserve account was established by Board resolution on June 24, 2008 by inclusion of \$50,000 for the accumulation of funds for use as unanticipated General Fund expenditures in subsequent fiscal years. The emergency reserve account is maintained in the General Fund and its activity is included in the General Fund annual budget.

The emergency reserve is used to accumulate funds in accordance with N.J.S.A. 18A:7F-41c(1) to finance unanticipated general fund expenditures required for a through and efficient education. The maximum balance permitted at any time in this reserve is the greater of \$250,000 or 1% of the general fund budget not to exceed one million dollars. Deposits may be made to the emergency reserve account by board resolution between June 1<sup>st</sup> and June 30<sup>th</sup> of any unanticipated revenue or unexpended line item appropriation or both. Withdrawals from the reserve require the approval of the Commissioner unless the withdrawal is necessary to meet an increase in total health care costs in excess of four percent.

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

Balance June 30, 2011	<u>\$ 100,000</u>
Balance June 30, 2012	<u><u>\$ 100,000</u></u>

NOTE 6: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2012, the District transferred \$12,090 to capital outlay for equipment which did not require County Superintendent approval.

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**  
(Continued)

**NOTE 7. CAPITAL ASSETS**

Capital asset balances and activity for the year ended June 30, 2012 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 1,807,879			\$ 1,807,879
Construction in Progress	995,289			995,289
Total Capital Assets Not Being Depreciated	<u>2,803,168</u>			<u>2,803,168</u>
Capital Assets Being Depreciated:				
Buildings and Building Improvements	35,604,511			35,604,511
Machinery and Equipment	1,782,074	\$ 110,880		1,892,954
Total Capital Assets Being Depreciated	<u>37,386,585</u>	<u>110,880</u>		<u>37,497,465</u>
Governmental Activities Capital Assets	<u>40,189,753</u>	<u>110,880</u>		<u>40,300,633</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(10,641,563)	(670,445)		(11,312,008)
Machinery and Equipment	(1,474,512)	(8,157)		(1,482,669)
	<u>(12,116,075)</u>	<u>(678,602)</u>		<u>(12,794,677)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 28,073,678</u>	<u>\$ (567,722)</u>	<u>\$ -0-</u>	<u>\$ 27,505,956</u>

The increases totaling \$110,880 represent current year equipment additions.

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 1,447
Student and Instruction Related Services	4,401
Plant Operations and Maintenance	<u>672,754</u>
	<u>\$ 678,602</u>

**NOTE 8. LONG-TERM LIABILITIES**

During the fiscal year ended June 30, 2012, the following changes occurred in liabilities reported in the district-wide financial statements:

	<u>Balance 6/30/2011</u>	<u>Accrued</u>	<u>Retired</u>	<u>Balance 6/30/2012</u>
Serial Bonds Payable	\$ 7,690,000		\$ 650,000	\$ 7,040,000
Less: Deferred Amount on Refunding	(460,907)		(38,409)	(422,498)
Net Serial Bonds Payable	<u>7,229,093</u>		<u>611,591</u>	<u>6,617,502</u>
Capital Leases Payable	175,266		86,164	89,102
Compensated Absences Payable	451,086	\$ 28,157	74,651	404,592
	<u>\$ 7,855,445</u>	<u>\$ 28,157</u>	<u>\$ 772,406</u>	<u>\$ 7,111,196</u>

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**  
(Continued)

**NOTE 8. LONG-TERM LIABILITIES** (Cont'd)

**A. Bonds Payable:**

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

The District refunded \$6,499,000 of its School Bonds dated August 1, 2002 which represents the callable portion of that issue and consists of original maturities due August 1, 2013 through 2022 with interest rates ranging from 3.75% to 4.625%. The District issued \$6,390,000 refunding bonds (with an original issue premium of \$718,748) dated September 30, 2010 with maturities from August 1, 2013 through 2022 with interest rates ranging from 3.0% to 4.5%. The transaction constituted an advance refunding of the old bonds and generated \$422,611 in cash savings and \$382,596 in net present value savings, or 5.99% of the refunding issue.

The District had bonds outstanding as of June 30, 2012 as follows:

<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Amount</u>
08/01/22	3.00% - 4.50%	\$ 6,390,000
08/01/12	3.75%	650,000
		<u>\$ 7,040,000</u>

Principal and interest due on serial bonds outstanding are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 650,000	\$ 248,038	\$ 898,038
2014	660,000	225,950	885,950
2015	655,000	206,225	861,225
2016	650,000	186,650	836,650
2017	640,000	167,300	807,300
Thereafter:			
2018-2022	3,160,000	459,300	3,619,300
2023	625,000	12,500	637,500
	<u>\$ 7,040,000</u>	<u>\$ 1,505,963</u>	<u>\$ 8,545,963</u>

**B. Bonds Authorized But Not Issued:**

As of June 30, 2012, the Board had \$600 of bonds authorized but not issued relative to a bond referendum authorized on April 16, 2002 for the construction of an addition to and upgrading of existing facilities.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

NOTE 8. LONG-TERM LIABILITIES (Cont'd)

C. Compensated Absences:

The liability for compensated absences of the Governmental Fund types is recorded in the current and long-term liabilities. The long-term liability balance of compensated absences is \$404,592. No portion of the compensated absences balance represents a current liability. The General Fund will be used to liquidate Compensated Absences Payable.

There is no liability for compensated absences in the District's Enterprise Fund.

D. Capital Leases Payable:

The District has entered into a capital lease to finance the installation of a fiber optic network throughout the District. The capital lease is for a term of five years and will be retired through the General Fund. The following is a schedule of the future minimum lease payments under the capital lease, and the present value of the net minimum lease payments at June 30, 2012.

2013	\$	92,141
Less: Amount Representing Interest		<u>(3,039)</u>
Present Value of Net Minimum Lease Payments	\$	<u>89,102</u>

The entire \$89,102 balance of capital leases represents the current portion, and there is no long term portion.

NOTE 9. POST-RETIREMENT BENEFITS

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

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

The State's on behalf Post-Retirement Medical Contributions to TPAF for the District amounted to \$758,307, \$821,706 and \$808,736 for 2012, 2011 and 2010 respectively.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

NOTE 10. PENSION PLANS

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

Employees who are members of TPAF or PERS and retire at a specified age according to the relevant tier category for that employee are entitled to a retirement benefit based upon a formula which takes "final average salary" during years of creditable service. Vesting occurs after 8 to 10 years of service.

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

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey regulation. Effective with the first payroll to be paid on or after October 1, 2011 the employee contributions for PERS went from 5.5% to 6.5% of employees' annual compensation as defined. Employers are required to contribute at an actuarially determined rate in the PERS and TPAF.

The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits, and post-retirement medical premiums. Under current statute, the District is a noncontributing employer of the TPAF.

District contributions to PERS amounted to \$216,037, \$226,399 and \$174,843 for the fiscal years ended June 30, 2012, 2011 and 2010, respectively.

During the fiscal year ended June 30, 2012 the State of New Jersey made a \$377,218 contribution to the TPAF for normal pension benefits on-behalf of the District. During the fiscal years ended June 30, 2011 and 2010 the State of New Jersey made no contributions to the TPAF for normal pension benefits on-behalf of the District.

NOTE 11. 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. The District has health benefits coverage for employees with Horizon Blue Cross Blue Shield.

Property and Liability Insurance

The District maintains commercial insurance coverage for property, liability, student accident and surety bonds. A complete schedule of insurance coverage can be found on Exhibit J-20 in the statistical section of this Comprehensive Annual Financial Report.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)

New Jersey Unemployment Compensation Insurance

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Interest Earned</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2011-2012	\$ 140,000	\$ 745	\$ 27,383	\$ 56,429	\$ 365,388
2010-2011	296,305	741	13,167	150,842	253,689
2009-2010	103,000	41	-0-	131,628	94,318

NOTE 12. ECONOMIC DEPENDENCY

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

NOTE 13. INTERFUND RECEIVABLES AND PAYABLES

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 368,866	\$ 3,724
Capital Projects Fund		358,608
Debt Service Fund	245	
Enterprise Fund	3,724	
Unemployment Trust Fund	10,012	
Agency Fund		20,515
	<u>\$ 382,847</u>	<u>\$ 382,847</u>

The interfund receivable in the General Fund is comprised of an interfund loan to the Capital Projects Fund for cash flow purposes while awaiting collection of Schools Development Authority grants offset by interest earnings in the Capital Projects Fund and interest earnings due from the Payroll Agency and Net Payroll accounts. The interfund receivable in the Debt Service Fund is comprised of interest earnings in the Capital Projects Fund. The interfund receivable in the Enterprise Fund is primarily comprised of Federal Special Milk Program reimbursements received in the General Fund for prior years which have not been turned over to the Enterprise Fund. The interfund receivable in the Unemployment Trust Fund is the result of employee unemployment withholdings which were not transferred from the Payroll Agency Fund by year-end.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

NOTE 14. 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:

AXA Equitable	Mainstay Funds
Valic	Lincoln Investments

NOTE 15. COMMITMENTS AND CONTINGENCIES

Grant Programs

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

Litigation

The District is periodically involved in various lawsuits. The District estimates that the potential claims against it resulting from any such litigation and not covered by insurance would not materially affect the financial statements of the District.

Encumbrances

At June 30, 2012, there were encumbrances as detailed below in the governmental funds. All of the governmental funds are considered to be major funds:

General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
\$ 408,454	\$ -0-	\$ -0-	\$ 408,454

NOTE 16. NOTES PAYABLE

On January 19, 2010, the District issued \$796,740 in bond anticipation notes to temporarily finance various capital projects at Woodside Elementary School, High Mountain Road Elementary School, and Franklin Avenue Middle School which were authorized by voter referendum on September 29, 2009. The notes are being retired over a 5-year period. As of June 30, 2012, the District has retired \$318,740 of the notes through budget appropriations, and has \$478,000 of notes outstanding which mature on January 18, 2013 at 1.07% interest.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

NOTE 17. TAX CALENDAR

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

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

**BUDGETARY COMPARISON SCHEDULES**

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**  
**(UNAUDITED)**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
<b>Local Sources:</b>					
Local Tax Levy	\$ 23,489,921		\$ 23,489,921	\$ 23,489,921	
Other Local Government Units - Restricted	110,840		110,840	118,648	\$ 7,808
Tuition from Individuals		\$ 270,001	270,001	280,300	10,299
Tuition from Other LEA's	1,600,001	(270,001)	1,330,000	1,514,654	184,654
Transportation Fees from Individuals	100,000		100,000	84,310	(15,690)
Interest Earned on Capital Reserve	1,800		1,800	1,800	
Miscellaneous	30,000		30,000	133,764	103,764
<b>Total - Local Sources</b>	<b>25,332,562</b>		<b>25,332,562</b>	<b>25,623,397</b>	<b>290,835</b>
<b>State Sources:</b>					
Categorical Special Education Aid	296,023		296,023	547,648	251,625
Extraordinary Aid				277,258	277,258
Additional Nonpublic Transportation Aid				17,366	17,366
<b>On-Behalf Contributions (Non-budgeted):</b>					
TPAF Pension Contributions				377,218	377,218
TPAF Post-Retirement Medical Benefits				758,307	758,307
Reimbursed TPAF Social Security Contributions				900,853	900,853
<b>Total State Sources</b>	<b>296,023</b>		<b>296,023</b>	<b>2,878,650</b>	<b>2,582,627</b>
<b>Federal Sources:</b>					
Education Jobs Funds	43,117	1,351	44,468	44,468	
<b>Total Federal Sources</b>	<b>43,117</b>	<b>1,351</b>	<b>44,468</b>	<b>44,468</b>	
<b>TOTAL REVENUES</b>	<b>25,671,702</b>	<b>1,351</b>	<b>25,673,053</b>	<b>28,546,515</b>	<b>2,873,462</b>

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**  
**(UNAUDITED)**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 591,500	\$ 41,000	\$ 632,500	\$ 629,705	\$ 2,795
Grades 1-5 - Salaries of Teachers	4,036,000	(137,924)	3,898,076	3,891,564	6,512
Grades 6-8 - Salaries of Teachers	3,413,330	(60,600)	3,352,730	3,336,309	16,421
Regular Programs - Home Instruction:					
Salaries of Teachers	40,000	(10,475)	29,525	28,310	1,215
Regular Programs - Undistributed Instruction:					
Other Purchased Services (400-500 series)	91,000	21,372	112,372	112,369	3
General Supplies	859,405	304,787	1,164,192	1,052,109	112,083
Textbooks	76,916	(50,075)	26,841	26,841	
<b>Total Regular Programs - Instruction</b>	<b>9,108,151</b>	<b>108,085</b>	<b>9,216,236</b>	<b>9,077,207</b>	<b>139,029</b>
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	212,500	2,500	215,000	214,080	920
Other Salaries for Instruction	301,676	(132,000)	169,676	169,059	617
General Supplies	29,000	3,065	32,065	31,498	567
<b>Total Learning and/or Language Disabilities</b>	<b>543,176</b>	<b>(126,435)</b>	<b>416,741</b>	<b>414,637</b>	<b>2,104</b>
Resource Room/Resource Center:					
Salaries of Teachers	1,427,000	104,900	1,531,900	1,526,775	5,125
General Supplies	10,650	26,891	37,541	37,541	
<b>Total Resource Room/Resource Center</b>	<b>1,437,650</b>	<b>131,791</b>	<b>1,569,441</b>	<b>1,564,316</b>	<b>5,125</b>

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**  
**(UNAUDITED)**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
<b>Autism:</b>					
Salaries of Teachers	\$ 177,500	\$ 14,500	\$ 192,000	\$ 191,669	\$ 331
Other Salaries for Instruction	666,273	(25,000)	641,273	634,712	6,561
<b>Total Autism</b>	<b>843,773</b>	<b>(10,500)</b>	<b>833,273</b>	<b>826,381</b>	<b>6,892</b>
<b>Preschool Disabilities - Part-Time:</b>					
Salaries of Teachers	156,500	47,846	204,346	204,086	260
Other Salaries for Instruction	66,000	75,254	141,254	140,741	513
General Supplies	4,000	(1,385)	2,615	2,615	
<b>Total Preschool Disabilities - Part-Time</b>	<b>226,500</b>	<b>121,715</b>	<b>348,215</b>	<b>347,442</b>	<b>773</b>
<b>Total Special Education Instruction</b>	<b>3,051,099</b>	<b>116,571</b>	<b>3,167,670</b>	<b>3,152,776</b>	<b>14,894</b>
<b>Basic Skills/Remedial - Instruction:</b>					
Salaries of Teachers	314,000	5,642	319,642	319,203	439
General Supplies		2,958	2,958	2,958	
Textbooks	500	(420)	80	80	
<b>Total Basic Skills/Remedial - Instruction</b>	<b>314,500</b>	<b>8,180</b>	<b>322,680</b>	<b>322,241</b>	<b>439</b>
<b>Bilingual Education - Instruction:</b>					
Salaries of Teachers	101,000		101,000	100,760	240
Other Salaries for Instruction	1,200	(1,200)			
General Supplies	520		520	520	
<b>Total Bilingual Education - Instruction</b>	<b>102,720</b>	<b>(1,200)</b>	<b>101,520</b>	<b>101,280</b>	<b>240</b>

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	\$ 64,014	\$ (730)	\$ 63,284	\$ 58,010	\$ 5,274
Supplies and Materials	2,277	5,388	7,665	7,665	
Other Objects		676	676	676	
<b>Total School-Sponsored Cocurricular Activities - Instruction</b>	<b>66,291</b>	<b>5,334</b>	<b>71,625</b>	<b>66,351</b>	<b>5,274</b>
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	35,000	(106)	34,894	17,561	17,333
Purchased Services (300-500 series)	15,000	(5,228)	9,772	9,337	435
<b>Total School-Sponsored Cocurricular Athletics - Instruction</b>	<b>50,000</b>	<b>(5,334)</b>	<b>44,666</b>	<b>26,898</b>	<b>17,768</b>
<b>Total Instruction</b>	<b>12,692,761</b>	<b>231,636</b>	<b>12,924,397</b>	<b>12,746,753</b>	<b>177,644</b>
Undistributed Expenditures:					
Instuction:					
Tuition to Other LEAs Within the State - Special	110,800	(97,505)	13,295	13,295	
Tuition to CSSD & Regional Day Schools	49,200	181,467	230,667	230,667	
Tuition to Private Schools for the Disabled - Within State		100,000	100,000	97,483	2,517
Tuition - Other	15,600	936	16,536	15,849	687
<b>Total Undistributed Expenditures - Instruction</b>	<b>175,600</b>	<b>184,898</b>	<b>360,498</b>	<b>357,294</b>	<b>3,204</b>
Health Services:					
Salaries	245,833	4,820	250,653	249,883	770
Other Purchased Services (400-500 series)	9,000	(9,000)			
Supplies and Materials	4,700	8,460	13,160	12,783	377
<b>Total Health Services</b>	<b>259,533</b>	<b>4,280</b>	<b>263,813</b>	<b>262,666</b>	<b>1,147</b>

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Speech, OT, PT and Related Services:					
Salaries	\$ 633,532	\$ 9,700	\$ 643,232	\$ 640,814	\$ 2,418
Purchased Professional - Educational Services	2,500	34,697	37,197	37,197	
Supplies and Materials	13,000	(5,524)	7,476	7,476	
<b>Total Speech, OT, PT and Related Services</b>	<b>649,032</b>	<b>38,873</b>	<b>687,905</b>	<b>685,487</b>	<b>2,418</b>
Extraordinary Services:					
Salaries	115,051	141,624	256,675	255,330	1,345
Purchased Professional - Educational Services	33,906	32,859	66,765	63,289	3,476
<b>Total Extraordinary Services</b>	<b>148,957</b>	<b>174,483</b>	<b>323,440</b>	<b>318,619</b>	<b>4,821</b>
Guidance:					
Salaries of Other Professional Staff	332,000	(64,998)	267,002	264,913	2,089
Other Purchased Professional and Technical Services	20,000	5,274	25,274	25,143	131
Supplies and Materials		7,784	7,784	7,784	
<b>Total Guidance</b>	<b>352,000</b>	<b>(51,940)</b>	<b>300,060</b>	<b>297,840</b>	<b>2,220</b>
Child Study Teams:					
Salaries of Other Professional Staff	618,100	13,795	631,895	631,477	418
Salaries of Secretarial and Clerical Assistants	87,100	500	87,600	87,236	364
Purchased Professional - Educational Services	96,000	(77,711)	18,289	18,289	
Other Purchased Professional and Technical Services	8,000	16,742	24,742	24,240	502
Supplies and Materials	37,500	(22,036)	15,464	15,255	209
Other Objects	2,000	1,135	3,135	3,135	
<b>Total Child Study Teams</b>	<b>848,700</b>	<b>(67,575)</b>	<b>781,125</b>	<b>779,632</b>	<b>1,493</b>

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>CURRENT EXPENSE</b>					
Improvement of Instructional Services:					
Salaries of Other Professional Staff	\$ 54,334	\$ 32,242	\$ 86,576	\$ 85,906	\$ 670
Total Improvement of Instructional Services	54,334	32,242	86,576	85,906	670
Educational Media Services/School Library:					
Salaries	493,464	(9,387)	484,077	483,610	467
Purchased Professional and Technical Services	5,125	2,424	7,549	7,549	
Other Purchased Services (400-500)	17,375	(823)	16,552	16,552	
Supplies and Materials	32,325	1,518	33,843	33,238	605
Other Objects	1,350		1,350	1,350	
Total Educational Media Services/School Library	549,639	(6,268)	543,371	542,299	1,072
Instructional Staff Training Services:					
Salaries of Other Professional Staff	100,483	75,154	175,637	174,960	677
Supplies and Materials	3,500	75	3,575	3,520	55
Total Instructional Staff Training Services	103,983	75,229	179,212	178,480	732
Support Services - General Administration:					
Salaries	304,700	335	305,035	304,286	749
Legal Services	69,544	28,982	98,526	60,822	37,704
Audit Fees	35,000	4,250	39,250	39,250	
Other Purchased Professional Services	18,750	(4,327)	14,423	14,423	
Communications/Telephone	34,000	(4,438)	29,562	29,074	488
Miscellaneous Purchased Services (400-500 series)	19,800	(19,050)	750	750	
General Supplies	16,312	(1,246)	15,066	12,363	2,703
Miscellaneous Expenditures	17,000	(506)	16,494	16,494	
Total Support Services - General Administration	515,106	4,000	519,106	477,462	41,644

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	\$ 676,900	\$ 4,290	\$ 681,190	\$ 679,699	\$ 1,491
Salaries of Other Professional Staff	8,840	3,215	12,055	10,699	1,356
Salaries of Secretarial and Clerical Assistants	256,200	21,500	277,700	275,742	1,958
Other Salaries	10,000	3,710	13,710	13,492	218
Supplies and Materials	25,122	3,597	28,719	24,420	4,299
Other Objects	12,400	(1,795)	10,605	9,576	1,029
<b>Total Support Services - School Administration</b>	<b>989,462</b>	<b>34,517</b>	<b>1,023,979</b>	<b>1,013,628</b>	<b>10,351</b>
Support Services - Central Services:					
Salaries	239,195	8,342	247,537	247,324	213
Miscellaneous Purchased Services (400-500 series)	79,467	(11,653)	67,814	51,192	16,622
Supplies and Materials	5,344	5,149	10,493	10,493	
Interest for Lease Purchase Agreements	10,200	(8)	10,192	10,192	
<b>Total Support Services - Central Services</b>	<b>334,206</b>	<b>1,830</b>	<b>336,036</b>	<b>319,201</b>	<b>16,835</b>
Support Services - Administration Information Technology:					
Salaries	118,000		118,000	116,811	1,189
Other Purchased Services (400-500 series)	12,135		12,135	12,135	
Supplies and Materials	35,225	(11,630)	23,595	23,595	
<b>Total Support Services - Administration Information Technology</b>	<b>165,360</b>	<b>(11,630)</b>	<b>153,730</b>	<b>152,541</b>	<b>1,189</b>
Required Maintenance of School Facilities:					
Salaries	295,442	530,658	826,100	571,066	255,034
Cleaning, Repair and Maintenance Services	203,220	(197,918)	5,302	4,957	345
<b>Total Required Maintenance of School Facilities</b>	<b>498,662</b>	<b>332,740</b>	<b>831,402</b>	<b>576,023</b>	<b>255,379</b>

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Custodial Services:					
Salaries	\$ 40,305	\$ (40,305)			
Salaries of Non-Instructional Aides	140,072	27,267	\$ 167,339	\$ 167,339	
Purchased Professional and Technical Services	54,968	(27,138)	27,830	27,527	\$ 303
Cleaning, Repair and Maintenance Services	1,163,436	(30,173)	1,133,263	1,132,965	298
Other Purchased Property Services	23,000	(11,351)	11,649	11,649	
Insurance	114,656	(816)	113,840	113,840	
General Supplies	12,469	12,807	25,276	25,276	
Energy (Electricity)	532,232	(89,362)	442,870	419,906	22,964
Energy (Natural Gas)	243,000	(126,104)	116,896	116,896	
<b>Total Custodial Services</b>	<u>2,324,138</u>	<u>(285,175)</u>	<u>2,038,963</u>	<u>2,015,398</u>	<u>23,565</u>
Care and Upkeep of Grounds:					
Cleaning, Repair and Maintenance Services	10,000	(10,000)			
<b>Total Care and Upkeep of Grounds</b>	<u>10,000</u>	<u>(10,000)</u>			
Student Transportation Services:					
Salaries:					
(Between Home & School) - Regular	11,000		11,000	11,000	
Management Fee - ESC and CTSA Transportation Programs	3,600		3,600	1,805	1,795
Contracted Services:					
Between Home and School - Vendors	435,000	(28,265)	406,735	405,635	1,100
Other than Between Home and School - Vendors	45,600	795	46,395	40,837	5,558
Special Education Students - Vendors	310,000	(11,323)	298,677	296,666	2,011
Aid in Lieu of Payments - Nonpublic School	111,000	(38,000)	73,000	72,429	571
<b>Total Student Transportation Services</b>	<u>916,200</u>	<u>(76,793)</u>	<u>839,407</u>	<u>828,372</u>	<u>11,035</u>

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Unallocated Benefits:					
Social Security Contributions	\$ 250,000	\$ 47,150	\$ 297,150	\$ 295,182	\$ 1,968
Other Retirement Contributions - PERS	260,399	(44,362)	216,037	216,037	
Unemployment Compensation	61,305	80,405	141,710	140,000	1,710
Workmen's Compensation	199,000	(29,041)	169,959	169,959	
Health Benefits	3,937,892	(507,198)	3,430,694	3,420,155	10,539
Tuition Reimbursement	55,000		55,000	28,355	26,645
Other Employee Benefits	21,953	6,273	28,226	12,402	15,824
<b>Total Unallocated Benefits</b>	<b>4,785,549</b>	<b>(446,773)</b>	<b>4,338,776</b>	<b>4,282,090</b>	<b>56,686</b>
On-Behalf Contributions (Non-budgeted):					
TPAF Pension Contribution				377,218	(377,218)
TPAF Post-Retirement Medical Benefits				758,307	(758,307)
Reimbursed TPAF Social Security Contributions				900,853	(900,853)
<b>Total On-Behalf Contributions</b>				<b>2,036,378</b>	<b>(2,036,378)</b>
<b>Total Personal Services - Employee Benefits</b>	<b>4,785,549</b>	<b>(446,773)</b>	<b>4,338,776</b>	<b>6,318,468</b>	<b>(1,979,692)</b>
<b>Total Undistributed Expenses</b>	<b>13,680,461</b>	<b>(73,062)</b>	<b>13,607,399</b>	<b>15,209,316</b>	<b>(1,601,917)</b>
<b>TOTAL CURRENT EXPENSE</b>	<b>26,373,222</b>	<b>158,574</b>	<b>26,531,796</b>	<b>27,956,069</b>	<b>(1,424,273)</b>
<b>CAPITAL OUTLAY</b>					
Equipment:					
Undistributed Expenditures - Instruction	108,626	(78,626)	30,000	30,000	
Support Services - Instructional Staff	4,007	90,716	94,723	80,880	13,843
<b>Total Equipment</b>	<b>112,633</b>	<b>12,090</b>	<b>124,723</b>	<b>110,880</b>	<b>13,843</b>

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CAPITAL OUTLAY					
Facilities Acquisition and Construction Services:					
Other Objects	\$ 21,156		\$ 21,156	\$ 21,156	
Total Facilities Acquisition and Construction Services	21,156		21,156	21,156	
TOTAL CAPITAL OUTLAY	133,789	\$ 12,090	145,879	132,036	\$ 13,843
TOTAL EXPENDITURES	26,507,011	170,664	26,677,675	28,088,105	(1,410,430)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(835,309)	(169,313)	(1,004,622)	458,410	1,463,032
Fund Balance, July 1	2,649,878		2,649,878	2,649,878	
Fund Balance, June 30	\$ 1,814,569	\$ (169,313)	\$ 1,645,256	\$ 3,108,288	\$ 1,463,032
<u>Recapitulation:</u>					
Restricted:					
Excess Surplus				\$ 641,513	
Excess Surplus - Designated for Subsequent Year's Expenditures				332,232	
Emergency Reserve				100,000	
Capital Reserve				810,430	
Assigned:					
Year-End Encumbrances				408,454	
Unassigned				815,659	
				<u>3,108,288</u>	
Reconciliation to Governmental Funds Statements (GAAP):					
Last State Aid Payment not Recognized on GAAP Basis				(31,348)	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 3,076,940</u>	

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES:</b>					
Local Sources	\$ 65,000	\$ (31,899)	\$ 33,101	\$ 33,101	
State Sources	126,000	22,367	148,367	87,219	\$ (61,148)
Federal Sources	345,000	540	345,540	345,540	
<b>Total Revenues</b>	<u>536,000</u>	<u>(8,992)</u>	<u>527,008</u>	<u>465,860</u>	<u>(61,148)</u>
<b>EXPENDITURES:</b>					
<b>Instruction:</b>					
Salaries of Teachers	16,366		16,366	16,366	
Tuition	288,759		288,759	288,759	
Textbooks	13,017	(2,704)	10,313	10,313	
<b>Total Instruction</b>	<u>318,142</u>	<u>(2,704)</u>	<u>315,438</u>	<u>315,438</u>	
<b>Support Services:</b>					
Personal Services - Employee Benefits		1,250	1,250	1,250	
Purchased Professional and Technical Services	152,858	24,361	177,219	116,071	61,148
<b>Total Support Services</b>	<u>152,858</u>	<u>25,611</u>	<u>178,469</u>	<u>117,321</u>	<u>61,148</u>
<b>Facilities Acquisition:</b>					
Lease-Purchase Agreement - Principal	65,000	(31,899)	33,101	33,101	
<b>Total Facilities Acquisition</b>	<u>65,000</u>	<u>(31,899)</u>	<u>33,101</u>	<u>33,101</u>	
<b>Total Expenditures</b>	<u>\$ 536,000</u>	<u>\$ (8,992)</u>	<u>\$ 527,008</u>	<u>\$ 465,860</u>	<u>\$ 61,148</u>

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
NOTE TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 28,546,515	\$ 465,860
Differences - Budget to GAAP:		
Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		704
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(31,348)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 28,515,167	\$ 466,564
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 28,088,105	\$ 465,860
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.		704
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 28,088,105	\$ 466,564

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budget for the fiscal year ended June 30, 2012 was submitted to the County office and was voted upon at the annual school election on the fourth Wednesday in April, 2011. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m). Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

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

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

**SCHOOL LEVEL SCHEDULES  
(NOT APPLICABLE)**

**SPECIAL REVENUE FUND**

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

	<u>No Child Left Behind Title II, Part A</u>	<u>IDEA Part B, Basic</u>		<u>Franklin Lakes Education Foundation</u>
		<u>Regular</u>	<u>Preschool</u>	
REVENUE:				
Local Sources				\$ 33,101
State Sources				
Federal Sources	\$ 20,000	\$ 307,924	\$ 17,616	
Total Revenue	<u>20,000</u>	<u>307,924</u>	<u>17,616</u>	<u>33,101</u>
EXPENDITURES:				
Instruction:				
Salaries of Teachers			16,366	
Tuition		288,759		
Textbooks				
Total Instruction		<u>288,759</u>	<u>16,366</u>	
Support Services:				
Personal Services - Employee Benefits			1,250	
Purchased Professional and Technical Services	20,000	19,165		
Total Support Services	<u>20,000</u>	<u>19,165</u>	<u>1,250</u>	
Facilities Acquisition:				
Lease-Purchase Agreement - Principal				33,101
Total Facilities Acquisition				<u>33,101</u>
Total Expenditures	<u>\$ 20,000</u>	<u>\$ 307,924</u>	<u>\$ 17,616</u>	<u>\$ 33,101</u>

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

	Nonpublic Textbook Aid	Nonpublic Nursing Aid	Chapter 192 - Nonpublic Auxiliary Aid	
			Comprehensive Education	Transportation
REVENUE:				
Local Sources				
State Sources	\$ 10,313	\$ 14,732	\$ 27,051	\$ 8,068
Federal Sources				
Total Revenue	<u>10,313</u>	<u>14,732</u>	<u>27,051</u>	<u>8,068</u>
EXPENDITURES:				
Instruction:				
Salaries of Teachers				
Tuition				
Textbooks	<u>10,313</u>			
Total Instruction	<u>10,313</u>			
Support Services:				
Personal Services - Employee Benefits				
Purchased Professional and Technical Services		<u>14,732</u>	<u>27,051</u>	<u>8,068</u>
Total Support Services		<u>14,732</u>	<u>27,051</u>	<u>8,068</u>
Facilities Acquisition:				
Lease-Purchase Agreement - Principal				
Total Facilities Acquisition				
Total Expenditures	<u>\$ 10,313</u>	<u>\$ 14,732</u>	<u>\$ 27,051</u>	<u>\$ 8,068</u>

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

	<u>Chapter 193 - Nonpublic Handicapped Aid</u>			<u>Totals</u>
	<u>Exam and Classification</u>	<u>Supplementary Instruction</u>	<u>Corrective Speech</u>	
REVENUE:				
Local Sources				\$ 33,101
State Sources	\$ 9,017	\$ 6,664	\$ 11,374	87,219
Federal Sources				345,540
<b>Total Revenue</b>	<b>9,017</b>	<b>6,664</b>	<b>11,374</b>	<b>465,860</b>
EXPENDITURES:				
Instruction:				
Salaries of Teachers				16,366
Tuition				288,759
Textbooks				10,313
<b>Total Instruction</b>				<b>315,438</b>
Support Services:				
Personal Services - Employee Benefits				1,250
Purchased Professional and Technical Services	9,017	6,664	11,374	116,071
<b>Total Support Services</b>	<b>9,017</b>	<b>6,664</b>	<b>11,374</b>	<b>117,321</b>
Facilities Acquisition:				
Lease-Purchase Agreement - Principal				33,101
<b>Total Facilities Acquisition</b>				<b>33,101</b>
<b>Total Expenditures</b>	<b>\$ 9,017</b>	<b>\$ 6,664</b>	<b>\$ 11,374</b>	<b>\$ 465,860</b>

**CAPITAL PROJECTS FUND**

Exhibit F-1

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

Revenue:	
Budget Appropriation	\$ 159,000
Total Revenue	<u>159,000</u>
Excess (Deficit) of Revenue Over (Under) Expenditures	159,000
Fund Balance (Deficit) - Beginning of Year	<u>(246,609)</u>
Fund Balance (Deficit) - End of Year	<u>\$ (87,609)</u>
<u>Recapitulation:</u>	
Restricted	\$ 57,780
Unassigned (Deficit)	<u>(145,389)</u>
	(87,609)
Reconciliation to Governmental Funds Statement (GAAP):	
SDA Grants not Recognized on GAAP Basis	<u>(746,064)</u>
Fund Balance (Deficit) per Governmental Funds (GAAP)	<u>\$ (833,673)</u>

F-1A

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE  
AND PROJECT STATUS - BUDGETARY BASIS  
CONSTRUCTION OF AN ADDITION TO AND UPGRADING OF EXISTING FACILITIES  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Costs</u>
<b>Revenue and Other Financing Sources:</b>				
State Sources - SDA Grant	\$ 3,570,400		\$ 3,570,400	\$ 3,570,400
Bond Proceeds	12,029,000		12,029,000	12,029,600
Transfer from Capital Reserve	1,102,000		1,102,000	1,102,000
	<u>16,701,400</u>		<u>16,701,400</u>	<u>16,702,000</u>
<b>Total Revenue and Other Financing Sources</b>				
<b>Expenditures:</b>				
Legal Services	41,099		41,099	50,434
Purchased Professional and Technical Services	1,580,433		1,580,433	1,625,625
Construction Services	14,590,068		14,590,068	14,590,068
Equipment Purchases	424,873		424,873	424,873
Other Objects	7,147		7,147	11,000
	<u>16,643,620</u>		<u>16,643,620</u>	<u>16,702,000</u>
<b>Total Expenditures</b>				
<b>Excess of Revenue and Other Financing Sources over Expenditures</b>				
	<u>\$ 57,780</u>	<u>\$ -0-</u>	<u>\$ 57,780</u>	<u>\$ -0-</u>
<b>Additional Project Information:</b>				
Project Number(s)	SP-202266, 202529, 202559, 202558			
Grant Date(s)	2002			
Bond Authorization Date	April 16, 2002			
Bonds and Notes Authorized	\$ 12,029,600			
Bonds and Notes Issued	\$ 12,029,000			
Original Authorized Cost	\$ 16,502,000			
Additional Funds	\$ 200,000			
Revised Authorized Cost	\$ 16,702,000			
Change Order Percentage	1.21%			
Percentage Completion	99.65%			
Original Target Completion Date	Unknown			
Revised Target Completion Date	Unknown			

F-1B

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE  
AND PROJECT STATUS - BUDGETARY BASIS  
HIGH MOUNTAIN ROAD SCHOOL - ADA COMPLIANT DOOR LOCKS  
AND HARDWARE ON ALL EXTERIOR DOORS  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

	<u>Prior</u> <u>Periods</u>	<u>Current</u> <u>Year</u>	<u>Totals</u>	<u>Authorized</u> <u>Costs</u>
<b>Revenue and Other Financing Sources:</b>				
State Sources - SDA Grant	\$ 13,000		\$ 13,000	\$ 13,000
Budget Appropriations	<u>3,910</u>	<u>\$ 3,900</u>	<u>7,810</u>	<u>19,500</u>
<b>Total Revenue and Other Financing Sources</b>	<u>16,910</u>	<u>3,900</u>	<u>20,810</u>	<u>32,500</u>
<b>Expenditures:</b>				
Legal Services	41		41	1,000
Architectural/Engineering Services	4,529		4,529	5,000
Construction Services	19,782		19,782	20,000
Other Objects				<u>6,500</u>
<b>Total Expenditures</b>	<u>24,352</u>		<u>24,352</u>	<u>32,500</u>
<b>Excess (Deficit) of Revenue and Other Financing Sources over (under) Expenditures</b>	<u>\$ (7,442)</u>	<u>\$ 3,900</u>	<u>\$ (3,542)</u>	<u>\$ -0-</u>
<b>Additional Project Information:</b>				
Project Number(s)	1580-020-09-1002/0ZBX			
Grant Date(s)	12/30/09			
Bond Authorization Date	N/A			
Bonds and Notes Authorized	\$ 19,500			
Bonds and Notes Issued	\$ 19,500			
Original Authorized Cost	\$ 32,500			
Change Order Percentage				
Percentage Completion	74.93%			
Original Target Completion Date	09/15/10			

F-1C

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE  
AND PROJECT STATUS - BUDGETARY BASIS  
WOODSIDE AVENUE SCHOOL - BOILER AND ADA COMPLIANT DOOR LOCKS  
AND HARDWARE ON ALL EXTERIOR DOORS  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

	<u>Prior</u> <u>Periods</u>	<u>Current</u> <u>Year</u>	<u>Totals</u>	<u>Authorized</u> <u>Costs</u>
<b>Revenue and Other Financing Sources:</b>				
State Sources - SDA Grant	\$ 163,200		\$ 163,200	\$ 163,200
Budget Appropriations	49,080	\$ 48,960	98,040	244,800
<b>Total Revenue and Other Financing Sources</b>	<u>212,280</u>	<u>48,960</u>	<u>261,240</u>	<u>408,000</u>
<b>Expenditures:</b>				
Legal Services	520		520	2,500
Architectural/Engineering Services	43,819		43,819	44,000
Purchased Professional and Technical Services	8,250		8,250	8,250
Construction Services	253,857		253,857	337,000
Other Objects				16,250
<b>Total Expenditures</b>	<u>306,446</u>		<u>306,446</u>	<u>408,000</u>
<b>Excess (Deficit) of Revenue and Other Financing Sources over (under) Expenditures</b>	<u>\$ (94,166)</u>	<u>\$ 48,960</u>	<u>\$ (45,206)</u>	<u>\$ -0-</u>
<b>Additional Project Information:</b>				
Project Number(s)	1580-030-09-1003/OZBY			
Grant Date(s)	12/30/09			
Bond Authorization Date	N/A			
Bonds and Notes Authorized	\$ 244,800			
Bonds and Notes Issued	\$ 244,800			
Original Authorized Cost	\$ 408,000			
Percentage Completion	75.11%			
Original Target Completion Date	09/15/10			

F-1D

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE  
AND PROJECT STATUS - BUDGETARY BASIS  
FRANKLIN AVENUE MIDDLE SCHOOL - PARTIAL ROOF REPLACEMENT,  
LOCKER ROOM RENOVATIONS, AND ADA COMPLIANCT DOOR LOCKS AND  
HARDWARE ON ALL EXTERIOR DOORS  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Authorized Costs</u>
<b>Revenue and Other Financing Sources:</b>				
State Sources - SDA Grant	\$ 354,960		\$ 354,960	\$ 354,960
Budget Appropriations	106,750	\$ 106,140	212,890	532,440
<b>Total Revenue and Other Financing Sources</b>	<u>461,710</u>	<u>106,140</u>	<u>567,850</u>	<u>887,400</u>
<b>Expenditures:</b>				
Legal Services	1,130		1,130	5,000
Architectural/Engineering Services	86,952		86,952	103,810
Purchased Professional and Technical Services	2,250		2,250	2,250
Construction Services	574,159		574,159	709,000
Other Objects				67,340
<b>Total Expenditures</b>	<u>664,491</u>		<u>664,491</u>	<u>887,400</u>
<b>Excess (Deficit) of Revenue and Other Financing Sources over (under) Expenditures</b>	<u>\$ (202,781)</u>	<u>\$ 106,140</u>	<u>\$ (96,641)</u>	<u>\$ -0-</u>
<b>Additional Project Information:</b>				
Project Number(s)	1580-015-09-1001/OZPV			
Grant Date(s)	12/30/09			
Bond Authorization Date	N/A			
Bonds and Notes Authorized	\$ 532,440			
Bonds and Notes Issued	\$ 532,440			
Original Authorized Cost	\$ 887,400			
Percentage Completion	74.88%			
Original Target Completion Date	09/15/10			

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE

Referendum Date	Referendum Description	Date of		Interest Rate	Balance July 1, 2011	Issued	Retired or Matured	Balance June 30, 2012
		Issue	Maturity					
09/29/09	Rehabilitation of School Facilities	01/19/11	01/19/12	1.60%	\$ 637,000		\$ 637,000	
		01/19/12	01/18/13	1.07%		\$ 478,000		\$ 478,000
					<u>\$ 637,000</u>	<u>\$ 478,000</u>	<u>\$ 637,000</u>	<u>\$ 478,000</u>
						\$ 478,000	\$ 478,000	
							159,000	
						<u>\$ 478,000</u>	<u>\$ 637,000</u>	

**PROPRIETARY FUNDS**

Exhibit G-1

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2012

## ASSETS:

## Current Assets:

Cash and Cash Equivalents	\$ 5,247
Intergovernmental Accounts Receivable:	
Federal	858
Interfund Accounts Receivable:	
General Fund	<u>3,724</u>

## Total Current Assets

9,829

## Total Assets

9,829

## NET ASSETS:

## Unrestricted

9,829

## Total Net Assets

\$ 9,829

## Exhibit G-2

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

Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs - Special Milk Program	\$ 17,271
Total Operating Revenue	<u>17,271</u>
Operating Expenses:	
Cost of Sales	<u>47,367</u>
Total Operating Expenses	<u>47,367</u>
Operating Loss	(30,096)
Non-Operating Revenue:	
Local Sources:	
Interest on Deposits	59
Federal Sources:	
Special Milk Program	<u>13,019</u>
Total Non-Operating Revenue	<u>13,078</u>
Change in Net Assets	(17,018)
Net Assets - Beginning of Year	<u>26,847</u>
Net Assets - End of Year	<u>\$ 9,829</u>

Exhibit G-3

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

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 17,271
Payments to Suppliers	<u>(47,367)</u>
Net Cash Used for Operating Activities	<u>(30,096)</u>
Cash Flows from Noncapital Financing Activities:	
Interfund Receivable - General Fund	12,724
Local Sources:	
Interest on Deposits	59
Federal Sources:	
Special Milk Program	<u>14,550</u>
Net Cash Provided by Noncapital Financing Activities	<u>27,333</u>
Net Decrease in Cash and Cash Equivalents	(2,763)
Cash and Cash Equivalents, July 1	<u>8,010</u>
Cash and Cash Equivalents, June 30	<u>\$ 5,247</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	<u>\$ (30,096)</u>
Net Cash Used for Operating Activities	<u>\$ (30,096)</u>

**FIDUCIARY FUNDS**

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

	<u>Student Activities</u>	<u>Payroll Agency</u>	<u>Total Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 56,346	\$ 82,744	\$ 139,090	\$ 355,376	\$ 5,245
Interfund Receivable - Payroll Agency Fund				10,012	
<b>Total Assets</b>	<u>56,346</u>	<u>82,744</u>	<u>139,090</u>	<u>365,388</u>	<u>5,245</u>
<b>LIABILITIES:</b>					
Accrued Payroll - Summer Savings		57,550	57,550		
Interfund Payable - General Fund		10,503	10,503		
Interfund Payable - Unemployment Trust		10,012	10,012		
Due to Student Groups	56,346		56,346		
Payroll Deductions and Withholdings		4,679	4,679		
<b>Total Liabilities</b>	<u>56,346</u>	<u>82,744</u>	<u>139,090</u>		
<b>NET ASSETS:</b>					
Held in Trust for Unemployment Claims				365,388	
Restricted for Scholarships					5,245
<b>Total Net Assets</b>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 365,388</u>	<u>\$ 5,245</u>

## Exhibit H-2

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>
Additions:		
Contributions:		
Plan Contributions	\$ 27,383	
Board Contributions	140,000	
Total Contributions	<u>167,383</u>	
Investment Earnings:		
Interest	745	\$ 17
Net Investment Earnings	<u>745</u>	<u>17</u>
Total Additions	<u>168,128</u>	<u>17</u>
Deductions		
Unemployment Compensation Claims	56,429	
Scholarships Awarded		160
Total Deductions	<u>56,429</u>	<u>160</u>
Change in Net Assets	111,699	(143)
Net Assets - Beginning of the Year	<u>253,689</u>	<u>5,388</u>
Net Assets - End of the Year	<u>\$ 365,388</u>	<u>\$ 5,245</u>

Exhibit H-3

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
STATEMENT OF ACTIVITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 48,907	\$ 122,850	\$ 115,411	\$ 56,346
Interfund Receivable - General Fund	1,278		1,278	
Accounts Receivable	<u>3,593</u>		<u>3,593</u>	
Total Assets	<u>\$ 53,778</u>	<u>\$ 122,850</u>	<u>\$ 120,282</u>	<u>\$ 56,346</u>
 <b>LIABILITIES</b>				
Accounts Payable	\$ 7,481		\$ 7,481	
Due to Student Groups	<u>46,297</u>	<u>\$ 117,979</u>	<u>107,930</u>	<u>\$ 56,346</u>
Total Liabilities	<u>\$ 53,778</u>	<u>\$ 117,979</u>	<u>\$ 115,411</u>	<u>\$ 56,346</u>

Exhibit H-4

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2012</u>
Elementary School:				
Colonial Road School	\$ 3,147	\$ 15,467	\$ 15,327	\$ 3,287
High Mountain Road School	4,824	15,238	15,576	4,486
Woodside Avenue School	2,479	19,729	15,079	7,129
Middle Schools:				
Franklin Avenue Middle School	30,532	57,584	56,112	32,004
Snapple - Peer Leadership	5,315	9,961	5,836	9,440
 Total All Schools	 <u>\$ 46,297</u>	 <u>\$ 117,979</u>	 <u>\$ 107,930</u>	 <u>\$ 56,346</u>

Exhibit H-5

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
<b><u>ASSETS:</u></b>				
Cash and Cash Equivalents	\$ 133,998	\$ 17,928,170	\$ 17,979,424	\$ 82,744
Total Assets	<u>\$ 133,998</u>	<u>\$ 17,928,170</u>	<u>\$ 17,979,424</u>	<u>\$ 82,744</u>
<b><u>LIABILITIES:</u></b>				
Accrued Payroll - Summer Savings		\$ 57,550		\$ 57,550
Interfund Payable - General Fund	\$ 3,032	10,503	\$ 3,032	10,503
Interfund Payable - Unemployment Trust		10,012		10,012
Payroll Deductions and Withholdings	<u>130,966</u>	<u>17,850,105</u>	<u>17,976,392</u>	<u>4,679</u>
Total Liabilities	<u>\$ 133,998</u>	<u>\$ 17,928,170</u>	<u>\$ 17,979,424</u>	<u>\$ 82,744</u>

**LONG-TERM DEBT**

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
LONG TERM DEBT  
STATEMENT OF SERIAL BONDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding June 30, 2012		Interest Rate	Balance July 1, 2011	Retired or Matured	Balance June 30, 2012
			Date	Amount				
Refunding School Bonds	09/30/10	\$ 6,390,000	8/1/2013	\$ 660,000	3.00%	\$ 6,390,000		\$ 6,390,000
			8/1/2014	655,000	3.00%			
			8/1/2015	650,000	3.00%			
			8/1/2016	640,000	3.00%			
			8/1/2017	635,000	4.00%			
			8/1/2018	635,000	4.00%			
			8/1/2019	630,000	4.50%			
			8/1/2020	630,000	4.50%			
			8/1/2021	630,000	4.00%			
			8/1/2022	625,000	4.00%			
School District Bonds	08/01/02	12,029,000	8/1/2012	650,000	3.75%	1,300,000	\$ 650,000	650,000
						<u>\$ 7,690,000</u>	<u>\$ 650,000</u>	<u>\$ 7,040,000</u>

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
LONG-TERM DEBT  
STATEMENT OF OBLIGATIONS UNDER CAPITAL LEASES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

<u>Purpose</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Balance July 1, 2011</u>	<u>Retired or Matured</u>	<u>Balance June 30, 2012</u>
2009 Fiber Optic Project	3.41%	\$ 430,000	<u>\$ 175,266</u>	<u>\$ 86,164</u>	<u>\$ 89,102</u>

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
BUDGETARY COMPARSION SCHEDULE  
DEBT SERVICE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES:</b>					
Local Sources:					
Local Tax Levy	\$ 1,082,007		\$ 1,082,007	\$ 1,082,007	
Total Revenues	<u>1,082,007</u>		<u>1,082,007</u>	<u>1,082,007</u>	
<b>EXPENDITURES:</b>					
Regular Debt Service:					
Interest	272,757		272,757	272,006	\$ 751
Redemption of Principal:					
Bonds	650,250		650,250	650,000	250
Notes	159,000		159,000	159,000	
Total Regular Debt Service	<u>1,082,007</u>		<u>1,082,007</u>	<u>1,081,006</u>	<u>1,001</u>
Total Expenditures	<u>1,082,007</u>		<u>1,082,007</u>	<u>1,081,006</u>	<u>1,001</u>
Excess of Revenues Over Expenditures				1,001	1,001
Fund Balance, July 1	<u>80,683</u>		<u>80,683</u>	<u>80,683</u>	
Fund Balance, June 30	<u>\$ 80,683</u>	<u>\$ -0-</u>	<u>\$ 80,683</u>	<u>\$ 81,684</u>	<u>\$ 1,001</u>
<b>Recapitulation:</b>					
Restricted - Designated for Subsequent Year's Expenditures				\$ 80,863	
Restricted				<u>1,001</u>	
				<u>\$ 81,864</u>	

**STATISTICAL SECTION**

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT**  
**NET ASSETS BY COMPONENT**  
**LAST TEN FISCAL YEARS**  
**(UNAUDITED)**  
*(Accrual Basis of Accounting)*

	Fiscal Year Ending June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Governmental Activities:</b>										
Invested in Capital Assets,										
Net of Related Debt	\$ 10,644,842	\$ 13,754,197	\$ 15,925,387	\$ 14,391,964	\$ 15,498,547	\$ 16,688,892	\$ 16,497,801	\$ 17,688,410	\$ 20,208,412	\$ 20,376,854
Restricted	527,491	233,651	21,417	52,617	73,578	1,009,846	980,178	1,795,817	1,600,063	2,023,639
Unrestricted/(Deficit)	221,796	1,378,713	539,423	(220,137)	552,656	(212,496)	(136,650)	(143,854)	(532,122)	(303,939)
<b>Total Governmental</b>										
Activities Net Assets	<u>\$ 11,394,129</u>	<u>\$ 15,366,561</u>	<u>\$ 16,486,227</u>	<u>\$ 14,224,444</u>	<u>\$ 16,124,781</u>	<u>\$ 17,486,242</u>	<u>\$ 17,341,329</u>	<u>\$ 19,340,373</u>	<u>\$ 21,276,353</u>	<u>\$ 22,096,554</u>
<b>Business-Type Activities:</b>										
Unrestricted	\$ 16,866	\$ 17,943	\$ 22,650	\$ 16,010	\$ 18,633	\$ 21,709	\$ 28,069	\$ 27,077	\$ 26,847	\$ 9,829
<b>Total Business-Type</b>										
Activities Net Assets	<u>\$ 16,866</u>	<u>\$ 17,943</u>	<u>\$ 22,650</u>	<u>\$ 16,010</u>	<u>\$ 18,633</u>	<u>\$ 21,709</u>	<u>\$ 28,069</u>	<u>\$ 27,077</u>	<u>\$ 26,847</u>	<u>\$ 9,829</u>
<b>District-Wide:</b>										
Invested in Capital Assets,										
Net of Related Debt	\$ 10,644,842	\$ 13,754,197	\$ 15,925,387	\$ 14,391,964	\$ 15,498,547	\$ 16,688,892	\$ 16,497,801	\$ 17,688,410	\$ 20,208,412	\$ 20,376,854
Restricted	527,491	233,651	21,417	52,617	73,578	1,009,846	980,178	1,795,817	1,600,063	2,023,639
Unrestricted/(Deficit)	238,662	1,396,656	562,073	(204,127)	571,289	(190,787)	(108,581)	(116,777)	(505,275)	(294,110)
<b>Total District-Wide Net Assets</b>	<u>\$ 11,410,995</u>	<u>\$ 15,384,504</u>	<u>\$ 16,508,877</u>	<u>\$ 14,240,454</u>	<u>\$ 16,143,414</u>	<u>\$ 17,507,951</u>	<u>\$ 17,369,398</u>	<u>\$ 19,367,450</u>	<u>\$ 21,303,200</u>	<u>\$ 22,106,383</u>

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT**  
**CHANGES IN NET ASSETS**  
**LAST TEN FISCAL YEARS**  
**(UNAUDITED)**  
*(Accrual Basis of Accounting)*

	Fiscal Year Ending June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Expenses:</b>										
<b>Governmental Activities:</b>										
<b>Instruction:</b>										
Regular	\$ 8,191,116	\$ 8,403,634	\$10,578,679	\$11,348,750	\$11,914,952	\$12,834,091	\$12,086,630	\$12,045,778	\$12,352,045	\$12,421,382
Special Education	2,087,427	2,552,854	2,584,747	3,118,735	3,497,458	3,735,787	4,340,749	4,730,524	4,595,110	4,752,660
Other Special Instruction	210,163	498,553	230,357	296,888	602,771	538,425	647,574	445,005	602,667	573,125
Other Instruction	111,471	109,712	115,324	114,941	110,267	142,060	150,979	142,543	108,527	125,369
<b>Support Services:</b>										
Tuition						20,499	166,231	87,232	198,186	357,294
Student & Instruction Related Services	2,944,258	3,013,884	3,733,540	3,835,338	4,004,282	3,633,681	3,355,727	3,236,637	3,747,085	3,963,614
General Administrative Services	470,318	469,102	567,089	588,718	608,725	599,627	611,581	692,663	538,848	573,298
School Administrative Services	922,393	953,683	1,225,630	1,212,696	1,320,483	1,268,673	1,282,228	1,178,475	1,406,480	1,380,949
Central Services/Admin. Technology	269,163	278,592	357,481	555,432	541,848	608,894	579,770	568,874	585,198	591,005
Plant Operations and Maintenance	1,968,380	2,058,658	2,522,408	2,491,749	2,659,892	3,012,230	4,006,142	2,928,186	2,765,484	3,419,560
Pupil Transportation	572,267	724,372	789,865	850,387	838,590	811,236	869,598	846,818	796,237	831,477
Capital Outlay						18,915	576,442	187,935	33,102	
Interest on Long-Term Debt	899,056	875,545	690,476	674,327	612,949	561,882	407,695	431,480	271,680	253,804
<b>Total Governmental Activities Expenses</b>	<b>18,646,012</b>	<b>19,938,589</b>	<b>23,395,596</b>	<b>25,087,961</b>	<b>26,712,217</b>	<b>27,786,000</b>	<b>29,081,346</b>	<b>27,522,150</b>	<b>28,000,649</b>	<b>29,243,537</b>
<b>Business-Type Activities:</b>										
Milk Enterprise Fund	35,880	32,548	44,698	40,670	33,909	28,308	25,519	18,374	27,807	47,367
<b>Total Business-Type Activities Expenses</b>	<b>35,880</b>	<b>32,548</b>	<b>44,698</b>	<b>40,670</b>	<b>33,909</b>	<b>28,308</b>	<b>25,519</b>	<b>18,374</b>	<b>27,807</b>	<b>47,367</b>
<b>Total District Expenses</b>	<b>18,681,892</b>	<b>19,971,137</b>	<b>23,440,294</b>	<b>25,128,631</b>	<b>26,746,126</b>	<b>27,814,308</b>	<b>29,106,865</b>	<b>27,540,524</b>	<b>28,028,456</b>	<b>29,290,904</b>

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT**  
**CHANGES IN NET ASSETS**  
**LAST TEN FISCAL YEARS**  
**(UNAUDITED)**  
*(Accrual Basis of Accounting)*

	Fiscal Year Ending June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Program Revenues:</b>										
<b>Governmental Activities:</b>										
<b>Charges for Services:</b>										
Special Education								\$ 1,757,801	\$ 1,529,041	\$ 1,794,954
Tuition	\$ 827,677	\$ 748,762	\$ 801,870	\$ 1,352,191	\$ 1,392,942	\$ 1,507,097	\$ 1,794,627			
Student and Instruction Related Services			50,117							
School Administrative Services			150,350							
Pupil Transportation		106,435	120,000	150,500	163,800	129,900	125,800		90,165	84,310
Operating Grants and Contributions	2,391,673	2,686,802	2,874,147	3,183,972	4,046,175	4,204,136	3,432,958	3,461,607	2,689,538	3,358,334
Capital Grants and Contributions	17,856	2,856,320	437,220		44,100					
<b>Total Governmental Activities Program Revenues</b>	<b>3,237,206</b>	<b>6,398,319</b>	<b>4,433,704</b>	<b>4,686,663</b>	<b>5,647,017</b>	<b>5,841,133</b>	<b>5,353,385</b>	<b>5,219,408</b>	<b>4,308,744</b>	<b>5,237,598</b>
<b>Business-Type Activities:</b>										
<b>Charges for Services:</b>										
Milk Enterprise Fund	20,038	24,030	36,790	22,990	25,714	19,151	18,216	10,886	15,037	17,271
Operating Grants and Contributions	9,586	9,595	12,615	11,040	10,818	12,233	13,663	11,997	12,540	13,019
<b>Total Business-Type Activities Revenues</b>	<b>29,624</b>	<b>33,625</b>	<b>49,405</b>	<b>34,030</b>	<b>36,532</b>	<b>31,384</b>	<b>31,879</b>	<b>22,883</b>	<b>27,577</b>	<b>30,290</b>
<b>Total District Program Revenues</b>	<b>3,266,830</b>	<b>6,431,944</b>	<b>4,483,109</b>	<b>4,720,693</b>	<b>5,683,549</b>	<b>5,872,517</b>	<b>5,385,264</b>	<b>5,242,291</b>	<b>4,336,321</b>	<b>5,267,888</b>
<b>Net (Expense)/Revenue</b>										
Governmental Activities	(15,408,806)	(13,540,270)	(18,961,892)	(20,401,298)	(21,065,200)	(21,944,867)	(23,727,961)	(22,302,742)	(23,691,905)	(24,005,939)
Business-Type Activities	(6,256)	1,077	4,707	(6,640)	2,623	3,076	6,360	4,509	(230)	(17,077)
<b>Total District Net (Expense)/Revenue</b>	<b>(15,415,062)</b>	<b>(13,539,193)</b>	<b>(18,957,185)</b>	<b>(20,407,938)</b>	<b>(21,062,577)</b>	<b>(21,941,791)</b>	<b>(23,721,601)</b>	<b>(22,298,233)</b>	<b>(23,692,135)</b>	<b>(24,023,016)</b>

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT**  
**CHANGES IN NET ASSETS**  
**LAST TEN FISCAL YEARS**  
**(UNAUDITED)**  
*(Accrual Basis of Accounting)*

	Fiscal Year Ending June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Revenues and Other Changes in Net Assets:										
Governmental Activities:										
Property Taxes Levied for General Purposes	\$13,892,333	\$15,004,185	\$17,670,266	\$18,614,242	\$20,267,099	\$20,576,202	\$21,014,827	\$21,844,912	\$23,129,335	\$23,489,921
Taxes Levied for Debt Service	1,822,474	2,327,285	2,271,881	2,278,534	2,287,311	2,288,142	2,239,775	2,178,485	2,233,021	1,082,007
Federal and State Aid not Restricted	59,061	86,398	122,984	125,411	191,337	229,552	211,870	152,765	15,569	
Interest and Miscellaneous Income	164,224	94,834	16,427	68,140	219,790	212,432	116,576	125,624	249,960	254,212
Loss on Disposal of Capital Assets				(254,979)						
<b>Total Governmental Activities</b>	<b>15,938,092</b>	<b>17,512,702</b>	<b>20,081,558</b>	<b>20,831,348</b>	<b>22,965,537</b>	<b>23,306,328</b>	<b>23,583,048</b>	<b>24,301,786</b>	<b>25,627,885</b>	<b>24,826,140</b>
Business-Type Activities:										
Investment Earnings	25									59
<b>Total Business-Type Activities</b>	<b>25</b>									<b>59</b>
<b>Total District General Revenues/Other Changes</b>	<b>15,938,117</b>	<b>17,512,702</b>	<b>20,081,558</b>	<b>20,831,348</b>	<b>22,965,537</b>	<b>23,306,328</b>	<b>23,583,048</b>	<b>24,301,786</b>	<b>25,627,885</b>	<b>24,826,199</b>
Change in Net Assets:										
Governmental Activities	529,286	3,972,432	1,119,666	430,050	1,900,337	1,361,461	(144,913)	1,999,044	1,935,980	820,201
Business-Type Activities	(6,231)	1,077	4,707	(6,640)	2,623	3,076	6,360	4,509	(230)	(17,018)
<b>Total District Change in Net Assets</b>	<b>\$ 523,055</b>	<b>\$ 3,973,509</b>	<b>\$ 1,124,373</b>	<b>\$ 423,410</b>	<b>\$ 1,902,960</b>	<b>\$ 1,364,537</b>	<b>\$ (138,553)</b>	<b>\$ 2,003,553</b>	<b>\$ 1,935,750</b>	<b>\$ 803,183</b>

Source: Borough of Franklin Lakes School District Financial Reports.

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

	Fiscal Year Ending June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>General Fund:</b>										
Reserved	\$ 11,147,236	\$ 1,595,013	\$ 783,367	\$ 273,177	\$ 828,144	\$ 1,145,680	\$ 1,137,302	\$ 2,078,307		
Unreserved	904,464	881,482	575,315	394,265	568,551	456,150	483,431	501,093		
Restricted									\$ 1,461,600	\$ 1,884,175
Assigned									516,370	408,454
Unassigned									671,908	784,311
<b>Total General Fund</b>	<b>\$ 12,051,700</b>	<b>\$ 2,476,495</b>	<b>\$ 1,358,682</b>	<b>\$ 667,442</b>	<b>\$ 1,396,695</b>	<b>\$ 1,601,830</b>	<b>\$ 1,620,733</b>	<b>\$ 2,579,400</b>	<b>\$ 2,649,878</b>	<b>\$ 3,076,940</b>
<b>Other Governmental Funds:</b>										
Unreserved (Deficit)	\$ (2,064,096)	\$ (450,196)	\$ (103,902)	\$ (139,270)	\$ (110,926)	\$ (135,834)	\$ (157,124)	\$ (282,490)		
Restricted									\$ 138,463	\$ 139,464
Unassigned (Deficit)									(1,050,453)	(891,453)
<b>Total Other Governmental Funds</b>	<b>\$ (2,064,096)</b>	<b>\$ (450,196)</b>	<b>\$ (103,902)</b>	<b>\$ (139,270)</b>	<b>\$ (110,926)</b>	<b>\$ (135,834)</b>	<b>\$ (157,124)</b>	<b>\$ (282,490)</b>	<b>\$ (911,990)</b>	<b>\$ (751,989)</b>
<b>Total Governmental Funds:</b>										
Reserved	\$ 11,147,236	\$ 1,595,013	\$ 783,367	\$ 273,177	\$ 828,144	\$ 1,145,680	\$ 1,137,302	\$ 2,078,307		
Unreserved (Deficit)	(1,159,632)	431,286	471,413	254,995	457,625	320,316	326,307	218,603		
Restricted									1,600,063	2,023,639
Assigned									516,370	408,454
Unassigned (Deficit)									(378,545)	(107,142)
<b>Total Governmental Funds</b>	<b>\$ 9,987,604</b>	<b>\$ 2,026,299</b>	<b>\$ 1,254,780</b>	<b>\$ 528,172</b>	<b>\$ 1,285,769</b>	<b>\$ 1,465,996</b>	<b>\$ 1,463,609</b>	<b>\$ 2,296,910</b>	<b>\$ 1,737,888</b>	<b>\$ 2,324,951</b>

Source: Borough of Franklin Lakes School District Financial Reports.

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

	Fiscal Year Ending June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Revenues:</b>										
Tax Levy	\$ 15,714,807	\$ 17,331,470	\$ 19,942,147	\$ 20,892,776	\$ 22,554,410	\$ 22,864,344	\$ 23,254,602	\$ 24,023,397	\$ 25,362,356	\$ 24,571,928
Other Governmental Units - Restricted									123,410	118,648
Tuition Charges	827,677	748,762	1,002,337	1,352,191	1,392,942	1,507,097	1,794,627	1,757,801	1,529,041	1,794,954
Interest Earnings	143,807	49,807	6,812	68,140	132,577	101,704	19,835	1,800	1,800	1,800
Transportation Fees from Individuals						129,900	125,800	101,905	90,165	84,310
Miscellaneous	5,854	151,462	129,615	150,500	251,013	207,455	210,518	185,964	157,852	325,865
State Sources	2,209,552	5,308,523	3,100,081	2,915,435	3,927,290	3,985,158	3,185,753	2,875,932	2,206,241	2,935,225
Federal Sources	259,038	320,997	334,270	393,948	354,322	351,803	345,298	574,395	625,504	390,008
<b>Total Revenues</b>	<b>19,160,735</b>	<b>23,911,021</b>	<b>24,515,262</b>	<b>25,772,990</b>	<b>28,612,554</b>	<b>29,147,461</b>	<b>28,936,433</b>	<b>29,521,194</b>	<b>30,096,369</b>	<b>30,222,738</b>
<b>Expenditures:</b>										
<b>Instruction:</b>										
Regular Instruction	8,062,662	8,303,720	10,459,365	11,101,477	11,707,778	8,932,277	8,773,440	8,511,119	9,246,089	9,185,130
Special Education Instruction	2,087,427	2,552,854	2,584,747	3,118,735	3,497,458	2,728,191	3,167,135	3,466,504	3,445,443	3,478,316
Other Special Instruction	210,163	498,553	230,357	296,888	602,771	370,887	459,074	305,762	434,570	423,521
Other Instruction	111,471	109,712	115,324	114,941	110,267	100,055	115,852	97,007	81,449	93,249
<b>Support Services:</b>										
Tuition						20,499	166,231	87,232	198,186	357,294
Student & Instruction- Related Services	2,866,860	2,936,486	3,636,191	3,737,989	3,906,933	3,018,677	2,733,763	2,567,125	2,785,867	3,150,929
General Administration	461,423	460,207	546,270	555,976	575,983	519,648	535,667	587,332	472,224	477,462
School Administration	903,878	935,168	1,199,226	1,255,642	1,303,387	1,028,248	1,020,578	921,275	1,020,002	1,013,628
Central Services/Admin. Technology	316,256	346,972	356,861	560,812	541,228	528,395	489,914	454,632	485,766	471,742
Operations/Maintenance	1,537,879	1,638,405	2,087,334	2,056,675	2,224,818	2,542,666	2,389,017	2,231,063	2,260,161	2,591,421
Pupil Transportation	564,877	716,982	782,475	842,997	831,200	803,846	866,043	843,918	793,564	828,372
Unallocated Benefits						5,762,781	5,812,000	6,110,227	6,030,939	6,318,468
Capital Outlay	4,633,347	11,045,982	971,812	578,932	228,033	322,593	579,041	326,212	1,248,549	165,137

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

	Fiscal Year Ending June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenditures:										
Debt Service:										
Principal	\$ 1,100,000	\$ 1,425,000	\$ 1,570,000	\$ 1,560,000	\$ 1,675,188	\$ 1,695,000	\$ 1,745,000	\$ 1,715,000	\$ 1,824,740	\$ 809,000
Interest/Other Charges	722,474	902,285	1,105,159	718,534	649,913	593,471	516,065	463,485	327,842	272,006
<b>Total Expenditures</b>	<b>23,578,717</b>	<b>31,872,326</b>	<b>25,645,121</b>	<b>26,499,598</b>	<b>27,854,957</b>	<b>28,967,234</b>	<b>29,368,820</b>	<b>28,687,893</b>	<b>30,655,391</b>	<b>29,635,675</b>
Excess (Deficiency) of Revenues										
Over (Under) Expenditures	(4,417,982)	(7,961,305)	(1,129,859)	(726,608)	757,597	180,227	(432,387)	833,301	(559,022)	587,063
Other Financing Sources (Uses)										
Bond Proceeds	12,043,563		323,340							
Capital Leases	102,746						430,000			
Refundinf Bond Proceeds			5,485,000							
Payments to Escrow Agent			(5,450,000)							
Serial Bonds Issued									6,390,000	
Serial Bonds Defeased									(6,499,000)	
Bond Issuance Costs									(110,432)	
Bond Premium									718,748	
Deferred Interest - Refunding									(499,316)	
Transfers In	1,053,860	43,177	235,516		1,319	329		372	1,121	
Transfers Out	(1,053,860)	(43,177)	(235,516)		(1,319)	(329)		(372)	(1,121)	
<b>Total Other Financing Sources (Uses)</b>	<b>12,146,309</b>	<b>- 0 -</b>	<b>358,340</b>	<b>- 0 -</b>	<b>- 0 -</b>	<b>- 0 -</b>	<b>430,000</b>	<b>- 0 -</b>	<b>- 0 -</b>	<b>- 0 -</b>
<b>Net Change in Fund Balances</b>	<b>\$ 7,728,327</b>	<b>\$ (7,961,305)</b>	<b>\$ (771,519)</b>	<b>\$ (726,608)</b>	<b>\$ 757,597</b>	<b>\$ 180,227</b>	<b>\$ (2,387)</b>	<b>\$ 833,301</b>	<b>\$ (559,022)</b>	<b>\$ 587,063</b>
Debt Service as a Percentage of										
Noncapital Expenditures	10.6 %	12.6 %	12.2 %	9.6 %	9.2 %	8.7 %	8.5 %	8.3 %	7.9 %	3.8 %

Source: Borough of Franklin Lakes School District Financial Reports.

Exhibit J-5

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Tuition</u>	<u>Transportation</u> <u>Fees</u>	<u>Other</u>	<u>Total</u>
2003	\$ 6,510	\$ 827,677		\$ 5,854	\$ 840,041
2004	51,657	748,762		106,435	906,854
2005	2,000	1,002,337		129,615	1,133,952
2006	63,245	1,352,191		150,500	1,565,936
2007	131,258	1,392,942		163,800	1,688,000
2008	101,375	1,507,097	\$ 129,900	110,728	1,849,100
2009	19,835	1,794,627	125,800	96,741	2,037,003
2010	14,240	1,757,801	101,905	111,012	1,984,958
2011	51,077	1,529,041	90,165	197,762	1,868,045
2012	11,895	1,794,954	84,310	242,317	2,133,476

Source: Borough of Franklin Lakes School District Financial Reports.

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT**  
**ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY**  
**LAST TEN YEARS**  
**(UNAUDITED)**

Year Ended 12/31	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Add: Public Utilities <sup>a</sup>	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate <sup>b</sup>	Estimated Actual (County Equalized Value)
2002	\$54,487,800	\$1,769,300,252	\$5,010,800	\$16,800	\$272,893,630	\$13,538,000		\$2,115,247,282	\$1,979,365	\$2,117,226,647	\$145,068,000	\$0.71	\$2,766,170,168
2003	47,667,300	1,800,096,652	5,034,800	16,800	275,064,230	13,538,000		2,141,417,782	1,922,034	2,143,339,816	150,655,700	0.78	2,990,019,988
2004	43,873,800	1,822,549,052	4,192,500	19,000	274,931,030	13,438,000	\$9,783,000	2,168,786,382	1,671,736	2,170,458,118	150,923,700	0.86	3,332,089,833
2005	46,127,800	1,845,092,402	3,681,300	19,000	274,931,030	13,438,000	9,783,000	2,193,072,532	1,402,055	2,194,474,587	150,719,500	0.93	3,676,494,569
2006	39,168,100	1,887,092,102	3,681,300	19,000	246,418,000	13,438,000	9,783,000	2,199,599,502	1,333,619	2,200,933,121	150,719,500	0.99	4,024,313,596
2007 *	80,998,400	4,379,627,600	6,344,900	21,200	384,240,500	23,568,000	18,139,400	4,892,940,000	1,333,619	4,894,273,619	220,364,900	0.47	4,465,718,841
2008	90,703,100	4,349,987,800	6,344,900	21,200	384,240,500	23,568,000	30,856,600	4,885,722,100	3,416,228	4,889,138,328	219,249,100	0.47	4,650,202,081
2009	90,999,700	4,388,465,100	5,317,500	18,800	401,034,300	23,429,400	30,856,600	4,940,121,400	5,581,035	4,945,702,435	219,249,100	0.48	4,869,232,530
2010	75,848,200	4,420,389,200	5,317,500	18,800	393,342,200	23,429,400	30,139,400	4,948,484,700	3,687,173	4,952,171,873	219,249,100	0.49	4,709,650,468
2011	53,113,100	3,563,332,500	4,240,000	21,400	408,302,900	32,820,000	30,139,400	4,091,969,300	3,325,267	4,095,294,567	190,895,400	0.62	4,354,743,831

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

<sup>a</sup> Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies.

<sup>b</sup> Tax rates are per \$100 of assessed value.

\* Year in which revaluation was effective.

Source: Borough of Franklin Lakes Tax Assessor.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
DIRECT AND OVERLAPPING PROPERTY TAX RATES  
LAST TEN YEARS  
(UNAUDITED)

*(Rate per \$100 of Assessed Value)*

Year Ended December 31,	Franklin Lakes School District Direct Rate			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate <sup>a</sup>	General Obligation Debt Service <sup>b</sup>	Total Direct School Tax Rate	Borough of Franklin Lakes	Ramapo- Indian Hills Regional School	Bergen County	
2002	\$ 0.644	\$ 0.072	\$ 0.706	\$ 0.334	\$ 0.604	\$ 0.316	\$ 1.960
2003	0.669	0.105	0.784	0.337	0.623	0.296	2.040
2004	0.764	0.098	0.862	0.347	0.634	0.307	2.150
2005	0.829	0.101	0.930	0.363	0.659	0.328	2.280
2006	0.890	0.100	0.989	0.377	0.680	0.324	2.370
2007 *	0.418	0.047	0.465	0.166	0.313	0.166	1.110
2008	0.415	0.045	0.470	0.180	0.330	0.170	1.150
2009	0.436	0.044	0.480	0.192	0.340	0.188	1.200
2010	0.447	0.043	0.490	0.210	0.351	0.185	1.236
2011	0.593	0.027	0.620	0.259	0.431	0.219	1.529

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

<sup>a</sup> The District's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net Valuation Taxable.

<sup>b</sup> Rates for debt service are based on each year's requirements.

\* Year in which revaluation was effective.

Source: Borough of Franklin Lakes Tax Collector and School Business Administrator.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
PRINCIPAL PROPERTY TAX PAYERS  
CURRENT YEAR AND NINE YEARS AGO  
(UNAUDITED)

Taxpayer	2012		Taxpayer	2003	
	Taxable Assessed Value	% of Total District Net Valuation Taxable		Taxable Assessed Value	% of Total District Net Valuation Taxable
Becton Dickinson & Company	\$ 156,547,900	3.82 %	Becton Dickinson & Company	\$ 132,024,130	6.24 %
Medco Helth Solutions	114,000,000	2.78 %	Merck Medco Managed Care, LLC	80,893,700	3.82 %
1st Real Estate Invest Trust	19,784,900	0.48 %	1st Real Estate Investment Trust	12,699,500	0.60 %
Urban Farms Acquisition	19,715,000	0.48 %	Franklin Farms Associates, LLC	7,425,000	0.35 %
E. Coast Horizon @ Franklin	18,139,400	0.44 %	Individual Taxpayer #1	6,097,900	0.29 %
University Heights LLC.	12,000,000	0.29 %	Urban Farms, Inc.	5,788,100	0.27 %
FL Storage LLC.	9,000,000	0.22 %	High Mountain Golf Course	5,208,000	0.25 %
G.S. Realty Corp.	7,480,000	0.18 %	Sabra Real Estate Associates	3,813,800	0.18 %
Sabra Realty Assoc.	7,103,300	0.17 %	Individual Taxpayer #2	3,325,000	0.16 %
Individual Taxpayer #1	6,923,600	0.17 %	Individual Taxpayer #3	3,256,800	0.15 %
Total	<u>\$ 370,694,100</u>	<u>9.05 %</u>	Total	<u>\$ 260,531,930</u>	<u>12.31 %</u>

Note: Individual taxpayers may be different in 2012 and 2003.

Source: Borough of Franklin Lakes Tax Assessor.

## Exhibit J-9

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
(UNAUDITED)

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Taxes Levied</u> <u>for the</u> <u>Fiscal Year</u>	<u>Collected Within the</u> <u>Fiscal Year of the Levy</u> <sup>a</sup>		<u>Collections in</u> <u>Subsequent</u> <u>Years</u>
		<u>Amount</u>	<u>Percentage</u> <u>of Levy</u>	
2003	\$ 15,714,807	\$ 15,714,807	100.00 %	- 0 -
2004	17,331,470	17,331,470	100.00 %	- 0 -
2005	19,942,147	19,942,147	100.00 %	- 0 -
2006	20,892,776	20,892,776	100.00 %	- 0 -
2007	22,554,410	22,554,410	100.00 %	- 0 -
2008	22,864,344	22,864,344	100.00 %	- 0 -
2009	23,254,602	23,254,602	100.00 %	- 0 -
2010	24,023,397	24,023,397	100.00 %	- 0 -
2011	25,362,356	25,362,356	100.00 %	- 0 -
2012	24,571,928	24,571,928	100.00 %	- 0 -

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

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

## Exhibit J-10

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

Fiscal Year Ended June 30,	Governmental Activities		Total District	Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
	General Obligation Bonds	Capital Leases			
2003	\$ 20,779,000		\$ 20,779,000	3.68 %	\$ 1,891.41
2004	19,354,000		19,354,000	3.20 %	1,751.97
2005	17,819,000	\$ 114,747	17,933,747	2.85 %	1,615.94
2006	16,259,000	43,652	16,302,652	2.34 %	1,467.52
2007	14,619,000	8,464	14,627,464	1.90 %	1,318.62
2008	12,924,000		12,924,000	1.64 %	1,130.21
2009	11,179,000	339,163	11,518,163	1.57 %	991.49
2010	9,464,000	258,588	9,722,588	1.40 %	917.05
2011	7,690,000	175,266	7,865,266	1.13 %	737.83
2012	7,040,000	89,102	7,129,102	1.02 %	668.77

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

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

Source: Borough of Franklin Lakes School District Financial Reports.

## Exhibit J-11

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Net Taxable Value of Property <sup>a</sup>	Per Capita <sup>b</sup>
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2003	\$ 20,779,000	\$ - 0 -	\$ 20,779,000	0.98 %	\$ 1,880.96
2004	19,354,000	- 0 -	19,354,000	0.90 %	1,743.92
2005	17,819,000	- 0 -	17,819,000	0.82 %	1,604.01
2006	16,259,000	- 0 -	16,259,000	0.74 %	1,465.70
2007	14,619,000	- 0 -	14,619,000	0.66 %	1,278.44
2008	12,924,000	- 0 -	12,924,000	0.26 %	1,119.35
2009	11,179,000	- 0 -	11,179,000	0.23 %	962.30
2010	9,464,000	- 0 -	9,464,000	0.19 %	892.66
2011	7,690,000	- 0 -	7,690,000	0.16 %	721.39
2012	7,040,000	- 0 -	7,040,000	0.17 %	660.41

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

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

<sup>b</sup> See Exhibit J-14 for population data. This ratio is calculated using population for the prior calendar year.

Source: Borough of Franklin Lakes School District Financial Reports.

Exhibit J-12

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF DECEMBER 31, 2011  
(UNAUDITED)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Borough of Franklin Lakes	\$ 14,320,691	100.00 %	\$ 14,320,691
Ramapo-Indian Hills Regional High School	23,590,000	21.81 %	5,143,802
Bergen County General Obligation Debt	698,412,830	2.51 %	<u>17,554,165</u>
Subtotal, Overlapping Debt			37,018,658
Franklin Lakes Board of Education Direct Debt			<u>7,040,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 44,058,658</u></u>

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

<sup>a</sup> For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable equalized property values. Applicable percentages were estimated by determining the portion of another governmental unit's equalized property value that is within the District's boundaries and dividing it by each unit's total equalized property value.

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

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT**  
**LEGAL DEBT MARGIN INFORMATION**  
**LAST TEN FISCAL YEARS**  
**(UNAUDITED)**

	Fiscal Year				
	2003	2004	2005	2006	2007
Debt Limit	\$ 81,778,637	\$ 89,700,600	\$ 98,655,552	\$ 109,181,485	\$ 116,496,242
Total Net Debt Applicable to Limit	20,779,600	19,354,600	17,819,600	16,259,600	14,619,600
Legal Debt Margin	<u>\$ 60,999,037</u>	<u>\$ 70,346,000</u>	<u>\$ 80,835,952</u>	<u>\$ 92,921,885</u>	<u>\$ 101,876,642</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	25.41 %	21.58 %	18.06 %	14.89 %	12.55 %

	Fiscal Year				
	2008	2009	2010	2011	2012
Debt Limit	\$ 130,629,438	\$ 138,613,851	\$ 141,661,097	\$ 140,829,991	\$ 137,481,129
Total Net Debt Applicable to Limit	12,924,000	11,179,000	9,464,000	7,690,000	7,040,000
Legal Debt Margin	<u>\$ 117,705,438</u>	<u>\$ 127,434,851</u>	<u>\$ 125,402,097</u>	<u>\$ 125,402,097</u>	<u>\$ 130,441,129</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	9.89 %	8.06 %	6.68 %	5.46 %	5.12 %

**Legal Debt Margin Calculation for Fiscal Year 2012**

<u>Year Ended December 31,</u>	<u>Equalized Valuation Basis</u>
2009	\$ 4,691,918,891
2010	4,587,026,974
2011	<u>4,469,166,994</u>
	<u>\$13,748,112,859</u>
Average Equalized Valuation of Taxable Property	<u>\$ 4,582,704,286</u>
Debt Limit (3% of Average Equalization Value) <sup>a</sup>	\$ 137,481,129
Net Bonded School Debt at June 30, 2012	<u>7,040,000</u>
Legal Debt Margin	<u>\$ 130,441,129</u>

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

## Exhibit J-14

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN YEARS  
(UNAUDITED)

<u>Year</u>	<u>Borough Population<sup>a</sup></u>	<u>Bergen County Per Capita Personal Income<sup>b</sup></u>	<u>Borough Personal Income<sup>c</sup></u>	<u>Borough Unemployment Rate<sup>d</sup></u>
2003	11,047	\$ 51,132	\$ 564,855,204	3.70 %
2004	11,098	54,462	604,419,276	3.00 %
2005	11,109	56,706	629,946,954	2.30 %
2006	11,093	62,714	695,686,402	2.30 %
2007	11,435	67,394	770,650,390	2.00 %
2008	11,546	68,227	787,748,942	2.70 %
2009	11,617	63,198	734,171,166	4.90 %
2010	10,602	65,486	694,282,572	5.00 %
2011	10,660	65,486 **	698,080,760	4.90 %
2012	10,660 *	65,486 **	698,080,760	N/A

N/A Information is not available.

\* Latest Borough populations available (2011) was used for calculation purposes.

\*\* Latest Bergen County per capita personal income available (2010) was used for calculation purposes.

Sources:

<sup>a</sup> Population information provided by the US Department of Census - Population Division.

<sup>b</sup> Per Capita Personal Income information provided by the US Department of Commerce - Bureau of Economic Analysis.

<sup>c</sup> Personal Income information provided by the US Department of Commerce - Bureau of Economic Analysis.

<sup>d</sup> Unemployment data provided by the NJ Department of Labor and Workforce Development.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
PRINCIPAL EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO  
(UNAUDITED)

Employer	2012		Employer	2003	
	Employees	Percentage of Total Employment		Employees	Percentage of Total Employment
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
Total	N/A	N/A	Total	N/A	N/A

N/A - Information is not available.

NOTE: The District was unsuccessful in its attempt to obtain information regarding the principal employers of the Borough.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM  
LAST NINE FISCAL YEARS  
 (UNAUDITED)

<u>Function/Program</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Instruction:									
Regular	104	126	126	128	128	126	125	126	129
Support Services:									
Student & Instruction Related Services	38	40	39	40	40	39	39	41	41
General Administrative Services	3	3	3	4	4	4	4	4	4
School Administrative Services	11	13	13	13	13	12	12	13	13
Central Services	2	2	2	2	2	2	2	2	2
<b>Total</b>	<b>158</b>	<b>184</b>	<b>183</b>	<b>187</b>	<b>187</b>	<b>183</b>	<b>182</b>	<b>186</b>	<b>189</b>

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

Source: Borough of Franklin Lakes School District Personnel Records.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
OPERATING STATISTICS  
LAST TEN FISCAL YEARS  
(UNAUDITED)

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil <sup>b</sup>	Percentage Change	Teaching Staff <sup>c</sup>	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) <sup>d</sup>	Average Daily Attendance (ADA) <sup>d</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School				
2003	1,445	\$ 17,122,896	\$ 11,850	6.79 %	134	1:12	N/A	1,434	1,373	2.65 %	95.75 %
2004	1,494	18,499,059	12,382	4.49 %	145	1:12	N/A	1,494	1,442	4.18 %	96.52 %
2005	1,555	21,998,150	14,147	14.25 %	145	1:12	N/A	1,555	1,505	4.08 %	96.78 %
2006	1,535	23,642,132	15,402	8.87 %	130	1:12	1:12	1,534	1,480	-1.35 %	96.48 %
2007	1,521	25,301,823	16,635	8.01 %	138	1:10	1:12	1,521	1,462	-0.85 %	96.12 %
2008	1,489	26,356,170	17,701	6.41 %	138	1:12	1:12	1,489	1,436	-2.10 %	96.44 %
2009	1,492	26,528,714	17,781	0.45 %	137	1:12	1:12	1,492	1,416	0.20 %	94.91 %
2010	1,464	26,183,196	17,885	0.59 %	136	1:12	1:12	1,458	1,381	-2.28 %	94.72 %
2011	1,433	27,254,260	19,019	6.34 %	135	1:12	1:12	1,429	1,375	-1.99 %	96.22 %
2012	1,410	28,389,532	20,134	5.86 %	139	1:11	1:12	1,414	1,352	-1.05 %	95.62 %

Note: Enrollment based on annual October District count.

<sup>a</sup> Operating expenditures equal total expenditures less debt service and capital outlay.

<sup>b</sup> Cost per pupil is calculated based upon enrollment and operating expenditures presented above which may not be the same as State cost per pupil calculations.

<sup>c</sup> Teaching staff includes only full-time equivalents of certificated staff.

<sup>d</sup> Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

N/A Information is not available.

Source: Borough of Franklin Lakes School District Records.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
SCHOOL BUILDING INFORMATION  
LAST TEN FISCAL YEARS  
(UNAUDITED)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>District Building</u>										
Colonial Road School (2004):										
Square Feet			59,645	59,645	59,645	59,645	59,645	59,645	59,645	59,645
Capacity (Students)			373	373	373	373	373	373	373	373
Enrollment			377	372	364	363	364	353	340	320
High Mountain Road School:										
Square Feet	47,173	47,173	47,173	47,173	47,173	47,173	47,173	47,173	47,173	47,173
Capacity (Students)	359	359	359	359	359	359	359	359	359	359
Enrollment	494	524	296	291	285	277	280	267	259	263
Woodside Avenue School:										
Square Feet	53,409	53,409	53,409	53,409	53,409	53,409	53,409	53,409	53,409	53,409
Capacity (Students)	363	363	363	363	363	363	363	363	363	363
Enrollment	479	465	346	341	335	330	331	334	330	315
Franklin Avenue Middle School:										
Square Feet	74,806	74,806	78,806	78,806	78,806	78,806	78,806	78,806	78,806	78,806
Capacity (Students)	525	525	540	540	540	540	540	540	540	540
Enrollment	472	505	536	531	537	519	517	510	504	512

Number of Schools at June 30, 2012:

Elementary = 3  
Middle School = 1

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

Source: Borough of Franklin Lakes School District Facilities Office.

Exhibit J-19

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES  
LAST TEN FISCAL YEARS  
(UNAUDITED)

Undistributed Expenditures - Required Maintenance  
For School Facilities - Account #11-000-261-XXX:

Fiscal Year Ending June 30	Colonial Road Elementary School	High Mountain Road Elementary School	Woodside Avenue Elementary School	Franklin Avenue Middle School	Total School Facilities*
2003		\$ 42,255	\$ 44,932	\$ 61,045	\$ 148,232
2004		59,249	49,211	59,167	167,627
2005	\$ 24,041	71,905	57,091	65,707	218,744
2006	26,008	57,745	64,216	104,936	252,905
2007	22,027	88,980	131,428	94,310	336,745
2008	27,755	113,153	173,131	184,715	498,754
2009	18,404	80,870	133,877	240,025	473,176
2010	39,591	90,399	129,192	150,494	409,676
2011	53,988	76,199	89,168	175,429	394,784
2012	48,828	166,381	198,933	161,881	576,023

\* School facilities as defined under EFCFA (N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3).

Source: Borough of Franklin Lakes School District Records.

Exhibit J-20

1 of 2

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
INSURANCE SCHEDULE  
JUNE 30, 2012  
(UNAUDITED)

	<u>Coverage</u>	<u>Deductible</u>
American Zurich Insurance Company:		
General Liability:		
General Aggregate	\$ 2,000,000	
Each Occurrence	1,000,000	
Production/Completed Operations	2,000,000	
Personal Injury	1,000,000	
Fire Damage	1,000,000	
Medical Expense	10,000	
Employee Benefits Liability	1,000,000	\$ 1,000
Commercial Property Coverage:		
Property Building & Contents Replacement		
Cost Values	59,103,567	5,000
Business Income & Extra Expense	5,000,000	1,000
Earthquake and Volcanic Eruption	5,000,000	5%
Flood (Outside Zones A, V or B)	5,000,000	50,000
Flood (Zone B)	2,000,000	100,000
Flood (Zones A or V)	1,000,000	500,000
Valuable Papers	5,000,000	1,000
Electronic Data Processing Equipment	3,000,000	5,000
Boiler and Machinery:		
Blanket Property Damage	25,000,000	1,000
Crime:		
Employee Dishonesty with Faithful Performance	500,000	5,000
Forgery & Alteration	50,000	1,000
Theft - Inside	50,000	1,000
Theft - Outside	50,000	1,000
Computer Fraud	50,000	1,000
Commercial Automobile:		
Combined Single Limit	1,000,000	
Automobile Medical Payments	5,000	
Hired/Non-Owned	1,000,000	
Uninsured/Underinsured	1,000,000	
Hired Auto Physical Damage	100,000	1,000
School Board Legal Liability Coverage:		
Each Loss	1,000,000	5,000
Aggregate	1,000,000	
Employment Practices Liability	1,000,000	5,000

Exhibit J-20  
2 of 2

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
INSURANCE SCHEDULE  
JUNE 30, 2012  
(UNAUDITED)

	<u>Coverage</u>	<u>Deductible</u>
Catastrophic Liability Coverage - American Guarantee & Liability:		
Per Occurrence	\$ 10,000,000	
Aggregate Limit	10,000,000	
Retained Limit	10,000	
Fidelity Bonds - Western Surety Company:		
Board Secretary/Business Administrator:	250,000	
Treasurer of School Monies:	250,000	
Workers' Compensation - Manufacturers Alliance Insurance Co.:		
Covered Payrolls - Professional	15,329,336	

**SINGLE AUDIT SECTION**



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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Borough of Franklin Lakes School District, in the County of Bergen (the "Board") as of, and for the fiscal year ended June 30, 2012, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 8, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department").

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Office of Finance, Department of Education, State of New Jersey. However, we have noted certain matters that we have reported to the Board in a separate report, the *Auditor's Management Report on Administrative Findings – Financial, Compliance, and Performance*, dated October 8, 2012.

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

*Nisivoccia, LLP*

Mount Arlington, New Jersey  
October 8, 2012

NISIVOCCIA, LLP

*Kathryn L. Mantell*

Kathryn L. Mantell  
Licensed Public School Accountant #884  
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Independent Auditors' Report on Compliance with Requirements  
 That Could Have a Direct and Material Effect on Each Major Program and on  
 Internal Control Over Compliance in Accordance with OMB Circular A-133 and  
 New Jersey OMB's Circular 04-04

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

Compliance

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; OMB 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*. 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 state program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Board's compliance with those requirements.

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

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

Internal Control Over Compliance

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

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

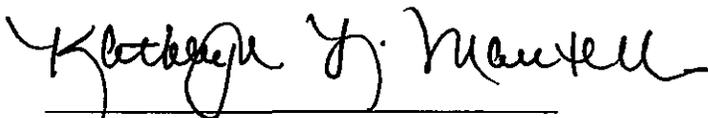
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did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

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



NISIVOCCIA, LLP

Mount Arlington, New Jersey  
October 8, 2012



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

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

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period		Program or Award Amount	Balance	Cash Received	Budgetary Expenditures	Balance
			From	To		June 30, 2011 (Accounts Receivable)			June 30, 2012 (Accounts Receivable)
U.S. Department of Agriculture - Passed-through State Department of Education:									
Child Nutrition Cluster:									
Special Milk Program	10.556	N/A	7/1/11	6/30/12	\$ 13,019		\$ 12,161	\$ (13,019)	\$ (858)
Special Milk Program	10.556	N/A	7/1/10	6/30/11	12,540	\$ (2,389)	2,389		
Total Child Nutrition Cluster						(2,389)	14,550	(13,019)	(858)
Total Enterprise Fund						(2,389)	14,550	(13,019)	(858)
Total U.S. Department of Agriculture						(2,389)	14,550	(13,019)	(858)
U.S. Department of Education - Passed-through State Department of Education:									
General Fund:									
Education Jobs Fund	84.394	N/A	7/1/11	9/30/12	44,468		44,468	(44,468)	
Total General Fund							44,468	(44,468)	
Special Revenue Fund:									
Special Education Cluster:									
I.D.E.A. Part B, Basic	84.027	IDEA-1580-12	9/1/11	8/31/12	307,924		307,924	(307,924)	
I.D.E.A. Part B, Preschool	84.173	IDEA-1580-12	9/1/11	8/31/12	17,616		17,616	(17,616)	
Total Special Education Cluster							325,540	(325,540)	
No Child Left Behind:									
Title II, Part A	84.281	NCLB-1580-12	9/1/11	8/31/12	20,000		20,000	(20,000)	
Total Special Revenue Fund							345,540	(345,540)	
Total U.S. Department of Education							390,008	(390,008)	
<b>TOTAL FEDERAL AWARDS</b>						<b>\$ (2,389)</b>	<b>\$ 404,558</b>	<b>\$ (403,027)</b>	<b>\$ (858)</b>

N/A - Not Available/Applicable

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

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

State Grantor/Program Title	Grant or State Project Number	Grant Period		Program or Award Amount	Balance June 30, 2011			Repayment of Prior Years' Balances	Balance June 30, 2012			MEMO Cumulative Total Expenditures	
		From	To		Budgetary (Accounts Receivable)	Due to Grantor	Cash Received		Budgetary Expenditures	GAAP (Accounts Receivable)	Budgetary (Accounts Receivable)		Due to Grantor
<b>State Department of Education:</b>													
<b>General Fund:</b>													
Special Education Categorical Aid	12-495-034-5120-089	7/1/11	6/30/12	\$ 547,648			\$ 516,300	\$ (547,648)		\$ (31,348)		\$ 547,648	
Extraordinary Special Education Costs Aid	12-495-034-5120-044	7/1/11	6/30/12	277,258				(277,258)		(277,258)		277,258	
Nonpublic School Transportation Costs	12-495-034-5120-014	7/1/11	6/30/12	17,366				(17,366)		(17,366)		17,366	
Reimbursed TPAF Social Security Aid	12-495-034-5095-002	7/1/11	6/30/12	900,853			856,118	(900,853)		(44,735)	(44,735)	900,853	
Extraordinary Special Education Costs Aid	11-495-034-5120-044	7/1/10	6/30/11	148,243	\$ (148,243)		148,243					148,243	
Nonpublic School Transportation Costs	11-495-034-5120-014	7/1/10	6/30/11	18,618	(18,618)		18,618					18,618	
Reimbursed TPAF Social Security Aid	11-495-034-5095-002	7/1/10	6/30/11	922,929	(43,841)		43,841					922,929	
<b>Total General Fund State Aid</b>					<b>(210,702)</b>		<b>1,583,120</b>	<b>(1,743,125)</b>		<b>(339,359)</b>	<b>(370,707)</b>	<b>2,832,915</b>	
<b>Special Revenue Fund:</b>													
<b>NI Nonpublic Aid:</b>													
Nursing Services (Chapter 226)	12-100-034-5120-070	7/1/11	6/30/12	14,732			14,732	(14,732)				14,732	
Textbook Aid (Chapter 194)	12-100-034-5120-086	7/1/11	6/30/12	10,313			10,313	(10,313)				10,313	
<b>Auxiliary Services (Chapter 192):</b>													
Transportation	12-100-034-5120-068	7/1/11	6/30/12	8,068			8,068	(8,068)				8,068	
Compensatory Education	12-100-034-5120-067	7/1/11	6/30/12	64,245			64,245	(27,051)			\$ 37,194	27,051	
<b>Handicapped Services (Chapter 193):</b>													
Supplementary Instruction	12-100-034-5120-066	7/1/11	6/30/12	14,732			14,732	(6,664)			8,068	6,664	
Examination and Classification	12-100-034-5120-066	7/1/11	6/30/12	22,059			22,059	(9,017)			13,042	9,017	
Corrective Speech	12-100-034-5120-066	7/1/11	6/30/12	14,218			14,218	(11,374)			2,844	11,374	
<b>Auxiliary Services (Chapter 192):</b>													
Compensatory Education	11-100-034-5120-067	7/1/10	6/30/11	40,692		\$ 2,764		\$ (2,764)				37,928	
<b>Handicapped Services (Chapter 193):</b>													
Supplementary Instruction	11-100-034-5120-066	7/1/10	6/30/11	11,812		4,516		(4,516)				7,296	
Examination and Classification	11-100-034-5120-066	7/1/10	6/30/11	17,386		5,428		(5,428)				11,958	
Corrective Speech	11-100-034-5120-066	7/1/10	6/30/11	11,735		5,007		(5,007)				6,728	
<b>Total Special Revenue Fund</b>							<b>17,715</b>	<b>148,367</b>	<b>(87,219)</b>	<b>(17,715)</b>		<b>61,148</b>	<b>151,129</b>
<b>Total State Department of Education</b>					<b>(210,702)</b>		<b>1,731,487</b>	<b>(1,830,344)</b>		<b>(339,359)</b>	<b>(370,707)</b>	<b>61,148</b>	<b>2,984,044</b>
<b>Schools Development Authority:</b>													
<b>Capital Projects Fund:</b>													
<b>Educational Facilities Construction &amp; Financing Act</b>													
Colonial Road Elementary School	SP-202266	04/16/02	06/30/08	2,539,200	(70,164)						(70,164)		
High Mountain Road Elementary School	SP-202529	04/16/02	06/30/08	294,000	(57,330)						(57,330)		
Woodside Avenue Elementary School	SP-202559	04/16/02	06/30/08	361,600	(70,510)						(70,510)		
Franklin Avenue Middle School	SP-202558	04/16/02	06/30/08	375,600	(16,900)						(16,900)		
High Mountain Road Elementary School	SP-1580-020-09-1002	12/30/09	06/30/11	13,000	(13,000)						(13,000)		
Woodside Avenue Elementary School	SP-1580-030-09-1003	12/30/09	06/30/11	163,200	(163,200)						(163,200)		
Franklin Avenue Middle School	SP-1580-015-09-1001	12/30/09	06/30/11	354,960	(354,960)						(354,960)		
<b>Total Capital Projects Fund</b>					<b>(746,064)</b>						<b>(746,064)</b>		
<b>Total Schools Development Authority</b>					<b>(746,064)</b>						<b>(746,064)</b>		
<b>TOTAL STATE AWARDS</b>					<b>\$ (956,766)</b>	<b>\$ 17,715</b>	<b>\$ 1,731,487</b>	<b>\$(1,830,344)</b>	<b>\$ (17,715)</b>	<b>\$ (339,359)</b>	<b>\$(1,116,771)</b>	<b>\$ 61,148</b>	<b>\$ 2,984,044</b>

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

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state grant activity of the Board of Education, Borough of Franklin Lakes School District under programs of the federal and state governments for the fiscal year ended June 30, 2012. The information in these schedules are presented in accordance with the Federal Office of Management and Budget (OMB), *Audits of States and Local Governments and Non-Profit Organizations* and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net assets or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The General Fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last two current year state aid payments, which is mandated pursuant to P.L. 2003, C.97. For GAAP purposes, those payments are not recognized until the subsequent budget year due to the state deferral and recording of the last two current year state aid payments in the subsequent year.

The Special Revenue Fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not.

The Capital Projects Fund is presented in the accompanying schedules on the budgetary basis with the exception of the recognition of the Schools Development Authority grants which are realized as revenue on the budgetary basis when awarded. These grants are realized on the GAAP when they are expended and submitted for reimbursement.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$31,348) for the General Fund, and \$704 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. Additionally, the schedule of expenditures of state awards does not include the on-behalf TPAF Pension and Post-Retirement Medical Benefits revenue of \$377,218 and \$758,307 respectively.

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT**  
**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

(Continued)

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

Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 44,468	\$ 2,847,302	\$ 2,891,770
Special Revenue Fund	345,540	87,923	433,463
Proprietary Fund	<u>13,019</u>	<u>          </u>	<u>13,019</u>
Total Financial Assistance	<u>\$ 403,027</u>	<u>\$ 2,935,225</u>	<u>\$ 3,338,252</u>

**NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

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

**NOTE 5. OTHER**

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2012.

**NOTE 6. SCHOOLS DEVELOPMENT AUTHORITY (SDA) GRANT**

The District has been awarded grants in the amount of \$4,101,560 from the Schools Development Authority (SDA) under the Educational Facilities Construction and Financing Act. As of June 30, 2012, \$3,355,496 of the grant funds have been expended and \$746,064 is receivable on the budgetary basis.

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

Summary of Auditors' Results:

- An unqualified report was issued on the District's financial statements.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the District.
- The audit did not disclose any noncompliance which is material in relation to the financial statements of the District.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the District's major state program.
- An unqualified report was issued on the District's compliance for its major state program.
- The audit did not disclose any audit findings which are required to be reported under Federal OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*.
- The District was not subject to the Single Audit provisions of Federal OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, for the fiscal year ending June 30, 2012 as federal award expenditures were less than the Single Audit threshold of \$500,000 identified in the federal circular.
- The District's major state program for the current fiscal year consisted of the following:

	<u>Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
<u>State:</u>				
State Aid Public:				
Special Education				
Categorical Aid	12-495-034-5120-089	7/1/11-6/30/12	\$ 547,648	\$ 547,648

- The threshold for distinguishing state Type A and Type B programs was \$300,000.
- The single audit threshold identified in Federal OMB Circular A-133 and New Jersey OMB's Circular 04-04 was \$500,000.
- The District qualified as a "low-risk" auditee for state programs under the provisions of section 530 of the federal Circular.

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

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

Findings and Questioned Costs for Federal Awards:

- Not Applicable since federal expenditures were below the single audit threshold.

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

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in section 510(a) of the federal Circular A-133 and New Jersey OMB Circular 04-04.

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

Status of Prior Year Findings:

There were no findings or questioned costs for the year ended June 30, 2011.