

SCHOOL DISTRICT
OF
HACKETTSTOWN

Hackettstown School District
Board of Education
Hackettstown, Warren County
New Jersey

Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2010

Comprehensive Annual

Financial Report

of the

Hackettstown School District

Board of Education

Hackettstown, New Jersey

For the Fiscal Year Ending June 30, 2010

Prepared by

Hackettstown School District

Board of Education

Finance Department

OUTLINE OF CAFR

INTRODUCTORY SECTION

	<u>Page</u>
Letter of Transmittal	1
Organizational Chart	2
Roster of Officials	3
Consultants and Advisors	4

FINANCIAL SECTION

Independent Auditor's Report	5-6
Required Supplementary Information – Part I Management's Discussion and Analysis	7-13
Basic Financial Statements	
A. District-Wide Financial Statements:	
A-1 Statement of Net Assets	14
A-2 Statement of Activities	15
B. Fund Financial Statements:	
Governmental Funds:	
B-1 Balance Sheet	16
B-2 Statement of Revenues, Expenditures and Changes in Fund Balance	17
B-3 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Proprietary Funds:	
B-4 Statement of Net Assets	19
B-5 Statement of Revenues, Expenses and Changes in Fund Net Assets	20
B-6 Statement of Cash Flows	21
Fiduciary Funds:	
B-7 Statement of Fiduciary Net Assets	22
B-8 Statement of Changes in Fiduciary Net Assets	23
Notes to the Financial Statements	24-43
Required Supplementary Information – Part II	
C. Budgetary Comparison Schedules:	
C-1 Budgetary Comparison Schedule--General Fund	44-53
C1a Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	N/A
C-1b American Recovery and Reinvestment Act - Budget and Actual	54
C-2 Budgetary Comparison Schedule--Special Revenue Fund	55
Notes to Required Supplementary Information	
C-3 Budget-to-GAAP Reconciliation	56

OUTLINE OF CAFR

	<u>Page</u>
Other Supplementary Information	
D. School Level Schedules:	
D-1 Combining Balance Sheet	N/A
D-2 Blended Resource Fund – Schedule of Expenditures Allocated by Resource Type – Actual	N/A
D-3 Blended Resource Fund – Schedule of Blended Expenditures – Budget and Actual	N/A
E. Special Revenue Fund:	
E-1 Combining Schedule of Program Revenues and Expenditures, Special Revenue Fund – Budgetary Basis	57
E-2 Schedule(s) of Preschool Education Aid Expenditures – Preschool-All Programs- Budgetary Basis	N/A
F. Capital Projects Fund:	
F-1 Summary Schedule of Project Expenditures	58
F-2 Summary Schedule of Revenues and Expenditures	59
F-2a Summary Schedule of Revenues and Expenditures - High School Addition and Renovation	60
G. Proprietary Funds	
Enterprise Fund:	
G-1 Combining Statement of Net Assets	See B-4
G-2 Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	See B-5
G-3 Combining Statement of Cash Flows	See B-6
Internal Service Fund:	
G-4 Combining Statement of Net Assets	N/A
G-5 Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	N/A
G-6 Combining Statement of Cash Flows	N/A
H. Fiduciary Funds:	
H-1 Combining Statement of Fiduciary Net Assets	61
H-2 Combining Statement of Changes in Fiduciary Net Assets	62
H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements	63
H-4 Payroll Agency Fund Schedule of Receipts and Disbursements	64
I. Long-Term Debt:	
I-1 Schedule of Serial Bonds	65
I-2 Schedule of Obligations Under Capital Leases	66
I-3 Budgetary Comparison Schedule Debt Service Fund	67

OUTLINE OF CAFR

STATISTICAL SECTION (Unaudited)

	<u>Page</u>
Introduction to the Statistical Section	
Financial Trends	
J-1 Net Assets by Component	68
J-2 Changes in Net Assets	69-70
J-3 Fund Balances - Governmental Funds	71
J-4 Changes in Fund Balances - Governmental Funds	72
J-5 General Fund Other Local Revenue by Source	73
Revenue Capacity	
J-6 Assessed Value and Estimated Actual Value of Taxable Property	74
J-7 Direct and Overlapping Property Tax Rates	75
J-8 Principal Property Taxpayers	76
J-9 Property Tax Levies and Collections	77
Debt Capacity	
J-10 Ratios of Outstanding Debt by Type	78
J-11 Ratios of General Bonded Debt Outstanding	79
J-12 Direct and Overlapping Governmental Activities Debt	80
J-13 Legal Debt Margin Information	81
Demographic and Economic Information	
J-14 Demographic and Economic Statistics	82
J-15 Principal Employers	83
Operating Information	
J-16 Full-time Equivalent District Employees by Function/Program	84
J-17 Operating Statistics	85
J-18 School Building Information	86
J-19 Schedule of Required Maintenance Expenditures by School Facility	87
J-20 Insurance Schedule	88

SINGLE AUDIT SECTION

K-1 Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	89-90
K-2 Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance OMB Circular A-133 and with New Jersey OMB Circular 04-04	91-92
K-3 Schedule of Expenditures of Federal Awards, Schedule A	93
K-4 Schedule of Expenditures of State Financial Assistance, Schedule B	94
K-5 Notes to the Schedules of Awards and Financial Assistance	95-96
K-6 Schedule of Findings and Questioned Costs	97-100
K-7 Summary Schedule of Prior Audit Findings	101

Introductory Section

HACKETTSTOWN PUBLIC SCHOOLS

Home of the Tigers



Robert K. Gratz
Superintendent of Schools

Michael A. Simonetta
*School Business Administrator/
School Board Secretary*

Diane L. Pittenger
*Asst. Superintendent for
Curriculum & Instruction*

October 15, 2010

Honorable President and
Members of the Board of Education
Hackettstown Board of Education
P.O. Box 465
Hackettstown, NJ 07840

Dear Board Members,

The comprehensive annual financial report of the Hackettstown School District (District) for the fiscal year ended June 30, 2010 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 (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 financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organization chart and a list of principal officials. The financial section includes the general-purpose financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and the State Treasury Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments." Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES: The Hackettstown School District is an independent reporting entity within the criteria adopted by the GASB as established by GASB Statement No. 14. All funds and account groups of the District are included in this report. The Hackettstown Board of Education and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels K through 12. These include regular as well as special education for handicapped students. The District completed the 2009-2010 fiscal year with an enrollment of 1,855 students. The following details the changes in the student enrollment of the District over the last two years.

Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2008-09	1,855	
2009-10	1,855	N/A

2) MAJOR INITIATIVES: Approximately Ninety-nine per cent of Hackettstown seniors during the 2009-2010 school year graduated with a High School diploma. Eighty-seven per cent of the 2010 graduates pursued further education. Approximately eighty-eight percent of 12th graders passed the New Jersey High School Proficiency test in areas of language arts literacy and mathematics.

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

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2010.



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

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

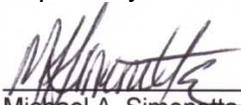
7) RISK MANAGEMENT: The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds.

8) OTHER INFORMATION:

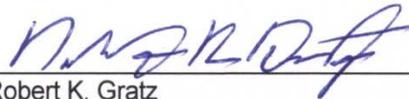
A) Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The Board selected the accounting firm of Ardito & Co., LLP. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1984 and the related OMB Circular A-133 and state Treasury Circular Letter 04-04 OMB. The auditor's report on the general purpose financial statements and combining and individual fund statements and schedules are included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

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

Respectfully submitted,



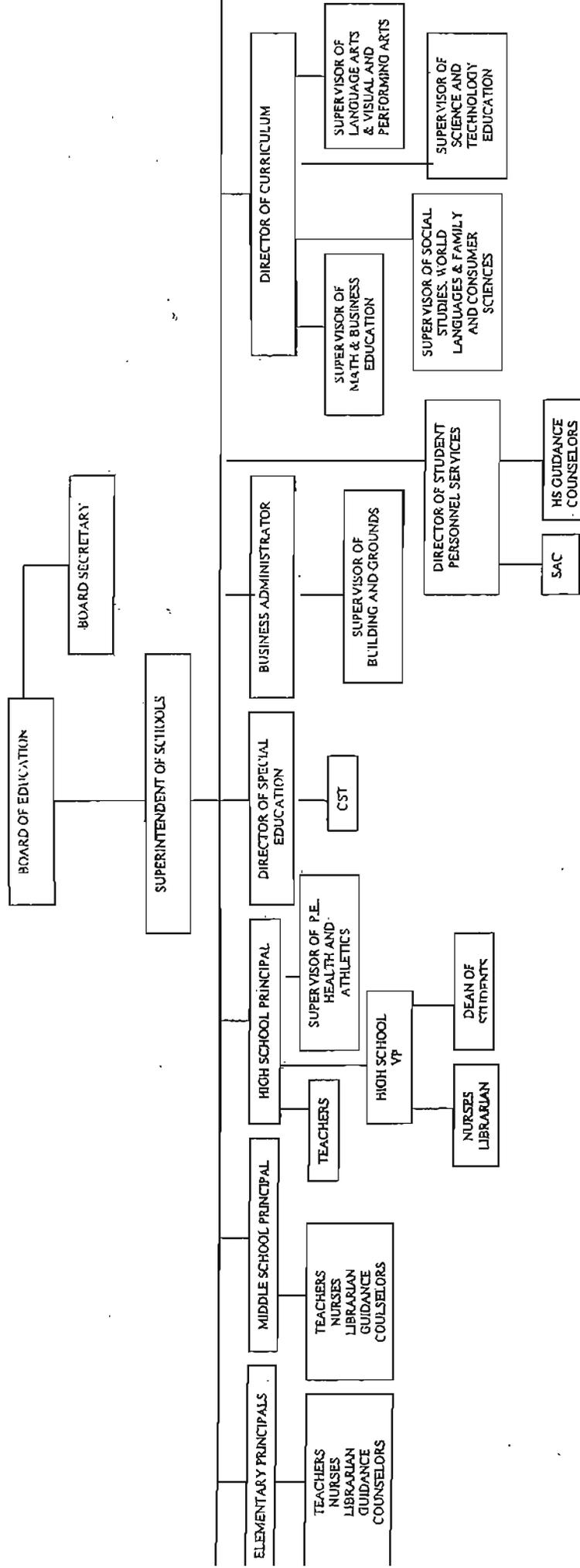
Michael A. Simonetta
Business Administrator/Board Secretary



Robert K. Gratz
Superintendent



ORGANIZATION CHART



**HACKETTSTOWN SCHOOL DISTRICT
BOARD OF EDUCATION**

ROSTER OF OFFICIALS

JUNE 30, 2010

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Lorinda Ravo, President	2011
Shari Scudder, Vice-President	2011
Mary Beth Maciag	2013
Joseph Itkor	2011
Richard Burke	2012
MaryAnn Simmons	2012
Michael Sedita	2012
Damiano Fracasso	2013
Michael Herbst	2013
Francis Gavin (Allamuchy)	2011
Joe Mahal (Great Meadows)	2011

Other Officials

Robert Gratz, Superintendent

Michael A. Simonetta, Board Secretary/School Business Administrator

Rene E. Solar, Assistant Board Secretary/Assistant School Business Administrator

William Van Tassel, Treasurer

**HACKETTSTOWN SCHOOL DISTRICT
BOARD OF EDUCATION**

CONSULTANTS AND ADVISORS

AUDIT FIRM

Ardito & Co., LLP
1110 Harrison Street, Suite C
Frenchtown, New Jersey 08825

ATTORNEY

Apruzzese, McDermott, Mastro, and Murphy
25 Independence Boulevard
P.O. Box 12
Liberty Corner, NJ 07938

OFFICIAL DEPOSITORY

Bank of America
144 Main Street
Hackettstown, NJ 07840

Financial Section

Independent Auditor's Report



ARDITO & Co., LLP

1110 Harrison Street, Suite C
Frenchtown, New Jersey 08825-1192
908-996-4711 Fax: 908-996-4688
e-mail: anthony@arditoandcompany.com

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

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

Independent Auditor's Report

The Honorable President and
Members of the Board of Education
Hackettstown School District
County of Warren
Hackettstown, New Jersey 07840

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund and the aggregate remaining fund information of the Board of Education of the Hackettstown School District in the County of Warren, State of New Jersey, as of and for the fiscal year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Hackettstown School District Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund, and the aggregate remaining fund information of the Hackettstown School District Board of Education in the County of Warren, State of New Jersey, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

-Continued-

In accordance with Government Auditing Standards, we have also issued our report dated October 15, 2010, on our consideration of the Hackettstown School District Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management Discussion and Analysis and Budgetary Comparison Information on pages 7 through 13, and 44 through 56 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis 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*, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Date: October 15, 2010



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

**Required Supplementary Information -
Part I**

Management's Discussion and Analysis

HACKETTSTOWN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED

The discussion and analysis of Hackettstown School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2010 are as follows:

- ◆ In total, net assets increased \$423,557, which represents a 4.5 percent increase from 2009.
- ◆ General revenues accounted for \$15,047,605 in revenue or 47.8 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$15,215,777 or 52.2 percent of total revenues of \$30,263,382.
- ◆ Total assets of governmental activities increased by \$915,092 as cash and cash equivalents decreased by \$1,481,460, receivables increased by \$619,551 and capital assets increased by \$1,776,542.
- ◆ The School District had \$29,839,825 in expenses; only \$15,215,777 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$15,047,605 were adequate to provide for these programs.
- ◆ Among major funds, the General Fund had \$28,368,033 in revenues and \$29,065,659 in expenditures. The General Fund's GAAP surplus balance decreased \$697,626 over 2009 due to the withholding of state aid in the amount of \$976,145.

Using this Generally Accepted Accounting Principals Report (GAAP)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Hackettstown School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities. The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail.

For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Hackettstown School District, the General Fund is by far the most significant fund.

HACKETTSTOWN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2010?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial positions of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the School District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 16. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Special Revenue Fund, Capital Projects Fund and Debt Service Fund.

HACKETTSTOWN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010
 UNAUDITED

Governmental Funds

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

The School District as a Whole

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

Table 1 provides a summary of the School District's net assets for 2010 compared to 2009.

Table 1
Net Assets

	<u>2010</u>	<u>2009</u>
Assets		
Current and Other Assets	\$ 4,156,210	\$ 5,041,653
Capital Assets	11,272,824	9,496,282
Total Assets	<u>15,429,034</u>	<u>14,537,935</u>
Liabilities		
Long-Term Liabilities	4,294,552	3,840,656
Other Liabilities	1,216,303	1,202,657
Total Liabilities	<u>5,510,855</u>	<u>5,043,313</u>
Net Assets		
Invested in Capital Assets, Net of Debt	7,145,015	6,001,282
Restricted	2,479,431	3,452,501
Unrestricted	293,733	40,839
Total Net Assets	<u>\$ 9,918,179</u>	<u>\$ 9,494,622</u>

Total assets increased \$915,092. Cash and cash equivalents decreased by \$1,481,460, receivables increased by \$619,551 and capital assets increased by \$1,776,542. Cash decreased primarily due to capital spending and receivables increased due to tuition receivables of approximately \$600,000 not collected until July 2010.

HACKETTSTOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED

Table 2 shows the changes in net assets from fiscal year 2009.

Table 2
Changes in Net Assets

	<u>2010</u>	<u>2009</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 7,411,101	\$ 7,398,350
Operating Grants and Contributions	7,804,676	8,166,577
General Revenues:		
Property Taxes	14,476,862	14,008,271
Other	<u>570,743</u>	<u>27,350</u>
Total Revenues	<u>30,263,382</u>	<u>29,600,548</u>
 Program Expenses		
Instruction	17,128,751	16,502,917
Support Services:		
Tuition	1,008,646	997,494
Pupils and Instructional Staff	4,686,913	4,684,047
General Administration, School Administration, Business	2,716,533	2,607,783
Operations and Maintenance of Facilities	2,736,314	2,785,411
Pupil Transportation	503,176	505,292
Business-Type Activities	519,205	539,235
Interest and Fiscal Charges	<u>540,287</u>	<u>408,856</u>
Total Expenses	<u>29,839,825</u>	<u>29,031,035</u>
 Increase in Net Assets	 <u>\$ 423,557</u>	 <u>\$ 569,513</u>

Governmental Activities

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. Property taxes made up 47.8 percent of revenues for governmental activities for the Hackettstown School District for the fiscal year 2010.

Instruction comprises 57.4 percent of district expenses. Support services expenses make up 39.0 percent of the expenses.

HACKETTSTOWN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services compared to 2009. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3

	<u>Total Cost of Services 2010</u>	<u>Net Cost of Services 2010</u>	<u>Total Cost of Services 2009</u>	<u>Net Cost of Services 2009</u>
Instruction	\$17,128,751	\$ 8,189,152	\$16,502,917	\$7,681,181
Support Services:				
Tuition	1,008,646	530,619	997,494	494,662
Pupils and Instructional Staff	4,686,913	2,228,627	4,684,047	1,966,391
General Admin., School Admin., Business	2,716,533	1,429,089	2,607,783	1,293,213
Operation and Maintenance of Facilities	2,736,314	1,439,494	2,785,411	1,381,300
Pupil Transportation	503,176	264,706	505,292	250,577
Business-Type Activities	519,205	2,074	539,235	(10,072)
Interest and Fiscal Charges	<u>540,287</u>	<u>540,287</u>	<u>408,856</u>	<u>408,856</u>
Total Expenses	<u>\$29,839,825</u>	<u>\$14,624,048</u>	<u>\$29,031,035</u>	<u>\$13,466,108</u>

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

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

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

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

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

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

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

The dependence upon tax revenues is apparent. Over 47.8 percent of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 48.9 percent. The community, as a whole, is the primary support for the Hackettstown School District.

HACKETTSTOWN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED

The School District's Funds

Information about the School District's major funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$29,746,251 and expenditures of \$30,443,877. The net change in fund balance for the year was most significant in the General Fund, a decrease of \$697,626 due to the withholding of state aid in the amount of \$976,145.

General Fund Budgeting Highlights

The School District's budget is prepared according to New Jersey law, and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. Budgetary basis fund operations are presented starting on page 44.

During the course of the fiscal 2010 year, the School District amended its General Fund budget as needed. The School District uses program based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management.

For the General Fund, budget basis revenue and other financing sources, excluding TPAF on-behalf amount, was \$26,494,079, \$522,728 under original budgeted estimates of \$27,016,807. This difference was primarily attributable to the withholding of state aid in the amount of \$976,145, offset in part by health insurance rebates.

The general fund expenditures of the School District exceeded revenues by approximately \$703,006, compared to an original budgeted shortfall of \$1,947,602. This significant overachievement of budgeted operating results was due to health insurance rebates and other across the board budget savings.

Capital Assets

At the end of the fiscal year 2010, the School District had \$11,272,824 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal 2010 balances compared to 2009.

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

	<u>2010</u>	<u>2009</u>
Land Improvements	\$ 2,975	\$ 4,025
Buildings and Improvements	9,713,121	8,758,944
Machinery and Equipment	1,556,728	733,313
Totals	<u>\$ 11,272,824</u>	<u>\$ 9,496,282</u>

Overall capital assets increased \$1,776,542 from fiscal year 2009 to fiscal year 2010. Increases in capital assets were partially offset by depreciation expenses for the year.

Capital additions purchased during fiscal year 2010 totaled \$2,603,202. Larger capital expenditures were for the lease purchase of technology equipment, synthetic turf & stadium project, high school windows, ceilings, roof, and floor replacements, and parking lot paving.

HACKETTSTOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED

Debt Administration

At June 30, 2010, the School District had \$4,682,939 as outstanding debt. Of this amount \$555,130 is for compensated absences, \$812,809 is for capital lease obligations, and the balance of \$3,315,000 is for bonds for school construction.

At June 30, 2010, the School District's overall legal debt margin was \$43,355,336 and the unused (unvoted) debt margin was \$40,040,336.

For the Future

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

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information contact Michael A. Simonetta, School Business Administrator/Board Secretary at Hackettstown School District, 315 Washington Street, Hackettstown, NJ 07840, or E-mail at msimonetta@hackettstown.org.

Basic Financial Statements

DISTRICT-WIDE FINANCIAL STATEMENTS

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

HACKETTSTOWN SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET ASSETS

JUNE 30, 2010

ASSETS	GOVERNMENTAL BUSINESS-TYPE		TOTAL
	<u>ACTIVITIES</u>	<u>ACTIVITIES</u>	
Cash and Cash Equivalents	\$ 2,479,644	\$ 84,040	\$ 2,563,684
Receivables, Net	15,226		15,226
Receivables from Other Governments	1,564,130	11,097	1,575,227
Inventory		2,073	2,073
Capital Assets, Net (Note 6):	11,228,998	43,826	11,272,824
Total Assets	15,287,998	141,036	15,429,034
LIABILITIES			
Accounts Payable	221,365	12,635	234,000
Deferred Revenue	160,397	648	161,045
Accrued Interest	65,313		65,313
Notes Payable	367,558		367,558
Noncurrent Liabilities (Note 7):			
Due Within One Year	388,387		388,387
Due Beyond One Year	4,294,552		4,294,552
Total Liabilities	5,497,572	13,283	5,510,855
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	7,101,189	43,826	7,145,015
Restricted for:			
Capital Reserve	1,005,005		1,005,005
Maintenance Reserve	50,000		50,000
Other Purposes	1,424,426		1,424,426
Unrestricted	209,806	83,927	293,733
Total Net Assets	\$ 9,790,426	\$ 127,753	\$ 9,918,179

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

HACKETTSTOWN SCHOOL DISTRICT

Exhibit A-2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Functions/Programs	PROGRAM REVENUES			NET(EXPENSE) REVENUE AND CHANGES IN NET ASSETS		TOTAL
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	
Governmental Activities:						
Instruction:						
Regular	\$ 12,361,284	\$ 3,041,236	\$ 3,638,920		\$ (5,681,128)	\$ (5,681,128)
Special Education	3,013,800	741,483	686,846		(1,585,471)	(1,585,471)
Other Special Instruction	1,753,667	431,453	399,661		(922,553)	(922,553)
Support Services:						
Tuition	1,008,646	248,156	229,871		(530,619)	(530,619)
Student & Instruction Related Services	4,686,913	1,153,117	1,305,169		(2,228,627)	(2,228,627)
School Administrative Services	1,442,167	354,815	328,670		(758,682)	(758,682)
General and Business Admin. Services	1,274,366	313,531	290,428		(670,407)	(670,407)
Plant Operations and Maintenance	2,736,314	673,213	623,607		(1,439,494)	(1,439,494)
Pupil Transportation	503,176	123,796	114,674		(264,706)	(264,706)
Interest on Long-Term Debt	130,942				(130,942)	(130,942)
Unallocated Depreciation	409,345				(409,345)	(409,345)
Total Governmental Activities	29,320,620	7,080,800	7,617,846		(14,621,974)	(14,621,974)
Business-Type Activities:						
Food Service	519,205	330,301	186,830			\$ (2,074)
Total Business-Type Activities	519,205	330,301	186,830			(2,074)
Total Primary Government	\$ 29,839,825	\$ 7,411,101	\$ 7,804,676		\$ (14,621,974)	\$ (2,074)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, Net					\$ 14,162,187	\$ 14,162,187
Taxes Levied for Debt Service					314,675	314,675
Miscellaneous Income					570,743	570,743
Total General Revenues, Special Items, Extraor. Items & Transfers					15,047,605	-
Change in Net Assets					425,631	\$ (2,074)
Net Assets—Beginning					9,364,795	129,827
Net Assets—Ending					\$ 9,790,426	\$ 127,753
						\$ 9,918,179

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

FUND FINANCIAL STATEMENTS

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

HACKETTSTOWN SCHOOL DISTRICT

Exhibit B-1

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and Cash Equivalents	\$ 2,445,573		\$ 10,388	\$ 23,683	\$ 2,479,644
Receivables from Other Governments	852,958	\$ 343,614	367,558		1,564,130
Accounts Receivable, Net	15,006	220			15,226
Interfund Receivables	112,112	7,300		5,435	124,847
TOTAL ASSETS	\$ 3,425,649	\$ 351,134	\$ 377,946	\$ 29,118	\$ 4,183,847
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 142,740	\$ 78,625			\$ 221,365
Interfund Payables	7,300	112,112	\$ 5,435		124,847
Note Payable			367,558		367,558
Deferred Revenue		160,397			160,397
Total Liabilities	150,040	351,134	372,993		874,167
Fund Balances:					
Reserved for:					
Encumbrances	693,627				693,627
Capital Reserve Account	1,005,005				1,005,005
Maintenance Reserve	50,000				50,000
Excess Surplus	931,394				931,394
Excess Surplus-Design. for Subsequent Year's Expenditures	306,862				306,862
Unreserved, Reported in:					
General Fund-Design. for Subsequent Year's Expenditures	186,170				186,170
General Fund - Undesignated	102,551				102,551
Capital Fund - Undesignated			4,953		4,953
Debt Service Fund				\$ 29,118	29,118
Total Fund Balances	3,275,609	-	4,953	29,118	3,309,680
TOTAL LIABILITIES AND FUND BALANCE	\$ 3,425,649	\$ 351,134	\$ 377,946	\$ 29,118	\$ 4,183,847

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 \$22,052,399 and the accumulated depreciation is \$10,823,401. (see Note 6)	\$11,228,998
Accrued Interest on Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 7).	(65,313)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 7).	(4,682,939)
Net assets of governmental activities	<u>\$9,790,426</u>

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

HACKETTSTOWN SCHOOL DISTRICT

Exhibit B-2

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Local sources:					
Local Tax Levy	\$ 14,162,187			\$ 314,675	\$ 14,476,862
Tuition	7,080,800				7,080,800
Miscellaneous	565,999	\$ 4,744		-	570,743
Total - Local Sources	21,808,986	4,744	-	314,675	22,128,405
State Sources	5,712,667	115,260			5,827,927
Federal Sources	846,380	943,539			1,789,919
Total Revenues	28,368,033	1,063,543	-	314,675	29,746,251
EXPENDITURES					
Current:					
Regular Instruction	8,679,963	746,976			9,426,939
Special Education Instruction	2,311,467				2,311,467
Other Special Instruction	1,344,994				1,344,994
Support services and undistributed costs:					
Tuition	1,008,646				1,008,646
Student and Instruction Related Services	2,968,477	237,020			3,205,497
School Administrative Services	1,097,396				1,097,396
Other Administrative Services	977,389				977,389
Plant Operations and Maintenance	2,088,171				2,088,171
Pupil Transportation	499,473				499,473
Unallocated Benefits	6,325,156				6,325,156
Transfer to Charter School					-
Debt Service:					
Principal				180,000	180,000
Interest and Other Charges				134,675	134,675
Capital Outlay	1,764,527	79,547	-		1,844,074
Total Expenditures	29,065,659	1,063,543	-	314,675	30,443,877
Excess (Deficiency) of Revenues Over Expenditures	(697,626)	-	-	-	(697,626)
Net Change in Fund Balances	(697,626)	-	-	-	(697,626)
Fund Balance—July 1	3,973,235	-	\$ 4,953	29,118	4,007,306
Fund Balance—June 30	\$ 3,275,609	-	\$ 4,953	\$ 29,118	\$ 3,309,680

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

HACKETTSTOWN SCHOOL DISTRICT

Exhibit B-3

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ (697,626)

Amounts reported for governmental activities in the statement of activities (A-2) are different because:

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

Depreciation Expense	\$ (821,395)	
Capital Outlays	<u>2,603,202</u>	1,781,807

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities. 367,191

Capital Lease proceeds is a revenue source in the governmental funds, but the obligation is recorded as a long-term liability in the statement of net assets and is not reported in the statement of activities (1,000,000)

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. This is the amount by which current year's amount of interest accrual exceeds the prior year's amount. 3,733

In the statement of activities, compensated absences is accrued regardless of when paid. In the governmental funds, compensated absences are reported when paid. This is the amount by which the current year's compensated absence payments exceed the current year's amount earned. (29,474)

Change in Net Assets of Governmental Activities \$ 425,631

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

HACKETTSTOWN SCHOOL DISTRICT

Exhibit B-4

STATEMENT OF PROPRIETARY NET ASSETS
 PROPRIETARY FUNDS

JUNE 30 , 2010

	<u>Business-Type Activities- Enterprise Funds</u>	
	<u>Food Service</u>	<u>Totals</u>
ASSETS		
Current assets:		
Cash and Cash Equivalents	\$ 84,040	\$ 84,040
Accounts Receivable	11,097	11,097
Inventories	2,073	2,073
Total Current Assets	<u>97,210</u>	<u>97,210</u>
Noncurrent Assets:		
Furniture, Machinery and Equipment	282,212	282,212
Less Accumulated Depreciation	(238,386)	(238,386)
Total Noncurrent Assets	<u>43,826</u>	<u>43,826</u>
Total Assets	<u>141,036</u>	<u>141,036</u>
LIABILITIES		
Current liabilities:		
Accounts Payable	12,635	12,635
Deferred Revenue	648	648
Total Current Liabilities	<u>13,283</u>	<u>13,283</u>
Total Liabilities	<u>13,283</u>	<u>13,283</u>
NET ASSETS		
Invested in Capital Assets Net of Related Debt	43,826	43,826
Unrestricted	83,927	83,927
Total Net Assets	<u>\$ 127,753</u>	<u>\$ 127,753</u>

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

HACKETTSTOWN SCHOOL DISTRICT

Exhibit B-5

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010

	Business-type Activities- Enterprise Fund	
	Food Service	Total Enterprise
Operating Revenues:		
Charges for Services:		
Daily Sales - Reimbursable Programs	\$ 216,377	\$ 216,377
Daily Sales - Non-Reimbursable Programs	89,165	89,165
Miscellaneous	24,759	24,759
Total Operating Revenues	330,301	330,301
 Operating Expenses:		
Cost of Sales	190,259	190,259
Supplies	16,505	16,505
Salaries	178,190	178,190
Employee Benefits	46,511	46,511
Other Purchased Professional Services	51,643	51,643
Miscellaneous	30,832	30,832
Depreciation	5,265	5,265
Total Operating Expenses	519,205	519,205
 Operating Income (Loss)	 (188,904)	 (188,904)
 Nonoperating Revenues (Expenses):		
State Sources:		
State School Lunch Program	7,424	7,424
State Breakfast Program	3,577	3,577
Federal Sources:		
National School Lunch Program	127,040	127,040
National Breakfast Program	29,739	29,739
National Special Milk Program	283	283
Food Distribution Program	18,767	18,767
Total Nonoperating Revenues (Expenses)	186,830	186,830
 Income (Loss)	 (2,074)	 (2,074)
 Change in Net Assets	 (2,074)	 (2,074)
 Total Net Assets—Beginning	 129,827	 129,827
Total Net Assets—Ending	\$ 127,753	\$ 127,753

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

HACKETTSTOWN SCHOOL DISTRICT

Exhibit B-6

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the Year Ended June 30, 2010

	Business-Type Activities- Enterprise Funds	
	Food Service	Total Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 330,086	\$ 330,086
Payments to Employees	(178,190)	(178,190)
Payments for Employee Benefits	(46,510)	(46,510)
Payments to Suppliers	(258,038)	(258,038)
Net Cash Provided by (used for) Operating Activities	<u>(152,652)</u>	<u>(152,652)</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Sources	10,983	10,983
Federal Sources	155,980	155,980
Operating Subsidies and Transfers from Other Funds	18,988	18,988
Net Cash Provided by (used for) Non-Capital Financing Activities	<u>185,951</u>	<u>185,951</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	33,299	33,299
Balances—Beginning of Year	50,741	50,741
Balances—End of Year	<u>\$ 84,040</u>	<u>\$ 84,040</u>
 Reconciliation of Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:		
Operating Income (Loss)	\$ (188,904)	\$ (188,904)
Provided by (used for) Operating Activities:		
Depreciation and Net Amortization	5,265	5,265
Federal Commodities	18,767	18,767
(Increase) Decrease in Accounts Receivable		-
(Increase) Decrease in Inventories	(216)	(216)
Increase (Decrease) in Accounts Payable	12,436	12,436
Total Adjustments	<u>36,252</u>	<u>36,252</u>
 Net Cash Provided by (used for) Operating Activities	<u>\$ (152,652)</u>	<u>\$ (152,652)</u>

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

HACKETTSTOWN SCHOOL DISTRICT

Exhibit B-7

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

JUNE 30, 2010

	Unemployment Compensation <u>Trust</u>	Private Purpose Scholarship <u>Fund</u>	Agency <u>Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 103,110	\$ 45,845	\$ 380,510
Total Assets	<u>103,110</u>	<u>45,845</u>	<u>380,510</u>
LIABILITIES			
Payroll Deductions and Withholdings			207,999
Payable to Student Groups			172,511
Total Liabilities			<u>\$ 380,510</u>
NET ASSETS			
Held in Trust for Scholarships		\$ 45,845	
Held in Trust for Unemployment Claims & Other Purposes	<u>\$ 103,110</u>		

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

For the Year Ended June 30, 2010

	Unemployment Compensation <u>Trust</u>	Private Purpose Scholarship <u>Fund</u>
ADDITIONS		
Contributions:		
Employer	\$ 30,000	
Plan Member	118,037	
Private Contributions	<u>-</u>	<u>\$ 9,558</u>
Total Contributions	<u>148,037</u>	<u>9,558</u>
Investment Earnings:		
Interest	<u>-</u>	<u>-</u>
Net Investment Earnings		
Total Additions	<u>148,037</u>	<u>9,558</u>
DEDUCTIONS		
Quarterly Contribution Reports	<u>\$ 104,406</u>	<u>-</u>
	<u>-</u>	<u>23,700</u>
Total Deductions	<u>104,406</u>	<u>23,700</u>
Change in Net Assets	43,631	(14,142)
Net Assets—Beginning of the Year	<u>59,479</u>	<u>59,987</u>
Net Assets—End of the Year	<u>\$ 103,110</u>	<u>\$ 45,845</u>

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

Notes to Financial Statements

HACKETTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

In addition, the School District has implemented GASB Statement No.37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus, Statement No.38, Certain Financial Statement Note Disclosures, Statement No.40, Deposit and Investment Risk Disclosures, an amendment of GASB Statement No.3, and Statement 44, Economic Condition Reporting: The Statistical Section (GASB 44), an amendment of NCGA Statement 1, Governmental Accounting and Financial Reporting Principles is found in the Introduction, a revised statistical section in the Outline of the CAFR, and Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (GASB 45). The implementation of these statements had no effect on equity balances as previously reported for the fiscal year ended June 30, 2009.

A. Reporting Entity:

The Hackettstown School District is a Type II district located in the County of Warren, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The board is comprised of seven members elected to three-year terms. The purpose of the district is to educate students in grades K-12. The Hackettstown School District had an approximate enrollment at June 30, 2010, of 1,855 students.

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

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

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

HACKETTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, Basis of Accounting:

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

Basis of Presentation

District-wide Statements: The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activity of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees and charged to external parties. The statement of net assets presents the financial condition of the governmental and business-type activity of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the School District.

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

GOVERNMENTAL FUNDS

The District reports the following governmental funds:

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

HACKETTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

GOVERNMENTAL FUNDS (Continued)

As required by the New Jersey State Department of Education, the District includes budgeted Capital Outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by board resolution.

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

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

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

PROPRIETARY FUNDS

The District reports the following proprietary fund:

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

HACKETTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Additionally, the District reports the following fund type:

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

Basis of Accounting

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

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

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

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

HACKETTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgets/Budgetary Control:

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

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

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

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

D. Encumbrance Accounting:

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

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

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

HACKETTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Cash and Cash Equivalents:

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

Interfund Transactions:

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

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

Inventories:

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

Allowance for Uncollectible Accounts:

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

Capital Assets:

The District has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The School District does not possess any infrastructure. The capitalization threshold used by school districts in the State of New Jersey is \$2,000.

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

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

HACKETTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

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

Compensated Absences:

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

District employees are granted vacation and sick leave in varying amounts under the District's personnel policies. In the event of termination, an employee is reimbursed for accumulated vacation. Sick leave benefits provide for ordinary sick pay and upon retirement are reimbursed \$40 per unused sick day up to a maximum of 150 unused sick days with a minimum of 20 years of service in the district.

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

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

Deferred Revenue:

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlement received before the eligible requirements are met are also recorded as deferred revenue.

Accrued Liabilities and Long-Term Obligations:

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

HACKETTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

Net Assets:

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

Fund Balance Reserves:

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

Revenues—Exchange and Nonexchange Transactions

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

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

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

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

HACKETTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

Operating Revenues and Expenses:

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

Allocation of Indirect Expenses:

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

Extraordinary and Special Items:

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

Management Estimates:

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

HACKETTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 2: CASH AND CASH EQUIVALENTS

Deposits:

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

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

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

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

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

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the district's accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the municipality would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At June 30, 2010, all of the district's deposits were collateralized by securities held in its name and, accordingly, not exposed to custodial credit risk. The district does not have a policy for custodial credit risk.

As of June 30, 2010, cash and cash equivalents of the District consisted of the following:

	<u>Cash and Cash Equivalents (A-1)</u>	<u>Cash and Cash Equivalents (B-7)</u>	<u>Total</u>
Checking Accounts	\$ 2,563,684	\$ 529,465	\$ 3,093,149
	<u>\$ 2,563,684</u>	<u>\$ 529,465</u>	<u>\$ 3,093,149</u>

The carrying amount of the Board's cash and cash equivalents at June 30, 2010, was \$3,093,149 and the bank balance was \$3,364,289. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes. Of these bank balances, \$250,000 was covered by federal depository insurances and \$3,114,289 was covered by collateral pool.

HACKETTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 3: RECEIVABLES

Receivables at June 30, 2010, consisted of intergovernmental. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	Governmental Fund Financial <u>Statements</u>	Government-Wide Financial <u>Statements</u>
State Aid	\$ 557,877	\$ 558,617
Federal Aid	343,614	353,971
Tuition	662,639	662,639
Local Programs	15,226	15,226
Gross Receivable	\$ 1,579,356	\$ 1,590,453
Less: Allow. for Uncollectibles		
Total Receivables, Net	<u>\$ 1,579,356</u>	<u>\$ 1,590,453</u>

NOTE 4: INVENTORY

Inventory in the Food Service Fund at June 30, 2010, consisted of the following:

Food & Supplies	<u>\$2,073</u>
-----------------	----------------

The value of Federal donated commodities as reflected on Schedule A (required by the Single Audit Law of 1996, as revised) is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of nonoperating revenue in the financial statements.

NOTE 5: DEFERRED BOND ISSUANCE COSTS

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

HACKETTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 6: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	None			None
Total Capital Assets Not Being Depreciated	-			-
<i>Capital Assets Being Depreciated:</i>				
Land Improvements	745,350			745,350
Buildings and Building Improvements	15,561,856	\$ 1,350,994		16,912,850
Machinery and Equipment	3,141,991	1,252,208		4,394,199
Total at Historical Cost	19,449,197	2,603,202		22,052,399
Less Accumulated Depreciation for:				
Land Improvements	(741,325)	(1,050)		(742,375)
Building and Improvements	(6,802,912)	(396,817)		(7,199,729)
Equipment	(2,457,769)	(423,528)		(2,881,297)
Total Accumulated Depreciation	(10,002,006)	(821,395)		(10,823,401)
	9,447,191	1,781,807		11,228,998
Government Activity Capital Assets, Net	\$ 9,447,191	\$ 1,781,807		\$ 11,228,998

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

Depreciation expense was charged to functions as follows:

Support - Students	\$ 389,182
School Administrative Services	8,690
Plant Operation and Maintenance	10,475
Pupil Transportation	3,703
Unallocated	409,345
Total	<u>\$ 821,395</u>

HACKETTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 7: LONG-TERM OBLIGATIONS

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

A. Long-Term Obligation Activity:

Changes in long-term obligations for the year ended June 30, 2010, are as follows:

	Balance <u>7/1/09</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>6/30/10</u>	Amounts Due Within <u>One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Debt	\$ 3,495,000		\$ (180,000)	\$3,315,000	\$195,000
Other Liabilities:					
Capital Lease Obligations		\$1,000,000	(187,191)	812,809	193,387
Compensated Absences Payable	525,656	29,474		555,130	
Total	\$ 4,020,656	\$1,029,474	(\$367,191)	\$4,682,939	\$388,387

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

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

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

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

For the year ended June 30, 2010, it is not necessary for the Board to establish a liability for arbitrage rebate.

	Government Activities			Balance
	<u>Issue</u> <u>Dates</u>	<u>Interest</u> <u>Rates</u>	<u>Date of</u> <u>Maturity</u>	<u>June 30, 2010</u>
Capital Lease Obligation	8/28/09	3.31%	8/8/13	\$ 812,809
Refunding Bonds	3/17/06	3.4%-4.0%	7/15/22	3,315,000
Total Bonds				\$ 4,127,809

HACKETTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 7: LONG-TERM OBLIGATIONS (Continued)

B. Debt Service Requirements:

Debt Service requirements on serial bonds payable at June 30, 2010, is as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 195,000	\$ 127,212	\$ 322,212
2012	200,000	120,300	320,300
2013	210,000	112,600	322,600
2014	220,000	104,000	324,000
2015	230,000	95,000	325,000
Thereafter	<u>2,260,000</u>	<u>380,600</u>	<u>2,640,600</u>
	<u>\$ 3,315,000</u>	<u>\$ 939,712</u>	<u>\$ 4,254,712</u>

As of June 30, 2010, the District had no authorized but not issued bonds.

NOTE 8: PENSION PLANS

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

Teachers' Pension and Annuity Fund (TPAF) - The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A.18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the District and the system's other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

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

HACKETTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 8: PENSION PLANS (Continued)

Vesting and Benefit Provisions - The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:66 for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 55 and are generally determined to be 1/55 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years).

Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

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

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

Three-Year Trend Information for PERS

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2010	\$201,664	100 %	-0-
6/30/2009	\$169,373	100	-0-
6/30/2008	\$140,767	100	-0-

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

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2010	-0-	100 %	-0-
6/30/2009	-0-	100	-0-
6/30/2008	-0-	100	-0-

HACKETTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 8: PENSION PLANS (Continued)

During the fiscal year ended June 30, 2010, the State of New Jersey did contribute \$853,559 to the TPAF for post-retirement benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$1,005,015 during the year ended June 30, 2010, for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has been included in the District-wide financial statements, and the fund-based statements and schedules as revenues and expenditures in accordance with GASB Statement No.24.

NOTE 9: POST-RETIREMENT BENEFITS

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2009, there were 84,590 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c. 126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$116.9 million toward Chapter 126 benefits for 13,320 eligible retired members in Fiscal Year 2009.

GASB Statement #45 requires certain disclosures relating to governmental entities obligations for other post-employment benefits (OPEB), which are post-employment benefits other than pensions. The District does not provide post-employment benefits other than pension. Healthcare provided to eligible TPAF and PERS board of education retirees through the NJ State Health Benefits Program are paid by the the State of New Jersey and as such, no district OPEB liability exists.

NOTE 10: DEFERRED COMPENSATION

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

American United Life Insurance Company
The Equitable
VALIC

HACKETTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 11: COMPENSATED ABSENCES

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

District employees are granted vacation and sick leave in varying amounts under the District's personnel policies. In the event of termination, an employee is reimbursed for accumulated sick days. Teachers, secretaries, and custodians receive sick leave benefits to provide for ordinary sick pay and upon retirement, with a minimum of 10 years service in the district, are reimbursed \$25 per unused sick day up to a maximum of 10 days per year of service. Supervisors receive a lump sum payment of \$40 per day up to 180 days for unused sick days, and Administrators may elect, after ten years of service, to take terminal leave equivalent to 50% up to 135 days.

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

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2010, no liability existed for compensated absences in the proprietary fund types.

NOTE 12: RISK MANAGEMENT

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

Property and Liability Insurance - The District maintains commercial insurance coverage for property, liability, student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2009-2010	\$30,000	\$118,037	\$104,406	\$103,110
2008-2009			10,089	59,479
2007-2008		30,582	9,319	69,568

HACKETTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 13: CONTINGENT LIABILITIES

GRANT PROGRAMS

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

LITIGATION

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

NOTE 14: FUND BALANCE APPROPRIATED

General Fund (Exhibit B-1) - Of the \$3,275,609 General Fund fund balance at June 30, 2010, \$693,627 is reserved for encumbrances; \$1,005,005 has been reserved in the Capital Reserve Account; \$50,000 has been reserved in the Maintenance Reserve Account; \$1,238,256 is reserved as excess surplus in accordance with N.J.S.A.18A:7F-7, as amended; (\$306,862 of the excess surplus has been appropriated and included as anticipated revenue for the year ending June 30, 2011); \$186,170 has been appropriated and included as anticipated revenue for the year ending June 30, 2011; and, \$102,551 is unreserved and undesignated.

Debt Service Fund – The Debt Service Fund fund balance at June 30, 2010 is unappropriated for the year ending June 30, 2011 and is anticipated to be utilized as anticipated revenue for the year ending June 30, 2012.

NOTE 15: CALCULATION OF EXCESS SURPLUS

The designation for Reserved Fund Balance – Excess Surplus is a required calculation pursuant to N.J.S.A. 18A:7F-7, as amended. New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2010 is \$931,394. The excess fund balance at June 30, 2009 was \$799,894. Pursuant to the provisions of Executive Order No. 14, \$493,032 of that amount was approved by the Commissioner of the Department of Education for withdrawal to address any budget shortfall in the general fund account group due to the 2009-10 withholding of state aid.

HACKETTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 16: CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Hackettstown School District Board of Education by inclusion of \$5,000 in the original 1998-99 annual capital outlay budget for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

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

The activity of the capital reserve for the July 1, 2009 to June 30, 2010 fiscal year is as follows:

Beginning Balance, July 1, 2009	\$505,005
Deposits (PL 2007 c.62 (A1)): Board Resolution 6/23/10	\$500,000
Ending Balance, June 30, 2010	<u>\$1,005,005</u>

NOTE 17: MAINTENANCE RESERVE ACCOUNT

A maintenance reserve account was established by the District Board of Education in fiscal year 2009, for the accumulation of funds for use in accordance with PL 2007 c.62 (A1). The maintenance reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

The activity of the maintenance reserve for the July 1, 2009 to June 30, 2010 fiscal year is as follows:

Beginning balance July 1, 2009	\$ 200,000
Withdrawals - Executive Order No. 14 June 21, 2010	<u>(150,000)</u>
Ending balance June 30, 2010	<u>\$ 50,000</u>

Pursuant to the provisions of Executive Order No. 14, \$150,000 of the maintenance reserve was approved by the Commissioner of the Department of Education for withdrawal to address any budget shortfall in the general fund account group due to the 2009-10 withholding of state aid.

HACKETTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 18: INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables as of June 30, 2010, are as follows:

	<u>Receivable</u>	<u>Payable</u>
General Fund		\$ 7,300
Special Revenue Fund	\$ 7,300	
	<u>\$ 7,300</u>	<u>\$ 7,300</u>

The Special Revenue Fund interfund receivable of \$7,300 due from the general fund is for the state of New Jersey, Department of Agriculture CASE grant received in the general fund not yet transferred to the special revenue fund.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

HACKETTSTOWN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

Exhibit C-1

Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 14,162,187		\$ 14,162,187	\$ 14,162,187	
Tuition	7,047,470		7,047,470	7,080,800	\$ 33,330
Miscellaneous	225,000		225,000	565,999	340,999
Total - Local Sources	<u>21,434,657</u>		<u>21,434,657</u>	<u>21,808,986</u>	<u>374,329</u>
State Sources:					
Equalization Aid	4,594,212	\$ (833,601)	3,760,611	2,862,888	(897,723)
Transportation Aid	55,504		55,504	36,078	(19,426)
Special Education Aid	689,459		689,459	689,459	
Security Aid	168,561		168,561	109,565	(58,996)
Other State Aid	56,639		56,639	140,723	84,084
TPAF Pension (On-Behalf - Non-Budgeted)				863,559	863,559
TPAF Social Security (Reimbursed - Non-Budgeted)				1,005,015	1,005,015
Total State Sources	<u>5,564,375</u>	<u>(833,601)</u>	<u>4,730,774</u>	<u>5,707,287</u>	<u>976,513</u>
Federal Sources:					
Medical Assistance Program	17,775		17,775	12,779	(4,996)
ARRA-ESF		802,534	802,534	802,534	
ARRA-GSF		31,067	31,067	31,067	
Total Federal Sources	<u>17,775</u>	<u>833,601</u>	<u>851,376</u>	<u>846,380</u>	<u>(4,996)</u>
TOTAL REVENUES	<u>27,016,807</u>		<u>27,016,807</u>	<u>28,362,653</u>	<u>1,345,846</u>

HACKETTSTOWN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

Exhibit C-1

Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction					
Kindergarten - Salaries of Teachers	546,500	(30,000)	516,500	492,275	24,225
Grades 1-5 - Salaries of Teachers	2,229,000		2,229,000	2,176,593	52,407
Grades 6-8 - Salaries of Teachers	1,590,000		1,590,000	1,587,053	2,947
Grades 9-12 - Salaries of Teachers	3,965,000	(112,000)	3,853,000	3,794,545	58,455
Regular Programs - Home Instruction:					
Salaries of Teachers	40,000	12,000	52,000	50,055	1,945
Regular Programs - Undistributed Instruction					
Purchased Professional-Educational Services	14,300		14,300	8,315	5,985
Purchased Technical Services	202,029	14,777	216,806	161,608	55,198
Other Purchased Services (400-500 series)	130,100		130,100	123,048	7,052
General Supplies	301,374	758	302,132	232,547	69,585
Textbooks	94,446	2,450	96,896	49,565	47,331
Other Objects	15,760		15,760	4,359	11,401
TOTAL REG. PROGRAMS - INSTRUCTION	9,128,509	(112,015)	9,016,494	8,679,963	336,531
SPECIAL EDUCATION - INSTRUCTION					
Learning and/or Language Disabilities:					
Salaries of Teachers	145,000	(14,975)	130,025	119,693	10,332
Other Salaries for Instruction	60,000		60,000	41,943	18,057
General Supplies	822		822	730	92
Textbooks	590		590	588	2
Other Objects	181		181	174	7
Total Learning and/or Language Disabilities	206,593	(14,975)	191,618	163,128	28,490

HACKETTSTOWN SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Multiple Disabilities:					
Salaries of Teachers	190,000		190,000	180,438	9,562
Other Salaries for Instruction	81,000	20,000	101,000	99,618	1,382
General Supplies	1,523		1,523	1,414	109
Total Multiple Disabilities	272,523	20,000	292,523	281,470	11,053
Resource Room/Resource Center:					
Salaries of Teachers	1,387,000	85,000	1,472,000	1,462,688	9,312
Other Salaries for Instruction	251,000	70,000	321,000	306,398	14,602
General Supplies	10,181		10,181	8,074	2,107
Textbooks	569		569	569	
Other Objects	1,915		1,915	1,818	97
Total Resource Room/Resource Center	1,650,665	155,000	1,805,665	1,779,547	26,118
Preschool Disabilities - Part-Time:					
Salaries of Teachers	57,500		57,500	57,465	35
Other Salaries for Instruction	43,000	1,500	44,500	27,656	16,844
General Supplies	1,595		1,595	1,585	10
Other Objects	800		800	616	184
Total Preschool Disabilities - Part-Time	102,895	1,500	104,395	87,322	17,073
TOTAL SPECIAL ED. - INSTRUCTION	2,232,676	161,525	2,394,201	2,311,467	82,734
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	440,000	(98,500)	341,500	288,158	53,342
Other Salaries for Instruction	16,000	1,000	17,000	16,395	605
General Supplies	6,946		6,946	4,433	2,513
Textbooks	1,400		1,400	496	904
Total Basic Skills/Remedial - Instruction	464,346	(97,500)	366,846	309,482	57,364

HACKETTSTOWN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

Exhibit C-1

Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Bilingual Education - Instruction:					
Salaries of Teachers	206,000	1,000	207,000	206,198	802
Other Salaries for Instruction	25,500		25,500	628	24,872
General Supplies	935		935		935
Other Objects	800		800		800
Total Bilingual Education - Instruction	233,235	1,000	234,235	206,826	27,409
School Spon.Co/Extra Curricular Actvts.-Instruction:					
Salaries	94,000		94,000	89,912	4,088
Other Purchased Services (400-500 series)	15,900		15,900	8,339	7,561
Supplies and Materials	24,877		24,877	18,645	6,232
Other Objects	5,271		5,271	3,632	1,639
Total School Spon.Co/Extra Curricular Actvts.-Instruction	140,048		140,048	120,528	19,520
School Sponsored Athletics-Instruction:					
Salaries	620,000		620,000	567,236	52,764
Other Purchased Services (400-500 series)	92,200	2,749	94,949	94,848	101
Supplies and Materials	48,975		48,975	34,802	14,173
Other Objects	11,900		11,900	11,272	628
Total School Sponsored Athletics-Instruction	773,075	2,749	775,824	708,158	67,666
<hr/>					
TOTAL INSTRUCTION	12,971,889	(44,241)	12,927,648	12,336,424	591,224
UNDISTRIBUTED EXPENDITURES					
Instruction:					
Tuition to Other LEAs Within the State-Special	95,878	10,000	105,878	103,769	2,109
Tuition to County Voc. District - Regular	17,400		17,400	11,200	6,200
Tuition to County Voc. District - Special	9,750		9,750	6,825	2,925
Tuition to CSSD & Regional Day Schools	143,993	20,000	163,993	161,154	2,839
Tuition - Private Schools for the Disabled Within the State	753,487	(45,000)	708,487	707,812	675
Tuition - State Facilities	4,500		4,500	4,500	
Tuition - Other	28,377		28,377	13,386	14,991
Total Instruction	1,053,385	(15,000)	1,038,385	1,008,646	29,739

HACKETTSTOWN SCHOOL DISTRICT

Exhibit C-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Attendance & Social Work:					
Salaries	40,500		40,500	39,001	1,499
Total Attendance & Social Work	<u>40,500</u>		<u>40,500</u>	<u>39,001</u>	<u>1,499</u>
Health Services:					
Salaries	268,100		268,100	267,734	366
Purchased Professional and Technical Services	54,820	8,000	62,820	55,323	7,497
Supplies and Materials	13,343		13,343	7,797	5,546
Other Objects	800		800	420	380
Total Health Services	<u>337,063</u>	<u>8,000</u>	<u>345,063</u>	<u>331,274</u>	<u>13,789</u>
Other Supp. Services Students-Related Serv.:					
Salaries	202,000		202,000	189,219	12,781
Supplies and Materials	2,304		2,304	2,108	196
Total Other Supp. Serv. Students-Related Serv.	<u>204,304</u>		<u>204,304</u>	<u>191,327</u>	<u>12,977</u>
Other Supp. Services Students-Regular:					
Salaries of Other Professional Staff	700,000		700,000	694,910	5,090
Salaries of Secretarial and Clerical Assistants	86,000		86,000	68,624	17,376
Purchased Professional-Educational Services	12,745		12,745	9,355	3,390
Other Purchased Services (400-500 series)	5,305		5,305	4,195	1,110
Supplies and Materials	19,165		19,165	15,704	3,461
Other Objects	420		420	347	73
Total Other Supp. Services Students-Regular	<u>823,635</u>		<u>823,635</u>	<u>793,135</u>	<u>30,500</u>
Other Supp. Services Students-Special:					
Salaries of Other Professional Staff	655,000		655,000	627,145	27,855
Salaries of Secretarial and Clerical Assistants	91,000		91,000	79,283	11,717
Purchased Professional-Educational Services	77,000	50,000	127,000	127,000	
Misc. Purchased Services (400-500 series O/than Resid.Costs)	4,500		4,500	1,200	3,300
Supplies and Materials	12,890		12,890	11,455	1,435
Other Objects	5,965		5,965	3,895	2,070
Total Other Supp. Services Students-Special	<u>846,355</u>	<u>50,000</u>	<u>896,355</u>	<u>849,978</u>	<u>46,377</u>

HACKETTSTOWN SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Improvement of Instruction Services:					
Salaries of Supervisor of Instruction	212,000		212,000	185,248	26,752
Purchased Professional-Educational Services	25,000	5,000	30,000	22,500	7,500
Other Purchased Services (400-500 series)	4,500		4,500	3,548	952
Supplies and Materials	3,000		3,000	940	2,060
Other Objects	9,000	1,500	10,500	3,664	6,836
Total Improvement of Instruction Services	253,500	6,500	260,000	215,900	44,100
Educational Media Services/School Library:					
Salaries	507,000		507,000	464,640	42,360
Purchased Professional - Technical Services	6,000		6,000	50	5,950
Other Purchased Services (400-500 series)	14,225		14,225	11,819	2,406
Supplies and Materials	75,632	983	76,615	63,075	13,540
Total Educational Media Services/School Library	602,857	983	603,840	539,584	64,256
Instructional Staff Training Services:					
Purchased Professional-Educational Services	30,000	4,607	34,607	7,402	27,205
Supplies and Materials	1,200	523	1,723	876	847
Total Instructional Staff Training Services	31,200	5,130	36,330	8,278	28,052
Supp. Services - General Administration:					
Salaries	300,000		300,000	297,650	2,350
Legal Services	50,000		50,000	49,550	450
Audit Fees	26,000		26,000	25,356	644
Purchased Technical Services	13,000		13,000	6,653	6,347
Communications/Telephone	96,000		96,000	39,486	56,514
Other Purchased Services (400-500 series)	137,600	684	138,284	118,641	19,643
General Supplies	13,000		13,000	9,282	3,718
Miscellaneous Expenditures	21,500		21,500	21,348	152
Total Supp. Services - General Administration	657,100	684	657,784	567,966	89,818

HACKETTSTOWN SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	663,000		663,000	602,809	60,191
Salaries of Secretarial and Clerical Assistants	437,500	15,000	452,500	439,723	12,777
Other Purchased Services (400-500 series)	15,700		15,700	9,730	5,970
Supplies and Materials	56,666		56,666	39,361	17,305
Other Objects	6,509		6,509	5,773	736
Total Support Services - School Administration	1,179,375	15,000	1,194,375	1,097,396	96,979
Central Services:					
Salaries	339,000		339,000	328,961	10,039
Purchased Professional Services	2,500		2,500	1,025	1,475
Purchased Technical Services	12,200		12,200	12,200	
Miscellaneous Purchased Services (400-500 series)	10,000		10,000	10,000	
Supplies and Materials	7,000		7,000	4,489	2,511
Interest on Lease Purchase Agreements	27,000	33,100	60,100	33,100	27,000
Interest on Bond Anticipation Notes	16,000		16,000	15,708	292
Miscellaneous Expenditures	4,000		4,000	3,940	60
Total Central Services	417,700	33,100	450,800	409,423	41,377
Required Maintenance for School Facilities:					
Salaries	80,000		80,000	74,733	5,267
Cleaning, Repair and Maintenance Services	80,000		80,000	77,160	2,840
General Supplies	20,000		20,000	4,666	15,334
Other Objects	10,000		10,000	4,185	5,815
Total Required Maintenance for School Facilities	190,000		190,000	160,744	29,256
Other Operations and Maintenance of Plant:					
Salaries	592,600	15,000	607,600	557,762	49,838
Purchased Professional and Technical Services	8,000		8,000	1,532	6,468
Cleaning, Repair and Maintenance Services	535,250		535,250	481,459	53,791
Insurance	85,000	7,000	92,000	91,140	860
Miscellaneous Purchased Services	54,000		54,000	46,094	7,906
General Supplies	141,000		141,000	120,170	20,830
Energy (Natural Gas)	400,000	(25,000)	375,000	312,583	62,417
Energy (Electricity)	300,000	25,000	325,000	308,732	16,268
Other Objects	17,250		17,250	7,955	9,295
Total Other Operations and Maintenance of Plant	2,133,100	22,000	2,155,100	1,927,427	227,673

HACKETTSTOWN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

Exhibit C-1

Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Student Transportation Services					
Salaries for Pupil Transpor.(Between Home & School)-Special Ed.	46,000		46,000	42,324	3,676
Cleaning, Repair and Maintenance Services	2,500		2,500	2,500	
Contracted Services (Other than Bet. Home and Sch.)-Vendors	108,700		108,700	105,221	3,479
Contracted Services (Bet. Home and School)-Joint Agreements	4,000		4,000		4,000
Contracted Services (Special Education Students)-Vendors	300,000	40,000	340,000	337,275	2,725
Contracted Services (Special Education Students)-Joint Agrmnts.	15,000		15,000	2,653	12,347
Miscellaneous Purchased Services - Transportation	3,500		3,500	3,500	
Other Objects	6,000		6,000	6,000	
Total Student Transportation Services	485,700	40,000	525,700	499,473	26,227
UNALLOCATED BENEFITS					
Social Security Contributions	300,000	(25,000)	275,000	274,498	502
Other Retirement Contributions-Regular	227,000		227,000	201,664	25,336
Unemployment Compensation	35,000		35,000		35,000
Workmen's Compensation	160,000	(7,000)	153,000	124,112	28,888
Health Benefits	4,600,000	(600,000)	4,000,000	3,839,761	160,239
Tuition Reimbursement	55,000		55,000		55,000
Other Employee Benefits	38,000		38,000	16,547	21,453
TOTAL UNALLOCATED BENEFITS	5,415,000	(632,000)	4,783,000	4,456,582	326,418
On-behalf TPAF pension Contrib. (non-budgeted)				863,559	(863,559)
Reimbursed TPAF Social Security Contrib. (non-budgeted)				1,005,015	(1,005,015)
TOTAL ON-BEHALF CONTRIBUTIONS				1,868,574	(1,868,574)
TOTAL PERSONAL SERV.-EMPLOYEE BENEFITS	5,415,000	(632,000)	4,783,000	6,325,156	(1,542,156)
TOTAL UNDISTRIBUTED EXPENDITURES	14,670,774	(465,603)	14,205,171	14,964,708	(759,537)
TOTAL GENERAL CURRENT EXPENSE	27,642,663	(509,844)	27,132,819	27,301,132	(168,313)

HACKETTSTOWN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

Exhibit C-1

Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
CAPITAL OUTLAY					
Equipment:					
Grades 1-5	34,360	9,048	43,408	11,001	32,407
Grades 6-8	8,000		8,000		8,000
Grades 9-12	38,000		38,000	22,634	15,366
Undistributed Expenditures-School Admin.	14,000	1,390	15,390	966	14,424
Undistributed Expenditures-Operation and Maint. Of Plant Serv.	140,800	456	141,256	109,280	31,976
Undistributed Expenditures-Other Support Services	3,500		3,500	962	2,538
Undistributed Expenditures-Non-Instr. Serv.	32,000		32,000	14,681	17,319
Total Equipment	270,660	10,894	281,554	159,524	122,030
Facilities Acquisition and Construction Services					
Architectual/Engineering Services	85,000		85,000	63,426	21,574
Other Purchased Professional and Technical Services	93,000	107,585	200,585	152,816	47,769
Construction Services	673,086	718,952	1,392,038	1,201,570	190,468
Lease Purchase - Principal	200,000	187,191	387,191	187,191	200,000
Total Facilities Acquisition and Construction Services	1,051,086	1,013,728	2,064,814	1,605,003	459,811
TOTAL CAPITAL OUTLAY	1,321,746	1,024,622	2,346,368	1,764,527	581,841
TOTAL EXPENDITURES	28,964,409	514,778	29,479,187	29,065,659	413,528
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,947,602)	(514,778)	(2,462,380)	(703,006)	1,759,374
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	(1,947,602)	(514,778)	(2,462,380)	(703,006)	1,759,374
Fund Balance, July 1	4,504,090		4,504,090	4,504,090	
Fund Balance, June 30	\$ 2,556,488	\$ (514,778)	\$ 2,041,710	\$ 3,801,084	\$ 1,759,374

HACKETTSTOWN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

Exhibit C-1

Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Recapitulation:					
Capital Reserve				\$ 1,005,005	
Maintenance Reserve				50,000	
Encumbrances				693,627	
Excess Surplus				931,394	
Excess Surplus - Designated for Subsequent Year's Expenditures				306,862	
Designated for Subsequent Year's Expenditures				186,170	
Unrestricted Fund Balance				<u>628,026</u>	
Fund Balance per Governmental Funds(Budgetary Basis)				3,801,084	
Reconciliation to Governmental Funds Statement(GAAP Basis):					
Last State Aid Payment not recognized on GAAP basis				<u>(525,475)</u>	
Fund Balance per Governmental Funds(GAAP Basis)				<u>\$ 3,275,609</u>	

HACKETTSTOWN SCHOOL DISTRICT

Exhibit C-1b

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND-ARRA

Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
ARRA-ESF		\$ 802,534	\$ 802,534	\$ 802,534	
ARRA-GSF		31,067	31,067	31,067	
Total Federal Sources		833,601	833,601	833,601	
TOTAL REVENUES		\$ 833,601	\$ 833,601	\$ 833,601	
EXPENDITURES:					
Current Expense:					
ARRA:					
ARRA - ESF - Salaries of Teachers Grades 9-12		\$ 802,534	\$ 802,534	\$ 802,534	
ARRA - GSF - Salaries of Teachers Grades 9-12		31,067	31,067	31,067	
Total ARRA		833,601	833,601	833,601	
TOTAL EXPENDITURES		\$ 833,601	\$ 833,601	\$ 833,601	
Excess (Deficiency) of Revenues Over (Under) Expenditures					

HACKETTSTOWN SCHOOL DISTRICT

Exhibit C-2

**BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND**

For the Fiscal Year Ended June 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
Local Sources	\$ 10,000	\$ (4,324)	\$ 5,676	\$ 4,744	\$ (932)
State Sources	175,000	(57,341)	117,659	114,807	(2,852)
Federal Sources	565,000	510,471	1,075,471	1,027,159	(48,312)
Total Revenues	750,000	448,806	1,198,806	1,146,710	(52,096)
EXPENDITURES:					
Instruction					
Salaries of Teachers	150,000	27,147	177,147	174,905	2,242
Other Salaries		4,000	4,000	4,000	
Purchased Professional and Technical Services	175,000	(45,816)	129,184	115,029	14,155
Tuition	350,000	(195,000)	155,000	155,000	
General Supplies	10,000	325,301	335,301	317,715	17,586
Textbooks		15,597	15,597	14,764	833
Other Objects		660	660	660	
Total Instruction	685,000	131,889	816,889	782,073	34,816
Support Services					
Salaries of Supervisors of Instruction		99,896	99,896	99,896	
Other Salaries		3,500	3,500	3,500	
Personal Services-Employee Bene.		54,859	54,859	54,859	
Purchased Profess. & Tech Svcs		54,171	54,171	44,394	9,777
Purchased Profess. Educ. Svcs		1,675	1,675	1,675	
Other Purchased Serv. (400-500 Series)	65,000	674	65,674	62,848	2,826
Supplies and Materials		15,796	15,796	11,119	4,677
Total Support Services	65,000	230,571	295,571	278,291	17,280
Facilities Acquisition & Const. Serv.:					
Instructional Equipment		86,346	86,346	86,346	
Total Facilities Acq. & Const. Serv.		86,346	86,346	86,346	
Total Expenditures	750,000	448,806	1,198,806	1,146,710	52,096
Total Outflows	750,000	448,806	1,198,806	1,146,710	52,096
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)					
Fund Balance per Governmental Funds(Budgetary Basis)					<u>None</u>
Reconciliation to Governmental Funds Statement(GAAP Basis):					
Last State Aid Payment not recognized on GAAP basis					<u>-</u>
Fund Balance per Governmental Funds(GAAP Basis)					<u>None</u>

HACKETTSTOWN SCHOOL DISTRICT

Exhibit C-3

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended June 30, 2010

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

	General Fund	Special Revenue Fund
	<hr/>	<hr/>
Sources/Inflows of Resources		
Actual amounts (budgetary basis) "revenue"		
from the budgetary comparison schedule (Exhibits C-1 and C-2, respectively)	\$ 28,362,653	\$ 1,146,710
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Prior Year Encumbrances	N/A	25,133
Current Year Encumbrances	N/A	(108,300)
Adjustment for: Prior year Final State Aid Payment excluded in State Source Revenues that is considered a revenue for GAAP reporting purposes	530,855	
Adjustment for: Current Year Final State Aid Payment included in State Source Revenues that is not considered a revenue for GAAP reporting purposes	<hr/> (525,475) <hr/>	
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds. (Exhibit B-2)	<hr/> <u>\$ 28,368,033</u>	<hr/> <u>\$ 1,063,543</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedules (Exhibits C-1 and C-2, respectively)	\$ 29,065,659	\$ 1,146,710
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.		
Prior Year Encumbrances	N/A	25,133
Current Year Encumbrances	N/A	(108,300)
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.	N/A	N/A
Net transfers (outflows) to general fund	<hr/> N/A	<hr/> N/A
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (Exhibit B-2)	<hr/> <u>\$ 29,065,659</u>	<hr/> <u>\$ 1,063,543</u>

OTHER SUPPLEMENTARY INFORMATION

**SPECIAL REVENUE FUND
DETAIL STATEMENTS**

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

HACKETTSTOWN SCHOOL DISTRICT

Exhibit E-1

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

For the Fiscal Year Ended June 30, 2010

	Title I Part A	ARRA Title I Part A	Title I Part A	Title I Part D	Title III	Title III Immig.	Title IV	Perkins	IDEA Basic	IDEA Preschool	ARRA IDEA Basic	ARRA IDEA Preschool	Non-Public Textbook	Non-Public Nursing	Non-Public Aux. Comp Ed.	Non-Public Handicap Exam	Non-Public Handicap Correct. Spch	Non-Public Handicap Supplem.	NJ Dept. Agric. CASE	Rebel	Walmart	Local Grant HFEE Mini/Maxi	Totals
REVENUES																							
Local Sources																							
State Sources													\$ 13,020	\$ 15,361	\$ 41,802	\$ 15,573	\$ 8,070	\$ 11,481	\$ 7,300	\$ 2,200	\$ 1,068	\$ 3,676	\$ 4,744
Federal Sources	\$ 178,885	\$ 61,810	\$ 32,228	\$ 1,238	\$ 10,205	\$ 15	\$ 6,116	\$ 15,452	\$ 346,483	\$ 12,403	\$ 349,693	\$ 12,631											114,807
TOTAL REVENUES	178,885	61,810	32,228	1,238	10,205	15	6,116	15,452	346,483	12,403	349,693	12,631	13,020	15,361	41,802	15,573	8,070	11,481	7,300	2,200	1,068	3,676	1,146,710
EXPENDITURES:																							
Instruction:																							
Salaries of Teachers	118,705		19,000						28,700	8,500													174,905
Other Salaries									4,000														4,000
Purchased Profess. & Tech. Serv.	8,807			834	7,267		5,834							15,361	41,802	15,573	8,070	11,481					115,029
Other Purchased Services/Tuition									155,000														155,000
General Supplies	18,236	58,720			2,938	15	282	6,243	7,507	2,464	196,066	11,000							7,300	2,200	1,068	3,676	317,715
Textbooks									1,744				13,020										14,764
Other Objects								660															660
Total Instruction	145,748	58,720	19,000	834	10,205	15	6,116	6,903	196,951	10,964	196,066	11,000	13,020	15,361	41,802	15,573	8,070	11,481	7,300	2,200	1,068	3,676	782,073
Support Services:																							
Salaries of Supervisors of Instruction									99,396	500													99,896
Other Salaries									3,500														3,500
Personal Services-Employee Bene.	23,742		3,800						26,378	939													54,859
Purchased Profess. & Tech Svcs	9,395	3,090	197	404					11,812		19,496												44,394
Purchased Profess. Educ. Svcs									1,675														1,675
Other Purchased Serv. (400-500 Series)			8,908					2,203	1,473		48,633	1,631											62,848
Supplies and Materials			323						5,298		5,498												11,119
Total Support Services	33,137	3,090	13,228	404	-	-	-	2,203	149,532	1,439	73,627	1,631	-	-	-	-	-	-	-	-	-	-	278,291
Facilities Acquisition & Const. Serv.:																							
Instructional Equipment									6,346		80,000												86,346
Total Facilities Acq. & Const. Serv.	-	-	-	-	-	-	-	-	6,346	-	80,000	-	-	-	-	-	-	-	-	-	-	-	86,346
TOTAL EXPENDITURES	178,885	61,810	32,228	1,238	10,205	15	6,116	15,452	346,483	12,403	349,693	12,631	13,020	15,361	41,802	15,573	8,070	11,481	7,300	2,200	1,068	3,676	1,146,710
Total Outflows	178,885	61,810	32,228	1,238	10,205	15	6,116	15,452	346,483	12,403	349,693	12,631	13,020	15,361	41,802	15,573	8,070	11,481	7,300	2,200	1,068	3,676	1,146,710
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)																							

**CAPITAL PROJECTS FUND
DETAIL STATEMENTS**

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

HACKETTSTOWN SCHOOL DISTRICT

Exhibit F-1

**CAPITAL PROJECTS FUND
SUMMARY STATEMENT OF PROJECT EXPENDITURES**

For the Fiscal Year Ended June 30, 2010

	<u>Original Date</u>	<u>Approval</u>	<u>Appropriations</u>	<u>Expenditures to Date</u>		<u>Unexpended Balance June 30, 2010</u>
				<u>Prior Years</u>	<u>Current Year</u>	
School Additions and Renovations:						
Bonds Authorized	7/15/2001	Voters	\$ 4,176,000	\$ 4,171,047	-	\$ 4,953
SDA Grant	7/15/2001	SDA Grant - State of New Jersey	2,784,000	2,784,000		-
			\$ 6,960,000	\$ 6,955,047	-	\$ 4,953

HACKETTSTOWN SCHOOL DISTRICT

Exhibit F-2

CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGETARY BASIS

For the Fiscal Year Ended June 30, 2010

Fund Balance - Beginning	<u>\$ 4,953</u>
Fund Balance - Ending	<u><u>\$ 4,953</u></u>

HACKETTSTOWN SCHOOL DISTRICT

Exhibit F-2a

CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE,
AND PROJECT STATUS-BUDGETARY BASIS
SCHOOL ADDITION AND RENOVATION

From Inception and for the Fiscal Year Ended June 30, 2010

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Costs</u>
Revenues and Other Financing Sources				
State Sources - SDA Grant	\$ 2,784,000		\$ 2,784,000	\$ 2,784,000
Bond Proceeds	4,176,000		4,176,000	4,176,000
Total Revenues	<u>6,960,000</u>	-	<u>6,960,000</u>	<u>6,960,000</u>
Expenditures and Other Financing Sources				
Purchase Professional & Technical Services	299,317		299,317	294,122
Construction Services	6,580,730		6,580,730	6,590,878
Equipment Purchases	75,000		75,000	75,000
Total Expenditures	<u>6,955,047</u>	-	<u>6,955,047</u>	<u>6,960,000</u>
Excess(deficiency) of revenues over(under) expenditures		<u>4,953</u>		<u>4,953</u>

Project Fund Balance, 6/30/10 \$ 4,953

Additional project information:

Project Number	SP#4670-070-01-0325
Grant Date	6/4/2003
Bond Authorization Date	7/15/2001
Bonds Authorized	\$4,176,000
Bonds Issued	\$4,176,000
Original Authorized Cost	\$6,960,000
Additional Authorized Cost	N/A
Revised Authorized Cost	\$6,960,000
Percentage Increase over Original Authorized Cost	N/A
Percentage Completion	5.0%
Original Target Completion Date	6/30/2008
Revised Target Completion Date	6/30/2008

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

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

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

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

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

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

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

Unemployment Compensation Trust Fund - This trust fund is used to account for receipts of employee deductions and employer contributions to pay for unemployment claims.

Scholarship Fund - This trust fund is used to account for donations for student scholarships.

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

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

HACKETTSTOWN SCHOOL DISTRICT

Exhibit H-1

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010**

	UNEMPLOYMENT COMPENSATION INSURANCE TRUST	PRIVATE TRUST SCHOLARSHIP FUNDS	AGENCY FUNDS		TOTALS
			STUDENT ACTIVITY	PAYROLL AGENCY	
ASSETS:					
Cash and Cash Equivalents	\$103,110	\$45,845	\$ 172,511	\$ 207,999	\$ 529,465
TOTAL ASSETS	103,110	45,845	172,511	207,999	529,465
LIABILITIES:					
Liabilities:					
Payroll Deductions and Withholdings Payable to Student Groups				207,999	207,999
			172,511		172,511
Total Liabilities			172,511	207,999	380,510
NET ASSETS					
Held in Trust for Scholarships		45,845			45,845
Held in Trust for Unemployment Claims and Other Purposes	103,110				103,110
TOTAL LIABILITIES AND NET ASSETS	\$103,110	\$45,845	\$ 172,511	\$ 207,999	\$ 529,465

HACKETTSTOWN SCHOOL DISTRICT

Exhibit H-2

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 FOR THE FISCAL YEARS ENDED JUNE 30, 2010

	UNEMPLOYMENT COMPENSATION INSURANCE <u>TRUST</u>	MEMORIAL SCHOLARSHIP TRUST <u>FUNDS</u>	<u>TOTALS</u>
ADDITIONS			
Contributions:			
Employer	\$30,000		\$30,000
Plan Member	\$118,037		\$118,037
Private Trust Contributions		<u>\$9,558</u>	<u>9,558</u>
Total Contributions	<u>148,037</u>	<u>9,558</u>	<u>157,595</u>
Interest Income			
Total Additions	<u>148,037</u>	<u>9,558</u>	<u>157,595</u>
DEDUCTIONS			
Quarterly Contribution Reports	\$104,406		104,406
Scholarships		<u>23,700</u>	<u>23,700</u>
Total Deductions	<u>104,406</u>	<u>23,700</u>	<u>128,106</u>
Change in Net Assets	<u>43,631</u>	<u>(14,142)</u>	<u>29,489</u>
Net Assets—Beginning of the Year	<u>59,479</u>	<u>59,987</u>	<u>119,466</u>
Net Assets—End of the Year	<u>\$103,110</u>	<u>\$45,845</u>	<u>\$148,955</u>

HACKETTSTOWN SCHOOL DISTRICT

Exhibit H-3

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS
STUDENT ACTIVITY AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

<u>ACTIVITY</u>	<u>BALANCE JULY 1, 2009</u>	<u>TRANSFERS</u>	<u>CASH RECEIPTS</u>	<u>CASH DISBURSEMENTS</u>	<u>BALANCE JUNE 30, 2010</u>
General Activities	\$ 133,950		\$ 348,663	\$ 313,955	\$ 168,658
Game Officials Account	1,414		45,000	42,561	3,853
Totals	\$ 135,364	-	\$ 393,663	\$ 356,516	\$ 172,511

HACKETTSTOWN SCHOOL DISTRICT

Exhibit H-4

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS
PAYROLL AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>BALANCE</u> <u>JULY 1, 2009</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2010</u>
ASSETS:				
Cash and Cash Equivalents	\$ 181,783	\$ 18,430,287	\$ 18,404,071	\$ 207,999
Total Assets	<u>\$ 181,783</u>	<u>\$ 18,430,287</u>	<u>\$ 18,404,071</u>	<u>\$ 207,999</u>
LIABILITIES:				
Payroll Deductions and Withholdings	\$ 179,776	\$ 7,386,233	\$ 7,360,709	\$ 205,300
Accrued Net Payroll		11,043,362	11,043,362	-
Accounts Payable	2,007	692		2,699
Total Liabilities	<u>\$ 181,783</u>	<u>\$ 18,430,287</u>	<u>\$ 18,404,071</u>	<u>\$ 207,999</u>

LONG-TERM DEBT SCHEDULES

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

HACKETTSTOWN SCHOOL DISTRICT

Exhibit I-1

**SCHEDULE OF SERIAL BONDS
AS OF ENDED JUNE 30, 2010**

<u>ISSUE</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>ANNUAL MATURITIES</u>		<u>INTEREST RATE</u>	<u>BALANCE JULY 1, 2009</u>	<u>RETIRED</u>	<u>BALANCE JUNE 30, 2010</u>
			<u>DATE</u>	<u>AMOUNT</u>				
High School Addition	7/15/01	\$ 4,176,000	7/15/2009	165,000	4.60%	\$ 165,000	\$ 165,000	
Refunding Bonds	3/17/06	3,330,000	7/15/2009	15,000	3.40%	3,330,000	15,000	\$ 3,315,000
			7/15/2010	195,000	3.50%			
			7/15/2011	200,000	3.50%			
			7/15/2012	210,000	4.00%			
			7/15/2013	220,000	4.00%			
			7/15/2014	230,000	4.00%			
			7/15/2015	245,000	4.00%			
			7/15/2016	255,000	4.00%			
			7/15/2017	265,000	4.00%			
			7/15/2018	275,000	4.00%			
			7/15/2019	285,000	4.00%			
			7/15/2020	300,000	4.00%			
			7/15/2021	310,000	4.00%			
7/15/2022	325,000	4.00%						
Total						\$ 3,495,000	\$ 180,000	\$ 3,315,000

HACKETTSTOWN SCHOOL DISTRICT

Exhibit I-2

**SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

<u>DESCRIPTION</u>	<u>INTEREST RATE PAYABLE</u>	<u>LEASE TERM</u>	<u>AMOUNT OF ORIGINAL ISSUE</u>	<u>ANNUAL MATURITIES</u>		<u>AMOUNT OUTSTANDING 7/1/2009</u>	<u>ADDITIONS</u>	<u>RETIRED CURRENT YEAR PRINCIPAL PAYMENTS</u>	<u>AMOUNT OUTSTANDING 6/30/2010</u>
				<u>DATE</u>	<u>AMOUNT</u>				
Computer Equipment	3.31%	5 Years	\$ 1,000,000	8/8/2010	\$ 193,387		\$ 1,000,000	\$ 187,191	\$ 812,809
				8/8/2011	199,788				
				8/8/2012	206,401				
Total				8/8/2013	213,233		- \$ 1,000,000	\$ 187,191	\$ 812,809

HACKETTSTOWN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND

Exhibit I-3

For the Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative) Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 314,675		\$ 314,675	\$ 314,675	
Interest Income					
	314,675	-	314,675	314,675	-
TOTAL REVENUES	314,675	-	314,675	314,675	-
EXPENDITURES:					
Regular Debt Service:					
Interest	134,675		134,675	134,675	
Redemption of Principal	180,000		180,000	180,000	
Total Regular Debt Service	314,675		314,675	314,675	
TOTAL EXPENDITURES	314,675		314,675	314,675	
Excess (Deficiency) of Revenues Over Expend.	-	-	-	-	
Fund Balance, July 1	29,118		29,118	29,118	
Fund Balance, June 30	29,118		29,118	29,118	
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures					
Budgeted Fund Balance					

Hackettstown School District
Statistical Section

<u>Contents</u>	<u>Page</u>
Financial Trends (J-1 thru J-5) These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	68-73
Revenue Capacity (J-6 thru J-9) These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	74-77
Debt Capacity (J-10 thru J-13) These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the district's ability to issue additional debt in the future.	78-81
Demographic and Economic Information (J-14 and J-15) These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	82-83
Operating Information (J-16 thru J-20) These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.	84-88

Sources:

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year. The district implemented GASB Statement 34 in the fiscal year ending June 30, 2004; schedules presenting district-wide information include information beginning in that year.

**Hackettstown School District
Net Assets by Component,
Last Eight Fiscal Years**

(accrual basis of accounting)

Exhibit J-1

	Fiscal Year Ending June 30,							
	2003	2004	2005	2006	2007	2008	2009	2010
Governmental activities								
Invested in capital assets, net of related debt	\$ 3,144,087	\$ 3,886,243	\$ 982,692	\$ 3,284,796	\$ 4,701,915	\$ 5,259,580	\$ 5,952,191	\$ 7,101,189
Restricted	1,027,060	641,548	4,535,832	3,758,903	2,266,166	3,345,327	3,452,501	2,479,431
Unrestricted	87,442	9,184	(203,889)	(306,622)	870,558	200,447	(39,897)	209,806
Total governmental activities net assets	<u>\$ 4,258,589</u>	<u>\$ 4,536,975</u>	<u>\$ 5,314,635</u>	<u>\$ 6,737,077</u>	<u>\$ 7,838,639</u>	<u>\$ 8,805,354</u>	<u>\$ 9,364,795</u>	<u>\$ 9,790,426</u>
Business-type activities								
Invested in capital assets, net of related debt	\$ 187,198	\$ 184,201	\$ 181,823	\$ 64,886	\$ 59,621	\$ 54,355	\$ 49,091	\$ 43,826
Restricted								-
Unrestricted	33,185	37,191	35,131	30,950	56,515	65,400	80,736	83,927
Total business-type activities net assets	<u>\$ 220,383</u>	<u>\$ 221,392</u>	<u>\$ 216,954</u>	<u>\$ 95,836</u>	<u>\$ 116,136</u>	<u>\$ 119,755</u>	<u>\$ 129,827</u>	<u>\$ 127,753</u>
District-wide								
Invested in capital assets, net of related debt	\$ 3,331,285	\$ 4,070,444	\$ 1,164,515	\$ 3,349,682	\$ 4,761,536	\$ 5,313,935	\$ 6,001,282	\$ 7,145,015
Restricted	1,027,060	641,548	4,535,832	3,758,903	2,266,166	3,345,327	3,452,501	2,479,431
Unrestricted	120,627	46,375	(168,758)	(275,672)	927,073	265,847	40,839	293,733
Total district net assets	<u>\$ 4,478,972</u>	<u>\$ 4,758,367</u>	<u>\$ 5,531,589</u>	<u>\$ 6,832,913</u>	<u>\$ 7,954,775</u>	<u>\$ 8,925,109</u>	<u>\$ 9,494,622</u>	<u>\$ 9,918,179</u>

Source: CAFR Schedule A-1

Hackettstown School District
Changes in Net Assets, Last Eight Fiscal Years
(accrual basis of accounting)

Exhibit J-2

	Fiscal Year Ending June 30,							
	2003	2004	2005	2006	2007	2008	2009	2010
Expenses								
Governmental activities								
Instruction								
Regular	9,782,668	\$ 9,678,941	\$ 10,568,052	\$ 10,805,300	\$ 11,967,896	\$ 12,368,177	\$ 12,076,978	\$ 12,361,284
Special education	1,943,074	2,834,397	3,100,087	3,132,860	2,422,111	2,581,817	2,720,320	3,013,800
Other special education	1,233,172	1,315,687	1,376,324	1,358,187	1,606,938	1,742,169	1,705,619	1,753,667
Support Services:								
Tuition	642,243	595,539	650,477	652,442	792,633	953,174	997,494	1,008,646
Student & instruction related services	4,137,808	4,044,183	3,643,545	3,917,684	4,564,892	4,383,884	4,684,047	4,686,913
School administrative services	1,411,582	1,550,804	1,571,743	1,342,993	1,371,775	1,478,548	1,437,742	1,442,167
General administrative services	1,071,896	1,086,326	1,221,594	1,256,461	1,105,802	1,308,218	1,170,041	1,274,366
Plant operations and maintenance	1,831,462	1,951,220	2,058,599	2,274,716	2,511,465	2,816,081	2,785,411	2,736,314
Pupil transportation	477,667	396,989	358,053	445,062	388,996	405,612	505,292	503,176
Interest on long-term debt	195,209	315,005	189,255	183,160	178,748	146,373	139,031	130,942
Unallocated depreciation	77,306	103,247	102,930	208,624	211,855	211,855	269,825	409,345
Total governmental activities expenses	<u>22,804,087</u>	<u>23,872,338</u>	<u>24,840,659</u>	<u>25,577,489</u>	<u>27,123,111</u>	<u>28,395,908</u>	<u>28,491,800</u>	<u>29,320,620</u>
Business-type activities:								
Food service	272,036	483,033	488,043	610,808	505,854	528,428	539,235	519,205
Total business-type activities expense	<u>272,036</u>	<u>483,033</u>	<u>488,043</u>	<u>610,808</u>	<u>505,854</u>	<u>528,428</u>	<u>539,235</u>	<u>519,205</u>
Total district expenses	<u>\$ 23,076,123</u>	<u>\$ 24,355,371</u>	<u>\$ 25,328,702</u>	<u>\$ 26,188,297</u>	<u>\$ 27,628,965</u>	<u>\$ 28,924,336</u>	<u>\$ 29,031,035</u>	<u>\$ 29,839,825</u>
Program Revenues								
Governmental activities:								
Charges for services:								
Instruction (regular & special education tuition)	\$ 5,190,172	\$ 5,640,510	\$ 6,401,180	\$ 6,458,281	\$ 6,402,575	\$ 6,517,044	\$ 7,020,740	\$ 7,080,800
Operating grants and contributions	822,175	619,608	619,608	619,608	8,570,746	8,890,475	7,994,880	7,617,846
Total governmental activities program revenues	<u>6,012,347</u>	<u>6,260,118</u>	<u>7,020,788</u>	<u>7,077,889</u>	<u>14,973,321</u>	<u>15,407,519</u>	<u>15,015,620</u>	<u>14,698,646</u>

Hackettstown School District
Changes in Net Assets, Last Eight Fiscal Years
(accrual basis of accounting)

Exhibit J-2

	2003		2004		2005		Fiscal Year Ending June 30,		2006		2007		2008		2009		2010	
Business-type activities:																		
Charges for services																		
Food service		347,380		370,311		374,199		368,596		386,650		378,169		377,610		330,301		186,830
Operating grants and contributions		112,176		112,995		109,081		121,093		139,504		153,878		171,697		517,131		186,830
Total business type activities program revenues		459,556		483,306		483,280		489,689		526,154		532,047		549,307		517,131		186,830
Total district program revenues		<u>\$ 6,471,903</u>		<u>\$ 6,743,424</u>		<u>\$ 7,504,068</u>		<u>\$ 7,567,578</u>		<u>\$ 15,499,475</u>		<u>\$ 15,939,566</u>		<u>\$ 15,564,927</u>		<u>\$ 15,215,777</u>		<u>\$ 15,215,777</u>
Net (Expense)/Revenue																		
Governmental activities		\$ (16,791,740)		\$ (17,612,220)		\$ (17,819,871)		\$ (18,499,600)		\$ (12,149,790)		\$ (12,988,389)		\$ (13,476,180)		\$ (14,621,974)		\$ (14,621,974)
Business-type activities		187,520		273		(4,763)		(121,119)		20,300		3,619		10,072		(2,074)		(2,074)
Total district-wide net expense		<u>\$ (16,604,220)</u>		<u>\$ (17,611,947)</u>		<u>\$ (17,824,634)</u>		<u>\$ (18,620,719)</u>		<u>\$ (12,129,490)</u>		<u>\$ (12,984,770)</u>		<u>\$ (13,466,108)</u>		<u>\$ (14,624,048)</u>		<u>\$ (14,624,048)</u>
General Revenues and Other Changes in Net Assets																		
Governmental activities:																		
Property taxes levied for general purposes, net		\$ 10,580,570		\$ 11,175,527		\$ 11,929,896		\$ 12,560,950		\$ 13,121,539		\$ 13,524,545		\$ 13,705,866		\$ 14,162,187		\$ 14,162,187
Taxes levied for debt service		197,765		244,509		319,255		318,160		273,621		299,535		302,405		314,675		314,675
Unrestricted grants and contributions		5,348,766		6,461,259		7,237,966		7,146,786		-		-		-		-		-
Investment earnings		37,747		12,191		36,202		72,346		116,473		86,524		13,534		570,743		570,743
Miscellaneous income		50,948		(2,143)		295,172		(176,199)		38,857		44,500		13,816		-		-
Transfers		-		(735)		(325)		-		-		-		-		-		-
Total governmental activities		<u>16,215,796</u>		<u>17,890,608</u>		<u>19,818,166</u>		<u>19,922,043</u>		<u>13,550,490</u>		<u>13,955,104</u>		<u>14,035,621</u>		<u>15,047,605</u>		<u>15,047,605</u>
Business-type activities:																		
Transfers		-		735		325		-		-		-		-		-		-
Total business-type activities		<u>-</u>		<u>735</u>		<u>325</u>		<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>
Total district-wide		<u>\$ 16,215,796</u>		<u>\$ 17,891,343</u>		<u>\$ 19,818,491</u>		<u>\$ 19,922,043</u>		<u>\$ 13,550,490</u>		<u>\$ 13,955,104</u>		<u>\$ 14,035,621</u>		<u>\$ 15,047,605</u>		<u>\$ 15,047,605</u>
Change in Net Assets																		
Governmental activities		\$ (575,944)		\$ 278,388		\$ 1,998,295		\$ 1,422,443		\$ 1,400,700		\$ 966,715		\$ 559,441		\$ 425,631		\$ 425,631
Business-type activities		187,520		1,008		(4,438)		(121,119)		20,300		3,619		10,072		(2,074)		(2,074)
Total district		<u>\$ (388,424)</u>		<u>\$ 279,396</u>		<u>\$ 1,993,857</u>		<u>\$ 1,301,324</u>		<u>\$ 1,421,000</u>		<u>\$ 970,334</u>		<u>\$ 569,513</u>		<u>\$ 423,557</u>		<u>\$ 423,557</u>

Source: CAFR Schedule A-2

Hackettstown School District
Fund Balances, Governmental Funds,
Last Eight Fiscal Years
(modified accrual basis of accounting)

Exhibit J-3

	Fiscal Year Ending June 30,							
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Fund								
Reserved	\$ 515,896	\$ 432,268	\$ 1,789,262	\$ 2,940,281	\$ 3,460,457	\$ 3,834,499	\$ 3,979,652	\$ 3,173,058
Unreserved	578,571	542,061	225,190	231,263	288,300	296,498	(6,417)	102,551
Total general fund	<u>\$ 1,094,467</u>	<u>\$ 974,329</u>	<u>\$ 2,014,452</u>	<u>\$ 3,171,544</u>	<u>\$ 3,748,757</u>	<u>\$ 4,130,997</u>	<u>\$ 3,973,235</u>	<u>\$ 3,275,609</u>
All Other Governmental Funds								
Reserved	\$ 70,496							-
Unreserved, reported in:								
Special revenue fund	(6,133)	\$ (2,912)	\$ (2,911)	\$ (2,911)	\$ (2,911)	\$ (2,911)	-	-
Capital projects fund	409,613	167,965	2,833,125	694,861	6,772	4,953	\$ 4,953	\$ 4,953
Debt service fund	31,055	\$ 41,316	46,897	46,897	23,683	29,118	29,118	29,118
Trust and agency fund			-	-	-	-	-	-
Total all other governmental funds	<u>\$ 505,031</u>	<u>\$ 206,369</u>	<u>2,877,111</u>	<u>738,847</u>	<u>27,544</u>	<u>31,160</u>	<u>34,071</u>	<u>34,071</u>

Source: CAFR Schedule B-1

**Hackettstown School District
Changes in Fund Balances, Governmental Funds,
Last Eight Fiscal Years**

Exhibit J-4

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenues								
Tax levy	\$ 10,778,335	\$ 11,420,036	\$ 12,249,151	\$ 12,879,110	\$ 13,395,160	\$ 13,824,080	\$ 14,008,271	\$ 14,476,862
Tuition charges	5,190,172	5,640,510	6,401,180	6,458,281	6,402,575	6,517,044	7,020,740	7,080,800
Miscellaneous	914,211	10,048	331,374	136,917	155,330	131,024	27,350	570,743
State sources	5,732,661	6,520,798	7,107,901	6,983,511	7,838,306	8,296,150	7,275,965	5,827,927
Federal sources	438,280	560,068	749,673	782,882	732,440	594,425	718,915	1,789,919
Total revenue	<u>23,053,659</u>	<u>24,151,460</u>	<u>26,839,279</u>	<u>27,240,701</u>	<u>28,523,811</u>	<u>29,362,723</u>	<u>29,051,241</u>	<u>29,746,251</u>
Expenditures								
Instruction								
Regular Instruction	7,533,948	7,204,231	7,783,111	7,937,592	8,675,952	9,021,647	9,114,250	9,426,939
Special education instruction	1,429,675	2,126,419	2,297,697	2,524,876	1,755,874	1,883,240	2,082,265	2,311,467
Other special instruction	397,703	1,004,297	1,033,253	999,363	1,164,926	1,270,780	1,305,564	1,344,994
Other instruction	566,855							-
Support Services:								
Tuition	642,243	595,539	650,477	652,442	792,633	953,174	997,494	1,008,646
Student & instruction related services	3,077,894	2,924,557	2,621,617	2,810,078	3,107,833	2,996,292	3,328,864	3,205,497
General administrative services	803,696	818,778	918,748	935,876	798,258	952,427	895,606	977,389
School administrative services	978,476	1,038,305	1,031,272	986,022	989,951	1,073,992	1,094,790	1,097,396
Plant operations and maintenance	1,658,561	1,604,543	1,675,993	1,836,722	1,815,229	2,048,697	2,125,184	2,088,171
Pupil transportation	462,827	396,989	358,053	428,994	407,550	419,803	502,851	499,473
Unallocated employee benefits	4,303,000	4,986,209	5,441,985	5,867,440	7,007,729	7,222,688	6,252,618	6,325,156
Transfer to Charter School					10,411	-	-	
Capital Outlay	6,454,469	1,554,653	1,335,041	738,352	1,213,711	834,593	1,204,101	1,844,074
Debt service:								
Principal			130,000	135,000	140,000	150,000	160,000	180,000
Interest and other charges	197,765	315,005	189,255	183,160	170,453	149,535	142,405	134,675
Total expenditures	<u>28,507,112</u>	<u>24,569,525</u>	<u>25,466,502</u>	<u>26,035,917</u>	<u>28,050,510</u>	<u>28,976,868</u>	<u>29,205,992</u>	<u>30,443,877</u>
Excess (Deficiency) of revenues over (under) expenditures	(5,453,453)	(418,065)	1,372,777	1,204,784	473,301	385,855	(154,751)	(697,626)
Other Financing Sources (uses)								
Transfers in	31,055	799,705	5,582	753,125				
Transfers out	(31,055)	(800,440)	(5,907)	(2,859,307)				
Total other financing sources (uses)	<u>-</u>	<u>(735)</u>	<u>(325)</u>	<u>(2,106,182)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (5,453,453)</u>	<u>\$ (418,800)</u>	<u>\$ 1,372,452</u>	<u>\$ (901,398)</u>	<u>\$ 473,301</u>	<u>\$ 385,855</u>	<u>\$ (154,751)</u>	<u>\$ (697,626)</u>
Debt service as a percentage of noncapital expenditures	0.9%	1.4%	1.3%	1.3%	1.2%	1.1%	1.1%	1.1%

Source: CAFR Schedule B-2

HACKETTSTOWN SCHOOL DISTRICT
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
LAST EIGHT FISCAL YEARS
UNAUDITED

Exhibit J-5

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Refund</u> <u>Prior Year</u> <u>Expenditures</u>	<u>Rentals</u>	<u>Reimbursements</u>	<u>Miscellaneous</u>	<u>Total</u>
2003		\$ 1,061		\$ 300	\$ 37,281	\$ 38,642
2004		2,066			3,119	5,185
2005		4,646		60,110	19,446	84,202
2006		26,337	\$ 12,082	5,100	12,958	56,477
2007	\$ 102,855	11,512			16,952	131,319
2008	86,524	2,538			35,265	124,327
2009	13,534			7,152	2,697	23,383
2010		28,564		531,332	6,103	565,999

SOURCE: District Records

**Hackettstown School District
Assessed Value and Actual Value of Taxable Property
Last Seven Fiscal Years**

Exhibit J-6

<u>Fiscal Year Ended June 30,</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm Reg.</u>	<u>Qfarm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartment</u>	<u>Total Assessed Value</u>	<u>Less: Tax-Exempt Property</u>	<u>Public Utilities a</u>	<u>Net Valuation Taxable</u>	<u>Total Direct School Tax Rate b</u>	<u>Estimated Actual (County Equalized Value)</u>
2004	\$ 13,162,500	\$ 375,079,000	-	-	\$ 105,421,400	\$ 43,695,340	\$ 32,085,000	\$ 645,610,889	\$ 71,210,600	\$ 4,957,049	\$ 574,400,289	\$1.989	\$ 627,849,106
2005	12,894,300	377,210,422	-	-	103,133,920	43,663,260	32,416,500	648,652,840	74,889,200	4,445,238	573,763,640	\$2.135	698,204,136
2006	12,180,100	378,924,822	-	-	106,024,300	52,897,850	32,349,800	666,301,115	79,916,300	4,007,943	586,384,815	\$2.197	772,890,815
2007	11,943,000	380,191,222	-	-	110,095,960	52,775,250	32,255,400	670,523,839	79,921,100	3,341,907	590,602,739	\$2.270	861,987,175
2008	17,758,600	384,305,622	-	-	110,782,930	53,337,350	32,346,900	685,213,401	83,716,400	2,965,599	601,497,001	\$2.301	985,296,750
2009	20,215,400	385,594,132	-	-	109,713,750	56,059,750	31,676,900	695,172,138	89,011,300	2,900,906	606,160,838	\$2.311	1,079,757,514
2010	13,485,200	396,047,132	-	-	108,900,950	58,399,900	33,040,500	705,238,663	92,471,300	2,893,681	612,767,363	\$2.363	1,091,530,496

Source: District records Tax list summary & Municipal Tax Assessor

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

Reassessment occurs when ordered by the County Board of Taxation

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

b Tax rates are per \$100

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

Exhibit J-7

(rate per \$100 of assessed value)

Fiscal Year Ended June 30,	Hackettstown Township Board of Education			Hackettstown Township	Warren County	Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct			
2001	\$2.217		\$2.217	\$0.652	\$0.831	\$3.700
2002	\$1.769		\$1.769	\$0.496	\$0.625	\$2.890
2003	\$1.846	\$0.034	\$1.880	\$0.555	\$0.635	\$3.070
2004	\$1.934	\$0.055	\$1.989	\$0.642	\$0.679	\$3.310
2005	\$2.079	\$0.056	\$2.135	\$0.673	\$0.742	\$3.550
2006	\$2.143	\$0.054	\$2.197	\$0.703	\$0.780	\$3.680
2007	\$2.224	\$0.046	\$2.270	\$0.722	\$0.838	\$3.830
2008	\$2.251	\$0.050	\$2.301	\$0.761	\$0.918	\$3.980
2009	\$2.261	\$0.050	\$2.311	\$0.854	\$0.991	\$4.156
2010	\$2.312	\$0.051	\$2.363	\$0.892	\$0.991	\$4.246

Source: District Records and Municipal Tax Collector

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

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

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

**Hackettstown School District
Principal Property Tax Payers,
Current Year and Ten Years Ago**

Exhibit J-8

Taxpayer	2010			2000		
	Taxable Assessed Value	Rank [Optional]	District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	District Net Assessed Value
Food Manufactures, Inc.	\$ 63,236,700	1	10.32%	\$ 25,513,700	1	6.36%
Hackettstown Interstate, LLC	29,237,000	2	4.77%	10,345,800	2	2.58%
A. Klingman Assoc.	19,230,700	3	3.14%	4,464,500	4	1.11%
Hackettstown Commerce Park, LLC	17,704,000	4	2.89%			
Hackettstown Community Hospital	17,565,900	5	2.87%			
Van Paffino's	15,870,200	6	2.59%			
Hackettstown 15, LLC	13,216,500	7	2.16%			
Willow Co.	11,868,600	8	1.94%	4,100,000	5	1.02%
Riverside Gardens	8,400,000	9	1.37%			
Nisos Lemnos, LLC	8,020,000	10	1.31%			
Tri-Med Associates, LLC						
Bell Atlantic				6,863,316	3	1.71%
Nedellec Properties				2,625,000	6	0.66%
B&W Assoc				2,556,650	7	0.64%
Melvin Weintraub				1,557,000	8	0.39%
Bergen Machine & Tool Company				1,336,400	9	0.33%
Market Place at Hackettstown				1,170,000	10	0.29%
	<u>\$ 204,349,600</u>		<u>33.35%</u>	<u>\$ 60,532,366</u>		<u>15.09%</u>

Source: District CAFR & Municipal Tax Assessor

**Hackettstown School District
Property Tax Levies and Collections,
Last Eight Fiscal Years**

Exhibit J-9

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2003	\$10,778,335	\$10,778,335	100.00%	-
2004	\$11,420,036	\$11,420,036	100.00%	-
2005	\$12,249,151	\$12,249,151	100.00%	-
2006	\$12,829,110	\$12,829,110	100.00%	-
2007	\$13,395,160	\$13,395,160	100.00%	-
2008	\$13,824,080	\$13,824,080	100.00%	-
2009	\$14,008,271	\$14,008,271	100.00%	-
2010	\$14,476,862	\$14,476,862	100.00%	-

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

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

**Hackettstown School District
Ratios of Outstanding Debt by Type
Last Eight Fiscal Years**

Exhibit J-10

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds ^b	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District		
2003	4,176,000	-	616,465	-	-0-	4,792,465	1.49%	\$515.04
2004	4,056,000	-	450,024	-	-0-	4,506,024	1.36%	\$484.88
2005	3,926,000	-	439,238	2,770,080	-0-	7,135,318	2.09%	\$772.47
2006	3,945,000	-	221,736	687,166	-0-	4,853,902	1.33%	\$523.16
2007	3,805,000	-	16,109	687,166	-0-	4,508,275	1.15%	\$481.76
2008	3,655,000	-	-0-	687,166	-0-	4,342,166	1.07%	\$461.05
2009	3,495,000	-	-0-	687,166	-0-	4,182,166	1.03%	\$439.77
2010	3,315,000	-	-0-	367,558	-0-	3,682,558	0.90%	\$385.97

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

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

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

**Hackettstown School District
Ratios of Net General Bonded Debt Outstanding
Last Eight Fiscal Years**

Exhibit J-11

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2003	\$ 4,176,000	-0-	\$ 4,176,000	0.70%	\$ 449 R
2004	\$ 4,056,000	-0-	\$ 4,056,000	0.69%	\$ 436 R
2005	\$ 3,926,000	-0-	\$ 3,926,000	0.68%	\$ 425 R
2006	\$ 3,945,000	-0-	\$ 3,945,000	0.67%	\$ 425 R
2007	\$ 3,805,000	-0-	\$ 3,805,000	0.64%	\$ 407 R
2008	\$ 3,655,000	-0-	\$ 3,655,000	0.61%	\$ 388
2009	\$ 3,495,000	-0-	\$ 3,495,000	0.58%	\$ 368
2010	\$ 3,315,000	-0-	\$ 3,315,000	0.54%	\$ 347

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

a See Exhibit NJ J-6 for property tax data.

b Population data can be found in Exhibit NJ J-14.

R Revised

* Current data unavailable

**Hackettstown School District
Ratios of Overlapping Governmental Activities Debt
As of June 30, 2010**

Exhibit J-12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes Town of Hackettstown	\$ 4,616,171	100.000%	\$ 4,616,171
Other debt Warren County	7,775,000	8.434%	<u>655,756</u>
Subtotal, overlapping debt			5,271,927
Hackettstown School District Direct Debt			<u>3,315,000</u>
Total direct and overlapping debt			<u><u>\$ 8,586,927</u></u>

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

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

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

**Hackettstown School District
Legal Debt Margin Information,
Last Eight Fiscal Years**

Exhibit J-13

Legal Debt Margin Calculation for Fiscal Year 2010

	Equalized valuation basis
	2007 1,059,535,143
	2008 1,067,716,694
	2009 1,124,398,381
	[A] <u>\$ 3,251,650,218</u>
Average equalized valuation of taxable property	[A/3] \$ 1,083,883,406
Debt limit (4 % of average equalization value)	[B] 43,355,336
Net bonded school debt	[C] 3,315,000
Legal debt margin	[B-C] <u>\$ 40,040,336</u>

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Debt limit	\$21,891,888	\$24,680,646	\$27,239,629	\$30,251,972	\$33,843,547	\$38,075,086	\$41,101,514	\$ 43,355,336
Total net debt applicable to limit	<u>4,176,000</u>	<u>4,056,000</u>	<u>3,926,000</u>	<u>3,945,000</u>	<u>3,805,000</u>	<u>3,655,000</u>	<u>3,495,000</u>	<u>3,315,000</u>
Legal debt margin	<u>\$17,715,888</u>	<u>\$20,624,646</u>	<u>\$23,313,629</u>	<u>\$26,306,972</u>	<u>\$30,038,547</u>	<u>\$34,420,086</u>	<u>\$37,606,514</u>	<u>\$40,040,336</u>
Total net debt applicable to the limit as a percentage of debt limit	19.08%	16.43%	14.41%	13.04%	11.24%	9.60%	8.50%	7.65%

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

a Limit set by NJSA 18A:24-19 for a K through 12 district; other % limits would be applicable for other districts

**Hackettstown School District
Demographic and Economic Statistics
Last Ten Fiscal Years**

Exhibit J-14

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income (thousands of dollars) ^b</u>	<u>Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2001	9,047	\$ 300,125,178	\$33,174 R	*
2002	9,321	\$ 315,469,245	\$33,845 R	*
2003	9,305	\$ 321,162,075	\$34,515 R	6.6%
2004	9,293	\$ 330,626,354	\$35,578 R	4.9%
2005	9,237	\$ 340,679,034	\$36,882 R	2.5%
2006	9,278	\$ 365,998,544	\$39,448 R	2.9%
2007	9,358	\$ 392,362,224	\$41,928 R	2.7%
2008	9,418	\$ 404,003,946	\$42,897	3.5%
2009	9,510	\$ 407,950,470	\$42,897 *	6.4%
2010	9,541	\$ 409,280,277	\$42,897 *	*

Source:

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

^b Personal income provided by US Dept Commerce

^c Per Capita provided by NJ Dept of Labor

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

R =Revised

* Current data unavailable

Hackettstown School District
Principal Employers,
Current Year and Nine Years Ago

Exhibit J-15
N/A

Employer	2010			2001		
	Employees	Rank (Optional)	Percentage of Total Employment	Employees	Rank (Optional)	Percentage of Total Employment
		1	0.00%	-		0.00%
		2	0.00%	-		0.00%
		3	0.00%	-		0.00%
		4	0.00%	-		0.00%
		5	0.00%	-		0.00%
		6	0.00%	-		0.00%
		7	0.00%	-		0.00%
		8	0.00%	-		0.00%
		9	0.00%	-		0.00%
		10	0.00%	-		0.00%
	-			-		0.00%
	-			-		0.00%
	-			-		0.00%
	-		0.00%	-		0.00%

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

**Hackettstown School District
 Full-time Equivalent District Employees by Function/Program,
 Last Eight Fiscal Years**

Exhibit J-16

<u>Function/Program</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Instruction								
Regular	157.0	159.0	154.0	152.0	147.0	127.0	127.0	139.0
Special education	46.0	46.0	49.0	49.0	43.0	57.0	57.0	56.0
Other instruction	17.0	17.0	16.0	16.0	20.0	18.0	19.0	21.0
Support Services:								
Student & instruction related services	13.0	14.0	11.0	11.0	12.0	23.5	23.5	24.0
General administrative services	10.0	10.0	10.0	9.0	9.0	9.0	9.0	6.0
School administrative services	16.0	15.0	15.0	15.0	15.0	13.0	13.0	8.0
Plant operations and maintenance	10.0	10.0	10.0	11.0	11.0	10.0	10.0	10.0
Pupil transportation	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Total	<u>270.0</u>	<u>272.0</u>	<u>266.0</u>	<u>264.0</u>	<u>258.0</u>	<u>258.5</u>	<u>259.5</u>	<u>265.0</u>

Source: District Personnel Records

Hackettstown School District
 Operating Statistics
 Last Eight Fiscal Years

Exhibit J-17

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio			Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School	High School				
2003	1,867	\$ 22,452,759	\$ 12,026	8.99%	189	9.0:1	10.0:1	11.5:1	1,864.9	1,775.7	1.74%	95.2%
2004	1,905	\$ 22,345,944	\$ 11,730	-2.46%	268	9.5:1	9.1:1	12.0:1	1,862.0	1,765.0	-0.16%	94.8%
2005	1,920	\$ 24,012,699	\$ 12,507	6.62%	265	9.7:1	10.9:1	12.1:1	1,917.0	1,823.0	2.95%	95.1%
2006	1,880	\$ 23,955,860	\$ 12,742	1.89%	251	8.3:1	8.9:1	12.0:1	1,880.0	1,790.0	-1.93%	95.2%
2007	1,875	\$ 26,515,935	\$ 14,142	10.98%	176	9.2:1	9.1:1	13.0:1	1,856.4	1,765.8	-1.26%	95.1%
2008	1,868	\$ 27,842,740	\$ 14,905	5.40%	182	8.2:1	8.8:1	13.0:1	1,867.9	1,772.1	0.62%	94.9%
2009	1,855	\$ 27,699,486	\$ 14,932	0.18%	179	8.2:1	9.7:1	12.4:1	1,819.9	1,752.6	-2.57%	96.3%
2010	1,855	\$ 28,285,128	\$ 15,248	2.11%	174	8.3:1	9.7:1	13.2:1	1,793.0	1,724.6	-1.48%	96.2%

Sources: District records, School Register Report and Schedules J-12, J-14

Note: Enrollment based on annual October district count.

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

**Hackettstown School District
School Building Information
Last Eight Fiscal Years**

Exhibit J-18

<u>District Building</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Elementary								
High School (1959)								
Square Feet	133,062	133,062	133,062	133,062	133,062	133,062	133,062	133,062
Capacity (students)	1,078.0	1,078.0	1,078.0	1,078.0	1,078.0	1,078.0	1,078.0	1,078.0
Enrollment	916.0	923.0	978.0	985.0	929.1	963.1	937.0	949.0
Middle School (1875)								
Square Feet	84,059	84,059	84,059	84,059	84,059	84,059	84,059	84,059
Capacity (students)	499.0	499.0	499.0	499.0	499.0	499.0	499.0	499.0
Enrollment ^a	402.0	438.0	419.0	420.0	416.7	399.8	436.0	426.0
Hatchery Hill Elementary (1968)								
Square Feet	40,600	40,600	40,600	40,600	40,600	40,600	40,600	40,600
Capacity (students)	315.0	315.0	315.0	315.0	315.0	315.0	315.0	315.0
Enrollment ^a	302.0	277.0	269.0	270.0	263.9	253.4	242.0	220.0
Willow Grove Elementary (1971)								
Square Feet	40,855	40,855	40,855	40,855	40,855	40,855	40,855	40,855
Capacity (students)	350.0	350.0	350.0	350.0	350.0	350.0	350.0	350.0
Enrollment ^a	250.0	285.0	282.0	275.0	246.7	251.6	240.0	260.0

Number of Schools at June 30, 2010

Source: District records, School Register Report

Elementary = 2
Middle School = 1
High School = 1

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

HACKETTSTOWN SCHOOL DISTRICT

GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
Last Eight Fiscal Years Ending June 30, 2010

Exhibit J-19

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

<u>School Facilities</u>	<u>Project #</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Total</u>
High School		\$85,612	\$70,192	\$53,160	\$54,876	\$60,944	\$57,951	\$61,190	\$54,653	\$498,578
Middle School		50,475	56,153	60,540	38,065	43,019	40,907	43,193	38,579	370,931
Hatchery Hill		39,035	26,322	36,939	32,382	35,849	34,089	35,994	32,149	272,759
Willow Grove		39,769	22,182	22,884	36,472	39,434	37,498	39,594	35,364	273,197
Total School Facilities		103,723	158,534	173,523	161,795	179,246	170,445	179,971	160,744	597,575
Other Facilities										
Grand Total		\$103,723	\$158,534	\$173,523	\$161,795	\$179,246	\$170,445	\$179,971	\$160,744	\$1,287,981

HACKETTSTOWN SCHOOL DISTRICT

INSURANCE SCHEDULE
JUNE 30, 2010
UNAUDITED

Exhibit J-20

<u>POLICY TYPE</u>	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
COMMERCIAL PACKAGE POLICY - School Alliance Insurance Fund		
Property-Blanket Building and Contents (fund limit)	\$ 150,000,000	\$ 1,000
Accounts Receivable	300,000	1,000
Automobile Physical Damage	In Blanket Limit	1,000
Builder's Risk	5,000,000	1,000
Fine Arts	300,000	1,000
LIABILITY - School Alliance Insurance Fund		
Comprehensive General Liability	5,000,000	None
Automobile Liability	5,000,000	None
Employee Benefit Liability	5,000,000	1,000
SCHOOL BOARD LEGAL LIABILITY - NJSBAIG		
Limit of Liability	5,000,000	None
CRIME - School Alliance Insurance Fund		
Blanket Employee Dishonesty	100,000	1,000
Forgery	50,000	1,000
PUBLIC EMPLOYEES' FAITHFUL PERFORMANCE		
BLANKET POSITION BOND-Selective Insurance Company		
Treasurer	250,000	
Board Secretary	100,000	
ENVIRONMENTAL SERVICE - School Alliance Insurance Fund		
Pollution Liability	1,000,000	10,000

SOURCE: District Records

Single Audit Section



ARDITO & Co., LLP

1110 Harrison Street, Suite C
 Frenchtown, New Jersey 08825-1192
 908-996-4711 Fax: 908-996-4688
 e-mail: anthony@arditoandcompany.com

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

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

Honorable President and
 Members of the Board of Education
 Town of Hackettstown School District
 County of Warren
 Hackettstown, New Jersey 07840

We have audited the financial statements of the Board of Education of the Town of Hackettstown School District in the County of Warren, State of New Jersey, as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated October 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

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

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

-Continued-

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

Compliance and Other Matters

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

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



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

Date: October 15, 2010



ARDITO & Co., LLP

1110 Harrison Street, Suite C
 Frenchtown, New Jersey 08825-1192
 908-996-4711 Fax: 908-996-4688
 e-mail: anthony@arditoandcompany.com

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

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
 MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
 IN ACCORDANCE WITH OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04**

Honorable President and
 Members of the Board of Education
 Town of Hackettstown School District
 County of Warren
 Hackettstown, New Jersey 07840

Compliance

We have audited the compliance of the Town of Hackettstown School District in the County of Warren, State of New Jersey, 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 are applicable to each of its major federal and state programs for the fiscal year ended June 30, 2010. The Town of Hackettstown School District Board of Education's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the Town of Hackettstown School District Board of Education's management. Our responsibility is to express an opinion on the Town of Hackettstown School District Board of Education's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; OMB's 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 Circular 04-04, require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred.

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

-Continued-

In our opinion the Board of Education of the Town of Hackettstown School District, in the County of Warren, State of New Jersey, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the fiscal year ended June 30, 2010.

However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with New Jersey OMB's Circular 04-04, and which are described in the accompanying schedule of findings and questioned costs as item 2010-1.

Internal Control Over Financial Reporting

The management of the Board of Education of the Town of Hackettstown School District 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 Town of Hackettstown School Board of Education's internal control over compliance with requirements that could have a direct and material effect on a major federal or state programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance in accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Hackettstown School Board of Education's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal 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 the audit committee, management, the Town of Hackettstown School District Board of Education, the New Jersey State Department of Education, and other state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



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

Date: October 15, 2010

HACKETTSTOWN SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards
for the Fiscal Year ended June 30, 2010

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA No.	Grant or State Project Number	Program or Award Amount	Grant Period		Balance At June 30, 2009	Carryover/ Walkover Amount	Cash Received	Budgetary Expenditures	Adjust.	Repayment of Prior Years' Balances	Balance at June 30, 2010			Cumulative Total Expenditures
				From	To							Accounts Receivable	Deferred Revenue	Due to Grantor	
U.S. Department of Education															
General Fund:															
ARRA-SFSF-ESF (Educ. State Grants)	84.394	N/A	\$ 802,534	7/1/09	6/30/10			\$ 802,534	\$ (802,534)						\$ 802,534
ARRA-SFSF-GSF (Government Services)	84.397	N/A	31,067	7/1/09	6/30/10			31,067	(31,067)						31,067
Total General Fund						-	-	833,601	(833,601)	-	-	-	-	-	833,601
U.S. Department of Education Passed- Through State Department of Education:															
Special Revenue Fund:															
Title I	84.010A	NCLB553010	\$187,906	9/1/09	8/31/10			\$ 107,930	\$ (178,885)		\$ (79,976)	\$ 9,021			178,885
Title I	84.010A	NCLB553009		9/1/08	8/31/09	\$ (68,842)		63,771			(5,071)				
ARRA - Title I	84.389	NCLB553010	61,810	9/1/09	8/31/11			61,810	(61,810)						61,810
Title II Part A	84.367A	NCLB553010	43,013	9/1/09	8/31/10			19,231	(32,228)		(23,782)	10,785			32,228
Title II Part A	84.367A	NCLB553009		9/1/08	8/31/09	(22,754)		20,525			(2,229)				
Title II Part D	84.318X	NCLB553010	1,914	9/1/09	8/31/10			540	(1,237)		(1,374)	677			1,237
Title II Part D	84.318X	NCLB553009		9/1/08	8/31/09	(1,229)		1,067			(162)				
Title III	84.294	NCLB553010	16,653	9/1/09	8/31/10			5,214	(10,169)		(11,439)	6,484			10,169
Title III	84.294	NCLB553009		9/1/08	8/31/09	(11,065)		8,620	(36)		(2,481)				36
Title III (Immigrant)	84.294	NCLB553009	8,504	9/1/08	8/31/09	(4,261)		3,926	(15)		(350)				15
Title IV	84.186A	NCLB553010	5,136	9/1/09	8/31/10			1,800	(3,512)		(3,336)	1,624			3,512
Title IV	84.186A	NCLB553009		9/1/08	8/31/09	(1,634)		336	(2,604)		(4,584)	682			2,604
Title V	84.298A	NCLB553008		9/1/07	8/31/08	1,506		-					\$ 1,506		
Vocational - Secondary	84.048A	PERK410010	15,461	9/1/09	8/31/10			8,752	(15,452)		(6,709)	9			15,452
I.D.E.A. Part B, Basic Regular	84.027	FT553010	343,746	9/1/09	8/31/10			197,962	(328,546)		(145,784)	15,200			328,546
I.D.E.A. Part B, Basic Regular	84.027	FT553009		9/1/08	8/31/09	(103,383)		93,748	(17,937)		(28,454)	882			17,937
I.D.E.A. Part B, Basic Preschool	84.173A	FT553010	10,216	9/1/09	8/31/10			5,103	(7,914)		(5,113)	2,302			7,914
I.D.E.A. Part B, Basic Preschool	84.173A	FT553009		9/1/08	8/31/09	2,246		2,243	(4,489)						4,489
ARRA - I.D.E.A. Part B	84.391	FT553010	349,994	9/1/09	8/31/11			328,855	(349,693)		(21,139)	301			349,693
ARRA - I.D.E.A. Preschool	84.392	FT553010	12,631	9/1/09	8/31/11			11,000	(12,631)		(1,631)				12,631
Teacher Quality Mentoring	84.336	N/A		9/1/05	8/31/06	344						344			
Total Special Revenue Fund						(209,072)		942,433	(1,027,158)	-	(343,614)	48,311	1,506		1,027,158
U.S. Department of Agriculture															
Passed-Through State Dept. of Education															
Enterprise Fund:															
Food Distribution Program	10.565	N/A		7/1/08	6/30/09	405			(405)						405
Food Distribution Program	10.565	N/A	19,010	7/1/09	6/30/10			19,010	(18,362)			648			18,362
School Breakfast Program	10.553	N/A		7/1/08	6/30/09	(2,389)		2,389							
School Breakfast Program	10.553	N/A	29,739	7/1/09	6/30/10			27,244	(29,739)		(2,495)				29,739
National School Lunch Program	10.555	N/A		7/1/08	6/30/09	(6,887)		6,887							
National School Lunch Program	10.555	N/A	127,040	7/1/09	6/30/10			119,196	(127,040)		(7,844)				127,040
Special Milk Program	10.556	N/A		7/1/08	6/30/09			-							
Special Milk Program	10.556	N/A	268	7/1/09	6/30/10			250	(268)		(18)				268
Total Enterprise Fund						(8,871)		174,976	(175,814)	-	(10,357)	648			175,814
TOTAL FEDERAL ASSISTANCE						\$ (217,943)		\$ 1,951,010	\$ (2,036,573)	-	\$ (353,971)	\$ 48,959	\$ 1,506		\$ 2,036,573

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

HACKETTSTOWN SCHOOL DISTRICT

K-4

Schedule of Expenditures of State Financial Assistance
for the Fiscal Year ended June 30, 2010

Schedule B

STATE GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE 6/30/09	CARRY- OVER AMOUNT	CASH RECEIVED	BUDGET. EXPEND.	ADJUST.	REPAYMENT OF PRIOR YEARS' BALANCES	BALANCE AT JUNE 30, 2010			MEMO		
										(ACCTS. RECEIV.)	INTERFUND PAYABLE/ DEFER. REVENUE	DUE TO GRANTOR	BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPEND.	
State Department of Education															
General Fund															
Equalization Aid	10-495-034-5120-078	7/1/09-6/30/10	\$ 2,862,888			\$ 2,862,888	\$ (2,862,888)							\$ 438,319	\$ 2,862,888
Transportation Aid	10-495-034-5120-014	7/1/09-6/30/10	36,078			36,078	(36,078)							5,295	36,078
Special Education Aid	10-495-034-5120-089	7/1/09-6/30/10	689,459			689,459	(689,459)							65,779	689,459
Security Aid	10-495-034-5120-084	7/1/09-6/30/10	109,565			109,565	(109,565)							16,082	109,565
Extraordinary Aid	10-495-034-5120-044	7/1/09-6/30/10	140,723				(140,723)			\$ (140,723)					140,723
Extraordinary Aid	09-495-034-5120-044	7/1/08-6/30/09		\$ (138,367)		138,367									-
On-behalf TPAF Pension Contrib.	10-495-034-5095-001	7/1/09-6/30/10	863,559			863,559	(863,559)								863,559
Reimb. TPAF Soc.Secur.Contrib.	10-495-034-5095-002	7/1/09-6/30/10	1,005,015	(48,592)		1,004,011	(1,005,015)			(49,596)					1,005,015
Total General Fund				(186,959)		5,703,927	(5,707,287)			(190,319)				525,475	5,707,287
Special Revenue Fund															
Character Education Partnership	06-100-034-5120-418	7/1/05-6/30/06		95						\$ 95					-
N.J. Nonpublic Aid:															
Technology Initiative	09-100-034-5120-073	7/1/08-6/30/09		13					(13)						-
Textbooks Aid	10-100-034-5120-064	7/1/09-6/30/10	13,020	335		13,020	(13,020)		(335)						13,020
Nursing Services	10-100-034-5120-070	7/1/09-6/30/10	15,440	364		15,440	(15,362)		(364)			\$ 78			15,362
Auxiliary Services:															
Compensatory Education	10-100-034-512a-067	7/1/09-6/30/10	88,292	36,232		88,292	(41,803)	(443)	(35,789)				46,489		41,803
Handicapped Services:															
Examination and Classification	10-100-034-512b-066	7/1/09-6/30/10	28,881	14,262		28,881	(15,573)		(14,262)				13,308		15,573
Corrective Speech	10-100-034-512a-066	7/1/09-6/30/10	8,070			8,070	(8,070)								8,070
Supplementary Instruction	10-100-034-512c-066	7/1/09-6/30/10	15,929	1,982		15,929	(11,481)		(1,982)				4,448		11,481
Curriculum in Agricultural Science Educ.	CASE-NJDEPT AGR	4/19/10-6/30/10		7,300		7,300	(7,300)								7,300
Rebel	N/A	7/1/09-6/30/10	2,125	6,842		2,125	(2,200)	(4,011)				2,756			2,200
GPS/GIS Grant (Dept of Agriculture)	N/A	7/1/06-6/30/07	786	(88)				88							-
NTE Equipment Improvement Grant	N/A	7/1/04-6/30/05		382				(382)							-
Total Special Revenue Fund				60,419		179,057	(114,809)	(4,748)	(52,745)			2,851	64,323		114,809
Capital Projects Fund:															
EDA Grant	SP#4670-070-01-0325	7/1/05-6/30/06	2,784,000	(367,558)						(367,558)					-
State Department of Agriculture															
Enterprise Fund:															
Nat.School Lunch Prog.(State Share)	09-100-010-3350-023	7/1/08-6/30/09		(421)		421									-
Nat.School Lunch Prog.(State Share)	10-100-010-3350-023	7/1/09-6/30/10	7,242			6,785	(7,242)		(457)						7,242
Nat.School Breakfast Prog.(State Share)	09-100-010-3350-021	7/1/08-6/30/09		(300)		300									-
Nat.School Breakfast Prog.(State Share)	10-100-010-3350-021	7/1/09-6/30/10	3,577			3,294	(3,577)		(283)						3,577
Total Enterprise Fund				(721)		10,800	(10,819)		(740)						10,819
Total State Financial Assistance				\$ (494,819)		\$ 5,893,784	\$ (5,832,915)	\$ (4,748)	(52,745)	\$ (558,617)	\$ 2,851	\$ 64,323		\$ 525,475	\$ 5,832,915

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

NOTES TO THE SCHEDULES OF FEDERAL AND STATE FINANCIAL ASSISTANCE
JUNE 30, 2010

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

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

NOTE 3. RELATIONSHIP TO GENERAL PURPOSE FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last state aid payment in the current budget year, which is mandated pursuant to *N.J.S.A. 18A:22-44.2*. For GAAP purposes, that payment is not recognized until the subsequent budget year due to the state deferral and recording of the last state aid payment in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the last state aid payment in the current budget year, consistent with *N.J.S.A. 18A:22-4.2*.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$5,380 for the general fund and (\$83,167) for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis (Exhibit B-2) as presented on the following page:

NOTES TO THE SCHEDULES OF FEDERAL AND STATE FINANCIAL ASSISTANCE
JUNE 30, 2010

NOTE 3. (Continued)

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 846,380	\$ 5,712,667	\$ 6,559,047
Special Revenue Fund	943,539	115,260	1,058,799
Food Service Fund	<u>175,829</u>	<u>11,001</u>	<u>186,830</u>
Total Financial Assistance	<u>\$ 1,965,748</u>	<u>\$ 5,838,928</u>	<u>\$ 7,804,676</u>

NOTE 4. OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the district for the year ended June 30, 2010. TPAF Social Security Contributions represents the amount reimbursed by the state for employer's share of social security contributions for TPAF members for the year ended June 30, 2010.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Part I - Summary of Auditor's Results

Financial Statement Section

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

Federal Awards Section

- D) Dollar threshold used to determine Type A programs: \$300,000
- E) Auditee qualified as low-risk auditee? x yes ___ no ___
- F) Type of auditor's report on compliance for major programs: Unqualified
- G) Internal Control over compliance:
 1) Material weakness(es) identified? ___ yes x no
 2) Were significant deficiencies identified that were not considered to be material weaknesses? ___ yes x none reported
- H) Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133(Section .510(a))? ___ yes x no
- I) Identification of major programs:

CFDA NUMBER(S)

84.394
84.397
84.389
84.391
84.392
10.555

NAME OF FEDERAL PROGRAM OR CLUSTER

ARRA-SFSF-ESF
ARRA-SFSF-GSF
ARRA - TITLE I
ARRA IDEA B
ARRA IDEA PRESCHOOL
NATIONAL SCHOOL LUNCH PROGRAM

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Part I - Summary of Auditor's Results

State Financial Assistance Section

- J) Dollar threshold used to determine Type A programs: \$300,000
- K) Auditee qualified as low-risk auditee? (1) x_yes__no
- L) Type of auditor's report on compliance for major programs: Unqualified
- M) Internal Control over compliance:
 1) Material weakness(es) identified? ___yes x no
 2) Were significant deficiencies identified that were not considered to be material weaknesses? ___yes x none reported
- N) Any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular 04-04? _x_ yes ___no
- O) Identification of major programs:

<u>GMIS Number(s)</u>	<u>Name of State Program</u>
<u>10-495-034-5120-078</u>	<u>Equalization Aid</u>
<u>10-495-034-5095-002</u>	<u>Soc. Security Reimbursements</u>
<u>10-495-034-5120-084</u>	<u>Security Aid</u>
<u>10-495-034-5120-044</u>	<u>Extraordinary Aid</u>

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Section II-Financial Statement Findings

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

Section III - Federal and State Financial Assistance Findings and Questioned Costs

FEDERAL FINANCIAL ASSISTANCE-There were no Federal financial assistance findings or questioned costs noted, that are required to be reported in accordance with OMB Circular A-133.

STATE FINANCIAL ASSISTANCE-The following findings are required to be reported in accordance with NJOMB Circular 04-04.

Finding 2010-1:

Information on the state program:

Equalization Aid 10-495-034-5120-078

Criteria or specific requirement:

Compliance with N.J.S.A 18A:18A et seq. and N.J.A.C. 6A-23-7.4 with respect to public bidding procedures.

Condition:

The district awarded a contract for the installation of a synthetic turf field through a national cooperative agreement that was not yet registered with the State of New Jersey. The TCPN cooperative had not completed the application process required by the State Department of the Treasury, Division of Purchase and Property. Hellas Construction was awarded the contract without confirmation of cooperative purchase status. State law does not authorize local units to join national or out-of-state cooperative purchasing systems as a basis to award contracts in excess of their bid threshold.

Questioned Costs:

The amount disbursed, for the year ending June 30, 2010, to the contractor (Hellas Construction), for the field installation was \$427,358.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**Section III - Federal and State Financial Assistance Findings and Questioned Costs -
(Continued)**

STATE FINANCIAL ASSISTANCE - (Continued)

Finding 2010-1 (Continued):

Context:

The bidding non-compliance appears to be isolated to the use of the cooperative agreement. The district obtained representations from the contractor and TCPN that it was a participant in a cooperative purchasing agreement approved by the State of New Jersey. The district may be exposed to potential legal liabilities.

Effect:

The synthetic turf field project was not bid in accordance with public bidding laws (N.J.S.A. 18A:18A).

Cause:

Inadequate due diligence in assuring that contracts placed through cooperative agreements are approved by the State of New Jersey.

Recommendation:

That all potential contracts exceeding the bid threshold are reviewed for compliance with N.J.S.A. 18A:18A, et. al. Whenever considering cooperative purchases, the vendor's cooperative purchasing status should be verified with the Division of Purchase and Property.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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