

SCHOOL DISTRICT
OF
HARMONY TOWNSHIP

Harmony Township School District
Board of Education
Phillipsburg, Warren County
New Jersey

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

Comprehensive Annual

Financial Report

of the

**Harmony Township School District
Board of Education**

Phillipsburg, New Jersey

For the Fiscal Year Ending June 30, 2012

Prepared by

Harmony Township School District

Board of Education

Finance Department

OUTLINE OF CAFR

INTRODUCTORY SECTION

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

FINANCIAL SECTION

Independent Auditor's Report	5-6
Required Supplementary Information – Part I Management's Discussion and Analysis	7
Basic Financial Statements	
A. District-Wide Financial Statements:	
A-1 Statement of Net Assets	8
A-2 Statement of Activities	9
B. Fund Financial Statements:	
Governmental Funds:	
B-1 Balance Sheet	10
B-2 Statement of Revenues, Expenditures and Changes in Fund Balance	11
B-3 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Proprietary Funds:	
B-4 Statement of Net Assets	13
B-5 Statement of Revenues, Expenses and Changes in Fund Net Assets	14
B-6 Statement of Cash Flows	15
Fiduciary Funds:	
B-7 Statement of Fiduciary Net Assets	16
B-8 Statement of Changes in Fiduciary Net Assets	17
Notes to the Financial Statements	18-36
Required Supplementary Information – Part II	
C. Budgetary Comparison Schedules:	
C-1 Budgetary Comparison Schedule - General Fund	37-45
C1a Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	N/A
C-1b Education Jobs Fund Program – Budget and Actual	46
C-2 Budgetary Comparison Schedule - Special Revenue Fund	47
Notes to Required Supplementary Information	
C-3 Budget-to-GAAP Reconciliation	48

OUTLINE OF CAFR

	<u>Page</u>
Other Supplementary Information	
D. School Level Schedules:	
D-1 Combining Balance Sheet	N/A
D-2 Blended Resource Fund – Schedule of Expenditures Allocated by Resource Type – Actual	N/A
D-3 Blended Resource Fund – Schedule of Blended Expenditures – Budget and Actual	N/A
E. Special Revenue Fund:	
E-1 Combining Schedule of Program Revenues and Expenditures, Special Revenue Fund – Budgetary Basis	49
E-2 Schedule(s) of Preschool Education Aid Expenditures – Preschool-All Programs- Budgetary Basis	N/A
F. Capital Projects Fund:	
F-1 Summary Schedule of Project Expenditures	50
F-2 Summary Schedule of Revenues and Expenditures	51
F-2a- Schedule of Project Revenues and Expenditures - Detail Schedules F-2d	52-58
G. Proprietary Funds	
Enterprise Fund:	
G-1 Combining Statement of Net Assets	See B-4
G-2 Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	See B-5
G-3 Combining Statement of Cash Flows	See B-6
Internal Service Fund:	
G-4 Combining Statement of Net Assets	N/A
G-5 Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	N/A
G-6 Combining Statement of Cash Flows	N/A
H. Fiduciary Funds:	
H-1 Combining Statement of Fiduciary Net Assets	59
H-2 Combining Statement of Changes in Fiduciary Net Assets	60
H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements	61
H-4 Payroll Agency Fund Schedule of Receipts and Disbursements	62
I. Long-Term Debt:	
I-1 Schedule of Serial Bonds	N/A
I-2 Schedule of Obligations Under Capital Leases	N/A
I-3 Budgetary Comparison Schedule Debt Service Fund	N/A

OUTLINE OF CAFR

STATISTICAL SECTION (Unaudited)

	<u>Page</u>
Introduction to the Statistical Section	
Financial Trends	
J-1 Net Assets by Component	63
J-2 Changes in Net Assets	64-65
J-3 Fund Balances - Governmental Funds	66
J-4 Changes in Fund Balances - Governmental Funds	67
J-5 General Fund Other Local Revenue by Source	68
Revenue Capacity	
J-6 Assessed Value and Estimated Actual Value of Taxable Property	69
J-7 Direct and Overlapping Property Tax Rates	70
J-8 Principal Property Taxpayers	71
J-9 Property Tax Levies and Collections	72
Debt Capacity	
J-10 Ratios of Outstanding Debt by Type	73
J-11 Ratios of General Bonded Debt Outstanding	74
J-12 Direct and Overlapping Governmental Activities Debt	75
J-13 Legal Debt Margin Information	76
Demographic and Economic Information	
J-14 Demographic and Economic Statistics	77
J-15 Principal Employers	78
Operating Information	
J-16 Full-time Equivalent District Employees by Function/Program	79
J-17 Operating Statistics	80
J-18 School Building Information	81
J-19 Schedule of Required Maintenance Expenditures by School Facility	82
J-20 Insurance Schedule	83

SINGLE AUDIT SECTION

K-1 Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	84-84
K-2 Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with New Jersey OMB Circular 04-04	86-87
K-3 Schedule of Expenditures of Federal Awards, Schedule A	N/A
K-4 Schedule of Expenditures of State Financial Assistance, Schedule B	88
K-5 Notes to the Schedules of Awards and Financial Assistance	89-90
K-6 Schedule of Findings and Questioned Costs	91-99
K-7 Summary Schedule of Prior Audit Findings	100

Introductory Section

Harmony Township School
2551 Belvidere Road
Phillipsburg, NJ 08865
Phone: (908) 859-1001
Fax: (908) 859-2277
www.harmonytownshipschool.org

Mr. Dirk Swaneveld
Chief School Administrator

Jennifer Thomas
School Business Administrator

October 31, 2012

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

Dear Board Members:

The Comprehensive Annual Financial Report of the Harmony Township School District for the fiscal year ended June 30, 2012 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (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 organizational chart and a list of principal officials. The financial section includes the general purpose financial statements and schedules, as well as the auditors' 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 audit in conformity with the provisions of the Single Audit Act of 2007 and the U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments", and the state Treasury Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments". Information related to this single audit, including the auditors' report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, is included in the single audit section of this report.

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

Services for grade levels 9 through 12 are provided by Belvidere High School on a sending/receiving relationship basis for resident students. The District provides a full range of educational services appropriate to grade levels K through 8. These include regular, as well as special education for handicapped youngsters. The District completed the 2011-2012 fiscal year with a resident enrollment of 283 students, which is fewer students than the previous year's enrollment. The following details the changes in the student enrollment of the District over the last ten years.

Average Daily Enrollment		
Fiscal Year	Student Enrollment	Percent Change
2010-11	293	- 2.0%
2009-10	298	- 5.9%
2008-09	316	1.5%
2007-08	312	1.0%
2006-07	309	- 1.28%
2005-06	313	---
2004-05	313	+ 0.97%
2003-04	310	- 2.5%
2002-03	318	No change
2001-02	317	+13.21%
2000-01	280	- 1.76%

2) ECONOMIC CONDITIONS AND OUTLOOK: Harmony Township is essentially a rural community with a small population base. Several years ago a number of projects and housing developments were "on the books" totaling almost 1500 homes. Most options on farmlands have lapsed, or the projects failed to obtain the necessary financial support to be initiated due to general economic conditions. While there is considerable building in surrounding communities, most development in Harmony Township consists of individual single-family homes. As the surrounding communities become saturated, the potential for development becomes very real. There is currently one development proposal before the Planning Board (approximately 21 homes)

There is very little expectation for commercial or industrial development. The largest employer is a local golf course and club whose work force is largely made up of seasonal employees. The largest taxpayer is a reservoir operated by a power company consortium. It occupies almost 2000 township acres and accounts for approximately 47% of the tax base and hence the same amount of tax revenues.

There are four or five commercial/industrial facilities in the township such as quarries, small service providers / businesses, and a waste products recycling firm. The school district ranks as the second or third largest employer and expends the largest share of tax revenues.

The consistent enrollment appears to be related to an aging resident population coupled with the lack of available housing for new residents. Families whose children attended the township school and graduated from high school have remained in the community. Construction in surrounding communities has deflected growth to those areas. Previous renovations and construction projects will allow the district to absorb unanticipated enrollment growth "spurts" and provide time to accommodate any long-term growth patterns.

3) MAJOR INITIATIVES: In 2012 the Harmony Township School started various capital projects, which included a lighting retro-fit, HVAC project, and Roofing project.

The district continues to score above state and national norms and above expected local ranges on standardized testing programs. Comments received from students and high school staff indicates that the district is adequately preparing students for their high school experience.

Resident high school students of Harmony Township attend Belvidere High School. The district has continued its association with the cluster sending districts (Belvidere, Hope and White Townships) to improve the curriculum and programs and to maintain a positive working relationship between the respective Boards of Education.

A practical five-year program of building maintenance and improvement has been accepted and implemented by the Board of Education to insure the stability of the facility and to protect the community investment in the school property.

The Harmony Township School District receives only limited state aid. Overall, and in spite of this limited government support, the district has been able to offer students a broad program of studies. Approximately 82% of the costs of education are borne by the Township taxpayers. While the local tax rate is the lowest in the county, it presents an obstacle to positive school-community relationships. Reallocation of funds at the state level, while highly unlikely, would help the district immeasurably, and relieve the property owners' tax burden.

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

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

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

5) BUDGETARY CONTROLS: In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund and the special revenue fund. 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 reappropriation of the fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2012.

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

7) FINANCIAL INFORMATION AT FISCAL YEAR-END: As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. Surplus is sound and will adequately support future budget requirements along with state aid and local tax levy support.

8) DEBT ADMINISTRATION: The district is debt free.

9) CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 2. The District adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Government 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.

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

11) OTHER INFORMATION:

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

12) ACKNOWLEDGMENTS:

We would like to express our appreciation to the members of the Harmony Township Board for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation.

Respectfully Submitted,

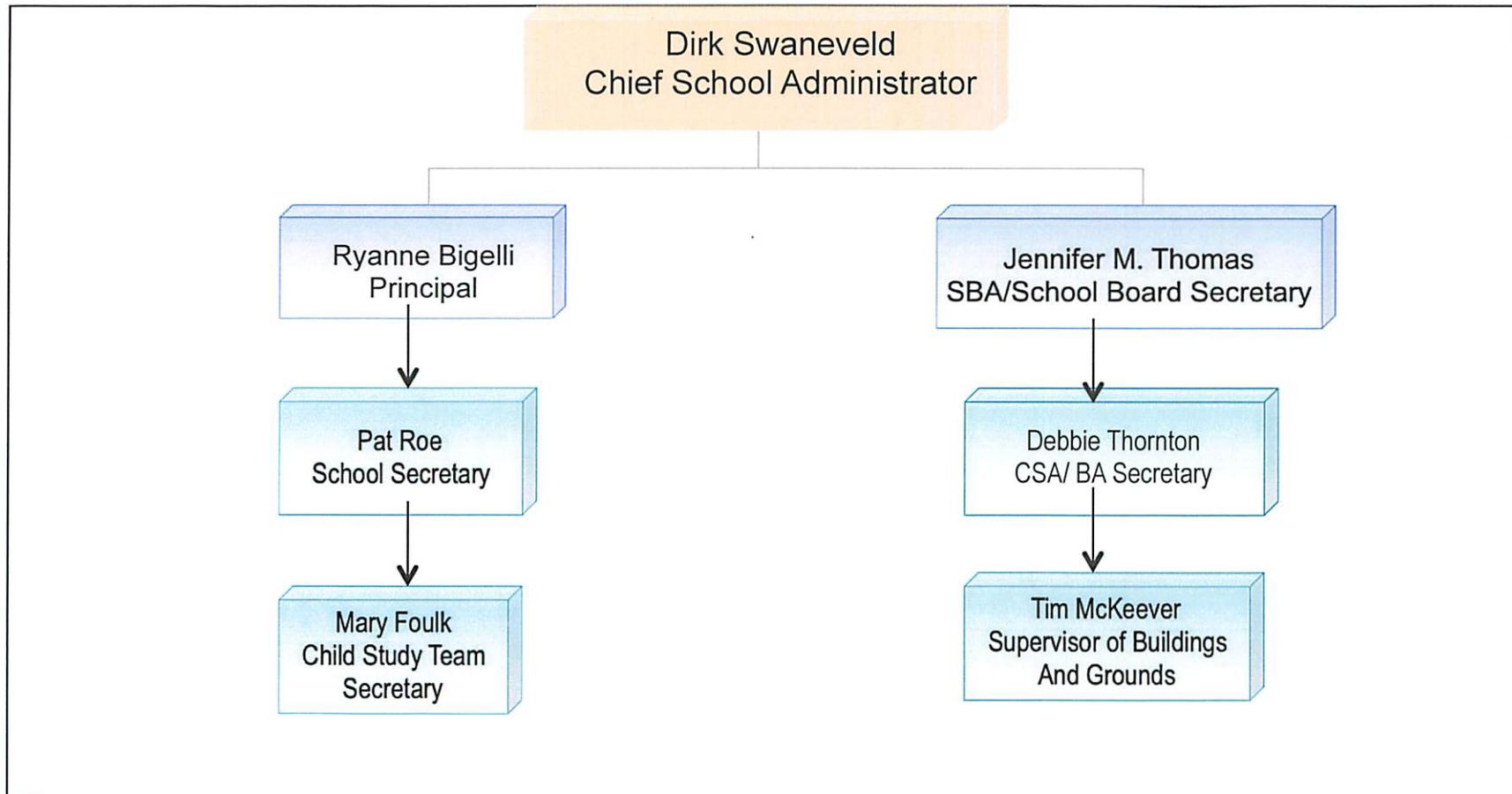


Mr. Dirk Swaneveld
Chief School Administrator



Jennifer Thomas
School Business Administrator

Harmony Township School 2012/2013



HARMONY TOWNSHIP SCHOOL DISTRICT

BOARD OF EDUCATION

ROSTER OF OFFICIALS

JUNE 30, 2012

Members of the Board of Education

Term Expires

Denise Ryczek, President	2014
Laura Murphy, Vice-President	2012
Keith Metz	2012
Heather Weidlick	2014
Denise Carney	2014
Angyne Schock-Smith	2012
Paul Williams	2013
Nicole Tipton	2013
James Tipton	2013

Other Officials

Dirk Swaneveld, **Chief School Administrator**

Jennifer Thomas, **School Business Administrator/Board Secretary**

Randy Wilson, **Treasurer**

HARMONY TOWNSHIP SCHOOL DISTRICT

BOARD OF EDUCATION

CONSULTANTS AND ADVISORS

Architect

Gianforaro Engineers & Architects

555 Main Street, Suite One
Chester, New Jersey 07930

Audit Firm

Ardito & Co., LLP

1110 Harrison Street, Suite C
Frenchtown, New Jersey 08825

Attorney

Courter, Kolbert, & Cohen

1001 Route 517
Hackettstown, New Jersey 07840

Official Depository

PNC Bank

101 Mansfield Street
Belvidere, New Jersey 07823

Financial Section

Independent Auditor's Report



ARDITO & Co., LLP

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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
Harmony Township School District
County of Warren
Phillipsburg, New Jersey 08865

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 Harmony Township School District in the County of Warren, State of New Jersey, as of and for the fiscal year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Harmony Township School District Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

-Continued-

In accordance with Government Auditing Standards, we have also issued our report dated October 31, 2012, on our consideration of the Harmony Township School District Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7 through 7.8, and 37 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The introductory section, combining and individual fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The combining and individual fund financial statements information and schedule of expenditures of state financial assistance has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements information and schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



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

Date: October 31, 2012

**Required Supplementary Information -
Part I**

Management's Discussion and Analysis

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

The discussion and analysis of Harmony Township School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2012 are as follows:

- ◆ In total, net assets increased \$286,664 which represents a 4.8 percent increase from 2011.
- ◆ General revenues accounted for \$5,904,854 in revenue or 84.3 percent of all revenues. Program specific revenues in the form of charges for services, operating grants were \$1,017,818 or 14.7 per cent of total revenues of \$6,922,672.
- ◆ Total assets of governmental activities increased by \$274,849 as cash and cash equivalents increased by \$7,488, receivables increased by \$65,445, and capital assets increased by \$201,870.
- ◆ The School District had \$6,636,008 in expenses; only \$1,017,818 of these expenses were offset by program specific charges for services, grants or contributions. General Revenues (primarily property taxes) of \$5,904,854 were adequate to provide for these programs.
- ◆ Among major funds, the General Fund had \$6,697,961 in revenues and \$6,327,414 in expenditures. The General Fund's surplus balance decreased \$19,453 over 2011, after a budgeted \$390,000 transfer of capital reserve to fund capital projects. The overall decrease in surplus of \$19,453 compares favorably to a budgeted decrease (use of surplus) of \$546,634.

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 Harmony Township School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities. The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail.

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

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

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

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

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Special Revenue Fund, Capital Projects Fund and Debt Service Fund.

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

Governmental Funds

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

The School District as a Whole

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

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

	Table 1	
	Net Assets	
	<u>2012</u>	<u>2011</u>
Assets		
Current and Other Assets	\$1,170,892	\$ 1,097,913
Capital Assets	<u>5,152,959</u>	<u>4,951,089</u>
Total Assets	<u>6,323,851</u>	<u>6,049,002</u>
Liabilities		
Long-Term Liabilities	57,220	68,040
Other Liabilities	<u>13,108</u>	<u>17,789</u>
Total Liabilities	<u>70,328</u>	<u>85,829</u>
Net Assets		
Invested in Capital Assets, Net of Debt	5,152,959	4,951,089
Restricted	561,678	596,598
Unrestricted	<u>535,200</u>	<u>415,486</u>
Total Net Assets	<u>\$ 6,249,837</u>	<u>\$ 5,963,173</u>

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

Total assets increased \$274,849. Cash and cash equivalents increased by \$7,488, receivables increased by \$65,445, and capital assets increased by \$201,870. Cash decreased and capital assets increased due to capital project spending. Receivables increased due to uncollected federal grants.

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	\$ 86,734	\$ 149,465
Operating Grants and Contributions	931,084	776,742
General Revenues:		
Property Taxes	5,838,218	6,027,917
Investment Earnings	714	2,010
Other	<u>65,922</u>	<u>5,818</u>
Total Revenues	<u>6,922,672</u>	<u>6,961,952</u>
Program Expenses		
Instruction	2,783,476	2,697,314
Support Services:		
Tuition	1,786,158	1,974,145
Pupils and Instructional Staff	702,306	711,401
General Administration, School Administration, Busine:	435,622	433,439
Operations and Maintenance of Facilities	494,828	526,054
Pupil Transportation	338,333	299,775
Business-Type Activities	84,489	95,841
Interest and Fiscal Charges	<u>10,796</u>	<u>24,705</u>
Total Expenses	<u>6,636,008</u>	<u>6,762,674</u>
Increase in Net Assets	<u>\$ 286,664</u>	<u>\$ 199,278</u>

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

Governmental Activities

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. Property taxes made up 85.3 percent of revenues for governmental activities for the Harmony Township School District for the fiscal year 2012.

Instruction comprises 42.0 percent of district expenses. Support services expenses make up 56.6 percent of the expenses.

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

Table 3

	Total Cost of Services <u>2012</u>	Net Cost of Services <u>2012</u>	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2011</u>
Instruction	\$ 2,783,476	\$2,319,960	\$ 2,697,314	\$ 2,269,359
Support Services:				
Tuition	1,786,158	1,584,567	1,974,145	1,796,922
Pupils and Instructional Staff	702,306	573,047	711,401	611,677
General Administration, School				
Administration, Business Admin.Serv.	435,622	386,456	433,439	394,528
Operation and Maintenance of Facilities	494,828	438,980	526,054	478,829
Pupil Transportation	338,333	300,148	299,775	272,864
Business-Type Activities	84,489	4,236	95,841	(12,417)
Interest and Depreciation	<u>10,796</u>	<u>10,796</u>	<u>24,705</u>	<u>24,705</u>
Total Expenses	<u>\$ 6,636,008</u>	<u>\$ 5,618,190</u>	<u>\$ 6,762,674</u>	<u>\$ 5,836,467</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.

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

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

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

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

The dependence upon tax revenues is apparent. Over 83.4 percent of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 87.4 percent. The community, as a whole, is the primary support for the Harmony Township School District.

The School District's Funds

Information about the School District's major funds starts on page 10 (Balance Sheet/Exhibit B-1) . These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$6,860,827 and expenditures of \$6,766,980. The net change in fund balance for the year was most significant in the Capital Fund, an increase of \$113,300 due to capital reserve funding from the current fund, net of spending, for various projects.

General Fund Budgeting Highlights

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

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

For the General Fund, budget basis revenue and other financing sources, excluding TPAF on-behalf amount, was \$6,363,432, \$203,776 over original budgeted estimates of \$6,159,656. This difference was due primarily to \$57,837 in extraordinary aid, and \$69,040 in additional state transportation revenue.

The General fund revenues and other financing sources/uses of the School District fell short of expenditures by \$5,561, compared to a budgeted deficiency (i.e. budgeted use of surplus) of \$546,638. This was achieved due to additional revenues as noted above, as well as expense savings in the instruction and benefits areas.

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

Capital Assets

At the end of the fiscal year 2012, the School District had \$5,152,959 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	\$ 2,500,000	\$ 2,500,000
Buildings and Improvements	2,612,735	2,389,688
Machinery and Equipment	<u>40,224</u>	<u>61,401</u>
Totals	<u>\$ 5,152,959</u>	<u>\$ 4,951,089</u>

Overall capital assets increased \$201,870 from fiscal year 2011 to fiscal year 2012, net of depreciation expense.

\$312,600 in improvements were purchased during fiscal year 2012.

Debt Administration

At June 30, 2012, the School District had \$57,220 as outstanding debt for compensated absences. The district has no other long term liabilities.

At June 30, 2012, the School District's overall legal debt margin was \$19,030,682 and the unvoted debt margin was the same at \$19,030,682.

For the Future

The Harmony Township School District is in very good financial condition presently. A major concern is the continued reliance on local property taxes in light of continued state funding decreases. However, future finances are not without challenges as the community continues to grow and state funding is expected to decreased.

It has been increasingly difficult to balance educational needs with increases in property tax rates. The steady decrease in state aid to offset local property taxes in a predominately bedroom community is thought to be the main reason for the problem. In the past, the District garnered local support of its budget for over 10 years. This problem seems to be statewide and is not exclusive to the Harmony Township School District. The Harmony Township School District is primarily a residential community, with very few ratables, thus the burden is focused on homeowners to bear the tax burden.

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

In conclusion, the Harmony Township 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 the School Business Administrator/ Board Secretary at Harmony Township School District, 2551 Belvidere Road, Phillipsburg, NJ, 08865.

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.

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET ASSETS

JUNE 30, 2012

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>	<u>TOTAL</u>
ASSETS			
Cash and Cash Equivalents	\$ 455,261	\$ 5,699	\$ 460,960
Receivables from Other Governments	440,338	1,117	441,455
Interfund Receivables		105	105
Inventory		2,507	2,507
Restricted Assets:			
Capital Reserve Account - Cash	265,865		265,865
Capital Assets, Net (Note 6):	5,147,100	5,859	5,152,959
Total Assets	<u>6,308,564</u>	<u>15,287</u>	<u>6,323,851</u>
LIABILITIES			
Accounts Payable	7,286	3,686	8,585
Interfund Payables	105		105
Deferred Revenue	4,418	1,299	4,418
Noncurrent Liabilities (Note 7):			
Due Beyond One Year	57,220		57,220
Total Liabilities	<u>69,029</u>	<u>4,985</u>	<u>70,328</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	5,147,100	5,859	5,152,959
Restricted for:			
Other Purposes	561,678		561,678
Unrestricted	530,757	4,443	535,200
Total Net Assets	<u>\$ 6,239,535</u>	<u>\$ 10,302</u>	<u>\$ 6,249,837</u>

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

HARMONY TOWNSHIP 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	CAPITAL	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES
			GRANTS AND CONTRIBUTIONS	GRANTS AND CONTRIBUTIONS			
Governmental Activities:							
Instruction:							
Regular	\$ 2,176,954	\$ 36,493	\$ 358,570		\$ (1,781,891)	\$ (1,781,891)	
Special Education	551,929		62,292		(489,637)	(489,637)	
Other Special Instruction	54,593		6,161		(48,432)	(48,432)	
Support Services:							
Tuition	1,786,158		201,591		(1,584,567)	(1,584,567)	
Student & Instruction Related Serv.	702,306		129,259		(573,047)	(573,047)	
School Administrative Services	151,474		17,096		(134,378)	(134,378)	
General and Business Admin. Serv.	284,148		32,070		(252,078)	(252,078)	
Plant Operations and Maintenance	494,828		55,848		(438,980)	(438,980)	
Pupil Transportation	338,333		38,185		(300,148)	(300,148)	
Unallocated Depreciation	10,796				(10,796)	(10,796)	
Total Governmental Activities	6,551,519	36,493	901,072		(5,613,954)	(5,613,954)	
Business-Type Activities:							
Food Service	84,489	48,438	30,012		\$ (6,039)	(6,039)	
Child Care	-	1,803			1,803	1,803	
Total Business-Type Activities	84,489	50,241	30,012		(4,236)	(4,236)	
Total Primary Government	\$ 6,636,008	\$86,734	\$931,084		(\$5,613,954)	(\$4,236) \$ (5,618,190)	
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, Net				\$ 5,838,218		\$ 5,838,218	
Investment Earnings				714		714	
Miscellaneous Income				65,919	\$ 3	65,922	
Transfers				18,411	(18,411)	-	
Total General Revenues, Special Items, Extraor. Items and Transfers				5,923,262	(18,408)	5,904,854	
Change in Net Assets				309,308	(22,644)	286,664	
Net Assets—Beginning				5,930,227	32,946	5,963,173	
Net Assets—Ending				\$ 6,239,535	\$ 10,302	\$ 6,249,837	

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.

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit B-1

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS				
Cash and Cash Equivalents	\$ 721,126			\$ 721,126
Interfund Receivable	122,025	\$ 3,625		125,650
Receivables from Other Governments	57,837	103,366	\$ 279,135	440,338
TOTAL ASSETS	<u>\$ 900,988</u>	<u>\$ 106,991</u>	<u>\$ 279,135</u>	<u>\$ 1,287,114</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund Payable	\$ 3,730	\$ 95,287	\$ 26,738	\$ 125,755
Accounts Payable		7,286		7,286
Deferred Revenue		4,418		4,418
Total Liabilities	<u>3,730</u>	<u>106,991</u>	<u>26,738</u>	<u>137,459</u>
Fund Balances:				
<u>Restricted for:</u>				
Capital Reserve Account	15,865			15,865
Maintenance Reserve	250,000			250,000
Excess Surplus	112,206			112,206
Excess Surplus - Designated for Subsequent Year's Expenditures	34,155			34,155
<u>Assigned to:</u>				
Year-End Encumbrances	60,398			60,398
General Fund-Designated for Subsequent Year's Expend.	149,452			149,452
Capital Projects Fund			252,397	252,397
<u>Unassigned:</u>				
General Fund	275,182			275,182
Total Fund Balances	<u>897,258</u>		<u>252,397</u>	<u>1,149,655</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 900,988</u>	<u>\$ 106,991</u>	<u>\$ 279,135</u>	<u>\$ 1,287,114</u>

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 \$7,483,687 and the accumulated depreciation is \$2,336,587. \$5,147,100

Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 7) (57,220)

Net assets of governmental activities \$6,239,535

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

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit B-2

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Local sources:				
Local Tax Levy	\$ 5,838,218			\$ 5,838,218
Tuition	36,493			36,493
Interest on Capital Reserve Account	60			60
Miscellaneous	84,984			84,984
Total - Local Sources	<u>5,959,755</u>			<u>5,959,755</u>
State Sources	719,944			719,944
Federal Sources	18,262	\$ 162,866		181,128
Total Revenues	<u>6,697,961</u>	<u>162,866</u>		<u>6,860,827</u>
EXPENDITURES				
Current:				
Regular Instruction	1,426,291	112,871		1,539,162
Special Education Instruction	418,016			418,016
Other Special Instruction	41,347			41,347
Support services and undistributed costs:				
Tuition	1,786,158			1,786,158
Student and Instruction Related Services	481,912	49,995		531,907
School Administrative Services	114,722			114,722
Other Administrative Services	215,206			215,206
Plant Operations and Maintenance	374,769			374,769
Pupil Transportation	338,333			338,333
Unallocated Benefits	1,082,319			1,082,319
Debt Service:				
Principal				
Interest and Other Charges				
Capital Outlay	48,341		\$ 276,700	325,041
Total Expenditures	<u>6,327,414</u>	<u>162,866</u>	<u>276,700</u>	<u>6,766,980</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>370,547</u>		<u>(276,700)</u>	<u>93,847</u>
OTHER FINANCING SOURCES (USES)				
Transfers to Capital Fund	(390,000)		390,000	
Total Other Financing Sources and Uses	<u>(390,000)</u>		<u>390,000</u>	
Net Change in Fund Balances	(19,453)		113,300	93,847
Fund Balance—July 1	916,711		139,097	1,055,808
Fund Balance—June 30	<u>\$ 897,258</u>		<u>\$ 252,397</u>	<u>\$ 1,149,655</u>

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

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit B-3

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

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ 93,847

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	\$ (107,959)	
	Capital Outlays	<u>312,600</u>	204,641

In the statement of activities, compensated absences in the statement of activities is accrued, regardless of when due. In the governmental funds, the amounts are expensed and reported when due. This is the amount by which current year's amount of accrual exceeds the prior year's amount.

10,820

Change in Net Assets of Governmental Activities \$ 309,308

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

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit B-4

STATEMENT OF PROPRIETARY NET ASSETS
 PROPRIETARY FUNDS

JUNE 30, 2012

		Business-Type Activities - Enterprise Funds	
		<u>Food Service</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash and Cash Equivalents		\$ 5,699	\$ 5,699
Accounts Receivable		1,117	1,117
Interfund Receivables		105	105
Inventories		2,507	2,507
Total Current Assets		9,428	9,428
Noncurrent Assets:			
Furniture, Machinery and Equipment		27,153	27,153
Less Accumulated Depreciation		(21,294)	(21,294)
Total Noncurrent Assets		5,859	5,859
	Total Assets	15,287	15,287
LIABILITIES			
Current liabilities:			
Accounts Payable		3,686	3,686
Deferred Revenue		1,299	1,299
Total Current Liabilities		4,985	4,985
	Total Liabilities	4,985	4,985
NET ASSETS			
Invested in Capital Assets Net of Related Debt		5,859	5,859
Unrestricted		4,443	4,443
Total Net Assets		\$ 10,302	\$ 10,302

HARMONY TOWNSHIP 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	Child Care	Total Enterprise
Operating Revenues:			
Charges for Services:			
Daily Sales - Reimbursable Programs	\$37,258		\$37,258
Daily Sales - Non-Reimbursable Programs	11,180		11,180
Miscellaneous	3	\$1,803	1,806
Total Operating Revenues	48,441	1,803	50,244
Operating Expenses:			
Cost of Sales	43,448		43,448
Salaries	20,653		20,653
Employee Benefits	5,436		5,436
Supplies	3,209		3,209
Other Purchased Professional Services	8,973		8,973
Depreciation	2,770		2,770
Total Operating Expenses	84,489		84,489
Operating Income (Loss)	(36,048)	1,803	(34,245)
Nonoperating Revenues (Expenses):			
State Sources:			
State School Lunch Program	961		961
Federal Sources:			
National School Lunch Program	19,386		19,386
Food Distribution Program	8,602		8,602
Special Milk Program	1,063		1,063
Total Nonoperating Revenues (Expenses)	30,012		30,012
Income (Loss) Before Contributions and Transfers	(6,036)	1,803	(4,233)
Transfer to Board of Education		(18,411)	(18,411)
Change in Net Assets	(6,036)	(16,608)	(22,644)
Total Net Assets—Beginning	16,338	16,608	32,946
Total Net Assets—Ending	\$10,302		\$10,302

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

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit B-6

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended June 30, 2012

	Business-Type Activities - Enterprise Funds		
	<u>Food Service</u>	<u>Child Care</u>	<u>Total Enterprise</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 48,440	\$ 1,803	\$ 50,243
Payments to Employees	(20,653)		(20,653)
Payments for Employee Benefits	(5,436)		(5,436)
Payments to Suppliers	(43,548)		(43,548)
Net Cash Provided by (used for) Operating Activities	(21,197)	1,803	(19,394)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State Sources	907		907
Federal Sources	19,386		19,386
Operating Subsidies Transfers from Other Funds	(105)	(18,411)	(18,516)
Net Cash Provided by (used for) Non-Capital Financing Activities	20,188	(18,411)	1,777
Net Increase (Decrease) in Cash and Cash Equivalents	(1,009)	(16,608)	(17,617)
Balances—Beginning of Year	6,708	16,608	23,316
Balances—End of Year	\$ 5,699	-	\$ 5,699
Reconciliation of Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:			
Operating Income (Loss)	\$ (36,048)	\$ 1,803	\$ (34,245)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:			
Depreciation and Net Amortization	2,770		2,770
Federal Commodities	8,602		8,602
(Increase) Decrease in Accounts Receivable			
(Increase) Decrease in Inventories	(207)		(207)
Increase (Decrease) in Accounts Payable	3,686		3,686
Total Adjustments	14,851		14,851
Net Cash Provided by (used for) Operating Activities	\$ (21,197)	\$ 1,803	\$ (19,394)

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

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit B-7

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

JUNE 30, 2012

	Unemployment Compensation Trust	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 65,401	\$ 67,802
	<u>65,401</u>	<u>67,802</u>
LIABILITIES		
Accounts Payable		\$ 35,834
Payroll Deductions		24,212
Payable to Student Groups		<u>7,756</u>
		<u>67,802</u>
NET ASSETS		
Held in Trust for Unemployment Claims & Other Purposes	<u>65,401</u>	<u> </u>

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

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit B-8

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

For the Year Ended June 30, 2012

Unemployment
Compensation
Trust

ADDITIONS

Contributions:	
Plan Member	\$7,705
Employer	<u>25,000</u>
Total Contributions	<u>32,705</u>
Investment Earnings:	
Interest	<u>20</u>
Net Investment Earnings	<u>20</u>
Total Additions	<u>32,725</u>

DEDUCTIONS

Unemployment Claims	<u>20,739</u>
Total Deductions	<u>20,739</u>
Change in Net Assets	11,986
Net Assets—Beginning of the Year	<u>53,415</u>
Net Assets—End of the Year	<u>\$65,401</u>

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

Notes to Financial Statements

HARMONY TOWNSHIP SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

A. Reporting Entity:

The Harmony Township School District is a Type II district located in the County of Warren, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The board is comprised of nine members elected to three-year terms. The purpose of the district is to educate students in grades K-8. The Harmony Township School District had an approximate enrollment at June 30, 2012, of 283 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.

HARMONY TOWNSHIP SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, Basis of Accounting:

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

Basis of Presentation

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

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

GOVERNMENTAL FUNDS

The District reports the following governmental funds:

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

HARMONY TOWNSHIP SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

GOVERNMENTAL FUNDS (Continued)

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

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

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.

HARMONY TOWNSHIP SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Additionally, the District reports the following fund type:

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

Basis of Accounting

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

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

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

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

HARMONY TOWNSHIP SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgets/Budgetary Control:

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

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

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

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

D. Encumbrance Accounting:

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

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

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

HARMONY TOWNSHIP SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity:

Cash and Cash Equivalents:

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

Interfund Transactions:

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

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

Inventories:

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

Allowance for Uncollectible Accounts:

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

Capital Assets:

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

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

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

HARMONY TOWNSHIP SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

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

Compensated Absences:

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

District employees are granted sick leave in varying amounts under the District's contracted personnel policies. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after fifteen years of service and payment is made on predetermined levels at retirement with provisions of the state retirement system.

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.

HARMONY TOWNSHIP SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

Net Assets:

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

Fund Balance Reserves:

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

Revenues—Exchange and Nonexchange Transactions

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

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

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

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

HARMONY TOWNSHIP SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

Operating Revenues and Expenses:

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

Allocation of Indirect Expenses:

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

Extraordinary and Special Items:

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

Management Estimates:

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

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.

HARMONY TOWNSHIP SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2: CASH AND CASH EQUIVALENTS (Continued):

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 and investments 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	\$710,959	\$133,203	\$844,162
	\$710,959	\$133,203	\$844,162

The carrying amount of the Board's cash and cash equivalents at June 30, 2012, was \$844,162 and the bank balance was \$990,896. 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 \$740,896 was covered by collateral pool.

Investments

Pursuant to the Enabling Act, the funds of the district may be invested in any direct obligations of, or obligations as to which the principal and interest thereof is guaranteed by, the United States of America or other obligations as the district may approve.

In order to maximize liquidity, the district utilizes the New Jersey Cash Management Fund ("NJCMF") as its sole investments. The NJCMF is administered by the New Jersey Department of Treasury. It invests pooled monies from various State and non-State agencies in primarily short-term investments. These investments include: U.S. Treasuries, short-term Commercial Paper, U.S. Agency Bonds, Corporate Bonds, and Certificates of Deposit. Agencies that participate in the NJCMF typically earn returns that mirror short-term investment rates. Monies can be freely added or withdrawn from the NJCMF on a daily basis without penalty. At June 30, 2012, the district's balance was \$ 15,866.

HARMONY TOWNSHIP SCHOOL DISTRICT

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

NOTE 2: CASH AND CASH EQUIVALENTS (Continued):

Custodial Credit Risk: Pursuant to GASB 40, the NJCMF, which is a pooled investment, is exempt from custodial credit risk disclosure. The district does not have a policy for custodial credit risk.

Credit Risk: The district does not have an investment policy regarding the management of credit risk. GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government. The NJCMF is not rated by a rating agency.

Interest Rate Risk: The district does not have a policy to limit interest rate risk. The average maturity of the district's investments is less than one year.

NOTE 3: RECEIVABLES

Receivables at June 30, 2012, consisted of intergovernmental amounts. 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	\$ 336,972	\$ 337,026
Federal Aid	<u>103,366</u>	<u>104,429</u>
Gross Receivable	440,338	441,455
Less: Allow. for Uncollectibles		
Total Receivables, Net	<u>\$ 440,338</u>	<u>\$ 441,455</u>

NOTE 4: INVENTORY

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

Food	\$ <u>2,507</u>
	<u>\$ 2,507</u>

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

NOTE 5: DEFERRED BOND ISSUANCE COSTS

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

HARMONY TOWNSHIP SCHOOL DISTRICT

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

NOTE 6: CAPITAL ASSETS

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

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	Ending <u>Balance</u>
Governmental Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 2,500,000			\$ 2,500,000
Total Capital Assets Not Being Depreciated	<u>2,500,000</u>	-	-	<u>2,500,000</u>
<i>Capital Assets Being Depreciated:</i>				
Land Improvements	2,100			2,100
Buildings and Building Improvements	4,242,292	\$ 312,600		4,554,892
Machinery and Equipment	426,695			426,695
Total at Historical Cost	<u>4,671,087</u>	<u>312,600</u>	-	<u>4,983,687</u>
Less Accumulated Depreciation for:				
Land Improvements	(2,100)			(2,100)
Building and Improvements	(1,852,604)	(89,553)		(1,942,157)
Equipment	(373,924)	(18,406)		(392,330)
Total Accumulated Depreciation	<u>(2,228,628)</u>	<u>(107,959)</u>	-	<u>(2,336,587)</u>
Total Capital Assets Being Depreciated, net of Accumulated Depreciation	<u>2,442,459</u>	<u>204,641</u>	-	<u>2,647,100</u>
Government Activity Capital Assets, Net	<u>\$ 4,942,459</u>	<u>\$ 204,641</u>	<u>\$ -</u>	<u>\$ 5,147,100</u>

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

Depreciation expense was charged to functions as follows:

Regular Instruction	\$ 97,163
Unallocated	<u>10,796</u>
Total	<u>\$ 107,959</u>

HARMONY TOWNSHIP SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 7: LONG-TERM OBLIGATIONS

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

A. Long-Term Obligation Activity:

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

	Balance		Balance	Amounts
	<u>7/1/11</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30/12</u>
				<u>Due Within</u>
				<u>One Year</u>
Governmental Activities:				
Other Liabilities:				
Compensated Absences Payable	\$68,040		(\$10,820)	\$57,220
Total	\$68,040	-	(\$10,820)	\$57,220

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.

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

HARMONY TOWNSHIP SCHOOL DISTRICT

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

NOTE 8: PENSION PLANS

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

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

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

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

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

HARMONY TOWNSHIP SCHOOL DISTRICT

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

NOTE 8: PENSION PLANS (Continued)

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

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

Three-Year Trend Information for PERS

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2012	\$39,592	100 %	-0-
6/30/2011	\$36,836	100 %	-0-
6/30/2010	\$30,588	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-

During the fiscal year ended June 30, 2012, the State of New Jersey did contribute \$210,796 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 \$137,625 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.

HARMONY TOWNSHIP SCHOOL DISTRICT

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

NOTE 9: POST-RETIREMENT BENEFITS

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

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

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

NOTE 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:

Equitable
Legg Mason
Roth IRA

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 sick leave in varying amounts under the District's contracted personnel policies. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after fifteen years of service and payment is made on predetermined levels at retirement with provisions of the state retirement system.

HARMONY TOWNSHIP SCHOOL DISTRICT

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

NOTE 11: COMPENSATED ABSENCES-(Continued)

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	\$20	\$7,705	\$20,739	\$65,401
2010-2011	\$2	\$4,275	\$33,414	\$53,415
2009-2010	\$14	\$4,310	\$18,127	\$4,164

NOTE 13: CONTINGENT LIABILITIES

GRANT PROGRAMS

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

LITIGATION

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

HARMONY TOWNSHIP SCHOOL DISTRICT

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

NOTE 14: FUND BALANCE APPROPRIATED

General Fund (Exhibit B-1) - Of the \$897,258 General Fund fund balance at June 30, 2012, \$60,398 is reserved for encumbrances; \$15,865 has been reserved in the Capital Reserve Account; \$250,000 has been reserved in the Maintenance Reserve Account; \$149,452 is designated for subsequent year's expenditures and has been appropriated and included as anticipated revenue for the year ending June 30, 2013; \$146,361 is reserved as excess surplus in accordance with N.J.S.A.18A:7F-7 (\$34,155 of the total reserve for excess surplus has been appropriated and included as anticipated revenue for the year ending June 30, 2013); and \$275,182 is unreserved and undesignated.

NOTE 15: CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Harmony Township School District Board of Education by inclusion of \$110,000 in the 89-90 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	\$405,805
Interest Earnings	60
Budgeted Withdrawals	(390,000)
Ending Balance, June 30, 2012	<u><u>\$15,865</u></u>

The June 30, 2012 LRFP balance of local support costs of uncompleted capital projects at June 30, 2012 is \$15,865. The withdrawals from the capital reserve were for use in a DOE approved facilities project, consistent with the district's Long Range Facilities Plan.

HARMONY TOWNSHIP SCHOOL DISTRICT

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

NOTE 16: 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 \$112,206.

NOTE 17: TUITION ADJUSTMENTS

A comparison of tentative tuition charges and actual certified tuition charges was made by the receiving district (Belvidere School District) for fiscal year 2009-2010 and certified by the state department. The resulting 2009-2010 tuition adjustment charge of \$63,616, in accordance with N.J.A.C 6a:23-3.1(f)3, was due in fiscal year 2011-2012, and was paid and reported in Harmony Township School District's 2011-2012 operating expenditures.

NOTE 18: INTERFUND BALANCES

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund		\$ 105
Enterprise Fund	105	
Total	<u>\$ 105</u>	<u>\$ 105</u>

The current fund owes the enterprise fund \$105 for the balance of Federal and State lunch subsidies.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 5,838,218		\$ 5,838,218	\$ 5,838,218	
Tuition	57,400		57,400	36,493	\$ (20,907)
Interest on Capital Reserve Account	1,000		1,000	60	(940)
Miscellaneous	4,500		4,500	84,984	80,484
Total - Local Sources	5,901,118		5,901,118	5,959,755	58,637
State Sources:					
Special Education Aid	209,681		209,681	209,681	
Transportation Aid	16,261	\$ 69,040	85,301	85,301	
Security Aid	32,596		32,596	32,596	
Other State Aid				57,837	57,837
TPAF Pension (On-Behalf - Non-Budgeted)				210,796	210,796
TPAF Social Security (Reimbursed - Non-Budgeted)				137,625	137,625
Total State Sources	258,538	69,040	327,578	733,836	406,258
Federal Sources:					
Jobs Education Grant		18,262	18,262	18,262	
Total Federal Sources		18,262	18,262	18,262	
TOTAL REVENUES	6,159,656	87,302	6,246,958	6,711,853	464,895

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction					
Pre-Kindergarten - Salaries of Teachers	65,595	(3,713)	61,882	61,571	311
Kindergarten - Salaries of Teachers	39,133	29,006	68,139	67,586	553
Grades 1-5 - Salaries of Teachers	537,771	178,841	716,612	710,123	6,489
Grades 6-8 - Salaries of Teachers	517,970	(124,348)	393,622	389,932	3,690
Regular Programs - Home Instruction:					
Salaries of Teachers	2,915	(2,255)	660		660
Purchased Professional - Educational Services		1,144	1,144		1,144
Textbooks	46,406	(45,081)	1,325	184	1,141
Regular Programs - Undistributed Instruction					
Purchased Technical Services	32,420	2,075	34,495	31,680	2,815
Other Purchased Services (400-500 series)	21,600	(5,469)	16,131	14,331	1,800
General Supplies	86,000	63,944	149,944	149,910	34
Textbooks		148	148		148
Other Objects	300	701	1,001	974	27
TOTAL REGULAR PROGRAMS - INSTRUCTION	1,350,110	94,993	1,445,103	1,426,291	18,812
SPECIAL EDUCATION - INSTRUCTION					
Resource Room/Resource Center:					
Salaries of Teachers	409,379	(69,244)	340,135	317,831	22,304
Other Salaries for Instruction	103,382	(8,928)	94,454	93,731	723
General Supplies	2,400	(1,540)	860	860	
Textbooks	22,500	(22,500)			
Total Resource Room/Resource Center	537,661	(102,212)	435,449	412,422	23,027
Preschool Disabilities - Part Time:					
Other Salaries for Instruction		9,913	9,913	5,594	4,319
Total Preschool Disabilities - Part Time		9,913	9,913	5,594	4,319
TOTAL SPECIAL EDUCATION - INSTRUCTION	537,661	(92,299)	445,362	418,016	27,346

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	53,713	(19,171)	34,542	12,005	22,537
Total Basic Skills/Remedial - Instruction	53,713	(19,171)	34,542	12,005	22,537
School Sponsored Co/Extra Curricular Activities-Instruction:					
Salaries	13,350	21,979	35,329	29,342	5,987
Supplies and Materials	200		200		200
Total School Sponsored Cocurricular Activities-Instruc.	13,550	21,979	35,529	29,342	6,187
Before/After School Programs:					
Salaries	5,000		5,000		5,000
Supplies and Materials	2,500		2,500		2,500
Total Before/After School Programs	7,500		7,500		7,500
Summer School:					
Salaries	5,000		5,000		5,000
Supplies and Materials	2,500		2,500		2,500
Total Summer School	7,500		7,500		7,500
TOTAL INSTRUCTION	1,970,034	5,502	1,975,536	1,885,654	89,882
UNDISTRIBUTED EXPENDITURES					
Instruction:					
Tuition to Other LEAs Within the State-Regular	1,555,043	3,975	1,559,018	1,505,992	53,026
Tuition to Other LEAs Within the State-Special	80,000	7,200	87,200	90,678	(3,478)
Tuition to County Voc. District - Regular	24,204		24,204	25,090	(886)
Tuition to County Voc. District - Special	23,205	2,275	25,480	21,539	3,941
Tuition to Private Schools for the Disabled-Within State	111,268	(43,592)	67,676	139,739	(72,063)
Tuition Other		10,916	10,916	3,120	7,796
Total Instruction	1,793,720	(19,226)	1,774,494	1,786,158	(11,664)

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Health Services:					
Salaries	83,500		83,500	80,870	2,630
Purchased Professional and Technical Services	3,000	(4,955)	(1,955)	45	(2,000)
Supplies and Materials	1,500		1,500	1,433	67
Total Health Services	88,000	(4,955)	83,045	82,348	697
Other Supp. Services Students-Related Services:					
Salaries	58,500	(16,719)	41,781	50,680	(8,899)
Purchased Professional - Educational Services	30,000	(12,342)	17,658	36,687	(19,029)
Supplies and Materials	1,500		1,500	825	675
Total Other Supp. Services Students-Related Services	90,000	(29,061)	60,939	88,192	(27,253)
Other Supp. Services Students-Extra.Serv.:					
Salaries	85,600	5,929	91,529	76,734	14,795
Total Other Supp. Services Students-Extra.Serv.	85,600	5,929	91,529	76,734	14,795
Other Supp. Services Students-Regular:					
Salaries of Other Professional Staff	17,400	(4,478)	12,922	10,187	2,735
Supplies and Materials	250		250		250
Total Other Supp. Services Students-Regular	17,650	(4,478)	13,172	10,187	2,985
Other Supp. Services Students-Special:					
Salaries of Other Professional Staff	76,800	13,184	89,984	70,063	19,921
Salaries of Secretarial and Clerical Assistants	24,400		24,400	23,764	636
Purchased Professional - Educational Services	25,000	500	25,500	25,103	397
Other Purchased Professional and Technical Services	7,000	3,541	10,541	10,541	
Misc. Purchased Services (400-500 series O/than Resid.Costs)	900	(500)	400		400
Supplies and Materials	2,200	1,500	3,700	2,551	1,149
Total Other Supp. Services Students-Special	136,300	18,225	154,525	132,022	22,503

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Improvement of Instruction Services:					
Salaries of Other Professional Staff	3,000		3,000	2,870	130
Other Purchased Professional and Technical Services	3,000	(2,858)	142	142	
Total Improvement of Instruction Services	6,000	(2,858)	3,142	3,012	130
Educational Media Services/School Library:					
Salaries	82,000	3,979	85,979	79,553	6,426
Supplies and Materials	6,500		6,500	5,911	589
Other Objects	5,000		5,000	255	4,745
Total Educational Media Services/School Library	93,500	3,979	97,479	85,719	11,760
Instructional Staff Training Services:					
Purchased Professional - Educational Services	1,000	900	1,900	900	1,000
Other Purchased Services (400-500 series)	1,000	4,294	5,294	2,798	2,496
Total Instructional Staff Training Services	2,000	5,194	7,194	3,698	3,496
Supp. Services - General Administration:					
Salaries	93,232	(48,546)	44,686	47,217	(2,531)
Legal Services	5,000	3,434	8,434	8,434	
Audit Fees	13,500		13,500	12,240	1,260
Other Purchased Professional Services	3,700	(3,700)			
Communications/Telephone	5,000	(5,883)	(883)		(883)
Other Purchased Services (400-500 series)	78,000	50,329	128,329	74,841	53,488
General Supplies	6,000	(1,770)	4,230	3,811	419
Miscellaneous Expenditures	1,000		1,000	538	462
BOE Membership Dues and Fees	7,000	(3,065)	3,935	3,636	299
Total Supp. Services - General Administration	212,432	(9,201)	203,231	150,717	52,514

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Support Services - School Administration:					
Salaries of Principals	81,600		81,600	79,623	1,977
Salaries of Secretarial and Clerical Assistants	34,800		34,800	32,628	2,172
Supplies and Materials	2,500	1,176	3,676	2,471	1,205
Total Support Services - School Administration	118,900	1,176	120,076	114,722	5,354
Central Services:					
Salaries	58,700		58,700	56,172	2,528
Purchased Professional Services	7,000	476	7,476	7,491	(15)
Supplies and Materials	4,000	(3,818)	182	251	(69)
Miscellaneous Expenditures		575	575	575	
Total Central Services	69,700	(2,767)	66,933	64,489	2,444
Administrative Information Tech.:					
Salaries		(4,763)	(4,763)		(4,763)
Total Administrative Information Tech.		(4,763)	(4,763)		(4,763)
Required Maintenance for School Facilities:					
Salaries	52,600		52,600	51,559	1,041
Cleaning, Repair and Maintenance Services	88,960	582	89,542	43,929	45,613
General Supplies	11,038	50,404	61,442	21,009	40,433
Total Required Maintenance for School Facilities	152,598	50,986	203,584	116,497	87,087
Other Operations and Maintenance of Plant:					
Salaries	88,900	3,904	92,804	95,504	(2,700)
Cleaning, Repair and Maintenance Services	17,000	(14,353)	2,647	2,547	100
Insurance	30,000		30,000	21,917	8,083
Miscellaneous Purchased Services	9,500	3,289	12,789	12,689	100
General Supplies	17,500	(2,997)	14,503	16,911	(2,408)
Energy (Electricity)	80,000	(30,347)	49,653	49,653	
Energy (Oil)	75,000	(16,655)	58,345	59,051	(706)
Total Other Operations and Maintenance of Plant	317,900	(57,159)	260,741	258,272	2,469

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Student Transportation Services					
Management Fee		(568)	(568)		(568)
Contracted Services - Aid in Lieu of Payments-Nonpublic Sch.	6,000	568	6,568	11,934	(5,366)
Contracted Services (Bet. Home and School)-Vendors	230,000	(6,448)	223,552	221,552	2,000
Contrac.Serv.(Other than Bet.Home and School)-Vendors	750		750	467	283
Contrac.Serv.(Bet.Home and School)-Joint Agreements					
Contracted Services (Special Ed. Students)-Vendors	26,595	(12,696)	13,899	13,899	
Contr Serv (Regular Students) - ESCs & CTSA	1,700	(1,700)			
Contr Serv (Sp. Ed. Students) - ESCs & CTSA	104,000	28,000	132,000	90,481	41,519
Total Student Transportation Services	369,045	7,156	376,201	338,333	37,868
UNALLOCATED BENEFITS					
Social Security Contributions	50,000		50,000	40,835	9,165
Other Retirement Contributions - Regular	40,966		40,966	39,592	1,374
Unemployment Compensation	50,000		50,000	25,000	25,000
Workmen's Compensation	25,000		25,000	22,149	2,851
Health Benefits	733,000	(3,497)	729,503	593,221	136,282
Tuition Reimbursement	12,000	1,500	13,500	2,281	11,219
Other Employee Benefits	10,000	11,000	21,000	10,820	10,180
TOTAL UNALLOCATED BENEFITS	920,966	9,003	929,969	733,898	196,071
On-behalf TPAF pension Contrib. (non-budgeted)				210,796	(210,796)
Reimbursed TPAF Social Security Contrib. (non-budgeted)				137,625	(137,625)
TOTAL ON-BEHALF CONTRIBUTIONS				348,421	(348,421)
TOTAL PERSONAL SERVICES-EMPLOYEE BENEFITS	920,966	9,003	929,969	1,082,319	(152,350)
TOTAL UNDISTRIBUTED EXPENDITURES	4,474,311	(32,820)	4,441,491	4,393,419	48,072
TOTAL GENERAL CURRENT EXPENSE	6,444,345	(27,318)	6,417,027	6,279,073	137,954

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Equipment:					
Undistributed Expenditures-Instructional Equipment-Grade 6-8	9,000		9,000		9,000
Total Equipment	<u>9,000</u>		<u>9,000</u>		<u>9,000</u>
Facilities Acquisition and Construction Services					
Undist. Expend. - Required Maint for School Fac.	9,800		9,800		9,800
Architectural/Engineering Services		11,392	11,392	11,392	
Construction Services		36,000	36,000	35,900	100
Other Objects	1,440		1,440	1,049	391
Total Facilities Acquisition and Construction Services	<u>11,240</u>	<u>47,392</u>	<u>58,632</u>	<u>48,341</u>	<u>10,291</u>
TOTAL CAPITAL OUTLAY	<u>20,240</u>	<u>47,392</u>	<u>67,632</u>	<u>48,341</u>	<u>19,291</u>
TOTAL EXPENDITURES	<u>6,464,585</u>	<u>20,074</u>	<u>6,484,659</u>	<u>6,327,414</u>	<u>157,245</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(304,929)</u>	<u>67,228</u>	<u>(237,701)</u>	<u>384,439</u>	<u>622,140</u>
Other Financing Sources:					
Operating Transfer In/(Out):					
Transfer to Capital Projects Fund	(390,000)		(390,000)	(390,000)	
Total Other Financing Sources:	<u>(390,000)</u>		<u>(390,000)</u>	<u>(390,000)</u>	

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	(694,929)	67,228	(627,701)	(5,561)	622,140
Fund Balance, July 1	935,474		935,474	935,474	
Fund Balance, June 30	<u>\$ 240,545</u>	<u>\$ 67,228</u>	<u>\$ 307,773</u>	<u>\$ 929,913</u>	<u>\$ 622,140</u>
Recapitulation:					
Restricted for:					
Capital Reserve				\$ 15,865	
Maintenance Reserve				250,000	
Excess Surplus				112,206	
Excess Surplus - Designated for Subseq. Year's Expenditures				34,155	
Assigned to:					
Year-End Encumbrances				60,398	
Designated for Subsequent Year's Expenditures				149,452	
Unassigned:					
Unrestricted Fund Balance				<u>307,837</u>	
Fund Balance per Governmental Funds(Budgetary Basis)				929,913	
Reconciliation to Governmental Funds Statement(GAAP Basis):					
Last State Aid Payment not recognized on GAAP basis				<u>(32,655)</u>	
Fund Balance per Governmental Funds(GAAP Basis)				<u>\$ 897,258</u>	

HARMONY TOWNSHIP SCHOOL DISTRICT
APPROPRIATIONS COMBINING SCHEDULE - FUNDS 11 AND 18
EDUCATION JOBS FUND - FUND 18
GENERAL FUND
 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					
2520	Grades 1-5 - Salaries of Teachers	11-120-100-101	\$ 691,861	\$ 18,262	\$ 710,123
TOTAL EXPENDITURES			\$ 691,861	\$ 18,262	\$ 710,123

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-2

**BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND**

For the Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable/ (Unfavorable)</u>
REVENUES:					
Federal Sources	\$ 165,131	\$ (6,873)	\$ 158,258	\$ 154,440	\$ (3,818)
Total Revenues	165,131	(6,873)	158,258	154,440	(3,818)
EXPENDITURES:					
Instruction					
Salaries of Teachers	42,296	64	42,360	42,360	
Tuition	70,511		70,511	70,511	
Total Instruction	112,807	64	112,871	112,871	
Support Services					
Personal Services - Employee Bene.	7,425	(64)	7,361	7,286	75
Purchased Profess. - Education Services	20,000		20,000	20,000	
Purchased Profess. and Tech Services	2,856		2,856	2,856	
Other Purchased Serv. (400-500 Series)	7,985		7,985	4,242	3,743
Supplies and Materials	7,185		7,185	7,185	
Total Support Services	45,451	(64)	45,387	41,569	3,818
Total Expenditures	158,258		158,258	154,440	3,818
Total Outflows	\$ 158,258	\$ -	\$ 158,258	\$ 154,440	\$ 3,818
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	<hr/> <hr/>				
Fund Balance per Governmental Funds(Budgetary Basis)	None				
Reconciliation to Governmental Funds Statement(GAAP Basis):					
Last State Aid Payment not recognized on GAAP basis	None				
Fund Balance per Governmental Funds(GAAP Basis)	<u>None</u>				

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

	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)	\$ 6,711,853	\$ 154,440
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	9,026
Current Year Encumbrances	N/A	(600)
Adjustment for: Prior year Final State Aid Payment excluded in State Source Revenues that is considered a revenue for GAAP reporting purposes	18,763	
Adjustment for: Final State Aid Payment included in State Source Revenues that is not considered a revenue for GAAP reporting purposes	<u>(32,655)</u>	<u>N/A</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds. (Exhibit B-2)	<u>\$ 6,697,961</u>	<u>\$ 162,866</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedules (Exhibits C-1 and C-2, respectively)	\$ 6,327,414	\$ 154,440
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	9,026
Current Year Encumbrances	N/A	(600)
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	<u> </u>	<u> </u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (Exhibit B-2)	<u>\$ 6,327,414</u>	<u>\$ 162,866</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.

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit E-1

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

For the Fiscal Year Ended June 30, 2012

	Title I	Title II Part A	IDEA Basic	IDEA Preschool	REAP	Totals
REVENUES						
Federal Sources	\$ 19,471	\$ 11,436	\$ 90,511	\$ 2,856	\$ 30,166	\$ 154,440
TOTAL REVENUES	19,471	11,436	90,511	2,856	30,166	154,440
EXPENDITURES:						
Instruction:						
Salaries of Teachers	16,621				25,739	42,360
Tuition			70,511			70,511
General Supplies						-
Total Instruction	16,621	-	70,511	-	25,739	112,871
Support Services:						
Personal Services - Employee Bene.	2,859				4,427	7,286
Purchased Profess. - Education Services			20,000			20,000
Purchased Profess. and Tech Services				2,856		2,856
Other Purchased Serv. (400-500 Series)	(9)	4,251				4,242
Supplies and Materials		7,185				7,185
Total Support Services	2,850	11,436	20,000	2,856	4,427	41,569
TOTAL EXPENDITURES	19,471	11,436	90,511	2,856	30,166	154,440
Total Outflows	19,471	11,436	90,511	2,856	30,166	154,440
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.

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit F-1

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

For the Fiscal Year Ended June 30, 2012

	<u>Date</u>	<u>Original</u>	<u>Revised</u>	<u>Expenditures to Date</u>		<u>Unexpended</u>
		<u>Appropriations</u>	<u>Appropriations</u>	<u>Prior</u>	<u>Current</u>	<u>Balance</u>
				<u>Years</u>	<u>Year</u>	<u>June 30, 2012</u>
Convert Walk-in Freezer to Refrigerator/New Freezer	9/24/2009					
- State Share		\$ 31,825	\$ 31,825	\$ 31,825		-
- Board of Education		47,738	48,344	86,234	-	\$ (37,890)
Upgrades to Domestic Water Service	9/29/2009					
- State Share		25,100	25,100	25,100		
- Board of Education		37,650	40,872	29,607		11,265
Replace Phone System	9/29/2009					
- State Share		11,460	11,460	11,460		
- Board of Education		17,190	17,190	16,628	-	562
Partial Roof Replacement (1955 and 1968 wings)	9/29/2009					
- State Share		210,750	210,750	210,750		-
- Board of Education		316,125	318,694	153,534	-	165,160
Lighting Retrofit Project	6/6/2011	98,000	98,000		\$ 55,000	43,000
Roofing Replacement Project	6/6/2011	224,000	224,000		36,700	187,300
HVAC/Plumbing Projects	6/6/2011	68,000	68,000		185,000	(117,000)
Totals		\$ 1,087,838	\$ 1,094,235	\$ 565,138	\$ 276,700	\$ 252,397

Fund Balance, June 30, 2012 \$ 252,397

HARMONY TOWNSHIP 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 reserve	\$ 390,000
Total Revenues	<u>390,000</u>

Expenditures and Other Financing

Uses

Construction Services	\$ 276,700
Purchased Professional Services	-
Infrastructure	-
Total Expenditures	<u>276,700</u>

Excess(deficiency) of revenues over(under)
expenditures 113,300

Fund Balance - Beginning 139,097

Fund Balance - Ending \$ 252,397

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit F-2a

**CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE,
AND PROJECT STATUS-BUDGETARY BASIS
COVERT WALK-IN FREEZER TO REFRIGERATOR AND INSTALL NEW WALK-IN FREEZER**

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	\$ 31,825		\$ 31,825	\$ 31,825
Transfer from capital outlay	48,344		48,344	48,344
Total Revenues	<u>80,169</u>	<u>-</u>	<u>80,169</u>	<u>80,169</u>
Expenditures and Other Financing Sources				
Construction Services				
Purchased Professional Services	\$ 118,059		\$ 118,059	\$ 80,169
Total Expenditures	<u>118,059</u>	<u>-</u>	<u>118,059</u>	<u>80,169</u>
Excess(deficiency) of revenues over(under) expenditures			<u>\$ (37,890)</u>	
			Project Fund Balance, 6/30/12	<u>\$ (37,890)</u>

Additional project information:

Project Number	SP#2040-030-09-0ZYV
Grant Date	9/24/2009
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$79,563
Additional Authorized Cost	\$606
Revised Authorized Cost	\$80,169
Percentage Increase over Original Authorized Cost	N/A
Percentage Completion	147%
Original Target Completion Date	6/30/2010
Revised Target Completion Date	6/30/2011

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit F-2b

CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE,
AND PROJECT STATUS-BUDGETARY BASIS
UPGRADES TO DOMESTIC WATER SERVICE

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

	<u>Prior</u>	<u>Current</u>	<u>Totals</u>	<u>Revised</u>
	<u>Periods</u>	<u>Year</u>		<u>Authorized</u>
				<u>Costs</u>
Revenues and Other Financing				
Sources				
State Sources - SDA Grant	\$ 25,100		\$ 25,100	\$ 25,100
Transfer from capital outlay	40,872		40,872	40,872
Total Revenues	<u>65,972</u>	<u>-</u>	<u>65,972</u>	<u>65,972</u>
Expenditures and Other Financing				
Sources				
Purchased Professional Services	\$ 6,222		\$ -	\$ -
Construction Services	48,485		48,485	65,972
Total Expenditures	<u>48,485</u>	<u>-</u>	<u>48,485</u>	<u>65,972</u>
Excess(deficiency) of revenues over(under) expenditures			<u>\$ 17,487</u>	

Project Fund Balance, 6/30/11 \$ 17,487

Additional project information:

Project Number	SP#2400-030-09-0ZJS
Grant Date	9/29/2009
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$62,750
Additional Authorized Cost	\$3,222
Revised Authorized Cost	\$65,972
Percentage Increase over Original Authorized Cost	N/A
Percentage Completion	73%
Original Target Completion Date	6/30/2010
Revised Target Completion Date	9/30/2011

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit F-2d

CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE,
AND PROJECT STATUS-BUDGETARY BASIS
PARTIAL ROOF REPLACEMENT (1955 AND 1968 WINGS)

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				
State Sources - SDA Grant	\$ 210,750		\$ 210,750	\$ 210,750
Transfer from capital outlay	318,694		318,694	318,694
Total Revenues	<u>529,444</u>	-	<u>529,444</u>	<u>529,444</u>
Expenditures and Other Financing Sources				
Purchased Professional Services	\$ 24,169		\$ 24,169	\$ 24,169
Construction Services	340,115		340,115	505,275
Total Expenditures	<u>364,284</u>	-	<u>364,284</u>	<u>529,444</u>
Excess(deficiency) of revenues over(under) expenditures			<u>\$ 165,160</u>	

Project Fund Balance, 6/30/12 \$ 165,160

Additional project information:

Project Number	SP#2040-30-09-0ZJT
Grant Date	9/29/2009
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$526,875
Additional Authorized Cost	\$2,569
Revised Authorized Cost	\$529,444
Percentage Increase over Original Authorized Cost	N/A
Percentage Completion	69%
Original Target Completion Date	9/30/2010
Revised Target Completion Date	9/30/2011

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit F-2e

CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE,
AND PROJECT STATUS-BUDGETARY BASIS
LIGHTING RETROFIT

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				
Transfer from capital reserve		\$ 98,000	\$ 98,000	\$ 98,000
Total Revenues	-	98,000	98,000	98,000
Expenditures and Other Financing Sources				
Construction Services		\$ 55,000	\$ 55,000	\$ 98,000
Total Expenditures	-	55,000	55,000	98,000
Excess(deficiency) of revenues over(under) expenditures			\$ 43,000	
			Project Fund Balance, 6/30/12	\$ 43,000

Additional project information:

Project Number	
Grant Date	
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	
Additional Authorized Cost	N/A
Revised Authorized Cost	
Percentage Increase over Original Authorized Cost	N/A
Percentage Completion	56%
Original Target Completion Date	6/30/2012
Revised Target Completion Date	6/30/2013

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit F-2f

CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE,
AND PROJECT STATUS-BUDGETARY BASIS
ROOFING 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				
Transfer from capital reserve		\$ 224,000	\$ 224,000	\$ 224,000
Total Revenues	-	224,000	224,000	224,000
Expenditures and Other Financing Sources				
Construction Services		\$ 36,700	\$ 36,700	\$ 224,000
Total Expenditures	-	36,700	36,700	224,000
Excess(deficiency) of revenues over(under) expenditures			\$ 187,300	
			<u>\$ 187,300</u>	
			Project Fund Balance, 6/30/12	<u>\$ 187,300</u>

Additional project information:

Project Number	
Grant Date	
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	
Additional Authorized Cost	N/A
Revised Authorized Cost	
Percentage Increase over Original Authorized Cost	N/A
Percentage Completion	16%
Original Target Completion Date	6/30/2012
Revised Target Completion Date	6/30/2013

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit F-2g

CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE,
AND PROJECT STATUS-BUDGETARY BASIS
HVAC/PLUMBING UPGRADE

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				
Transfer from capital reserve		\$ 68,000	\$ 68,000	\$ 68,000
Total Revenues	-	68,000	68,000	68,000
Expenditures and Other Financing Sources				
Construction Services		\$ 185,000	\$ 185,000	\$ 68,000
Total Expenditures	-	185,000	185,000	68,000
Excess(deficiency) of revenues over(under) expenditures			\$ (117,000)	
			Project Fund Balance, 6/30/12	<u>\$ (117,000)</u>

Additional project information:

Project Number	
Grant Date	
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	
Additional Authorized Cost	N/A
Revised Authorized Cost	
Percentage Increase over Original Authorized Cost	N/A
Percentage Completion	272%
Original Target Completion Date	6/30/2012
Revised Target Completion Date	6/30/2013

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

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

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

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

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

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

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

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

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

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit H-1

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

	UNEMPLOYMENT COMPENSATION INSURANCE TRUST	AGENCY FUNDS STUDENT ACTIVITY	PAYROLL AGENCY	TOTALS
ASSETS:				
Cash and Cash Equivalents	\$ 65,401	\$ 7,756	\$ 60,046	\$ 133,203
TOTAL ASSETS	\$ 65,401	\$ 7,756	\$ 60,046	\$ 133,203
LIABILITIES:				
Liabilities:				
Payroll Deductions and Withholdings			\$ 24,212	\$ 24,212
Accounts Payable			35,834	35,834
Payable to Student Groups		\$ 7,756		7,756
Total Liabilities		7,756	60,046	67,802
NET ASSETS				
Held in Trust for Unemployment Claims and Other Purposes	\$ 65,401			65,401
TOTAL LIABILITIES AND NET ASSETS	\$ 65,401	\$ 7,756	\$ 60,046	\$ 133,203

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit H-2

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

	UNEMPLOYMENT COMPENSATION INSURANCE	
	<u>TRUST</u>	<u>TOTALS</u>
ADDITIONS		
Contributions:		
Plan Member	\$ 7,705	\$ 7,705
Employer	<u>25,000</u>	<u>25,000</u>
Total Contributions	<u>32,705</u>	<u>32,705</u>
Investment Earnings:		
Interest	20	20
Net Investment Earnings	<u>20</u>	<u>20</u>
Total Additions	<u>32,725</u>	<u>32,725</u>
DEDUCTIONS		
Unemployment Claims	<u>20,739</u>	<u>20,739</u>
Total Deductions	<u>20,739</u>	<u>20,739</u>
Change in Net Assets	11,986	11,986
Net Assets—Beginning of the Year	<u>53,415</u>	<u>53,415</u>
Net Assets—End of the Year	<u>\$ 65,401</u>	<u>\$ 65,401</u>

HARMONY TOWNSHIP 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>CASH RECEIPTS</u>	<u>CASH DISBURSEMENTS</u>	<u>BALANCE JUNE 30, 2012</u>
Student Council	\$ 2,027	\$ 7,246	\$ 3,506	\$ 5,767
Eighth Grade Account	1,317	32,358	31,686	1,989
Total	\$ 3,344	\$ 39,604	\$ 35,192	\$ 7,756

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit H-4

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

	<u>BALANCE</u> <u>JULY 1, 2011</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2012</u>
ASSETS:				
Cash and Cash Equivalents	\$ 3,429	\$ 2,760,817	\$ 2,704,200	\$ 60,046
Total Assets	<u>\$ 3,429</u>	<u>\$ 2,760,817</u>	<u>\$ 2,704,200</u>	<u>\$ 60,046</u>
LIABILITIES:				
Payroll Deductions and Withholdings	\$ 3,429	\$ 1,092,198	\$ 1,071,415	\$ 24,212
Accounts Payable	-	35,834		35,834
Salaries and Wages	-	<u>1,632,785</u>	<u>1,632,785</u>	<u>-</u>
Total Liabilities	<u>\$ 3,429</u>	<u>\$ 2,760,817</u>	<u>\$ 2,704,200</u>	<u>\$ 60,046</u>

LONG-TERM DEBT SCHEDULES

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

N/A

Harmony Township School District
Statistical Section

<u>Contents</u>	<u>Page</u>
Financial Trends (J-1 thru J-5) These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	63-68
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.	69-72
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.	73-76
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.	77-78
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.	79-83

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.

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

Exhibit J-1

	<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>
Governmental activities									
Invested in capital assets, net of related debt	\$ 3,242,787	\$ 3,358,190	\$ 3,651,384	\$ 3,808,654	\$ 3,855,067	\$ 4,014,771	\$ 4,457,217	\$ 4,942,459	\$ 5,147,100
Restricted	1,255,767	1,360,133	1,466,043	1,397,226	1,088,126	1,084,638	620,072	596,598	561,678
Unrestricted	101,751	80,573	(55,611)	28,613	163,452	157,485	666,091	391,170	530,757
Total governmental activities net assets	<u>\$ 4,600,305</u>	<u>\$ 4,798,896</u>	<u>\$ 5,061,816</u>	<u>\$ 5,234,493</u>	<u>\$ 5,106,645</u>	<u>\$ 5,256,894</u>	<u>\$ 5,743,380</u>	<u>\$ 5,930,227</u>	<u>\$ 6,239,535</u>
Business-type activities									
Invested in capital assets, net of related debt	\$ 5,305	\$ 6,846	\$ 4,858	\$ 11,396	\$ 10,582	\$ 9,769	\$ 9,199	\$ 8,630	\$ 5,859
Restricted									-
Unrestricted	17,350	17,793	19,239	11,620	9,300	15,441	11,316	24,316	4,443
Total business-type activities net assets	<u>\$ 22,655</u>	<u>\$ 24,639</u>	<u>\$ 24,097</u>	<u>\$ 23,016</u>	<u>\$ 19,882</u>	<u>\$ 25,210</u>	<u>\$ 20,515</u>	<u>\$ 32,946</u>	<u>\$ 10,302</u>
District-wide									
Invested in capital assets, net of related debt	\$ 3,248,092	\$ 3,365,036	\$ 3,656,242	\$ 3,820,050	\$ 3,865,649	\$ 4,024,540	\$ 4,466,416	\$ 4,951,089	\$ 5,152,959
Restricted	1,255,767	1,360,133	1,466,043	1,397,226	1,088,126	1,084,638	620,072	596,598	561,678
Unrestricted	119,101	98,366	(36,372)	40,233	172,752	172,926	677,407	415,486	535,200
Total district net assets	<u>\$ 4,622,960</u>	<u>\$ 4,823,535</u>	<u>\$ 5,085,913</u>	<u>\$ 5,257,509</u>	<u>\$ 5,126,527</u>	<u>\$ 5,282,104</u>	<u>\$ 5,763,895</u>	<u>\$ 5,963,173</u>	<u>\$ 6,249,837</u>

Source: CAFR Schedule A-1

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

Exhibit J-2

	<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>
Expenses									
Governmental activities									
Instruction									
Regular	\$ 1,798,768	\$ 1,882,904	\$ 1,893,021	\$ 2,046,049	\$ 2,055,382	\$ 2,007,810	\$ 2,243,834	\$ 1,959,353	\$ 2,176,954
Special education	425,431	584,854	595,104	617,521	683,944	771,767	608,539	647,341	551,929
Other special education	55,392	67,816	89,431	86,767	108,336	41,144	30,901	90,620	54,593
Support Services:									
Tuition	1,078,293	1,156,607	1,174,077	1,377,338	1,636,253	1,746,299	1,936,385	1,974,145	1,786,158
Student & instruction related services	730,302	656,257	710,902	752,641	708,504	699,860	735,037	711,401	702,306
School administrative services	117,830	85,798	113,182	129,953	175,901	137,500	43,427	119,425	151,474
General and business administrative services	301,188	403,189	395,038	394,769	415,532	383,422	414,889	314,014	284,148
Plant operations and maintenance	428,595	492,681	640,052	514,688	591,569	482,761	412,787	526,054	494,828
Pupil transportation	321,985	325,808	381,357	357,810	332,754	326,366	329,726	299,775	338,333
Interest on long-term debt	100,485	82,749	79,026	67,147	54,503	41,380	28,166	13,909	
Unallocated depreciation	11,354	11,354	9,514	9,514	9,030	9,030	9,030	10,796	10,796
Total governmental activities expenses	<u>5,369,623</u>	<u>5,750,017</u>	<u>6,080,704</u>	<u>6,354,197</u>	<u>6,771,708</u>	<u>6,647,339</u>	<u>6,792,721</u>	<u>6,666,833</u>	<u>6,551,519</u>
Business-type activities:									
Food service	91,297	87,128	91,208	92,399	93,370	93,822	92,231	74,217	84,489
Child Care						8,783	24,960	21,624	-
Total business-type activities expense	<u>91,297</u>	<u>87,128</u>	<u>91,208</u>	<u>92,399</u>	<u>93,370</u>	<u>102,605</u>	<u>117,191</u>	<u>95,841</u>	<u>84,489</u>
Total district expenses	<u>\$ 5,460,920</u>	<u>\$ 5,837,145</u>	<u>\$ 6,171,912</u>	<u>\$ 6,446,596</u>	<u>\$ 6,865,078</u>	<u>\$ 6,749,944</u>	<u>\$ 6,909,912</u>	<u>\$ 6,762,674</u>	<u>\$ 6,636,008</u>
Program Revenues									
Governmental activities:									
Charges for services:									
Tuition	\$ 4,539	\$ 18,863	\$ 25,424	\$ 21,600	\$ 113,054	\$ 81,763	\$ 109,235	\$ 66,393	\$ 36,493
Operating grants and contributions	920,475	970,027	1,005,900	1,171,256	1,199,289	1,002,614	1,074,561	751,556	901,072
Capital grants and contributions									-
Total governmental activities program revenues	<u>925,014</u>	<u>988,890</u>	<u>1,031,324</u>	<u>1,192,856</u>	<u>1,312,343</u>	<u>1,084,377</u>	<u>1,183,796</u>	<u>817,949</u>	<u>937,565</u>

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

Exhibit J-2

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Business-type activities:									
Charges for services									
Food service	68,536	71,550	71,338	68,357	68,453	69,454	61,917	47,383	48,438
Child Care						14,342	21,944	35,689	1,803
Operating grants and contributions	18,218	17,426	18,682	22,961	21,783	23,529	26,997	25,186	30,012
Capital grants and contributions	-	-	-	-	-	-	-	-	-
Total business type activities program revenues	<u>86,754</u>	<u>88,976</u>	<u>90,020</u>	<u>91,318</u>	<u>90,236</u>	<u>107,325</u>	<u>110,858</u>	<u>108,258</u>	<u>80,253</u>
Total district program revenues	<u>\$ 1,011,768</u>	<u>\$ 1,077,866</u>	<u>\$ 1,121,344</u>	<u>\$ 1,284,174</u>	<u>\$ 1,402,579</u>	<u>\$ 1,191,702</u>	<u>\$ 1,294,654</u>	<u>\$ 926,207</u>	<u>\$ 1,017,818</u>
Net (Expense)/Revenue									
Governmental activities	\$ (4,444,609)	\$ (4,761,127)	\$ (5,049,380)	\$ (5,161,341)	\$ (5,459,365)	\$ (5,562,962)	\$ (5,608,925)	\$ (5,848,884)	\$ (5,613,954)
Business-type activities	<u>(4,543)</u>	<u>1,848</u>	<u>(1,188)</u>	<u>(1,081)</u>	<u>(3,134)</u>	<u>4,720</u>	<u>(6,333)</u>	<u>12,417</u>	<u>(4,236)</u>
Total district-wide net expense	<u>\$ (4,449,152)</u>	<u>\$ (4,759,279)</u>	<u>\$ (5,050,568)</u>	<u>\$ (5,162,422)</u>	<u>\$ (5,462,499)</u>	<u>\$ (5,558,242)</u>	<u>\$ (5,615,258)</u>	<u>\$ (5,836,467)</u>	<u>\$ (5,618,190)</u>
General Revenues and Other Changes in Net Assets									
Governmental activities:									
Property taxes levied for general purposes, net	\$ 4,502,720	\$ 4,564,581	\$ 4,690,000	\$ 4,928,250	\$ 5,174,000	\$ 5,380,960	\$ 5,503,600	\$ 5,723,744	\$ 5,838,218
Taxes levied for debt service	297,927	302,298	305,010	308,198	305,598	292,472	299,347	304,173	-
Investment earnings	14,895	26,144	60,210	77,578	58,625	31,342	7,641	2,010	714
Federal and state aid for capital asset projects		27,000	234,428	-	(93,418)		279,135	-	
Miscellaneous income	46,371	39,695	22,652	19,992	19,215	8,437	5,688	5,804	65,919
Transfers									
Total governmental activities	<u>4,861,913</u>	<u>4,959,718</u>	<u>5,312,300</u>	<u>5,334,018</u>	<u>5,464,020</u>	<u>5,713,211</u>	<u>6,095,411</u>	<u>6,035,731</u>	<u>5,904,851</u>
Business-type activities:									
Miscellaneous income	121	136	596	-	-	608	1,638	14	3
Transfers									
Total business-type activities	<u>121</u>	<u>136</u>	<u>596</u>	<u>-</u>	<u>-</u>	<u>608</u>	<u>1,638</u>	<u>14</u>	<u>3</u>
Total district-wide	<u>\$ 4,862,034</u>	<u>\$ 4,959,854</u>	<u>\$ 5,312,896</u>	<u>\$ 5,334,018</u>	<u>\$ 5,464,020</u>	<u>\$ 5,713,819</u>	<u>\$ 6,097,049</u>	<u>\$ 6,035,745</u>	<u>\$ 5,904,854</u>
Change in Net Assets									
Governmental activities	\$ 417,304	\$ 198,591	\$ 262,920	\$ 172,677	\$ 4,655	\$ 150,249	\$ 486,486	\$ 186,847	\$ 290,897
Business-type activities	<u>(4,422)</u>	<u>1,984</u>	<u>(592)</u>	<u>(1,081)</u>	<u>(3,134)</u>	<u>5,328</u>	<u>(4,695)</u>	<u>12,431</u>	<u>(4,233)</u>
Total district	<u>\$ 412,882</u>	<u>\$ 200,575</u>	<u>\$ 262,328</u>	<u>\$ 171,596</u>	<u>\$ 1,521</u>	<u>\$ 155,577</u>	<u>\$ 481,791</u>	<u>\$ 199,278</u>	<u>\$ 286,664</u>

Source: CAFR Schedule A-2

**Harmony Township 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	\$ 602,913	\$ 724,768	\$ 970,444	\$ 798,306	\$ 656,376	\$ 870,010	\$ 883,034	\$ 537,235	\$ 605,062	\$ 622,076
Unreserved	574,020	715,253	524,354	400,958	539,595	439,151	429,574	376,739	311,649	275,182
Total general fund	<u>\$ 1,176,933</u>	<u>\$ 1,440,021</u>	<u>\$ 1,494,798</u>	<u>\$ 1,199,264</u>	<u>\$ 1,195,971</u>	<u>\$ 1,309,161</u>	<u>\$ 1,312,608</u>	<u>\$ 913,974</u>	<u>\$ 916,711</u>	<u>\$ 897,258</u>
All Other Governmental Funds										
Reserved	\$ 24,752	\$ 14,162						\$ 145,608		
Unreserved, reported in:										
Special revenue fund	(1,000)									
Capital projects fund		(27,000)	\$ 500	\$ 404,838	\$ 289,305			295,885	\$ 139,097	\$ 252,397
Debt service fund	18,396				1	\$ 2	\$ 1	-	-	-
Total all other governmental funds	<u>\$ 42,148</u>	<u>\$ (12,838)</u>	<u>\$ 500</u>	<u>\$ 404,838</u>	<u>\$ 289,306</u>	<u>\$ 2</u>	<u>\$ 1</u>	<u>\$ 441,493</u>	<u>\$ 139,097</u>	<u>\$ 252,397</u>

Source: CAFR Schedule B-1

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

Exhibit J-4

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Revenues										
Tax levy	\$ 4,643,861	\$ 4,800,647	\$ 4,866,879	\$ 4,995,010	\$ 5,236,448	\$ 5,479,598	\$ 5,673,432	\$ 5,802,947	\$ 6,027,917	\$ 5,838,218
Tuition charges		4,539	18,863	25,424	21,600	113,054	81,763	109,235	66,393	36,493
Interest earnings	16,347	5,978	14,034	25,325	29,971	24,318	10,145	2,165	522	60
Miscellaneous	45,345	55,288	51,805	57,537	67,599	53,522	29,634	11,164	7,292	84,984
State sources	944,478	774,892	848,227	1,105,063	1,018,903	968,727	864,326	1,091,168	593,465	719,944
Federal sources	124,030	145,582	148,800	135,265	152,353	137,144	138,288	262,528	158,091	181,128
Total revenue	5,774,061	5,786,926	5,948,608	6,343,624	6,526,874	6,776,363	6,797,588	7,279,207	6,853,680	6,860,827
Expenditures										
Instruction										
Regular Instruction	1,151,226	1,311,548	1,343,226	1,382,754	1,425,105	1,437,366	1,476,551	1,646,355	1,410,274	1,539,162
Special education instruction	259,670	334,365	448,963	461,611	455,957	505,337	600,042	468,675	498,035	418,016
Other special instruction	33,140	43,535	52,059	69,370	64,066	80,045	31,989	23,799	69,719	41,347
Other instruction	19,510									
Support Services:										
Tuition	1,061,394	1,078,293	1,156,607	1,174,077	1,377,338	1,636,253	1,746,299	1,936,385	1,974,145	1,786,158
Student & instruction related services	492,503	573,977	503,775	551,434	555,725	523,483	544,135	566,099	547,320	531,907
School administrative services	60,597	92,608	65,863	87,793	95,953	129,966	106,905	33,446	91,880	114,722
Other administrative services	273,633	236,717	309,508	306,424	291,484	307,019	298,107	319,533	241,588	215,206
Plant operations and maintenance	323,697	336,852	378,206	340,038	380,028	437,085	375,342	317,914	404,722	374,769
Pupil transportation	357,745	321,985	325,808	381,357	357,810	332,754	326,366	329,726	299,775	338,333
Unallocated employee benefits	708,855	825,493	973,015	993,220	1,183,581	1,238,360	992,695	1,031,827	1,007,507	1,082,319
Charter Schools			3,224	-	-	-	-	-	-	-
Special Revenue	416,222									
Capital Outlay	11,536	86,376	13,941	181,732	150,455	19,212	3,238	263,242	304,201	325,041
Debt service:										
Principal	195,000	210,000	215,000	225,000	240,000	250,000	250,000	270,000	289,000	-
Interest and other charges	112,560	102,323	91,298	80,010	68,197	55,597	42,473	29,348	15,173	-
Total expenditures	5,477,288	5,554,072	5,880,493	6,234,820	6,645,699	6,952,477	6,794,142	7,236,349	7,153,339	6,766,980
Excess (Deficiency) of revenues over (under) expenditures	296,773	232,854	68,115	108,804	(118,825)	(176,114)	3,446	42,858	(299,659)	93,847
Other Financing Sources (uses)										
Temporary note redeemed										
Proceeds from borrowing										
Proceeds from refunding										
Capital leases										
Transfers in		48,500		351,642	500	195,887		425,100		
Transfers out		(48,500)		(351,642)	(500)	(195,887)		(425,000)		-
Total other financing sources (uses)	-	-	-	-	-	-	-	100	-	-
Net change in fund balances	\$ 296,773	\$ 232,854	\$ 68,115	\$ 108,804	\$ (118,825)	\$ (176,114)	\$ 3,446	\$ 42,958	\$ (299,659)	\$ 93,847
Debt service as a percentage of noncapital expenditures	5.6%	5.7%	5.2%	5.0%	4.7%	4.4%	4.3%	4.3%	4.4%	0.0%

Source: CAFR Schedule B-2

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

Exhibit J-5

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Refund</u> <u>Prior Year</u> <u>Expenditures</u>	<u>Rentals</u>	<u>Interest</u> <u>Earned on</u> <u>Capital Reserve</u> <u>Funds</u>	<u>Tuition</u>	<u>Miscellaneous</u>	<u>Total</u>
2003	\$ 9,333	\$ 131	\$ 30,450	\$ 16,347		\$ 4,357	\$ 60,618
2004	8,917	328	30,825	5,978	\$ 4,539	15,218	65,805
2005	12,110		28,413	14,034	18,863	11,282	84,702
2006	34,885	537	10,609	25,325	25,424	11,506	108,286
2007	47,607	5,611	10,609	29,971	21,600	3,772	119,170
2008	34,307	46	10,930	24,318	113,054	8,239	190,894
2009	21,197			10,145	81,763	8,437	121,542
2010	5,476	1,152		2,165	109,235	4,536	122,564
2011	1,488	460		522	66,393	5,344	74,207
2012	654			60	36,493	84,330	121,537

SOURCE: District Records

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

Exhibit J-6

<u>Fiscal Year Ended June 30.</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm Reg.</u>	<u>Qfarm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartment</u>	<u>Total Assessed Value</u>	<u>Less: Tax-Exempt Property</u>	<u>Public Utilities a</u>	<u>Net Valuation Taxable</u>	<u>Total Direct School Tax Rate b</u>	<u>Estimated Actual (County Equalized Value)</u>
2003	\$9,784,130	\$119,884,800	\$15,734,350	\$3,186,900	\$19,227,740	\$182,966,600	\$155,000	\$362,482,159	\$10,753,650	\$788,989	\$351,728,509	\$1.449	\$432,028,222
2004	12,549,600	184,370,100	24,866,800	4,175,200	20,645,600	271,401,800	180,900	536,576,428	17,392,800	993,628	519,183,628	0.925	473,945,349
2005	14,259,100	185,406,400	25,715,000	3,909,500	19,959,100	269,837,600	180,900	541,508,119	21,279,100	961,419	520,229,019	0.937	522,707,956
2006	13,092,600	188,724,800	25,605,800	3,893,500	20,036,800	269,837,600	180,900	545,911,886	23,646,500	893,386	522,265,386	0.957	569,214,678
2007	12,629,800	192,858,000	26,670,700	3,808,800	20,036,800	241,476,100	180,900	522,188,952	23,881,300	646,552	498,307,652	1.051	690,215,362
2008	10,508,700	196,800,400	26,401,200	3,774,200	19,910,400	234,455,400	-	518,123,225	25,597,300	675,625	492,525,925	1.113	683,126,223
2009	9,986,000	196,694,100	26,529,400	3,774,300	19,910,400	234,455,400	-	519,252,107	27,218,600	683,907	492,033,507	1.153	712,702,789
2010	10,832,800	196,288,100	25,749,800	3,876,300	19,984,100	232,683,000	-	519,874,140	29,685,800	774,240	490,188,340	1.184	667,437,299
2011	11,123,700	195,832,400	26,368,800	3,855,200	19,984,100	232,683,000	-	519,871,432	29,239,500	784,732	490,631,932	1.229	670,179,617
2012	8,629,700	196,425,100	26,281,300	3,995,600	19,984,100	224,926,600	-	515,107,771	34,213,900	651,471	480,893,871	1.214	642,054,276

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

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

Exhibit J-7

(rate per \$100 of assessed value)

Fiscal Year Ended June 30,	Harmony Township Board of Education			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Harmony Township	Library	Warren County	
2003	\$1.387	\$0.062	\$1.449	\$0.208	\$0.072	\$0.801	\$2.530
2004	\$0.863	\$0.062	\$0.925	\$0.157	\$0.049	\$0.569	\$1.700
2005	\$0.875	\$0.062	\$0.937	\$0.191	\$0.054	\$0.618	\$1.800
2006	\$0.895	\$0.062	\$0.957	\$0.190	\$0.057	\$0.646	\$1.850
2007	\$0.989	\$0.062	\$1.051	\$0.210	\$0.071	\$0.768	\$2.100
2008	\$1.051	\$0.062	\$1.113	\$0.208	\$0.074	\$0.775	\$2.170
2009	\$1.094	\$0.059	\$1.153	\$0.209	\$0.076	\$0.805	\$2.243
2010	\$1.123	\$0.061	\$1.184	\$0.210	\$0.071	\$0.757	\$2.222
2011	\$1.167	\$0.062	\$1.229	\$0.235	\$0.066	\$0.771	\$2.301
2012	\$1.214	\$0.000	\$1.214	\$0.293	\$0.065	\$0.785	\$2.357

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 spending growth adjustments.

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

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

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

Exhibit J-8

Taxpayer	2010			2001		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Merrill Creek Reservoir	\$244,971,600	1	50.94%	\$ 189,061,150	1	54.40%
Transcontinental Gas Pipeline Corp.	8,398,400	2	1.75%			
Harkers Hollow Golf Club	3,447,100	3	0.72%	2,887,540	2	0.83%
Par Four Associates, LLC	3,303,800	4	0.69%			
Harmony Sand & Gravel	1,662,200	7	0.35%	1,259,027	6	0.36%
Individual Taxpayer #1	1,180,900	8	0.23%	1,377,052	5	0.40%
Shumack Investment, LLC	1,124,300	7	0.23%			
Deep Pool Holding, Inc.	1,030,900	8	0.20%			
Individual Taxpayer #2	947,800	9	0.20%	972,543	8	0.28%
Warren County Farmer's Fair Assoc.	933,300	10	0.19%			
Anchor Concrete				1,458,740	3	0.42%
Witco				1,388,150	4	0.40%
Bell Atlantic				936,276	9	0.27%
Trans-Mix Corp.				915,620	10	0.26%
Total	\$ 267,000,300		55.30%	\$ 200,256,098		57.62%

Source: District CAFR & Municipal Tax Assessor

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

Exhibit J-9

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2003	\$4,339,460	\$4,339,460	100.00%	-
2004	\$4,502,720	\$4,502,720	100.00%	-
2005	\$4,564,581	\$4,564,581	100.00%	-
2006	\$4,690,000	\$4,690,000	100.00%	-
2007	\$4,928,250	\$4,928,250	100.00%	-
2008	\$5,174,000	\$5,174,000	100.00%	-
2009	\$5,830,960	\$5,830,960	100.00%	-
2010	\$5,503,600	\$5,503,600	100.00%	-
2011	\$5,723,744	\$5,723,744	100.00%	-
2012	\$5,838,218	\$5,838,218	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.

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

Exhibit J-10

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds ^b	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District		
2003	\$ 1,949,000	-0-	-0-	-0-	-0-	\$ 1,949,000	2.04%	\$704
2004	\$ 1,739,000	-0-	-0-	-0-	-0-	\$ 1,739,000	1.76%	\$625
2005	\$ 1,524,000	-0-	-0-	-0-	-0-	\$ 1,524,000	1.48%	\$548
2006	\$ 1,299,000	-0-	-0-	-0-	-0-	\$ 1,299,000	1.18%	\$467
2007	\$ 1,059,000	-0-	-0-	-0-	-0-	\$ 1,059,000	0.90%	\$375
2008	\$ 809,000	-0-	-0-	-0-	-0-	\$ 809,000	0.66%	\$287
2009	\$ 559,000	-0-	-0-	-0-	-0-	\$ 559,000	0.46%	\$199
2010	\$ 289,000	-0-	-0-	-0-	-0-	\$ 289,000	0.23%	\$103
2011	-0-	-0-	-0-	-0-	-0-	-0-	0.00%	\$0
2012	-0-	-0-	-0-	-0-	-0-	-0-	0.00%	\$0

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

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

Exhibit J-11

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2003	\$ 1,949,000	-0-	\$ 1,949,000	0.55%	\$704
2004	\$ 1,739,000	-0-	\$ 1,739,000	0.33%	\$625
2005	\$ 1,524,000	-0-	\$ 1,524,000	0.29%	\$548
2006	\$ 1,299,000	-0-	\$ 1,299,000	0.25%	\$467
2007	\$ 1,059,000	-0-	\$ 1,059,000	0.21%	\$375
2008	\$ 809,000	-0-	\$ 809,000	0.16%	\$287
2009	\$ 559,000	-0-	\$ 559,000	0.11%	\$199
2010	\$ 289,000	-0-	\$ 289,000	0.06%	\$103
2011	-0-	-0-	-0-	0.00%	\$0
2012	-0-	-0-	-0-	0.00%	\$0

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

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

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

R Revised

* Current data unavailable

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

Exhibit J-12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes Township of Harmony	\$ 8,252,409	100.000%	\$ 8,252,409
Other debt Warren County	8,760,000	5.008%	<u>438,661</u>
Subtotal, overlapping debt			8,691,070
Harmony Township School District Direct Debt			<u>-</u>
Total direct and overlapping debt			<u><u>\$ 8,691,070</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.

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

Exhibit J-13

Legal Debt Margin Calculation for Fiscal Year 2012

	Equalized valuation basis
	2009 \$ 665,145,556
	2010 650,613,893
	2011 587,308,793
	[A] <u>\$ 1,903,068,242</u>
Average equalized valuation of taxable property	[A/3] \$ 634,356,081
Debt limit (3 % of average equalization value)	[B] 19,030,682
Net bonded school debt	[C] -
Legal debt margin	[B-C] <u>\$ 19,030,682</u>

	Fiscal Year									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Debt limit	\$13,055,462	\$14,218,360	\$15,477,812	\$17,989,115	\$19,679,698	\$21,141,834	\$20,608,708	\$20,394,926	\$19,811,842	\$19,030,682
Total net debt applicable to limit	<u>1,949,000</u>	<u>1,739,000</u>	<u>1,524,000</u>	<u>1,299,000</u>	<u>1,059,000</u>	<u>809,000</u>	<u>559,000</u>	<u>289,000</u>	-	-
Legal debt margin	<u>\$11,106,462</u>	<u>\$12,479,360</u>	<u>\$13,953,812</u>	<u>\$16,690,115</u>	<u>\$18,620,698</u>	<u>\$20,332,834</u>	<u>\$20,049,708</u>	<u>\$20,105,926</u>	<u>\$19,811,842</u>	<u>\$19,030,682</u>
Total net debt applicable to the limit as a percentage of debt limit	14.93%	12.23%	9.85%	7.22%	5.38%	3.83%	2.71%	1.42%	0.00%	0.00%

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

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

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

Exhibit J-14

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income (thousands of dollars) ^b</u>	<u>Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2003	2,770	\$ 95,606,550	\$34,515 R	4.8%
2004	2,782	\$ 99,069,802	\$35,611 R	3.5%
2005	2,781	\$ 102,738,483	\$36,943 R	2.2%
2006	2,783	\$ 109,906,236	\$39,492 R	2.4%
2007	2,823	\$ 118,182,072	\$41,864 R	2.2%
2008	2,815	\$ 123,373,005	\$43,827 R	2.9%
2009	2,816	\$ 121,287,936	\$43,071 R	5.3%
2010	2,810	\$ 124,154,230	\$44,183 P	5.5%
2011	2,667	\$ 117,836,061	\$44,183 *	5.0%
2012	2,659	\$ 117,482,597	\$44,183 *	*

Source:

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

^b Personal Income provided by US Dept of Commerce

^c Per Capita provided by US Dept of Commerce

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

P =Projected

R =Revised

* Current data unavailable

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

Exhibit J-16

<u>Function/Program</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Instruction										
Regular	21.0	24.0	23.4	23.4	23.4	23.4	28.9	28.8	28.0	22.5
Special education	5.0	5.5	7.0	7.0	7.0	7.0	7.0	7.0	7.0	4.0
Support Services:										
Student & instruction related services	6.0	6.0	8.0	8.0	8.0	11.0	9.0	9.0	4.0	4.0
General administrative services	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.5	1.0
School administrative services	1.0	1.0	1.0	1.0	1.0	1.0	2.0	2.0	2.0	2.5
Business administrative services	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.0	1.0
Plant operations and maintenance	4.0	4.0	4.0	4.0	4.0	3.6	3.4	3.0	3.0	2.0
Total	<u>40.0</u>	<u>43.5</u>	<u>46.4</u>	<u>46.4</u>	<u>46.4</u>	<u>49.0</u>	<u>53.3</u>	<u>52.8</u>	<u>45.5</u>	<u>37.0</u>

Source: District Personnel Records

Harmony Township School District
 Operating Statistics
 Last Ten Fiscal Years

Exhibit J-17

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary					
2003	318	\$4,741,970	14,912	6.72%	36	1:9		318.5	302.7	1.95%	95.04%
2004	318	\$5,155,373	16,212	8.72%	38	1:9		309.5	296.3	-2.83%	95.74%
2005	312	\$5,560,254	17,821	9.93%	38	1:9		312.4	299.8	0.94%	95.97%
2006	307	\$5,748,078	18,723	5.06%	35	1:9		313.0	300.9	0.19%	96.13%
2007	309	\$6,187,047	20,023	6.94%	35	1:9		308.8	296.7	-1.34%	96.08%
2008	316	\$6,187,047	19,579	-2.22%	31	1:10		311.5	299.0	0.87%	95.99%
2009	329	\$6,498,431	19,752	0.88%	30	1:11		316.2	303.7	1.51%	96.05%
2010	298	\$6,673,759	22,395	13.38%	31	1:9.6		297.5	284.2	-5.91%	95.53%
2011	293	\$6,544,965	22,338	-0.26%	28	1:10.5		293.5	280.3	-1.34%	95.50%
2012	283	\$6,441,939	22,763	1.90%	26	1:10.9		283.6	272.6	-3.37%	96.12%

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

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay; Schedule J-4
- 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)

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

Exhibit J-18

<u>District Building</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>Elementary</u>										
Elementary (1956)										
Square Feet	44,298	44,298	44,298	44,298	44,298	44,298	44,298	44,298	44,298	44,298
Capacity (students)	435	435	435	435	435	435	435	435	435	435
Enrollment	318	309	312	307	309	316	329	298	293	283

Number of Schools at June 30, 2012

Source: District records, ASSA

Elementary = 1

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

HARMONY TOWNSHIP 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>
Harmony School	N/A	\$ 98,795	\$ 103,933	\$ 135,450	\$ 111,200	\$ 118,087	\$ 106,186	\$ 84,598	\$ 102,463	\$ 116,720	\$ 116,497	\$1,093,929
Total School Facilities		98,795	103,933	135,450	111,200	118,087	106,186	84,598	102,463	116,720	116,497	1,093,929
Other Facilities												
Grand Total		\$ 98,795	\$ 103,933	\$ 135,450	\$ 111,200	\$ 118,087	\$ 106,186	\$ 84,598	\$ 102,463	\$ 116,720	\$ 116,497	\$1,093,929

HARMONY TOWNSHIP SCHOOL DISTRICT

INSURANCE SCHEDULE
JUNE 30, 2012
UNAUDITED

Exhibit J-20

<u>POLICY TYPE</u>	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
SCHOOL PACKAGE POLICY - NJSBAIG		
Property-Blanket Building and Contents-Blanket	\$300,000,000	\$1,000
Comprehensive General Liability	11,000,000	
Comprehensive Automobile Liability	11,000,000	
Comprehensive Crime Coverage	100,000	500
Worker's Compensation (NJSBAIG)	2,000,000	
Electronic Data Processing	327,713	1,000
Equipment	100,000,000	1,000
SCHOOL BOARD LEGAL LIABILITY - NJSBAIG		
Directors and Officers Policy	11,000,000	5,000
PUBLIC EMPLOYEES' FAITHFUL PERFORMANCE		
BLANKET POSITION BOND - Ohio Casualty		
Treasurer	170,000	
Business Administrator	35,000	

SOURCE: District Records

Single Audit Section



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 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
 Harmony Township School District
 County of Warren
 Phillipsburg, New Jersey 08865

We have audited the financial statements of the Board of Education of the Harmony Township School District in the County of Warren, State of New Jersey, as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated October 31, 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 Harmony Township School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Harmony Township School District Board of Education's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Harmony Township School District Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Harmony Township School District Board of Education's internal control over financial reporting.

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

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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting, listed as finding 2012-1. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

We noted certain matters that we reported to the Board of Education of the Harmony Township School District in a separate report entitled, Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance dated October 31, 2012.

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



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

Date: October 31, 2012



ARDITO & Co., LLP

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

Honorable President and
 Members of the Board of Education
 Harmony Township School District
 County of Warren
 Phillipsburg, New Jersey 08865

Compliance

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

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

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

-Continued-

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

However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with New Jersey OMB's Circular 04-04, and which are described in the accompanying schedule of findings and questioned costs as items 2012-2 through 2012-7.

Internal Control Over Compliance

The management of the Board of Education of the Harmony Township School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the Harmony Township School District of Education's internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Harmony Township School District Board of Education's internal control over compliance.

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

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

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



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

Date: October 31, 2012

HARMONY TOWNSHIP SCHOOL DISTRICT

K-4

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

Schedule B

STATE GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE 6/30/2011	CARRY- OVER AMOUNT	CASH RECEIVED	BUDGET. EXPEND.	ADJUST.	REPAYMENT OF PRIOR YEARS' BALANCES	BALANCE AT JUNE 30, 2012			MEMO		
										(ACCTS. RECEIV.)	DEFER. REVENUE	DUE TO GRANTOR	BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPEND.	
State Department of Education															
General Fund:															
Special Education Aid	12-495-034-5120-089	7/1/11-6/30/12	\$ 209,681			\$ 209,681	\$ (209,681)							\$ 20,902	\$ 209,681
Transportation Aid	12-495-034-5120-014	7/1/11-6/30/12	85,301			85,301	(85,301)							8,503	85,301
Security Aid	12-495-034-5120-084	7/1/11-6/30/12	32,596			32,596	(32,596)							3,250	32,596
Non-Public Transportation Aid	11-100-034-5120-068	7/1/10-6/30/11		\$ (1,634)		1,634									-
Extra-ordinary Aid	11-495-034-5120-044	7/1/10-6/30/11		(78,748)		78,748									-
Extra-ordinary Aid	12-495-034-5120-044	7/1/11-6/30/12	57,837				(57,837)			\$ (57,837)					57,837
On-behalf TPAF Pension Contrib.	12-495-034-5095-001	7/1/11-6/30/12	210,796			210,796	(210,796)								210,796
Reimbursed TPAF Soc.Secur.Contrib.	12-495-034-5095-002	7/1/11-6/30/12	137,625	(7,068)		144,693	(137,625)								137,625
Total General Fund				(87,450)		763,449	(733,836)			(57,837)				32,655	733,836
Capital Projects Fund:															
SDA Grant - Walk-In Freezer	SP#2040-030-09-0ZYV	7/1/09-6/30/10	31,825	(31,825)						(31,825)					31,825
SDA Grant - Domestic Water Service	SP#2040-030-09-0ZJS	7/1/09-6/30/10	25,100	(25,100)						(25,100)					25,100
SDA Grant - Replace Phone System	SP#2040-030-09-0ZJV	7/1/09-6/30/10	11,460	(11,460)						(11,460)					11,460
SDA Grant - Roof Replacement	SP#2040-030-09-0ZJT	7/1/09-6/30/10	210,750	(210,750)						(210,750)					210,750
Total Capital Projects Fund				(279,135)		-	-			(279,135)				-	279,135
State Department of Agriculture:															
Enterprise Fund:															
Nat.School Lunch Prog.(State Share)	12-100-010-3350-023	7/1/11-6/30/12	961			907	(961)			(54)					961
Total Enterprise Fund						907	(961)			(54)					961
Total State Financial Assistance				\$ (366,585)		\$ 764,356	\$ (734,797)			\$ (337,026)				\$ 32,655	\$ 1,013,932

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

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

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

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

NOTE 3. RELATIONSHIP TO GENERAL PURPOSE FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$13,892) for the general fund and \$8,426 for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented on the following page:

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

NOTE 3. (Continued)

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 18,262	\$ 719,944	\$ 738,206
Special Revenue Fund	162,866	-	162,866
Food Service Fund	<u>29,051</u>	<u>961</u>	<u>30,012</u>
Total Financial Assistance	<u>\$ 210,179</u>	<u>\$ 720,905</u>	<u>\$ 931,084</u>

NOTE 4. RELATIONSHIP TO STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

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

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

Part I - Summary of Auditor's Results

Financial Statement Section

- A) Type of auditor's report issued: Unqualified

- B) Internal control over financial reporting:
 - 1) Material weakness(es) identified? ___ Yes x No
 - 2) Were significant deficiencies identified that were not considered to be material weaknesses? ___ Yes
x None
Reported

- C) Noncompliance material to financial statements noted? ___ Yes x No

Federal Awards Section

N/A

- D) Dollar threshold used to determine Type A programs: \$300,000

- E) Auditee qualified as low-risk auditee? ___ Yes ___ No

- F) Type of auditor's report on compliance for major programs: Unqualified

- G) Internal Control over compliance:
 - 1) Material weakness(es) identified? ___ Yes ___ No
 - 2) Were significant deficiencies identified that were not considered to be material weaknesses? ___ Yes ___ No

- H) Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133(Section .510(a))? ___ Yes ___ No

- I) Identification of major programs:

CFDA NUMBER(S)

NAME OF FEDERAL PROGRAM OR CLUSTER

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

Part I - Summary of Auditor's Results

State Financial Assistance Section

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

GMIS Number(s)

Name of State Program

12-495-034-5120-089

Special Education Aid

12-495-034-5095-002

Reimbursed TPAF Soc. Sec.

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

Section II-Financial Statement Findings

There following are significant deficiencies, and other matters that are required to be reported in accordance with Government Auditing Standards.

Finding 2011-1:

Criteria:

Balance sheet accounts should be reconciled to the underlying detail source documents.

Condition:

The current fund cash account was not reconciled to the bank statements for numerous months. A \$67,269 reconciling difference was required to be recorded at June 30, 2012 as a recommended adjustment.

Questioned Costs:

None

Context:

The board secretary report (financial statement) did not agree with the treasurer's report (bank reconciliation).

Effect:

Financial Statements were misstated throughout the fiscal year.

Cause:

Process for comparing officials reports to ensure agreement of amounts was not performed contrary to certification on the board minutes.

Recommendation:

The Board Secretary should ensure that the Treasurer's report of bank reconciliation agrees with the financial statements on a monthly basis, and that any unknown reconciling differences are promptly investigated and recorded in the financial statements on a timely basis.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**Section III - State Financial Assistance Findings and Questioned Costs**

STATE FINANCIAL ASSISTANCE-The following are state financial assistance findings or questioned costs noted, that are required to be reported in accordance with NJOMB Circular 04-04.

Finding 2011-2:**Information on the state program:**

Special Education Aid 12-495-034-5120-089

Criteria or specific requirement:

Minutes must include board approval of monthly financial statements of the secretary and the treasurer per N.J.S.A. 10:4-6 et seq.

Condition:

The monthly financial statements of the secretary and the treasurer were not approved on a timely basis for five months, and were not approved at all for six months.

Questioned Costs:

None

Context:

The July 2011 financial statements of the secretary and the treasurer were approved on January 23, 2012, and the August through December 2011 statements were approved in February 2012. Furthermore there is no documentation of board approval for the January through June 2012 financial statements.

Effect:

The monthly financial statements of the secretary and the treasurer are not reviewed and approved by the board on a timely basis.

Cause:

Late presentation of the monthly secretary and the treasurer reports to the governing body.

Recommendation:

That the minutes include board approval of monthly financial statements of the secretary and the treasurer within 60 days per N.J.S.A. 10:4-6 et seq.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**Section III - Federal and State Financial Assistance Findings and Questioned Costs -****STATE FINANCIAL ASSISTANCE - (Continued)****Finding 2012-3:****Information on the state program:**

Special Education Aid 12-495-034-5120-089

Criteria or specific requirement:

N.J.S.A. 18A:18A-1 et seq. (Public School Contracts Law) as amended, requires advertising for public bidding for contracts exceeding the bid threshold of \$36,000.

Condition:

The district awarded a \$55,000 lighting retro-fit contract without publicly advertising for bids.

Questioned Costs:

\$55,000.00

Context:

An energy services vendor was awarded a contract for the retro-fit of lighting by the board of education on June 6, 2011 without publicly advertising for bids as required by N.J.S.A. 18A:18A-1 et seq. The work was performed and the vendor was paid on December 12, 2011.

Effect:

The district did not properly advertise for bids as required by N.J.S.A. 18A:18A-1 et seq. (Public School Contracts Law).

Cause:

There was no oversight of required bidding thresholds.

Recommendation:

That the district advertise for bids for any contracts exceeding the bid threshold per N.J.S.A. 18A:18A-1 et seq. (Public School Contracts Law) as amended.

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

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

STATE FINANCIAL ASSISTANCE - (Continued)

Finding 2012-4:

Information on the state program:

Special Education Aid 12-495-034-5120-089

Criteria or specific requirement:

Funding for bid awarded capital projects must be budgeted and approved by the board and documented in the board minutes per N.J.S.A. 18A:18A-1 et seq.

Condition:

The HVAC project was overexpended by \$117,000.

Questioned Costs:

\$117,000.00

Context:

On September 12,2011 a bid was properly awarded to a contractor for the HVAC projects for a total of \$185,000. Funding for the project was budgeted through a capital reserve withdrawal of \$68,000, creating a project deficit of \$117,000.

Effect:

Funding for the project was budgeted through a capital reserve withdrawal of \$68,000, creating a project deficit of \$117,000.

Cause:

Budgeted line items in the capital projects fund were not properly set-up or subsequently monitored.

Recommendation:

That funding on capital projects be secured before bids are awarded. Bids should not be awarded in excess of the project's budgeted funding.

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

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

STATE FINANCIAL ASSISTANCE - (Continued)

Finding 2012-5:

Information on state program:

SP#2040-030-09-0ZYV	SDA Grant - Walk-In Freezer
SP#2040-030-09-0ZJS	SDA Grant - Domestic Water Service
SP#2040-030-09-0ZJV	SDA Grant - Replace Phone System
SP#2040-030-09-0ZJT	SDA Grant - Roof Replacement

Criteria:

Outstanding grants receivables should be collected in a timely manner.

Condition:

The state SDA grants for various fiscal 2010 projects in the amount of \$279,135 remains outstanding, which is recorded as an accounts receivable on the balance sheet of the capital projects fund.

Questioned Costs:

None.

Context:

The state SDA grants for various fiscal 2010 projects in the amount of \$279,135 remains outstanding and is recorded as an accounts receivable on the balance sheet of the capital projects fund.

Effect:

If the \$279,135 receivable balance is deemed uncollectible, either in whole or in part, the uncollectible amounts will need to be funded and paid through the tax levy. This is due to the fact that the capital projects have been completed in years past, and all grant funds have been previously spent.

Cause:

Lack of timely submission of required documentation to the state.

Recommendation:

That all efforts are made to collect the \$279,135 receivable in fiscal 2013, as any write-down of this balance will adversely effect the current fund budget, necessitating tax increases to pay for the unfunded projects.

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

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

STATE FINANCIAL ASSISTANCE - (Continued)

Finding 2012-6:

Information on the state program:

SDA Grant SP#2040-030-09-0ZYV

Criteria or specific requirement:

In managing capital projects, the Business Administrator must certify the availability of funds before the board can award contracts and/or a change order on a capital project that increases the cost of the project. (N.J.A.C. 6A:26-4.9(a)(3)).

Condition:

In fiscal year 2011, the capital project to convert a walk-in freezer to a refidgerator and install a new walk-in freezer was over-expended by \$37,890.

Questioned Costs:

\$37,890 in fiscal year 2011.

Context:

The final SDA project cost approval on September 24, 2009 was for \$79,563. Subsequently the board approved an additional \$606 in local share, for a total approved project cost of \$80,169. A bid was awarded for \$112,000 on June 21, 2010, and subsequently \$6,606 was expended for architectural services as of June 30, 2010, and an additional \$111,453 was expended in fiscal year 2011 on the awarded contract, for a total project expenditure of \$118,059.

Effect:

The capital project is over-expended and must be funded in order to liquidate the project deficit balance.

Cause:

The Business Administrator did not properly certify the availability of funds before the board awarded the contract.

Recommendation:

That the board should liquidate the deficit balance in fiscal year 2013 by a county approved budget transfer to capital outlay (fund 12), or by withdrawal of available capital reserve balances, or by any other available financing options, such as seeking state approval for additional state share funding.

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

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

STATE FINANCIAL ASSISTANCE - (Continued)

Finding 2012-7:

Information on the state program:

Special Education Aid 12-495-034-5120-089

Criteria or specific requirement:

Per N.J.A.C. 6A:23A-13.3, line-item transfers must be made whenever the line item is in danger of going into a deficit condition. A board of education may not approve encumbrances or expenditures that will create deficits in line items.

Condition:

Various current fund budget line items are in a deficit condition.

Questioned Costs:

\$126,364.00

Context:

Several budgetary line accounts were over-expended during the fiscal year and at June 30 despite the Board Secretary's monthly certification to the contrary (N.J.A.C. 6A:23A-16.10).

Effect:

Various current fund budget line items are in a deficit condition in violation of N.J.A.C. 6A:23A-13.3.

Cause:

The Business Administrator did not properly certify the availability of funds before the board approved the expenditure.

Recommendation:

Approved budgetary line accounts should not be over-expended. The Board Secretary should not approve the issuance of purchase orders that would cause over-expenditure in the line account to be charged, prior to the board approving the requested transfer of additional appropriations to cover such orders.

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. Finding 2012-2 and 2012-6 is a repeat comment from the prior period. All other prior period findings have been corrected in 2012.