

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, 2012

Comprehensive Annual

Financial Report

of the

Hackettstown School District

Board of Education

Hackettstown, New Jersey

For the Fiscal Year Ending June 30, 2012

Prepared by

Hackettstown School District

Board of Education

Finance Department

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Introductory Section

HACKETTSTOWN PUBLIC SCHOOLS

Home of the Tigers



David C. Mango
Superintendent of Schools

Teresa E. Barna
*Business Administrator/
Board secretary*

October 19, 2012

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, 2012 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (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 2011-2012 fiscal year with an enrollment of 1,813 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>
2009-10	1,855	
2010-11	1,835	-1.1%
2011-12	1,813	-1.2%

2) MAJOR INITIATIVES: Approximately Ninety-nine per cent of Hackettstown seniors during the 2011-2012 school year graduated with a High School diploma. Ninety-two percent of the 2012 graduates pursued further education or joined the armed services. Ninety-eight percent of 11th graders passed the New Jersey High School Proficiency test in areas of language arts literacy and Ninety-two percent in mathematics. These test results put Hackettstown High School at the top of Warren County high schools. The Willow Grove Elementary School was named a State Reward School. The district is financially sound and projections indicate the same stability for the near future.

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, 2012.



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,



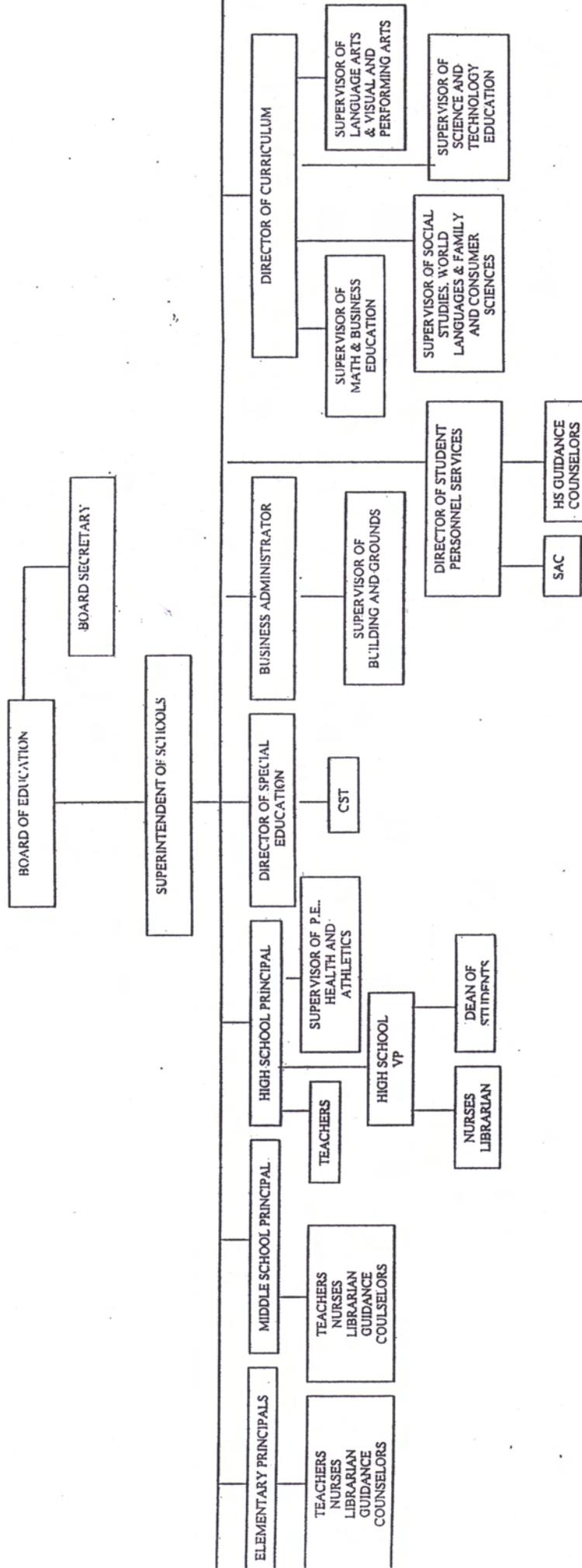
Teresa E. Barna
Business Administrator/Board Secretary



David C. Mango
Superintendent of Schools



ORGANIZATION CHART



**HACKETTSTOWN SCHOOL DISTRICT
BOARD OF EDUCATION**

ROSTER OF OFFICIALS

JUNE 30, 2012

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Michael Herbst, President	2013
Gus Bordi, Vice-President	2012
Mary Beth Maciag	2013
Robert Moore	2013
Bill Beck	2014
Shawn Burke	2012
Joseph Clark	2012
Damiano Fracasso	2013
David Fair	2014
Francis Gavin (Allamuchy)	2012
Edward O'Melia (Great Meadows)	2012

Other Officials

David C. Mango, Superintendent

Teresa E. Barna, Board Secretary/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

Fulton Bank of New Jersey
533 Fellowship Road
Mt. Laurel, NJ 08054

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, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

-Continued-

In accordance with Government Auditing Standards, we have also issued our report dated October 19, 2012, 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.



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

Date: October 19, 2012

**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, 2012
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, 2012. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2012 are as follows:

- ◆ In total, net assets increased \$2,591,760 which represents a 31.0 percent increase from 2011.
- ◆ General revenues accounted for \$15,660,029 in revenue or 45.6 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 \$15,942,699 or 54.4 percent of total revenues of \$31,602,728.
- ◆ Total assets of governmental activities increased by \$1,970,468 as cash and cash equivalents increased by \$704,618, receivables increased by \$491,673, and capital assets increased by \$773,590.
- ◆ The School District had \$29,010,968 in expenses; only \$15,942,699 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$15,660,029 were adequate to provide for these programs.
- ◆ Among major funds, the General Fund had \$29,371,394 in revenues and \$27,972,065 in expenditures. After transfers of \$1,184,222 to the capital projects fund, the general fund's GAAP surplus balance increased \$215,107 over 2011 due to additional state aid received after the fiscal budget was adopted.

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, 2012
UNAUDITED

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

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

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

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 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, 2012
 UNAUDITED

Governmental Funds

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

The School District as a Whole

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

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

Table 1
Net Assets

	<u>2012</u>	<u>2011</u>
Assets		
Current and Other Assets	\$ 6,546,056	\$ 5,349,178
Capital Assets	8,155,205	7,615,985
Total Assets	<u>14,701,261</u>	<u>12,965,163</u>
Liabilities		
Long-Term Liabilities	3,256,418	3,884,542
Other Liabilities	739,328	732,496
Total Liabilities	<u>3,995,746</u>	<u>4,617,038</u>
Net Assets		
Invested in Capital Assets, Net of Debt	5,235,205	3,876,563
Restricted	4,653,487	3,959,208
Unrestricted	816,823	512,354
Total Net Assets	<u>\$ 10,705,515</u>	<u>\$ 8,348,125</u>

Total assets increased \$1,970,468. Cash and cash equivalents increased by \$704,618, receivables increased by \$491,673, and capital assets increased by \$773,590. Cash increased primarily due to the realization of miscellaneous revenue, the collection of prior year tuition and federal grants receivables, and additional state aid. Receivables increased due to new state SDA grants of \$699,006 that have not yet been reimbursed.

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

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

Table 2
Changes in Net Assets

	<u>2012</u>	<u>2011</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 7,947,482	\$ 7,953,434
Operating Grants and Contributions	7,995,217	7,079,901
General Revenues:		
Property Taxes	14,423,772	14,830,339
State Aid on Capital Projects	699,006	
Other	<u>537,251</u>	<u>575,824</u>
Total Revenues	<u>31,602,728</u>	<u>30,439,498</u>
 Program Expenses		
Instruction	17,316,816	16,697,099
Support Services:		
Tuition	692,987	950,970
Pupils and Instructional Staff	4,472,546	4,088,168
General Administration, School Administration, Business	2,729,893	2,753,330
Operations and Maintenance of Facilities	2,603,741	2,660,248
Pupil Transportation	392,279	346,966
Business-Type Activities	483,403	494,900
Interest and Fiscal Charges	<u>319,303</u>	<u>324,217</u>
Total Expenses	<u>29,010,968</u>	<u>28,315,898</u>
 Increase in Net Assets	 <u>\$ 2,591,760</u>	 <u>\$ 2,123,600</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 45.6 percent of revenues for governmental activities for the Hackettstown School District for the fiscal year 2012.

Instruction comprises 59.7 percent of district expenses. Support services expenses make up 37.5 percent of the expenses.

HACKETTSTOWN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
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 2011. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3

	<u>Total Cost of Services 2012</u>	<u>Net Cost of Services 2012</u>	<u>Total Cost of Services 2011</u>	<u>Net Cost of Services 2011</u>
Instruction	\$17,316,816	\$ 7,718,176	\$16,697,099	\$7,746,280
Support Services:				
Tuition	692,987	331,035	950,970	472,291
Pupils and Instructional Staff	4,472,546	1,968,823	4,088,168	1,870,363
General Admin., School Admin., Business	2,729,893	1,304,049	2,753,330	1,367,418
Operation and Maintenance of Facilities	2,603,741	1,243,787	2,660,248	1,321,189
Pupil Transportation	392,279	187,389	346,966	172,318
Business-Type Activities	483,403	(4,293)	494,900	8,487
Interest and Fiscal Charges	<u>319,303</u>	<u>319,303</u>	<u>324,217</u>	<u>324,217</u>
Total Expenses	<u>\$29,010,968</u>	<u>\$13,068,269</u>	<u>\$28,315,898</u>	<u>\$13,282,563</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 44.6 percent of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 45.2 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, 2012
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 \$31,115,032 and expenditures of \$29,914,600. The net change in fund balance for the year was most significant in the general fund and the capital projects fund, an increase of \$215,107 and \$985,325, respectively. The general fund increase was due to additional state aid revenue received after the fiscal budget was adopted, and the capital project fund increase was due to State SDA grants and local share project match funds, net of project expenditures.

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

For the General Fund, budget basis revenue and other financing sources, excluding TPAF on-behalf amount, was \$27,203,581, \$189,960 over original budgeted estimates of \$27,013,621. This difference was primarily attributable to additional state aid revenue received after the fiscal budget was adopted of \$289,644.

The general fund revenues of the School District exceeded expenditures by approximately \$280,169 compared to an original budgeted shortfall of \$1,489,115. This significant overachievement of budgeted operating results was due to additional state aid as previously mentioned, and budget savings in the areas of instruction and operations.

Capital Assets

At the end of the fiscal year 2012, the School District had \$8,155,205 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal 2012 balances compared to 2011.

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

	<u>2012</u>	<u>2011</u>
Land Improvements	\$ 1,400	\$ 1,925
Buildings and Improvements	7,479,313	6,836,318
Machinery and Equipment	<u>674,492</u>	<u>543,372</u>
Totals	<u>\$ 8,155,205</u>	<u>\$ 7,381,615</u>

Overall capital assets increased \$773,590 from fiscal year 2011 to fiscal year 2012. Increases in capital assets were partially offset by depreciation expenses for the year.

Capital additions purchased during fiscal year 2012 totaled \$1,185,200, of which the majority was for capital projects detailed in section F of this report.

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

Debt Administration

At June 30, 2012, the School District had \$3,679,651 as outstanding debt. Of this amount \$546,418 is for compensated absences, \$213,233 is for capital lease obligations, and the balance of \$2,920,000 is for bonds for school construction.

At June 30, 2012, the School District's overall legal debt margin was \$43,583,500 and the unused (unvoted) debt margin was \$40,663,500.

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 Teresa E. Barna, School Business Administrator/Board Secretary at Hackettstown School District, 315 Washington Street, Hackettstown, NJ 07840, or E-mail at tbarna@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, 2012

ASSETS	GOVERNMENTAL		BUSINESS-TYPE
	<u>ACTIVITIES</u>	<u>ACTIVITIES</u>	<u>TOTAL</u>
Cash and Cash Equivalents	\$ 3,830,459	\$ 106,272	\$ 3,936,731
Receivables, Net	31,383		31,383
Receivables from Other Governments	2,565,489	9,549	2,575,038
Inventory		2,904	2,904
Capital Assets, Net (Note 6):	8,121,910	33,295	8,155,205
Total Assets	14,549,241	152,020	14,701,261
LIABILITIES			
Accounts Payable	143,060	26,535	169,595
Payable to State Government	28,507		28,507
Deferred Revenue	57,667	1,926	59,593
Accrued Interest	58,400		58,400
Noncurrent Liabilities (Note 7):			
Due Within One Year	423,233		423,233
Due Beyond One Year	3,256,418		3,256,418
Total Liabilities	3,967,285	28,461	3,995,746
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	5,201,910	33,295	5,235,205
Restricted for:			
Capital Reserve	2,007,049		2,007,049
Maintenance Reserve	150,000		150,000
Emergency Reserve	100,000		100,000
Tuition Reserve	693,750		693,750
Other Purposes	1,702,688		1,702,688
Unrestricted	726,559	90,264	816,823
Total Net Assets	\$ 10,581,956	\$ 123,559	\$ 10,705,515

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, 2012

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		BUSINESS-TYPE ACTIVITIES
Governmental Activities:							
Instruction:							
Regular	\$ 12,147,396	\$ 3,297,568	\$ 3,601,044		\$ (5,248,784)	\$ (5,248,784)	
Special Education	3,343,104	907,529	838,600		(1,596,975)	(1,596,975)	
Other Special Instruction	1,826,316	495,777	458,122		(872,417)	(872,417)	
Support Services:							
Tuition	692,987	188,120	173,832		(331,035)	(331,035)	
Student & Instruction Related Services	4,472,546	1,214,130	1,289,593		(1,968,823)	(1,968,823)	
School Administrative Services	1,469,697	398,968	368,666		(702,063)	(702,063)	
General and Business Admin. Services	1,260,196	342,096	316,114		(601,986)	(601,986)	
Plant Operations and Maintenance	2,603,741	706,819	653,135		(1,243,787)	(1,243,787)	
Pupil Transportation	392,279	106,489	98,401		(187,389)	(187,389)	
Interest on Long-Term Debt	116,800				(116,800)	(116,800)	
Unallocated Depreciation	202,503				(202,503)	(202,503)	
Total Governmental Activities	28,527,565	7,657,496	7,797,507		(13,072,562)	(13,072,562)	
Business-Type Activities:							
Food Service	483,403	289,986	197,710		\$ 4,293	4,293	
Total Business-Type Activities	483,403	289,986	197,710		4,293	4,293	
Total Primary Government	\$ 29,010,968	\$ 7,947,482	\$ 7,995,217		\$ (13,072,562)	\$ 4,293	\$ (13,068,269)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, Net				\$ 14,103,472		\$ 14,103,472	
Taxes Levied for Debt Service				320,300		320,300	
State Aid on Capital Projects				699,006		699,006	
Miscellaneous Income				537,251		537,251	
Total General Revenues, Special Items, Extraor. Items & Transfers				15,660,029	-	15,660,029	
Change in Net Assets				2,587,467	\$ 4,293	2,591,760	
Net Assets—Beginning (as Restated)				7,994,489	119,266	8,113,755	
Net Assets—Ending				\$ 10,581,956	\$ 123,559	\$ 10,705,515	

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, 2012

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and Cash Equivalents	\$ 3,499,072	\$ 10,991	\$ 291,272	\$ 29,124	\$ 3,830,459
Receivables from Other Governments	1,578,552	99,786	887,151		2,565,489
Accounts Receivable, Net	31,383				31,383
Interfund Receivables	188,145	8,590			196,735
TOTAL ASSETS	\$ 5,297,152	\$ 119,367	\$ 1,178,423	\$ 29,124	\$ 6,624,066
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 109,867	\$ 33,193			\$ 143,060
Due to State		28,507			28,507
Interfund Payables	8,590		\$ 188,145		196,735
Deferred Revenue		57,667			57,667
Total Liabilities	118,457	119,367	188,145		425,969
Fund Balances:					
<u>Restricted for:</u>					
Capital Reserve Account	2,007,049				2,007,049
Maintenance Reserve	150,000				150,000
Emergency Reserve	100,000				100,000
Tuition Reserve	693,750				693,750
Excess Surplus-Design. for Subsequent Year's Expenditures	1,413,044				1,413,044
<u>Assigned to:</u>					
Year-End Encumbrances	648,804		95,461		744,265
General Fund-Designated for Subsequent Year's Expend.	289,644				289,644
Capital Fund - Undesignated			894,817		894,817
Debt Service Fund				\$ 29,124	29,124
<u>Unassigned:</u>					
General Fund - Undesignated	(123,596)				(123,596)
Total Fund Balances	5,178,695	-	990,278	29,124	6,198,097
TOTAL LIABILITIES AND FUND BALANCE	\$ 5,297,152	\$ 119,367	\$ 1,178,423	\$ 29,124	\$ 6,624,066

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 \$18,855,067 and the accumulated depreciation is \$10,733,157 (see Note 6) \$8,121,910

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). (58,400)

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). (3,679,651)

Net assets of governmental activities \$10,581,956

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, 2012

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Local sources:					
Local Tax Levy	\$ 14,103,472			\$ 320,300	\$ 14,423,772
Tuition	7,657,496				7,657,496
Miscellaneous	534,530	\$ 2,721			537,251
Total - Local Sources	22,295,498	2,721	-	320,300	22,618,519
State Sources	6,866,944	77,431	\$ 699,006		7,643,381
Federal Sources	208,952	644,180			853,132
Total Revenues	29,371,394	724,332	699,006	320,300	31,115,032
EXPENDITURES					
Current:					
Regular Instruction	8,296,803	528,021			8,824,824
Special Education Instruction	2,526,023				2,526,023
Other Special Instruction	1,379,950				1,379,950
Support services and undistributed costs:					
Tuition	692,987				692,987
Student and Instruction Related Services	3,019,214	167,678			3,186,892
School Administrative Services	1,106,192				1,106,192
Other Administrative Services	952,194				952,194
Plant Operations and Maintenance	1,962,184				1,962,184
Pupil Transportation	390,447				390,447
Unallocated Benefits	6,627,566				6,627,566
Transfer to Charter School					-
Debt Service:					
Principal				200,000	200,000
Interest and Other Charges				120,300	120,300
Capital Outlay	1,018,505	28,633	897,903		1,945,041
Total Expenditures	27,972,065	724,332	897,903	320,300	29,914,600
Excess (Deficiency) of Revenues Over Expenditures	1,399,329	-	(198,897)	-	1,200,432
OTHER FINANCING SOURCES (USES)					
Transfers to Capital Fund	(1,184,222)		1,184,222		-
Total Other Financing Sources and Uses	(1,184,222)		1,184,222		-
Net Change in Fund Balances	215,107	-	985,325	-	1,200,432
Fund Balance—July 1	4,963,588	-	4,953	29,124	4,997,665
Fund Balance—June 30	\$ 5,178,695	-	\$ 990,278	\$ 29,124	\$ 6,198,097

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, 2012**

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ 1,200,432

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	\$ (406,344)	
Capital Outlays	<u>1,185,200</u>	778,856

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. 606,189

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. 3,500

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. (1,510)

Change in Net Assets of Governmental Activities **\$ 2,587,467**

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 , 2012

		<u>Business-Type Activities-</u> <u>Enterprise Funds</u>	
		<u>Food</u>	
		<u>Service</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash and Cash Equivalents		\$ 106,272	\$ 106,272
Accounts Receivable		9,549	9,549
Inventories		2,904	2,904
Total Current Assets		118,725	118,725
Noncurrent Assets:			
Furniture, Machinery and Equipment		282,212	282,212
Less Accumulated Depreciation		(248,917)	(248,917)
Total Noncurrent Assets		33,295	33,295
	Total Assets	152,020	152,020
LIABILITIES			
Current liabilities:			
Accounts Payable		26,535	26,535
Deferred Revenue		1,926	1,926
Total Current Liabilities		28,461	28,461
	Total Liabilities	28,461	28,461
NET ASSETS			
Invested in Capital Assets Net of Related Debt		33,295	33,295
Unrestricted		90,264	90,264
Total Net Assets		\$ 123,559	\$ 123,559

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, 2012

	Business-type Activities- Enterprise Fund	
	Food Service	Total Enterprise
Operating Revenues:		
Charges for Services:		
Daily Sales - Reimbursable Programs	\$ 199,592	\$ 199,592
Daily Sales - Non-Reimbursable Programs	69,045	69,045
Miscellaneous	21,349	21,349
Total Operating Revenues	289,986	289,986
Operating Expenses:		
Cost of Sales	181,106	181,106
Supplies	17,472	17,472
Salaries	170,034	170,034
Employee Benefits	43,909	43,909
Other Purchased Professional Services	49,829	49,829
Miscellaneous	15,788	15,788
Depreciation	5,265	5,265
Total Operating Expenses	483,403	483,403
Operating Income (Loss)	(193,417)	(193,417)
Nonoperating Revenues (Expenses):		
State Sources:		
State School Lunch Program	5,354	5,354
Federal Sources:		
National School Lunch Program	137,563	137,563
National Breakfast Program	31,892	31,892
National Special Milk Program	457	457
Food Distribution Program	22,444	22,444
Total Nonoperating Revenues (Expenses)	197,710	197,710
Income (Loss)	4,293	4,293
Change in Net Assets	4,293	4,293
Total Net Assets—Beginning	119,266	119,266
Total Net Assets—Ending	\$ 123,559	\$ 123,559

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, 2012

	Business-Type Activities- Enterprise Funds	
	Food Service	Total Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 290,478	\$ 290,478
Payments to Employees	(170,034)	(170,034)
Payments for Employee Benefits	(43,909)	(43,909)
Payments to Suppliers	(239,043)	(239,043)
Net Cash Provided by (used for) Operating Activities	(162,508)	(162,508)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Sources	5,340	5,340
Federal Sources	168,274	168,274
Operating Subsidies and Transfers from Other Funds	16,698	16,698
Net Cash Provided by (used for) Non-Capital Financing Activities	190,312	190,312
Net Increase (Decrease) in Cash and Cash Equivalents	27,804	27,804
Balances—Beginning of Year	78,468	78,468
Balances—End of Year	\$ 106,272	\$ 106,272
Reconciliation of Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:		
Operating Income (Loss)	\$ (193,417)	\$ (193,417)
Provided by (used for) Operating Activities:		
Depreciation and Net Amortization	5,265	5,265
Federal Commodities	22,444	22,444
(Increase) Decrease in Accounts Receivable		-
(Increase) Decrease in Inventories	491	491
Increase (Decrease) in Accounts Payable	2,709	2,709
Total Adjustments	30,909	30,909
Net Cash Provided by (used for) Operating Activities	\$ (162,508)	\$ (162,508)

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, 2012

	Unemployment Compensation <u>Trust</u>	Private Purpose Scholarship <u>Fund</u>	Agency <u>Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 102,033	\$ 53,019	\$ 277,190
Total Assets	<u>102,033</u>	<u>53,019</u>	<u>277,190</u>
LIABILITIES			
Payroll Deductions and Withholdings			22,941
Payable to Student Groups			254,249
Total Liabilities			<u>\$ 277,190</u>
NET ASSETS			
Held in Trust for Scholarships		\$ 53,019	
Held in Trust for Unemployment Claims & Other Purposes	<u>\$ 102,033</u>		

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

For the Year Ended June 30, 2012

	Unemployment Compensation <u>Trust</u>	Private Purpose Scholarship <u>Fund</u>
ADDITIONS		
Contributions:		
Employer	\$ 65,000	
Plan Member	23,711	
Private Contributions	<u>-</u>	\$ <u>7,150</u>
Total Contributions	<u>88,711</u>	<u>7,150</u>
Investment Earnings:		
Interest	<u>-</u>	<u>150</u>
Net Investment Earnings		
Total Additions	<u>88,711</u>	<u>7,300</u>
DEDUCTIONS		
Quarterly Contribution Reports	<u>\$ 47,238</u>	<u>-</u>
	<u>-</u>	<u>3,350</u>
Total Deductions	<u>47,238</u>	<u>3,350</u>
Change in Net Assets	41,473	3,950
Net Assets—Beginning of the Year	<u>60,560</u>	<u>49,069</u>
Net Assets—End of the Year	<u>\$ 102,033</u>	<u>\$ 53,019</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, 2012

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, GASB Statement No. 45, Other Post-retirement Employee Benefits, and GASB No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The implementation of these statements had no effect on equity balances as previously reported for the fiscal year ended June 30, 2011.

A. Reporting Entity:

The 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, 2012, of 1,809 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, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, Basis of Accounting:

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

Basis of Presentation

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

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

GOVERNMENTAL FUNDS

The District reports the following governmental funds:

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

HACKETTSTOWN SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

GOVERNMENTAL FUNDS (Continued)

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

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

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, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Additionally, the District reports the following fund type:

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

Basis of Accounting

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

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

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

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

HACKETTSTOWN SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgets/Budgetary Control:

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

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

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

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

D. Encumbrance Accounting:

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

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

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

HACKETTSTOWN SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity:

Cash and Cash Equivalents:

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

Interfund Transactions:

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

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

Inventories:

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

Allowance for Uncollectible Accounts:

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

Capital Assets:

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

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

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

HACKETTSTOWN SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

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

Compensated Absences:

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

District employees are granted 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, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue. Grants and entitlement received before the eligible requirements are met are also recorded as deferred revenue.

Accrued Liabilities and Long-Term Obligations:

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

HACKETTSTOWN SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

Net Assets:

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

Fund Balance Reserves:

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

Revenues—Exchange and Nonexchange Transactions

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

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

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

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

HACKETTSTOWN SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

Operating Revenues and Expenses:

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

Allocation of Indirect Expenses:

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

Extraordinary and Special Items:

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

Management Estimates:

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

HACKETTSTOWN SCHOOL DISTRICT

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

NOTE 2: CASH AND CASH EQUIVALENTS

Deposits:

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

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

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

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

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

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

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

	<u>Cash and Cash Equivalents (A-1)</u>	<u>Cash and Cash Equivalents (B-7)</u>	<u>Total</u>
Checking Accounts	\$ 3,936,731	\$ 432,242	\$ 4,368,973
	<u>\$ 3,936,731</u>	<u>\$ 432,242</u>	<u>\$ 4,368,973</u>

The carrying amount of the Board's cash and cash equivalents at June 30, 2012, was \$4,368,973 and the bank balance was \$5,395,611. 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 \$5,145,611. was covered by collateral pool.

HACKETTSTOWN SCHOOL DISTRICT

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

NOTE 3: RECEIVABLES

Receivables at June 30, 2012, consisted of intergovernmental. 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	\$ 1,011,512	\$ 1,011,777
Federal Aid	135,465	144,749
Tuition	1,417,774	1,417,774
Local Programs	32,121	32,121
Gross Receivable	\$ 2,596,872	\$ 2,606,421
Less: Allow. for Uncollectibles		
Total Receivables, Net	<u>\$ 2,596,872</u>	<u>\$ 2,606,421</u>

NOTE 4: INVENTORY

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

Food & Supplies	<u>\$2,904</u>
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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, 2012

NOTE 6: CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	None			None
Total Capital Assets Not Being Depreciated	-			-
<i>Capital Assets Being Depreciated:</i>				
Land Improvements	\$ 745,350			\$ 745,350
Buildings and Building Improvements	14,074,687	\$ 897,903		14,972,590
Machinery and Equipment	2,849,830	287,297		3,137,127
Total at Historical Cost	<u>17,669,867</u>	<u>1,185,200</u>		<u>18,855,067</u>
Less Accumulated Depreciation for:				
Land Improvements	(743,425)	(525)		(743,950)
Building and Improvements	(7,238,369)	(254,908)		(7,493,277)
Equipment	(2,345,019)	(150,911)		(2,495,930)
Total Accumulated Depreciation	<u>(10,326,813)</u>	<u>(406,344)</u>		<u>(10,733,157)</u>
	7,343,054	778,856		8,121,910
Government Activity Capital Assets, Net	<u>\$ 7,343,054</u>	<u>\$ 778,856</u>		<u>\$ 8,121,910</u>

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

Depreciation expense was charged to functions as follows:

Support - Students	\$ 192,528
School Administrative Services	4,299
Plant Operation and Maintenance	5,182
Pupil Transportation	1,832
Unallocated	<u>202,503</u>
Total	<u>\$ 406,344</u>

HACKETTSTOWN SCHOOL DISTRICT

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

NOTE 7: LONG-TERM OBLIGATIONS

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

A. Long-Term Obligation Activity:

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

	Balance <u>7/1/11</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>6/30/12</u>	Amounts Due Within <u>One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Debt	\$ 3,120,000		\$ (200,000)	\$2,920,000	\$210,000
Other Liabilities:					
Capital Lease Obligations	619,422		(406,189)	213,233	213,233
Compensated Absences Payable	544,908	\$ 1,510		546,418	
Total	\$ 4,284,330	\$ 1,510	(\$606,189)	\$3,679,651	\$423,233

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

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

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

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

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

	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, 2012</u>
Capital Lease Obligation	8/28/09	3.31%	8/8/13	\$ 213,233
Refunding Bonds	3/17/06	3.4%-4.0%	7/15/22	2,920,000
Total Bonds and Obligations				\$ 3,133,233

HACKETTSTOWN SCHOOL DISTRICT

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

NOTE 7: LONG-TERM OBLIGATIONS (Continued)

B. Debt Service Requirements:

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

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 210,000	\$ 112,600	\$ 322,600
2014	220,000	104,000	324,000
2015	230,000	95,000	325,000
2016	245,000	85,500	330,500
2017	255,000	75,500	330,500
Thereafter	<u>1,760,000</u>	<u>219,600</u>	<u>1,979,600</u>
	<u>\$ 2,920,000</u>	<u>\$ 692,200</u>	<u>\$ 3,612,200</u>

As of June 30, 2012, 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, 2012

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>
6/30/2012	\$250,482	100 %	-0-
6/30/2011	\$258,178	100	-0-
6/30/2010	\$201,664	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>
6/30/2012	-0-	100 %	-0-
6/30/2011	-0-	100	-0-
6/30/2010	-0-	100	-0-

HACKETTSTOWN SCHOOL DISTRICT

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

NOTE 8: PENSION PLANS (Continued)

During the fiscal year ended June 30, 2012, the State of New Jersey did contribute \$1,269,214 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 \$963,661 during the year ended June 30, 2012, for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has been included in the District-wide financial statements, and the fund-based statements and schedules as revenues and expenditures in accordance with GASB Statement No.24.

NOTE 9: POST-RETIREMENT BENEFITS

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

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

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

NOTE 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, 2012

NOTE 11: COMPENSATED ABSENCES

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

District employees are granted 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, 2012, no liability existed for compensated absences in the proprietary fund types.

NOTE 12: RISK MANAGEMENT

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

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

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2011-2012	\$65,000	\$23,711	\$47,238	\$102,033
2010-2011	\$105,000	22,764	170,314	60,560
2009-2010	\$30,000	118,037	104,406	103,110

HACKETTSTOWN SCHOOL DISTRICT

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

NOTE 13: CONTINGENT LIABILITIES

GRANT PROGRAMS

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

LITIGATION

The Board is not involved in any material pending or threatened litigation, claims, assessments, or civil rights complaints and there are no outstanding judgments against the board as of June 30, 2012.

NOTE 14: FUND BALANCE APPROPRIATED

General Fund (Exhibit B-1) - Of the \$5,178,695 General Fund fund balance at June 30, 2012, \$648,804 is reserved for encumbrances; \$2,007,049 has been reserved in the Capital Reserve Account; \$150,000 has been reserved in the Maintenance Reserve Account; \$100,000 has been reserved in the Emergency Reserve Account; \$693,750 has been reserved in the Tuition Reserve Account; \$1,413,044 is reserved as excess surplus in accordance with N.J.S.A.18A:7F-7, as amended; (\$1,413,044 of the excess surplus has been appropriated and included as anticipated revenue for the year ending June 30, 2013); \$289,644 has been appropriated and included as anticipated revenue for the year ending June 30, 2013; and, (\$123,596) is unreserved and undesignated.

Debt Service Fund – The Debt Service Fund fund balance at June 30, 2012 is unappropriated for the year ending June 30, 2013 and is anticipated to be utilized as anticipated revenue for the year ending June 30, 2014.

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, 2012 is zero.

HACKETTSTOWN SCHOOL DISTRICT

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

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, 2011 to June 30, 2012 fiscal year is as follows:

Beginning Balance, July 1, 2011	\$1,505,005
Interest Deposits	\$2,044
Deposits (PL 2007 c.62 (A1)): Board Resolution 6/18/12	<u>500,000</u>
Ending Balance, June 30, 2012	<u><u>\$2,007,049</u></u>

NOTE 17: MAINTENANCE RESERVE ACCOUNT

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

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

Beginning balance July 1, 2011	\$ 50,000
Deposits (PL 2007 c.62 (A1)): Board Resolution 6/18/12	100,000
Withdrawals	<u>-</u>
Ending balance June 30, 2012	<u><u>\$ 150,000</u></u>

NOTE 18: EMERGENCY RESERVE ACCOUNT

An emergency reserve account was established by the School District Board of Education in fiscal year 2012, for the accumulation of funds for use in accordance with PL 2007 c.62 (A1). The emergency reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

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

Beginning balance July 1, 2011	-
Deposits (PL 2007 c.62 (A1)): Board Resolution 6/18/12	<u>\$ 100,000</u>
Ending balance June 30, 2012	<u><u>\$ 100,000</u></u>

HACKETTSTOWN SCHOOL DISTRICT

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

NOTE 19: INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables as of June 30, 2012, are as follows:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 188,145	\$ 8,590
Special Revenue Fund	8,590	-
Capital Projects Fund		188,145
	<u>\$ 196,735</u>	<u>\$ 196,735</u>

The General Fund receivable of \$188,145 is for cash advances to the capital projects fund in anticipation of state SDA grant receipts. The special revenue fund receivable of \$8,590 is for cash advances related to 2008 IDEA grant charges.

NOTE 20: RETROACTIVE RESTATEMENT OF NET ASSETS

Restatement of Prior Period:

As an ongoing process of maintaining records in accordance with GASB#34, the district conducted a physical appraisal of capital assets as of June 30, 2012. The appraisal revealed asset activity that should be recorded as of June 30, 2011. Accordingly, a restatement of net assets as of June 30, 2011 was necessary.

<u>Governmental Activities Net Assets:</u>	
Net Assets (per A-1), June 30, 2011	\$ 8,228,859
Restatement of Capital Assets	<u>(234,370)</u>
Fund balance (per A-1), June 30, 2011, as Restated	<u>\$ 7,994,489</u>

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

HACKETTSTOWN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

Exhibit C-1

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 14,103,472		\$ 14,103,472	\$ 14,103,472	
Tuition	7,651,721		7,651,721	7,657,496	\$ 5,775
Miscellaneous	523,044		523,044	534,530	11,486
Total - Local Sources	<u>22,278,237</u>		<u>22,278,237</u>	<u>22,295,498</u>	<u>17,261</u>
State Sources:					
Equalization Aid	3,664,992		3,664,992	3,954,636	289,644
Special Education Aid	685,905		685,905	685,905	
Other State Aid	180,000		180,000	58,590	(121,410)
TPAF Pension (On-Behalf - Non-Budgeted)				1,269,214	1,269,214
TPAF Social Security (Reimbursed - Non-Budgeted)				963,661	963,661
Total State Sources	<u>4,530,897</u>		<u>4,530,897</u>	<u>6,932,006</u>	<u>2,401,109</u>
Federal Sources:					
Education Jobs Grant	182,531	5,718	188,249	188,249	
Medical Assistance Program	21,956		21,956	20,703	(1,253)
Total Federal Sources	<u>204,487</u>	<u>5,718</u>	<u>210,205</u>	<u>208,952</u>	<u>(1,253)</u>
TOTAL REVENUES	<u>27,013,621</u>	<u>5,718</u>	<u>27,019,339</u>	<u>29,436,456</u>	<u>2,417,117</u>

HACKETTSTOWN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

Exhibit C-1

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction					
Kindergarten - Salaries of Teachers	506,000	(57,432)	448,568	387,437	61,131
Grades 1-5 - Salaries of Teachers	2,266,000	(4,700)	2,261,300	2,096,404	164,896
Grades 6-8 - Salaries of Teachers	1,400,000	51,632	1,451,632	1,349,045	102,587
Grades 9-12 - Salaries of Teachers	3,975,000	(79,331)	3,895,669	3,719,824	175,845
Regular Programs - Home Instruction:					
Salaries of Teachers	50,000	(30,884)	19,116	16,354	2,762
Purchased Professional-Educational Services		29,884	29,884	23,811	6,073
Regular Programs - Undistributed Instruction					
Purchased Professional-Educational Services	9,000		9,000	3,900	5,100
Purchased Technical Services	270,680	6,000	276,680	225,397	51,283
Other Purchased Services (400-500 series)	132,100		132,100	112,728	19,372
General Supplies	275,541	5,104	280,645	253,350	27,295
Textbooks	122,000	59,578	181,578	107,513	74,065
Other Objects	5,160		5,160	1,040	4,120
TOTAL REG. PROGRAMS - INSTRUCTION	9,011,481	(20,149)	8,991,332	8,296,803	694,529
SPECIAL EDUCATION - INSTRUCTION					
Learning and/or Language Disabilities:					
Salaries of Teachers	56,000	64,705	120,705	119,805	900
Other Salaries for Instruction	112,000	(57,794)	54,206	52,557	1,649
General Supplies	900		900	900	
Other Objects	50		50	50	
Total Learning and/or Language Disabilities	168,950	6,911	175,861	173,312	2,549
Auditory Impairments:					
Salaries of Teachers		83,046	83,046	69,255	13,791
Purchased Professional-Educational Services		7,032	7,032	6,016	1,016
Total Auditory Impairments		90,078	90,078	75,271	14,807

HACKETTSTOWN SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Multiple Disabilities:					
Salaries of Teachers	201,000		201,000	200,333	667
Other Salaries for Instruction	66,000	10,304	76,304	76,303	1
General Supplies	1,100		1,100	1,087	13
Other Objects	250		250	227	23
Total Multiple Disabilities	268,350	10,304	278,654	277,950	704
Resource Room/Resource Center:					
Salaries of Teachers	1,540,000	(18,981)	1,521,019	1,520,977	42
Other Salaries for Instruction	384,000	(34,575)	349,425	349,423	2
General Supplies	6,400		6,400	6,174	226
Other Objects	800	11	811	811	
Total Resource Room/Resource Center	1,931,200	(53,545)	1,877,655	1,877,385	270
Preschool Disabilities - Part-Time:					
Salaries of Teachers	62,000	6,440	68,440	68,439	1
Other Salaries for Instruction	21,000	32,972	53,972	52,684	1,288
General Supplies	500		500	499	1
Other Objects	500		500	483	17
Total Preschool Disabilities - Part-Time	84,000	39,412	123,412	122,105	1,307
TOTAL SPECIAL ED. - INSTRUCTION	2,452,500	93,160	2,545,660	2,526,023	19,637
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	305,000	(6,466)	298,534	257,292	41,242
Other Salaries for Instruction	65,000	43,560	108,560	88,143	20,417
General Supplies	4,130		4,130	3,978	152
Total Basic Skills/Remedial - Instruction	374,130	37,094	411,224	349,413	61,811

HACKETTSTOWN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

Exhibit C-1

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Bilingual Education - Instruction:					
Salaries of Teachers	219,000	1,000	220,000	219,185	815
General Supplies	900		900	810	90
Other Objects	1,000		1,000	585	415
Total Bilingual Education - Instruction	220,900	1,000	221,900	220,580	1,320
School Spon.Co/Extra Curricular Actvts.-Instruction:					
Salaries	79,000	34,258	113,258	106,587	6,671
Other Purchased Services (400-500 series)	9,300	(4,212)	5,088	5,087	1
Supplies and Materials	18,710	(1,562)	17,148	14,387	2,761
Other Objects	3,303		3,303	3,133	170
Total School Spon.Co/Extra Curricular Actvts.-Instruction	110,313	28,484	138,797	129,194	9,603
School Sponsored Athletics-Instruction:					
Salaries	583,000	(19,862)	563,138	553,297	9,841
Other Purchased Services (400-500 series)	93,450	(1,400)	92,050	87,693	4,357
Supplies and Materials	45,080	(6,176)	38,904	28,994	9,910
Other Objects	10,900		10,900	10,779	121
Total School Sponsored Athletics-Instruction	732,430	(27,438)	704,992	680,763	24,229
<hr/>					
TOTAL INSTRUCTION	12,901,754	112,151	13,013,905	12,202,776	811,129
UNDISTRIBUTED EXPENDITURES					
Instruction:					
Tuition to Other LEAs Within the State-Special	47,000	20,000	67,000	66,568	432
Tuition to County Voc. District - Regular	20,000		20,000	11,425	8,575
Tuition to County Voc. District - Special	10,000		10,000	6,500	3,500
Tuition to CSSD & Regional Day Schools	102,000	43,514	145,514	115,368	30,146
Tuition - Private Schools for the Disabled Within the State	705,000	(157,963)	547,037	444,677	102,360
Tuition - State Facilities	30,000	18,449	48,449	48,449	
Tuition - Other	10,000	(10,000)			
Total Instruction	924,000	(86,000)	838,000	692,987	145,013

HACKETTSTOWN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

Exhibit C-1

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Attendance & Social Work:					
Salaries	39,000		39,000	38,158	842
Total Attendance & Social Work	<u>39,000</u>		<u>39,000</u>	<u>38,158</u>	<u>842</u>
Health Services:					
Salaries	287,000	2,870	289,870	286,870	3,000
Purchased Professional and Technical Services	54,860	(13,059)	41,801	36,168	5,633
Supplies and Materials	15,365		15,365	7,557	7,808
Other Objects	800		800	724	76
Total Health Services	<u>358,025</u>	<u>(10,189)</u>	<u>347,836</u>	<u>331,319</u>	<u>16,517</u>
Other Supp. Services Students-Related Serv.:					
Salaries	216,000		216,000	214,133	1,867
Purchased Professional-Educational Services		2,395	2,395	2,395	
Supplies and Materials	1,700	141	1,841	1,710	131
Total Other Supp. Serv. Students-Related Serv.	<u>217,700</u>	<u>2,536</u>	<u>220,236</u>	<u>218,238</u>	<u>1,998</u>
Undist. Expend. - Other Supp. Serv. Students-Extra. Serv.:					
Salaries		38,794	38,794	38,794	
Total Undist. Expend. - Other Supp. Serv. Students-Extra. Serv.		<u>38,794</u>	<u>38,794</u>	<u>38,794</u>	
Other Supp. Services Students-Regular:					
Salaries of Other Professional Staff	736,000		736,000	731,434	4,566
Salaries of Secretarial and Clerical Assistants	86,000		86,000	85,130	870
Purchased Professional-Educational Services	14,535		14,535	10,800	3,735
Other Purchased Services (400-500 series)	5,460		5,460	4,031	1,429
Supplies and Materials	14,650	399	15,049	13,162	1,887
Other Objects	424		424	60	364
Total Other Supp. Services Students-Regular	<u>857,069</u>	<u>399</u>	<u>857,468</u>	<u>844,617</u>	<u>12,851</u>
Other Supp. Services Students-Special:					
Salaries of Other Professional Staff	738,000	(17,000)	721,000	660,413	60,587
Salaries of Secretarial and Clerical Assistants	54,000	(235)	53,765	52,776	989
Purchased Professional-Educational Services	50,000	124,435	174,435	157,434	17,001
Misc. Purchased Services (400-500 series O/than Resid.Costs)	2,500		2,500	2,494	6
Supplies and Materials	8,700		8,700	8,653	47
Other Objects	3,800		3,800	3,791	9
Total Other Supp. Services Students-Special	<u>857,000</u>	<u>107,200</u>	<u>964,200</u>	<u>885,561</u>	<u>78,639</u>

HACKETTSTOWN SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Improvement of Instruction Services:					
Salaries of Supervisor of Instruction	74,000		74,000	40,926	33,074
Purchased Professional-Educational Services	25,000	5,500	30,500	30,268	232
Other Purchased Services (400-500 series)	2,500		2,500	395	2,105
Supplies and Materials	2,500		2,500		2,500
Other Objects	3,000		3,000	1,044	1,956
Total Improvement of Instruction Services	107,000	5,500	112,500	72,633	39,867
Educational Media Services/School Library:					
Salaries	514,000	(6,000)	508,000	465,450	42,550
Purchased Professional - Technical Services	2,350		2,350		2,350
Other Purchased Services (400-500 series)	14,635	350	14,985	14,469	516
Supplies and Materials	68,226	582	68,808	57,924	10,884
Total Educational Media Services/School Library	599,211	(5,068)	594,143	537,843	56,300
Instructional Staff Training Services:					
Purchased Professional-Educational Services	25,000	29,539	54,539	50,693	3,846
Supplies and Materials	1,500	434	1,934	1,358	576
Total Instructional Staff Training Services	26,500	29,973	56,473	52,051	4,422
Supp. Services - General Administration:					
Salaries	301,000	10,131	311,131	311,131	
Legal Services	49,000	31,369	80,369	75,813	4,556
Audit Fees	27,000		27,000	26,896	104
Purchased Technical Services	10,000		10,000	9,941	59
Communications/Telephone	73,000		73,000	44,154	28,846
Other Purchased Services (400-500 series)	129,000		129,000	117,830	11,170
General Supplies	13,000		13,000	10,949	2,051
Miscellaneous Expenditures	20,000		20,000	19,914	86
Total Supp. Services - General Administration	622,000	41,500	663,500	616,628	46,872

HACKETTSTOWN SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	737,000	(50,000)	687,000	626,557	60,443
Salaries of Secretarial and Clerical Assistants	414,000		414,000	413,137	863
Other Purchased Services (400-500 series)	15,700		15,700	9,500	6,200
Supplies and Materials	52,284		52,284	49,347	2,937
Other Objects	9,400		9,400	7,651	1,749
Total Support Services - School Administration	1,228,384	(50,000)	1,178,384	1,106,192	72,192
Central Services:					
Salaries	335,000	(20,760)	314,240	259,846	54,394
Purchased Professional Services	2,000		2,000	1,025	975
Purchased Technical Services	13,500		13,500	13,162	338
Miscellaneous Purchased Services (400-500 series)	10,000	12,000	22,000	19,974	2,026
Supplies and Materials	6,000	3,523	9,523	5,647	3,876
Interest on Lease Purchase Agreements	14,000	20,503	34,503	34,393	110
Miscellaneous Expenditures	3,500		3,500	1,519	1,981
Total Central Services	384,000	15,266	399,266	335,566	63,700
Required Maintenance for School Facilities:					
Salaries	90,000	20,453	110,453	110,453	
Cleaning, Repair and Maintenance Services	45,000		45,000	44,915	85
General Supplies	13,000		13,000	12,899	101
Other Objects	7,000	5,237	12,237	6,736	5,501
Total Required Maintenance for School Facilities	155,000	25,690	180,690	175,003	5,687
Other Operations and Maintenance of Plant:					
Salaries	542,000	(5,920)	536,080	511,540	24,540
Purchased Professional and Technical Services	8,000		8,000	6,998	1,002
Cleaning, Repair and Maintenance Services	500,000	135,694	635,694	544,772	90,922
Insurance	103,000	(518)	102,482	93,804	8,678
Miscellaneous Purchased Services	55,000	(1,374)	53,626	52,151	1,475
General Supplies	133,956	1,374	135,330	133,595	1,735
Energy (Natural Gas)	345,000	(131,200)	213,800	165,087	48,713
Energy (Electricity)	330,000	(13,033)	316,967	267,352	49,615
Other Objects	17,000	(1,500)	15,500	11,882	3,618
Total Other Operations and Maintenance of Plant	2,033,956	(16,477)	2,017,479	1,787,181	230,298
Care and Upkeep of Grounds:					
Salaries		28,000	28,000		28,000
Total Care and Upkeep of Grounds		28,000	28,000		28,000

HACKETTSTOWN SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable/ (Unfavorable)</u>
Student Transportation Services					
Contracted Services (Other than Bet. Home and Sch.)-Vendors	94,000		94,000	81,381	12,619
Contracted Services (Bet. Home and Sch.)-Joint Agrmnts	4,000		4,000		4,000
Contracted Services (Special Education Students)-Vendors	330,000		330,000	303,991	26,009
Contracted Services (Special Education Students)-Joint Agrmnts.	10,000		10,000	5,075	4,925
Total Student Transportation Services	438,000		438,000	390,447	47,553
UNALLOCATED BENEFITS					
Social Security Contributions	347,000	51,417	398,417	314,162	84,255
Other Retirement Contributions-Regular	262,000		262,000	250,482	11,518
Unemployment Compensation	30,000		30,000	30,000	
Workmen's Compensation	140,000		140,000	132,755	7,245
Health Benefits	4,100,000	(273,324)	3,826,676	3,583,774	242,902
Tuition Reimbursement	40,000	(16,035)	23,965	23,961	4
Other Employee Benefits	23,000	108,063	131,063	59,557	71,506
TOTAL UNALLOCATED BENEFITS	4,942,000	(129,879)	4,812,121	4,394,691	417,430
On-behalf TPAF pension Contrib. (non-budgeted)				1,269,214	(1,269,214)
Reimbursed TPAF Social Security Contrib. (non-budgeted)				963,661	(963,661)
TOTAL ON-BEHALF CONTRIBUTIONS				2,232,875	(2,232,875)
TOTAL PERSONAL SERV.-EMPLOYEE BENEFITS	4,942,000	(129,879)	4,812,121	6,627,566	(1,815,445)
TOTAL UNDISTRIBUTED EXPENDITURES	13,788,845	(2,755)	13,786,090	14,750,784	(964,694)
TOTAL GENERAL CURRENT EXPENSE	26,690,599	109,396	26,799,995	26,953,560	(153,565)

HACKETTSTOWN SCHOOL DISTRICT

Exhibit C-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable/ (Unfavorable)</u>
CAPITAL OUTLAY					
Equipment:					
Grades 1-5	68,600	(6,863)	61,737	60,673	1,064
Grades 6-8	22,750	(876)	21,874	1,088	20,786
Grades 9-12	47,000	59,435	106,435	50,481	55,954
Undistributed Expenditures-School Admin.	11,300	621	11,921	2,915	9,006
Undistributed Expenditures-Operation and Maint. Of Plant Serv.	103,350	25,808	129,158	60,786	68,372
Undistributed Expenditures-Other Support Services	2,000		2,000		2,000
Undistributed Expenditures-Non-Instr. Serv.	20,000	7,000	27,000	6,251	20,749
Total Equipment	275,000	85,125	360,125	182,194	177,931
Facilities Acquisition and Construction Services					
Architechual/Engineering Services	65,000	(18,100)	46,900	38,896	8,004
Other Purchased Professional and Technical Services	93,500	61,045	154,545	106,903	47,642
Construction Services	1,157,000	(722,311)	434,689	269,088	165,601
Lease Purchase - Principal	206,402	199,788	406,190	406,189	1
Other Objects	15,235		15,235	15,235	
Total Facilities Acquisition and Construction Services	1,537,137	(479,578)	1,057,559	836,311	221,248
TOTAL CAPITAL OUTLAY	1,812,137	(394,453)	1,417,684	1,018,505	399,179
TOTAL EXPENDITURES	28,502,736	(285,057)	28,217,679	27,972,065	245,614
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,489,115)	290,775	(1,198,340)	1,464,391	2,662,731
Other Financing Sources:					
Operating Transfer In/(Out):					
Transfer to Capital Projects Fund		(1,184,222)	(1,184,222)	(1,184,222)	
Total Other Financing Sources:		(1,184,222)	(1,184,222)	(1,184,222)	
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	(1,489,115)	(893,447)	(2,382,562)	280,169	2,662,731
Fund Balance, July 1	5,359,766		5,359,766	5,359,766	
Fund Balance, June 30	\$ 3,870,651	\$ (893,447)	\$ 2,977,204	\$ 5,639,935	\$ 2,662,731

HACKETTSTOWN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

Exhibit C-1

Fiscal Year Ended June 30, 2012

	<u>Original</u> <u>Budget</u>	<u>Budget</u> <u>Transfers</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Recapitulation:					
Restricted for:					
Capital Reserve				\$ 2,007,049	
Emergency Reserve				100,000	
Maintenance Reserve				150,000	
Tuition Reserve - FY11-12				693,750	
Excess Surplus - Designated for Subsequent Year's Expenditures				1,413,044	
Assigned to:					
Year-End Encumbrances				648,804	
Designated for Subsequent Year's Expenditures				289,644	
Unassigned:					
Unrestricted Fund Balance				<u>337,644</u>	
Fund Balance per Governmental Funds(Budgetary Basis)				<u>5,639,935</u>	
Reconciliation to Governmental Funds Statement(GAAP Basis):					
Last State Aid Payment not recognized on GAAP basis				<u>(461,240)</u>	
Fund Balance per Governmental Funds(GAAP Basis)				<u>\$ 5,178,695</u>	

HACKETTSTOWN SCHOOL DISTRICT
APPROPRIATIONS COMBINING SCHEDULE - FUNDS 11 AND 18
GENERAL FUND
EDUCATION JOBS FUND - FUND 18
 Fiscal Year Ended June 30, 2012

Line	Description	Account #	Fund 11/12/13 Approps	Fund 18 Approps	Schedule C-1 Total General Fund Approps
Undist. Expend.-Custodial Services					
2530	Grades 6-8 - Salaries of Teachers	11-130-100-101	1,300,413	48,632	1,349,045
2540	Grades 9-12 - Salaries of Teachers	11-140-100-101	3,616,624	103,200	3,719,824
12620	Social Security Contributions	11-000-291-220	277,745	36,417	314,162
TOTAL EXPENDITURES			5,194,782	188,249	5,383,031

HACKETTSTOWN SCHOOL DISTRICT

Exhibit C-2

**BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND**

For the Fiscal Year Ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
Local Sources		\$ 2,671	\$ 2,671	\$ 2,671	-
State Sources	\$ 110,000	(37,228)	72,772	72,772	-
Federal Sources	631,100	(24,151)	606,949	606,949	
Total Revenues	741,100	(58,708)	682,392	682,392	
EXPENDITURES:					
Instruction					
Salaries of Teachers	585,500	(405,383)	180,117	180,117	
Other Salaries		-			
Purchased Professional and Technical Services	137,600	(49,143)	88,457	88,457	
Tuition		232,244	232,244	232,244	
General Supplies	18,000	7,546	25,546	25,546	
Textbooks		8,504	8,504	8,504	
Other Objects		2,311	2,311	2,311	
Total Instruction	741,100	(203,921)	537,179	537,179	-
Support Services					
Salaries of Supervisors of Instruction		49,670	49,670	49,670	
Personal Services-Employee Bene.		38,445	38,445	38,445	
Purchased Educational Services		14,253	14,253	14,253	
Purchased Profess. & Tech Svcs		21,553	21,553	21,553	
Other Purchased Serv. (400-500 Series)		8,882	8,882	8,882	
Supplies and Materials		8,386	8,386	8,386	
Total Support Services	-	141,189	141,189	141,189	-
Facilities Acquisition & Const. Serv.:					
Instructional Equipment		4,024	4,024	4,024	
Total Facilities Acq. & Const. Serv.		4,024	4,024	4,024	
Total Expenditures	741,100	(58,708)	682,392	682,392	-
Total Outflows	741,100	(58,708)	682,392	682,392	
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, 2012

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual amounts (budgetary basis) "revenue"		
from the budgetary comparison schedule (Exhibits C-1 and C-2, respectively)	\$ 29,436,456	\$ 682,392
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	94,965
Current Year Encumbrances	N/A	(53,025)
Adjustment for: Prior year Final State Aid Payment excluded in State Source Revenues that is considered a revenue for GAAP reporting purposes	396,178	
Adjustment for: Current Year Final State Aid Payment included in State Source Revenues that is not considered a revenue for GAAP reporting purposes	(461,240)	
	<u>\$ 29,371,394</u>	<u>\$ 724,332</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedules (Exhibits C-1 and C-2, respectively)	\$ 27,972,065	\$ 682,392
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	94,965
Current Year Encumbrances	N/A	(53,025)
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	N/A	N/A
	<u>\$ 27,972,065</u>	<u>\$ 724,332</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (Exhibit B-2)	<u>\$ 27,972,065</u>	<u>\$ 724,332</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, 2012

	Title I Part A	Title II Part A	Title III	Perkins	IDEA Basic	IDEA Preschool	ARRA IDEA Basic	Non- Public Textbook	Non- Public Nursing	Non- Public Aux. Comp Ed.	Non- Public Handicap Exam	Non- Public Handicap Speech	Non- Public Handicap Supplem.	NJ Dept. Agric. CASE	Local Grant HFEE Mini/Maxi	Totals
REVENUES																
Local Sources															\$ 2,671	\$ 2,671
State Sources								\$ 8,504	\$ 12,115	\$ 25,020	\$ 14,044	\$ 1,006	\$ 12,066	\$ 17		72,772
Federal Sources	\$ 156,509	\$ 38,843	\$ 14,392	\$ 15,858	\$ 369,804	\$ 11,438	\$ 105									606,949
TOTAL REVENUES	156,509	38,843	14,392	15,858	369,804	11,438	105	8,504	12,115	25,020	14,044	1,006	12,066	17	2,671	682,392
EXPENDITURES:																
Instruction:																
Salaries of Teachers	118,705	20,000			32,812	8,600										180,117
Purchased Profess. & Tech. Serv.	9,000		10,200		5,006				12,115	25,020	14,044	1,006	12,066			88,457
Other Purchased Services/Tuition					232,244											232,244
General Supplies	1,518		4,192	6,167	10,753	123	105							17	2,671	25,546
Textbooks								8,504								8,504
Other Objects				2,311												2,311
Total Instruction	129,223	20,000	14,392	8,478	280,815	8,723	105	8,504	12,115	25,020	14,044	1,006	12,066	17	2,671	537,179
Support Services:																
Salaries of Supervisors of Instruction					49,670											49,670
Personal Services-Employee Bene.	23,742	4,000			9,831	872										38,445
Purchased Educational Services		1,148			13,105											14,253
Purchased Profess. & Tech Svcs	3,544	10,060			6,280	1,669										21,553
Other Purchased Serv. (400-500 Series)		3,635		3,747	1,500											8,882
Supplies and Materials					8,212	174										8,386
Total Support Services	27,286	18,843	-	3,747	88,598	2,715	-	-	-	-	-	-	-	-	-	141,189
Facilities Acquisition & Const. Serv.:																
Instructional Equipment				3,633	391											4,024
Total Facilities Acq. & Const. Serv.				3,633	391											4,024
TOTAL EXPENDITURES	156,509	38,843	14,392	15,858	369,804	11,438	105	8,504	12,115	25,020	14,044	1,006	12,066	17	2,671	682,392
Total Outflows	156,509	38,843	14,392	15,858	369,804	11,438	105	8,504	12,115	25,020	14,044	1,006	12,066	17	2,671	682,392
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, 2012

	<u>Original Date</u>	<u>Approval</u>	<u>Appropriations</u>	<u>Expenditures to Date</u>		<u>Unexpended Balance June 30, 2012</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		-
Middle School Fire Stairs:						
Capital Outlay Budget	3/26/2012	Board of Education	34,500		\$ 2,758	31,742
SDA Grant	3/26/2012	SDA Grant - State of New Jersey	22,955		22,955	
Middle School Sidewalk Replacement:						
Capital Outlay Budget	3/26/2012	Board of Education	130,838		14,000	116,838
Middle School Boiler:						
Capital Outlay Budget	3/26/2012	Board of Education	331,879		67,547	264,332
SDA Grant	3/26/2012	SDA Grant - State of New Jersey	221,253		221,253	
Hatchery Hill Boiler:						
Capital Outlay Budget	3/26/2012	Board of Education	278,248		87,752	190,496
SDA Grant	3/26/2012	SDA Grant - State of New Jersey	185,498		185,498	
Willow Grove Boiler:						
Capital Outlay Budget	3/26/2012	Board of Education	298,757		70,227	228,530
SDA Grant	3/26/2012	SDA Grant - State of New Jersey	199,172		199,172	
High School Parking Lot:						
Capital Outlay Budget	3/26/2012	Board of Education	80,000		-	80,000
SDA Grant	3/26/2012	SDA Grant - State of New Jersey	52,051		18,241	33,810
Hatchery Hill Playground Rehab.:						
Capital Outlay Budget	3/26/2012	Board of Education	30,000		-	30,000
SDA Grant	3/26/2012	SDA Grant - State of New Jersey	18,077		8,500	9,577
			<u>\$ 8,843,228</u>	<u>\$ 6,955,047</u>	<u>897,903</u>	<u>\$ 990,278</u>

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, 2012

Revenues and Other Financing
Sources

Transfer from Capital Outlay	\$ 1,184,222
State Sources - SDA Grant	699,006
Total Revenues	<u>1,883,228</u>

Expenditures and Other Financing
Sources

Purchased Professional Services	25,673
Construction Services	872,230
Total Expenditures	<u>897,903</u>

Excess(deficiency) of revenues over(under)
expenditures 985,325

Fund Balance - Beginning \$ 4,953

Fund Balance - Ending \$ 990,278

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, 2012

	<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, 6/30/12 \$ 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

HACKETTSTOWN SCHOOL DISTRICT

Exhibit F-2b

CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE,
AND PROJECT STATUS-BUDGETARY BASIS
MIDDLE SCHOOL FIRE STAIRS

From Inception and for the Fiscal Year Ended June 30, 2012

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Costs</u>
Revenues and Other Financing Sources				
Transfers from Capital Outlay		\$ 34,500	\$ 34,500	\$ 34,500
State Sources - SDA Grant		22,955	22,955	22,955
Total Revenues	-	57,455	57,455	57,455
Expenditures and Other Financing Sources				
Purchase Professional & Technical Services		853	853	2,918
Construction Services		24,860	24,860	54,537
Total Expenditures	-	25,713	25,713	57,455
Excess(deficiency) of revenues over(under) expenditures	-		31,742	
			Project Fund Balance, 6/30/12	\$ 31,742

Additional project information:

Project Number	1870-060-10-1007
Grant Date	3/26/2012
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$57,455
Additional Authorized Cost	N/A
Revised Authorized Cost	\$57,455
Percentage Increase over Original Authorized Cost	N/A
Percentage Completion	44.8%
Original Target Completion Date	6/30/2012
Revised Target Completion Date	12/31/2012

HACKETTSTOWN SCHOOL DISTRICT

Exhibit F-2c

CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE,
AND PROJECT STATUS-BUDGETARY BASIS
MIDDLE SCHOOL SIDEWALK REPLACEMENT

From Inception and for the Fiscal Year Ended June 30, 2012

	<u>Prior</u> <u>Periods</u>	<u>Current</u> <u>Year</u>	<u>Totals</u>	<u>Revised</u> <u>Authorized</u> <u>Costs</u>
Revenues and Other Financing Sources				
Transfers from Capital Outlay		\$ 130,838	\$ 130,838	\$ 130,838
Total Revenues	-	130,838	130,838	130,838
Expenditures and Other Financing Sources				
Purchase Professional & Technical Services		9,520	9,520	10,830
Construction Services		4,480	4,480	120,008
Total Expenditures	-	14,000	14,000	130,838
Excess(deficiency) of revenues over(under) expenditures	-		116,838	
			Project Fund Balance, 6/30/12	<u>\$ 116,838</u>

Additional project information:

Project Number	N/A
Grant Date	N/A
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$130,838
Additional Authorized Cost	N/A
Revised Authorized Cost	\$130,838
Percentage Increase over Original Authorized Cost	N/A
Percentage Completion	10.7%
Original Target Completion Date	6/30/2012
Revised Target Completion Date	12/31/2012

HACKETTSTOWN SCHOOL DISTRICT

Exhibit F-2d

CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE,
AND PROJECT STATUS-BUDGETARY BASIS
MIDDLE SCHOOL BOILER REPLACEMENT

From Inception and for the Fiscal Year Ended June 30, 2012

	<u>Prior</u> <u>Periods</u>	<u>Current</u> <u>Year</u>	<u>Totals</u>	<u>Revised</u> <u>Authorized</u> <u>Costs</u>
Revenues and Other Financing Sources				
Transfers from Capital Outlay		\$ 331,879	\$ 331,879	\$ 331,879
State Sources - SDA Grant		221,253	221,253	221,253
Total Revenues	-	553,132	553,132	553,132
Expenditures and Other Financing Sources				
Purchase Professional & Technical Services		-	-	
Construction Services		288,800	288,800	553,132
Total Expenditures	-	288,800	288,800	553,132
Excess(deficiency) of revenues over(under) expenditures	-		264,332	
			Project Fund Balance, 6/30/12	<u>\$ 264,332</u>

Additional project information:

Project Number	1870-060-10-1008
Grant Date	3/26/2012
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$553,132
Additional Authorized Cost	N/A
Revised Authorized Cost	\$553,132
Percentage Increase over Original Authorized Cost	N/A
Percentage Completion	52.2%
Original Target Completion Date	6/30/2012
Revised Target Completion Date	12/31/2012

HACKETTSTOWN SCHOOL DISTRICT

Exhibit F-2e

CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE,
AND PROJECT STATUS-BUDGETARY BASIS
HATCHERY HILL BOILER REPLACEMENT

From Inception and for the Fiscal Year Ended June 30, 2012

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Costs</u>
Revenues and Other Financing Sources				
Transfers from Capital Outlay		\$ 278,248	\$ 278,248	\$ 278,248
State Sources - SDA Grant		185,498	185,498	185,498
Total Revenues	-	463,746	463,746	463,746
Expenditures and Other Financing Sources				
Purchase Professional & Technical Services		-	-	
Construction Services		273,250	273,250	463,746
Total Expenditures	-	273,250	273,250	463,746
Excess(deficiency) of revenues over(under) expenditures	-		190,496	
			Project Fund Balance, 6/30/12	<u>\$ 190,496</u>

Additional project information:

Project Number	1870-070-10-1009
Grant Date	3/26/2012
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$463,746
Additional Authorized Cost	N/A
Revised Authorized Cost	\$463,746
Percentage Increase over Original Authorized Cost	N/A
Percentage Completion	58.9%
Original Target Completion Date	6/30/2012
Revised Target Completion Date	12/31/2012

HACKETTSTOWN SCHOOL DISTRICT

Exhibit F-2f

CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE,
AND PROJECT STATUS-BUDGETARY BASIS
WILLOW GROVE BOILER REPLACEMENT

From Inception and for the Fiscal Year Ended June 30, 2012

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Costs</u>
Revenues and Other Financing Sources				
Transfers from Capital Outlay		\$ 298,757	\$ 298,757	\$ 298,757
State Sources - SDA Grant		199,172	199,172	199,172
Total Revenues	-	497,929	497,929	497,929
Expenditures and Other Financing Sources				
Purchase Professional & Technical Services		-	-	
Construction Services		269,399	269,399	497,929
Total Expenditures	-	269,399	269,399	497,929
Excess(deficiency) of revenues over(under) expenditures	-		228,530	
			Project Fund Balance, 6/30/12	<u>\$ 228,530</u>

Additional project information:

Project Number	1870-090-10-1012
Grant Date	3/26/2012
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$497,929
Additional Authorized Cost	N/A
Revised Authorized Cost	\$497,929
Percentage Increase over Original Authorized Cost	N/A
Percentage Completion	54.1%
Original Target Completion Date	6/30/2012
Revised Target Completion Date	12/31/2012

HACKETTSTOWN SCHOOL DISTRICT

Exhibit F-2g

CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE,
AND PROJECT STATUS-BUDGETARY BASIS
HIGH SCHOOL PARKING LOT

From Inception and for the Fiscal Year Ended June 30, 2012

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Costs</u>
Revenues and Other Financing Sources				
Transfers from Capital Outlay		\$ 80,000	\$ 80,000	\$ 80,000
State Sources - SDA Grant		52,051	52,051	52,051
Total Revenues	-	132,051	132,051	132,051
Expenditures and Other Financing Sources				
Purchase Professional & Technical Services		8,500	8,500	8,500
Construction Services		9,741	9,741	123,551
Total Expenditures	-	18,241	18,241	132,051
Excess(deficiency) of revenues over(under) expenditures	-		113,810	
			Project Fund Balance, 6/30/12	<u>\$ 113,810</u>

Additional project information:

Project Number	1870-050-10-1004
Grant Date	3/26/2012
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$132,051
Additional Authorized Cost	N/A
Revised Authorized Cost	\$132,051
Percentage Increase over Original Authorized Cost	N/A
Percentage Completion	13.8%
Original Target Completion Date	6/30/2012
Revised Target Completion Date	12/31/2012

HACKETTSTOWN SCHOOL DISTRICT

Exhibit F-2h

CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE,
AND PROJECT STATUS-BUDGETARY BASIS
HATCHERY HILL PLAYGROUND REHABILITATION

From Inception and for the Fiscal Year Ended June 30, 2012

	<u>Prior</u> <u>Periods</u>	<u>Current</u> <u>Year</u>	<u>Totals</u>	<u>Revised</u> <u>Authorized</u> <u>Costs</u>
Revenues and Other Financing Sources				
Transfers from Capital Outlay		\$ 30,000	\$ 30,000	\$ 30,000
State Sources - SDA Grant		18,077	18,077	18,077
Total Revenues	-	48,077	48,077	48,077
Expenditures and Other Financing Sources				
Purchase Professional & Technical Services		6,800	6,800	6,800
Construction Services		1,700	1,700	41,277
Total Expenditures	-	8,500	8,500	48,077
Excess(deficiency) of revenues over(under) expenditures	-		39,577	
			Project Fund Balance, 6/30/12	\$ 39,577

Additional project information:

Project Number	1870-070-10-1010
Grant Date	3/26/2012
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$48,077
Additional Authorized Cost	N/A
Revised Authorized Cost	\$48,077
Percentage Increase over Original Authorized Cost	N/A
Percentage Completion	17.7%
Original Target Completion Date	6/30/2012
Revised Target Completion Date	12/31/2012

<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.

FIDUCIARY FUND DETAIL STATEMENTS

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, 2012**

	UNEMPLOYMENT COMPENSATION INSURANCE TRUST	PRIVATE TRUST SCHOLARSHIP FUNDS	AGENCY FUNDS		TOTALS
			STUDENT ACTIVITY	PAYROLL AGENCY	
ASSETS:					
Cash and Cash Equivalents	\$102,033	\$53,019	\$ 254,249	22,941	\$ 432,242
TOTAL ASSETS	102,033	53,019	254,249	22,941	432,242
LIABILITIES:					
Liabilities:					
Payroll Deductions and Withholdings Payable to Student Groups				22,941	22,941
Total Liabilities			254,249	22,941	277,190
NET ASSETS					
Held in Trust for Scholarships		53,019			53,019
Held in Trust for Unemployment Claims and Other Purposes	102,033				102,033
TOTAL LIABILITIES AND NET ASSETS	\$102,033	\$53,019	\$ 254,249	22,941	\$ 432,242

HACKETTSTOWN SCHOOL DISTRICT

Exhibit H-2

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

	UNEMPLOYMENT COMPENSATION INSURANCE <u>TRUST</u>	MEMORIAL SCHOLARSHIP TRUST <u>FUNDS</u>	<u>TOTALS</u>
ADDITIONS			
Contributions:			
Employer	\$65,000		\$65,000
Plan Member	23,711		23,711
Private Trust Contributions		<u>\$7,150</u>	<u>7,150</u>
Total Contributions	<u>88,711</u>	<u>7,150</u>	<u>95,861</u>
Interest Income		<u>150</u>	<u>150</u>
Total Additions	<u>88,711</u>	<u>7,300</u>	<u>96,011</u>
DEDUCTIONS			
Quarterly Contribution Reports	\$47,238		47,238
Scholarships		<u>3,350</u>	<u>3,350</u>
Total Deductions	<u>47,238</u>	<u>3,350</u>	<u>50,588</u>
Change in Net Assets	<u>41,473</u>	<u>3,950</u>	<u>45,423</u>
Net Assets—Beginning of the Year	<u>60,560</u>	<u>49,069</u>	<u>109,629</u>
Net Assets—End of the Year	<u>\$102,033</u>	<u>\$53,019</u>	<u>\$155,052</u>

HACKETTSTOWN SCHOOL DISTRICT

Exhibit H-3

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

<u>ACTIVITY</u>	<u>BALANCE JULY 1, 2011</u>	<u>TRANSFERS</u>	<u>CASH RECEIPTS</u>	<u>CASH DISBURSEMENTS</u>	<u>BALANCE JUNE 30, 2012</u>
General Activities	\$ 235,931		\$ 334,562	\$ 330,410	\$ 240,083
Game Officials Account	5,346		45,000	36,180	14,166
Totals	\$ 241,277	-	\$ 379,562	\$ 366,590	\$ 254,249

HACKETTSTOWN SCHOOL DISTRICT

Exhibit H-4

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

	<u>BALANCE</u> <u>JULY 1, 2011</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2012</u>
ASSETS:				
Cash and Cash Equivalents	-	\$ 18,094,024	\$ 18,071,083	\$ 22,941
Total Assets	-	\$ 18,094,024	\$ 18,071,083	\$ 22,941
LIABILITIES:				
Payroll Deductions and Withholdings	-	\$ 7,328,543	\$ 7,307,679	\$ 20,864
Accrued Net Payroll		10,763,404	10,763,404	-
Accounts Payable	-	2,077		2,077
Total Liabilities	-	\$ 18,094,024	\$ 18,071,083	\$ 22,941

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, 2012**

<u>ISSUE</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>ANNUAL MATURITIES</u>		<u>INTEREST</u>	<u>BALANCE</u>	<u>RETIRED</u>	<u>BALANCE</u>
			<u>DATE</u>	<u>AMOUNT</u>	<u>RATE</u>	<u>JULY 1, 2011</u>		<u>JUNE 30, 2012</u>
Refunding Bonds	3/17/06	\$ 3,330,000	7/15/2012	\$ 210,000	4.00%	\$ 3,120,000	\$ 200,000	\$ 2,920,000
			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						\$ 3,120,000	\$ 200,000	\$ 2,920,000

HACKETTSTOWN SCHOOL DISTRICT

Exhibit I-2

**SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

<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 7/1/2011</u>	<u>ADDITIONS</u>	<u>RETIRED CURRENT YEAR PRINCIPAL PAYMENTS</u>	<u>AMOUNT OUTSTANDING 6/30/2012</u>
				<u>DATE</u>	<u>AMOUNT</u>				
Computer Equipment	3.31%	5 Years	\$ 1,000,000	8/8/2013	\$ 213,233	\$ 619,422		\$ 406,189	\$ 213,233
Total						619,422	-	\$ 406,189	\$ 213,233

HACKETTSTOWN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND

Exhibit I-3

For the Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative) Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 320,300		\$ 320,300	\$ 320,300	
	320,300	-	320,300	320,300	-
TOTAL REVENUES	320,300	-	320,300	320,300	-
EXPENDITURES:					
Regular Debt Service:					
Interest	120,300		120,300	120,300	
Redemption of Principal	200,000		200,000	200,000	
Total Regular Debt Service	320,300		320,300	320,300	
TOTAL EXPENDITURES	320,300		320,300	320,300	
Excess (Deficiency) of Revenues Over Expend.	-	-	-	-	
Fund Balance, July 1	29,124		29,124	29,124	
Fund Balance, June 30	\$ 29,124	-	\$ 29,124	\$ 29,124	
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.	75-80
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.	81-84
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.	85-88
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.	89-90
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.	91-95

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 Nine Fiscal Years
(accrual basis of accounting)

Exhibit J-1

	Fiscal Year Ending June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	\$ 3,838,002	\$ 5,201,910
Restricted	1,027,060	641,548	4,535,832	3,758,903	2,266,166	3,345,327	3,452,501	2,479,431	3,959,208	4,653,487
Unrestricted	87,442	9,184	(203,889)	(306,622)	870,558	200,447	(39,897)	209,806	431,649	726,559
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>	<u>\$ 8,228,859</u>	<u>\$ 10,581,956</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	\$ 38,561	\$ 33,295
Restricted										-
Unrestricted	33,185	37,191	35,131	30,950	56,515	65,400	80,736	83,927	80,705	90,264
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>	<u>\$ 119,266</u>	<u>\$ 123,559</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	\$ 3,876,563	\$ 5,235,205
Restricted	1,027,060	641,548	4,535,832	3,758,903	2,266,166	3,345,327	3,452,501	2,479,431	3,959,208	4,653,487
Unrestricted	120,627	46,375	(168,758)	(275,672)	927,073	265,847	40,839	293,733	512,354	816,823
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>	<u>\$ 8,348,125</u>	<u>\$ 10,705,515</u>

Source: CAFR Schedule A-1

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

Exhibit J-2

	2003		2004		2005		2006		Fiscal Year Ending June 30,		2009		2010		2011		2012	
									2007	2008								
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	\$ 11,845,030	\$ 12,147,396								
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	2,986,413	3,343,104								
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	1,865,656	1,826,316								
Support Services:																		
Tuition	642,243	595,539	650,477	652,442	792,633	953,174	997,494	1,008,646	950,970	692,987								
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	4,088,168	4,472,546								
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	1,440,142	1,469,697								
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	1,313,188	1,260,196								
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	2,660,248	2,603,741								
Pupil transportation	477,667	396,989	358,053	445,062	388,996	405,612	505,292	503,176	346,966	392,279								
Interest on long-term debt	195,209	315,005	189,255	183,160	178,748	146,373	139,031	130,942	123,800	116,800								
Unallocated depreciation	77,306	103,247	102,930	208,624	211,855	211,855	269,825	409,345	200,417	202,503								
Total governmental activities expenses	22,804,087	23,872,338	24,840,659	25,577,489	27,123,111	28,395,908	28,491,800	29,320,620	27,820,998	28,527,565								
Business-type activities:																		
Food service	272,036	483,033	488,043	610,808	505,854	528,428	539,235	519,205	494,900	483,403								
Total business-type activities expense	272,036	483,033	488,043	610,808	505,854	528,428	539,235	519,205	494,900	483,403								
Total district expenses	\$ 23,076,123	\$ 24,355,371	\$ 25,328,702	\$ 26,188,297	\$ 27,628,965	\$ 28,924,336	\$ 29,031,035	\$ 29,839,825	\$ 28,315,898	\$ 29,010,968								
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	\$ 7,652,938	\$ 7,657,496								
Operating grants and contributions	822,175	619,608	619,608	619,608	8,570,746	8,890,475	7,994,880	7,617,846	6,893,984	7,797,507								
Total governmental activities program revenues	6,012,347	6,260,118	7,020,788	7,077,889	14,973,321	15,407,519	15,015,620	14,698,646	14,546,922	15,455,003								
Business-type activities:																		
Charges for services:																		
Food service	347,380	370,311	374,199	368,596	386,650	378,169	377,610	330,301	300,496	289,986								
Operating grants and contributions	112,176	112,995	109,081	121,093	139,504	153,878	171,697	186,830	185,917	197,710								
Total business-type activities program revenues	459,556	483,306	483,280	489,689	526,154	532,047	549,307	517,131	486,413	487,696								
Total district program revenues	\$ 6,471,903	\$ 6,743,424	\$ 7,504,068	\$ 7,567,578	\$ 15,499,475	\$ 15,939,566	\$ 15,564,927	\$ 15,215,777	\$ 15,033,335	\$ 15,942,699								
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)	\$ (13,274,076)	\$ (13,072,562)								
Business-type activities	187,520	273	(4,763)	(121,119)	20,300	3,619	10,072	(2,074)	(8,487)	4,293								
Total district-wide net expense	\$ (16,604,220)	\$ (17,611,947)	\$ (17,824,634)	\$ (18,620,719)	\$ (12,129,490)	\$ (12,984,770)	\$ (13,466,108)	\$ (14,624,048)	\$ (13,282,563)	\$ (13,068,269)								

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

Exhibit J-2

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>Fiscal Year Ending June 30,</u>		<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
					<u>2007</u>	<u>2008</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	\$ 14,508,126	\$ 14,103,472
Taxes levied for debt service	197,765	244,509	319,255	318,160	273,621	299,535	302,405	314,675	322,213	320,300
Unrestricted grants and contributions	5,348,766	6,461,259	7,237,966	7,146,786	-	-	-	-	-	-
Federal and State Aid for Capital Assets Projects	-	-	-	-	-	-	-	-	-	699,006
Investment earnings	37,747	12,191	36,202	72,346	116,473	86,524	13,534	-	-	-
Miscellaneous income	50,948	(2,143)	295,172	(176,199)	38,857	44,500	13,816	570,743	575,824	537,251
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>15,406,163</u>	<u>15,660,029</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>	<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>\$ 15,406,163</u>	<u>\$ 15,660,029</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	\$ 2,132,087	\$ 2,587,467
Business-type activities	187,520	1,008	(4,438)	(121,119)	20,300	3,619	10,072	(2,074)	(8,487)	4,293
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>\$ 2,123,600</u>	<u>\$ 2,591,760</u>

Source: CAFR Schedule A-2

**Hackettstown School District
Fund Balances, Governmental Funds,
Last Ten Fiscal Years**

(modified accrual basis of accounting)

Exhibit J-3

	Fiscal Year Ending June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Reserved	\$ 515,896	\$ 432,268	\$ 1,789,262	\$ 2,940,281	\$ 3,460,457	\$ 3,834,499	\$ 3,979,652	\$ 3,173,058	\$ 4,852,655	\$ 5,302,291
Unreserved	578,571	542,061	225,190	231,263	288,300	296,498	(6,417)	102,551	110,933	(123,596)
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>	<u>\$ 4,963,588</u>	<u>\$ 5,178,695</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	\$ 4,953	\$ 990,278
Debt service fund	31,055	\$ 41,316	46,897	46,897	23,683	29,118	29,118	29,118	29,124	29,124
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>	<u>\$ 34,077</u>	<u>\$ 1,019,402</u>

Source: CAFR Schedule B-1

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

Exhibit J-4

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Revenues										
Tax levy	\$ 10,778,335	\$ 11,420,036	\$ 12,249,151	\$ 12,879,110	\$ 13,395,160	\$ 13,824,080	\$ 14,008,271	\$ 14,476,862	\$ 14,830,339	\$ 14,423,772
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	7,652,938	7,657,496
Miscellaneous	914,211	10,048	331,374	136,917	155,330	131,024	27,350	570,743	575,824	537,251
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	6,250,023	7,643,381
Federal sources	438,280	560,068	749,673	782,882	732,440	594,425	718,915	1,789,919	643,961	853,132
Total revenue	23,053,659	24,151,460	26,839,279	27,240,701	28,523,811	29,362,723	29,051,241	29,746,251	29,953,085	31,115,032
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	8,925,571	8,824,824
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	2,258,567	2,526,023
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	1,410,960	1,379,950
Other instruction	566,855									-
Support Services:										
Tuition	642,243	595,539	650,477	652,442	792,633	953,174	997,494	1,008,646	950,970	692,987
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	2,901,259	3,186,892
General administrative services	803,696	818,778	918,748	935,876	798,258	952,427	895,606	977,389	993,139	952,194
School administrative services	978,476	1,038,305	1,031,272	986,022	989,951	1,073,992	1,094,790	1,097,396	1,084,897	1,106,192
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	2,006,766	1,962,184
Pupil transportation	462,827	396,989	358,053	428,994	407,550	419,803	502,851	499,473	345,153	390,447
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	6,395,381	6,627,566
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	670,224	1,945,041
Debt service:										
Principal			130,000	135,000	140,000	150,000	160,000	180,000	195,000	200,000
Interest and other charges	197,765	315,005	189,255	183,160	170,453	149,535	142,405	134,675	127,213	120,300
Total expenditures	28,507,112	24,569,525	25,466,502	26,035,917	28,050,510	28,976,868	29,205,992	30,443,877	28,265,100	29,914,600
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)	1,687,985	1,200,432
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)	-	(735)	(325)	(2,106,182)	-	-	-	-	-	-
Net change in fund balances	\$ (5,453,453)	\$ (418,800)	\$ 1,372,452	\$ (901,398)	\$ 473,301	\$ 385,855	\$ (154,751)	\$ (697,626)	\$ 1,687,985	\$ 1,200,432
Debt service as a percentage of noncapital expenditures	0.9%	1.4%	1.3%	1.3%	1.2%	1.1%	1.1%	1.1%	1.2%	1.1%

Source: CAFR Schedule B-2

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

Exhibit J-5

<u>Fiscal Year</u> <u>Ended June 30.</u>	<u>Interest on</u> <u>Investments</u>	<u>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
2011		31,897		615,914	106,078	753,889
2012	7,416	12,823		416,781	97,510	534,530

SOURCE: District Records

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

Exhibit J-6

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Less: Tax-Exempt Property	Public Utilities a	Net Valuation Taxable	Total Direct School Tax Rate b	Estimated Actual (County Equalized Value)
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
2011	16,257,100	674,037,600	-	-	216,404,300	121,495,800	69,479,300	1,255,658,275	153,002,400	4,981,775	1,102,655,875	\$1.345	1,148,402,733
2012	13,219,400	677,005,900	-	-	205,832,850	119,045,100	64,936,400	1,238,634,633	153,786,000	4,808,983	1,084,848,633	\$1.330	1,099,941,693

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			
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
2011	\$1.316	\$0.029	\$1.345	\$0.524	\$0.589	\$2.458
2012	\$1.300	\$0.030	\$1.330	\$0.528	\$0.627	\$2.485

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 Eleven Years Ago**

Exhibit J-8

Taxpayer	2011			2002		
	Taxable Assessed Value	Rank [Optional]	District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	District Net Assessed Value
Food Manufactures, Inc.	\$ 56,623,600	1	5.22%	\$ 25,513,700	1	6.36%
Hackettstown Interstate, LLC	29,237,000	2	2.69%	10,345,800	2	2.58%
Hackettstown Community Hospital	15,449,700	3	1.42%			
Hackettstown 15, LLC	13,216,500	4	1.22%			
Riverside Gardens	8,333,000	5	0.77%			
Tri-Med Associates, LLC	6,377,600	6	0.59%			
Willow Co.	6,364,700	7	0.59%	4,100,000	5	1.02%
Hackettstown Commerce Park, LLC	6,009,300	8	0.55%			
Van Paffino's	5,600,000	9	0.52%			
Nisos Lemnos, LLC	5,520,000	10	0.51%			
Bell Atlantic				6,863,316	3	1.71%
A. Klingman Assoc.				4,464,500	4	1.11%
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>\$ 152,731,400.00</u>		<u>14.08%</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 Ten Fiscal Years**

Exhibit J-9

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2003	\$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%	-
2011	\$14,830,339	\$14,830,339	100.00%	-
2012	\$14,423,772	\$14,423,772	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 Ten Fiscal Years**

Exhibit J-10

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds ^b	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District		
2003	\$ 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	1.32%	\$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	1.05%	\$461.05
2009	3,495,000	-	-0-	687,166	-0-	4,182,166	1.02%	\$439.77
2010	3,315,000	-	-0-	367,558	-0-	3,682,558	0.87%	\$385.97
2011	3,120,000	-	-0-	-	\$ 619,422	3,739,422	0.87%	\$384.71
2012	2,920,000	-	-0-	-	213,233	3,133,233	0.73%	\$323.15

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 Ten Fiscal Years**

Exhibit J-11

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2003	\$ 4,176,000	-0-	\$ 4,176,000	0.70%	\$ 449 R
2004	\$ 4,056,000	-0-	\$ 4,056,000	0.71%	\$ 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 R
2009	\$ 3,495,000	-0-	\$ 3,495,000	0.58%	\$ 368 P
2010	\$ 3,315,000	-0-	\$ 3,315,000	0.54%	\$ 347 P
2011	\$ 3,120,000	-0-	\$ 3,120,000	0.28%	\$ 321 P
2012	\$ 2,920,000	-0-	\$ 2,920,000	0.27%	\$ 301 P

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.

P Projected

R Revised

* Current data unavailable

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

Exhibit J-12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes Town of Hackettstown	\$ 4,131,135	100.000%	\$ 4,131,135
Other debt Warren County	8,760,000	8.579%	<u>751,497</u>
Subtotal, overlapping debt			4,882,632
Hackettstown School District Direct Debt			<u>2,920,000</u>
Total direct and overlapping debt			<u><u>\$ 7,802,632</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 Ten Fiscal Years**

Exhibit J-13

Legal Debt Margin Calculation for Fiscal Year 2012

	Equalized valuation basis
	2009 1,124,398,381
	2010 1,103,963,693
	2011 1,040,400,395
	[A] \$ <u>3,268,762,469</u>
Average equalized valuation of taxable property	[A/3] \$ 1,089,587,490
Debt limit (4 % of average equalization value)	[B] 43,583,500
Net bonded school debt	[C] <u>2,920,000</u>
Legal debt margin	[B-C] \$ <u>40,663,500</u>

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
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	\$43,947,717	\$ 43,583,500
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>	<u>3,120,000</u>	<u>2,920,000</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>	<u>\$40,827,717</u>	<u>\$40,663,500</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%	7.10%	6.70%

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>
2003	9,305	\$ 321,524,970	\$34,554 R	6.6%
2004	9,293	\$ 330,933,023	\$35,611 R	4.9%
2005	9,237	\$ 341,242,491	\$36,943 R	2.5%
2006	9,278	\$ 366,406,776	\$39,492 R	2.9%
2007	9,358	\$ 391,763,312	\$41,864 R	2.7%
2008	9,418	\$ 412,762,686	\$43,827 R	3.5%
2009	9,510	\$ 409,605,210	\$43,071 R	6.4%
2010	9,541	\$ 421,550,003	\$44,183 R	6.6%
2011	9,720	\$ 429,458,760	\$44,183 *	6.1%
2012	9,696	\$ 428,398,368	\$44,183 *	*

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

P =Projected

R =Revised

* Current data unavailable

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

Exhibit J-15
N/A

Employer	2012			2003		
	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 Ten Fiscal Years**

Exhibit J-16

<u>Function/Program</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Instruction										
Regular	157.0	159.0	154.0	152.0	147.0	127.0	127.0	139.0	124.0	128.5
Special education	46.0	46.0	49.0	49.0	43.0	57.0	57.0	56.0	59.0	54.5
Other instruction	17.0	17.0	16.0	16.0	20.0	18.0	19.0	21.0	19.0	20.0
Support Services:										
Student & instruction related services	13.0	14.0	11.0	11.0	12.0	23.5	23.5	24.0	16.0	20.0
General administrative services	10.0	10.0	10.0	9.0	9.0	9.0	9.0	6.0	9.0	9.5
School administrative services	16.0	15.0	15.0	15.0	15.0	13.0	13.0	8.0	9.0	15.5
Plant operations and maintenance	10.0	10.0	10.0	11.0	11.0	10.0	10.0	10.0	10.0	10.0
Pupil transportation	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.0	0.0
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>	<u>246.0</u>	<u>258.0</u>

Source: District Personnel Records

Hackettstown School District
 Operating Statistics
 Last Ten Fiscal Years

Exhibit J-17

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio			Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	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%
2011	1,835	\$ 27,272,663	\$ 14,862	-0.47%	171	8.8:1	9.7:1	12.6:1	1,836.9	1,773.8	2.45%	96.6%
2012	1,809	\$ 27,649,259	\$ 15,284	0.24%	172	8.8:1	9.7:1	12.6:1	1,786.7	1,700.7	-2.73%	95.2%

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 Ten Fiscal Years**

Exhibit J-18

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>District Building</u>										
<u>Elementary</u>										
High School (1959)										
Square Feet	133,062	133,062	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	1,078.0	1,078.0
Enrollment	916.0	923.0	978.0	985.0	929.1	963.1	937.0	949.0	933.0	908.0
Middle School (1875)										
Square Feet	84,059	84,059	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	499.0	499.0
Enrollment ^a	402.0	438.0	419.0	420.0	416.7	399.8	436.0	426.0	407.0	407.0
Hatchery Hill Elementary (1968)										
Square Feet	40,600	40,600	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	315.0	315.0
Enrollment ^a	302.0	277.0	269.0	270.0	263.9	253.4	242.0	220.0	215.0	202.0
Willow Grove Elementary (1971)										
Square Feet	40,855	40,855	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	350.0	350.0
Enrollment ^a	250.0	285.0	282.0	275.0	246.7	251.6	240.0	260.0	280.0	292.0

Number of Schools at June 30, 2012

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 Ten Fiscal Years Ending June 30, 2012

Exhibit J-19

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

<u>School Facilities</u>	<u>Project #</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>Total</u>
High School		\$85,612	\$70,192	\$53,160	\$54,876	\$60,944	\$57,951	\$61,190	\$54,653	\$53,807	\$59,501	\$611,886
Middle School		50,475	56,153	60,540	38,065	43,019	40,907	43,193	38,579	37,981	42,001	450,913
Hatchery Hill		39,035	26,322	36,939	32,382	35,849	34,089	35,994	32,149	31,651	35,001	339,411
Willow Grove		39,769	22,182	22,884	36,472	39,434	37,498	39,594	35,364	34,817	38,500	346,514
Total School Facilities		103,723	158,534	173,523	161,795	179,246	170,445	179,971	160,745	158,256	175,003	597,575
Other Facilities												
Grand Total		\$103,723	\$158,534	\$173,523	\$161,795	\$179,246	\$170,445	\$179,971	\$160,745	\$158,256	\$175,003	\$1,621,241

HACKETTSTOWN SCHOOL DISTRICT

INSURANCE SCHEDULE
JUNE 30, 2012
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)	\$ 250,000,000	\$ 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	10,000,000	5,000
CRIME - School Alliance Insurance Fund		
Blanket Employee Dishonesty	500,000	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, 2012, and have issued our report thereon dated October 19, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

Management of the Hackettstown School District is responsible for establishing and maintaining effective 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.

We noted certain matters that we reported to the Board of Education of the Hackettstown School District in a separate report entitled, Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance dated October 19, 2012.

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 19, 2012



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

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 could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2012. The 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 could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2012.

Internal Control Over Compliance

The management of the Board of Education 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 19, 2012

HACKETTSTOWN SCHOOL DISTRICT

K-3

Schedule A

Schedule of Expenditures of Federal Awards
for the Fiscal Year ended June 30, 2012

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, 2011	Carryover/ Walkover Amount	Cash Received	Budgetary Expenditures	Adjust.	Repayment of Prior Years' Balances	Balance at June 30, 2012			Cumulative Total Expenditures
				From	To							Accounts Receivable	Deferred Revenue	Due to Grantor	
U.S. Department of Education															
Passed-through State															
Department of Education:															
General Fund:															
Education Jobs Fund	84.410A	ARRA_11	\$ 188,249	8/10/10	9/30/12			\$ 151,832	\$ (188,249)			\$ (36,417)			\$ 188,249
Medical Assistance Aid	93.778	N/A	20,703	7/1/11	6/30/12			20,703	(20,703)						20,703
Total General Fund						-	-	172,535	(208,952)	-	-	(36,417)	-	-	208,952
U.S. Department of Education Passed-Through State Department of Education:															
Special Revenue Fund:															
Title I	84.010A	NCLB553012	\$156,491	9/1/11	8/31/12			127,199	(156,491)			(29,292)	-		156,491
Title I	84.010A	NCLB553011	152,436	9/1/10	8/31/11	\$ (46,339)		46,357	(18)						152,436
Total Title I Cluster						(46,339)	-	173,556	(156,509)	-	-	(29,292)	-	-	308,927
Title II Part A	84.367A	NCLB553012	38,567	9/1/11	8/31/12			32,050	(38,567)			(6,517)	-		38,567
Title II Part A	84.367A	NCLB553011	44,967	9/1/10	8/31/11	(22,092)		22,368	(276)				-		44,967
Title II Part A	84.367A	NCLB553010		9/1/09	8/31/10	(6,848)		6,848					-		43,013
Total Title IIA						(28,940)	-	61,266	(38,843)	-	-	(6,517)	-	-	126,547
Title II Part D	84.318X	NCLB553011	287	9/1/10	8/31/11	(1)		1					-		287
Title II Part D	84.318X	NCLB553010		9/1/09	8/31/10	(346)		346					-		1,914
Total Title IID						(347)	-	347		-	-		-	-	2,201
Title III	84.294	NCLB553012	14,392	9/1/11	8/31/12			12,302	(14,392)			(2,090)	-		14,392
Title III	84.294	NCLB553011	20,872	9/1/10	8/31/11	(2,121)		2,121					-		20,872
Title III	84.294	NCLB553010		9/1/09	8/31/10	(771)		771					-		16,653
Total Title III						(2,892)	-	15,194	(14,392)	-	-	(2,090)	-	-	51,917
Title III (Immigrant)	84.294	NCLB553011	6,667	9/1/10	8/31/11	(1,500)		1,500					-		6,667
Total Title III (Immigrant)						(1,500)	-	1,500		-	-		-	-	6,667
Title IV	84.186A	NCLB553010	5,136	9/1/09	8/31/10	(3,336)		3,336					-		5,136
Title IV	84.186A	NCLB553009		9/1/08	8/31/09	(2,192)		2,192					-		4,920
Total Title IV						(5,528)	-	5,528		-	-		-	-	10,056
Title V	84.298A	NCLB553008		9/1/07	8/31/08	1,506					\$ (1,506)				
Vocational - Secondary	84.048A	PERK410012	15,858	7/1/11	6/30/12			14,344	(15,858)			(1,514)	-		15,858
Vocational - Secondary	84.048A	PERK410011	17,242	7/1/10	6/30/11	(5,805)		5,870					65		17,135
						(5,805)	-	20,214	(15,858)	-	-	(1,514)	65	-	32,993
I.D.E.A. Part B, Basic Regular	84.027	FT553012	348,524	9/1/11	8/31/12			300,030	(348,524)			(48,494)	-		348,524
I.D.E.A. Part B, Basic Regular	84.027	FT553011	344,602	9/1/10	8/31/11	(63,680)		90,611	(21,280)	\$ (5,651)			-		344,602
I.D.E.A. Part B, Basic Regular	84.027	FT553010		9/1/09	8/31/10	(30,983)		9,079		21,904			-		321,842
I.D.E.A. Part B, Basic Preschool	84.173A	FT553012	10,646	9/1/11	8/31/12			174	(10,646)			(10,472)	-		10,646
I.D.E.A. Part B, Basic Preschool	84.173A	FT553011	10,698	9/1/10	8/31/11	(1,548)		3,913	(792)	(2,242)		(669)	-		10,698
I.D.E.A. Part B, Basic Preschool	84.173A	FT553010		9/1/09	8/31/10	(60)		60					-		10,216
ARRA - I.D.E.A. Part B	84.391	FT553010	349,994	9/1/09	8/31/11	105			(105)				-		349,994
Total Special Education Cluster						(96,166)	-	403,867	(381,347)	14,011	-	(59,635)	-	-	1,396,522
Teacher Quality Mentoring	84.336	N/A		9/1/05	8/31/06			344					344		
Total Special Revenue Fund						(185,667)	-	681,472	(606,949)	14,011	(1,506)	(99,048)	409	-	1,935,830
U.S. Department of Agriculture															
Passed-Through State Dept. of Education															
Enterprise Fund:															
Child Nutrition Cluster:															
National School Lunch (Food Distribution)	10.555	N/A		7/1/10	6/30/11	849			(849)						849
National School Lunch (Food Distribution)	10.555	N/A	23,521	7/1/11	6/30/12			23,521	(21,595)				1,926		21,595
School Breakfast Program	10.553	N/A		7/1/10	6/30/11	(2,067)		2,067							
School Breakfast Program	10.553	N/A	31,892	7/1/11	6/30/12			29,723	(31,892)			(2,169)			31,892
National School Lunch Program	10.555	N/A		7/1/10	6/30/11	(5,562)		5,562							
National School Lunch Program	10.555	N/A	137,563	7/1/11	6/30/12			130,480	(137,563)			(7,083)			137,563
Special Milk Program	10.556	N/A		7/1/10	6/30/11	(17)		17							
Special Milk Program	10.556	N/A	457	7/1/11	6/30/12			425	(457)			(32)			457
Total Enterprise Fund						(6,797)	-	191,795	(192,356)	-	-	(9,284)	1,926	-	192,356
TOTAL FEDERAL ASSISTANCE						\$ (192,464)	-	\$ 1,045,802	\$ (1,008,257)	\$ 14,011	\$ (1,506)	\$ (144,749)	\$ 2,335	-	\$ 2,337,138

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, 2012

Schedule B

STATE GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE 6/30/2011	CARRY- OVER AMOUNT	CASH RECEIVED	BUDGET. EXPEND.	ADJUST.	REPAYMENT OF PRIOR YEARS' BALANCES	BALANCE AT JUNE 30, 2012			MEMO		
										(ACCTS. RECEIV.)	INTERFUND PAYABLE/ DEFER. REVENUE	DUE TO GRANTOR	BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPEND.	
State Department of Education															
General Fund															
Equalization Aid	11-495-034-5120-078	7/1/10-6/30/11	\$ 3,954,636			\$ 3,954,636	\$ (3,954,636)							\$ 393,065	\$ 3,954,636
Special Education Aid	11-495-034-5120-089	7/1/10-6/30/11	685,905			685,905	(685,905)							68,175	685,905
Extraordinary Aid	11-495-034-5120-044	7/1/10-6/30/11	58,590				(58,590)			\$ (58,590)					58,590
Extraordinary Aid	10-495-034-5120-044	7/1/09-6/30/10		\$ (99,458)		99,458									-
On-behalf TPAF Pension Contrib.	11-495-034-5095-001	7/1/10-6/30/11	1,269,214			1,269,214	(1,269,214)								1,269,214
Reimb. TPAF Soc.Secur.Contrib.	11-495-034-5095-002	7/1/10-6/30/11	963,661	(48,696)		946,586	(963,661)			(65,771)					963,661
Total General Fund				(148,154)		6,955,799	(6,932,006)			(124,361)				461,240	6,932,006
Special Revenue Fund															
Character Education Partnership	06-100-034-5120-418	7/1/05-6/30/06		95						\$ 95					-
N.J. Nonpublic Aid:															
Textbooks Aid	12-100-034-5120-064	7/1/11-6/30/12	8,602	217		8,602	(8,504)	\$ (217)			\$ 98				8,504
Nursing Services	12-100-034-5120-070	7/1/11-6/30/12	12,288	1,917		12,288	(12,115)	(1,917)				173			12,115
Auxiliary Services:															
Compensatory Education	12-100-034-512a-067	7/1/11-6/30/12	43,112	37,846		43,112	(25,020)	(37,846)				18,092			25,020
Handicapped Services:															
Examination and Classification	12-100-034-512b-066	7/1/11-6/30/12	17,875	3,510		17,875	(14,044)	(3,510)				3,831			14,044
Corrective Speech	12-100-034-512a-066	7/1/11-6/30/12	7,109	4,694		7,109	(1,006)	(4,694)				6,103			1,006
Supplementary Instruction	12-100-034-512c-066	7/1/11-6/30/12	12,276	4,447		12,276	(12,066)	(4,447)				210			12,066
Curriculum in Agricultural Science Educ.	CASE-NJDEPT AGR	7/1/10-6/30/11	7,722	17			(17)								17
Rebel	N/A	7/1/09-6/30/10		2,756							2,756				-
Total Special Revenue Fund				55,499	-	101,262	(72,772)	-	(52,631)	-	2,851	28,507		-	72,772
Capital Projects Fund:															
SDA Grant-School Addition and Renov.	SP#4670-070-01-0325	7/1/05-6/30/06	2,784,000	(188,145)						(188,145)					-
SDA Grant-MS Fire Escape	SP#1870-060-10-1007	7/1/11-6/30/12	22,955				(22,955)			(22,955)					22,955
SDA Grant-MS Boiler	SP#1870-060-10-1008	7/1/11-6/30/12	221,253				(221,253)			(221,253)					221,253
SDA Grant-HH Boiler	SP#1870-070-10-1009	7/1/11-6/30/12	185,498				(185,498)			(185,498)					185,498
SDA Grant-WG Boiler	SP#1870-090-10-1012	7/1/11-6/30/12	199,172				(199,172)			(199,172)					199,172
SDA Grant-HS Parking Paving	SP#1870-050-10-1004	7/1/11-6/30/12	52,051				(52,051)			(52,051)					52,051
SDA Grant-HH Playground	SP#1870-070-10-1010	7/1/11-6/30/12	18,077				(18,077)			(18,077)					18,077
Total Capital Projects Fund				(188,145)	-	-	(699,006)	-	-	(887,151)	-	-		-	699,006
State Department of Agriculture															
Enterprise Fund:															
Nat.School Lunch Prog.(State Share)	11-100-010-3350-023	7/1/10-6/30/11		(251)		251									-
Nat.School Lunch Prog.(State Share)	12-100-010-3350-023	7/1/11-6/30/12	5,354			5,089	(5,354)			(265)					5,354
Total Enterprise Fund				(251)		5,340	(5,354)			(265)					5,354
Total State Financial Assistance				\$ (281,051)	-	\$ 7,062,401	\$ (7,709,138)	-	\$ (52,631)	\$ (1,011,777)	\$ 2,851	\$ 28,507		\$ 461,240	\$ 7,709,138

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, 2012

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 (\$65,062) for the general fund and \$41,940 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, 2012

NOTE 3. (Continued)

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 208,952	\$ 6,866,944	\$ 7,075,896
Special Revenue Fund	644,180	77,431	721,611
Food Service Fund	<u>192,356</u>	<u>5,354</u>	<u>197,710</u>
Total Financial Assistance	<u>\$ 1,045,488</u>	<u>\$ 6,949,729</u>	<u>\$ 7,995,217</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, 2012. TPAF Social Security Contributions represents the amount reimbursed by the state for employer's share of social security contributions for TPAF members for the year ended June 30, 2012.

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

Part I - Summary of Auditor's Results

Financial Statement Section

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

Federal Awards Section

- 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)

84.410
10.556
10.555
10.553

NAME OF FEDERAL PROGRAM OR CLUSTER

EDUCATION JOBS
SPECIAL MILK PROGRAM
NATIONAL SCHOOL LUNCH PROGRAM
SCHOOL BREAKFAST PROGRAM

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

Section II-Financial Statement Findings

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

Section III - 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-There were no State financial assistance findings or questioned costs noted, that are required to be reported in accordance with NJOMB Circular 04-04.

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

In accordance with government auditing standards, our procedures included a review of all prior year recommendations. State OMB Circular 04-04 Finding #2011-1 was corrected in fiscal year 2012.