

**Comprehensive Annual
Financial Report**

of the

Borough of Hawthorne Board of Education

County of Passaic

Hawthorne, New Jersey

For the Fiscal Year Ended June 30, 2012

Prepared by

**Borough of Hawthorne, Board of Education
Finance Department**

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INTRODUCTORY SECTION

HAWTHORNE PUBLIC SCHOOLS

445 LAFAYETTE AVENUE - P.O. BOX #2
HAWTHORNE, NJ 07507-0002
Phone: 973-427-1300
Fax: 973-427-1757

October 17, 2012

Honorable President and
Members of the Board of Education
Hawthorne Public Schools
County of Passaic, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Hawthorne Public Schools (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 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 basic financial statements and required supplementary information, as well as the auditor's report thereon. The financial section also includes Management's Discussion and Analysis, which is an overview of the District's current financial status and future outlook. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act, as amended, and the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations", and the State Treasury Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid". Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations are included in the single audit section of this report.

REPORTING ENTITY AND ITS SERVICES:

The Hawthorne Public Schools is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB) as established by National Council on Governmental Accounting (NCGA) Statement No. 3. The Hawthorne Board of Education and all its schools constitute the District’s reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre-K through 12. These include regular, vocational and special education programs. The District completed the 2011-2012 fiscal year with an average daily enrollment of 2430students, a decrease of51students from 2010-2011. The following details the in-District student enrollment of the District over the last ten years.

Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Annual Percent Change</u>
2011-2012	2430	(.21%)
2010-2011	2481	.61%
2009-2010	2,466	.78%
2008-2009	2,447	.78%
2007-2008	2,428	1.9%
2006-2007	2,383	2.10%
2005-2006	2,334	.69%
2004-2005	2,318	1.85%
2003-2004	2,276	(.39%)
2002-2003	2,285	1.02%
2001-2002	2,262	1.85%

2. MAJOR INIATIVES 2011-2012:

Hawthorne Public Schools completed the installation of electrical wiring, local area network wiring and the installation of dark fiber throughout the district on a total of 145 telephone poles. Sixteen wireless access points were installed to allow wireless access in critical areas in all five buildings. Software installations were completed through a strategy titled Factory Imaging which allows each computer to have identical software. The software installation gives the district the ability to seamlessly run either Windows XP or Windows 7 applications and all software deployment can be completed remotely.

Through the Promethean Train the Trainer Program, ten staff members received extensive in service on the use of the district’s new interactive white boards. These local trainers in turn trained the staff in their respective buildings about the use of Promethean Boards in the classroom. The district also purchased Student Response Systems for the Promethean Board which will allow teachers to electronically monitor and adjust student learning to maximize understanding and involvement. The district conducted a pilot study to determine whether Learning 360 or Discovery Education would be used for instructional video access in the classrooms throughout the district. Additionally, the district purchased I-Pads and I-Pad carts for the elementary and middle schools and trained staff on the proper use of these devices in the classroom.

The professional training was not limited to instructional staff. Hawthorne Public Schools also trained administrative staff and office personnel on the effective use of PowerSchool, the district's student database software.

During the 2011-2012 school year, the district finalized plans to hire an in house technology team to replace contracted services from Manchester Regional High School. This technology team included a full time computer technician, a full time network administrator and most importantly a Director of Technology with extensive instructional and administrative experience. Our media specialist worked in cooperation with the Director of Louis Bay II Library to ensure that every student in the school district had an opportunity to receive a borough library card. This privilege permits student access to software available through the Borough Library. The relationship with the staff from the Louis Bay II Library was also enhanced by the purchase and evolving use of the new media center Destiny Software. This program allows for easy access and tracking of all library and media materials and resources.

For the first time, elementary school students in grades 2, 3, 4, and 5 had access to a weekly computer program scheduled throughout the entire year. In our Roosevelt Elementary School, a pilot program titled "The Extension Period" was initiated allowing the third, fourth and fifth grade classroom teachers to stay with the basic skills students while other students worked on extension activities in the media center with the schools media arts specialist and assigned paraprofessionals. Our basic skills contact in grades K, 1 and 2 was expanded from three days per week to five days.

Jefferson School's selection as a Blue Ribbon School was celebrated through a special ceremony at the school in which the students wore their blue ribbon tee shirts, read student essays and formally raised the Blue Ribbon Flag on the school's flagpole. Jefferson's Blue Ribbon status was also formally recognized at both the Town Council and Board of Education meetings. Lincoln Middle School introduced a Media Arts program for eighth graders during the 2011-2012 school year. The students focused on digital photography and photo shop software and preliminary applications of videography in their class work. Additionally, Lincoln Middle School expanded its life skills special education program from one section to three to accommodate student need.

The High School introduced Media Arts II and Forensics to the elective curriculum in the 2011-2012 school year. The high school curriculum was revised to include sections of fundamental, college prep, honors and AP instruction in math and science. Through the blended efforts of the school administration, the professional staff and the parent teacher organization, the media center underwent a complete restoration in order to modernize the facility and improve student interest in academic pursuits. Additionally, Hawthorne High School brought back freshman spring sports.

Finally, through the efforts of the Supervisor of Buildings and Grounds, Interim Business Administrator and the Buildings and Grounds Committee the Board of Education the district completed referendum roofing projects at the high school, finalized boiler repair at Lincoln and Roosevelt Schools and completed a diesel retrofit on the districts school buses which will extend the number of years the buses can be on the road.

3. INTERNAL ACCOUNTING CONTROLS:

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

As a recipient of federal and state financial assistance, the District also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the District's management. As part of the District's single audit described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal and state financial assistance programs, as well as to determine that the District has complied with applicable laws and regulations.

4. BUDGETARY CONTROLS:

In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

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

5. ACCOUNTING SYSTEM AND REPORTS:

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

6. CASH MANAGEMENT:

The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements," Note 4. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

7. RISK MANAGEMENT:

The District is a member of the Northeast Bergen County School Board Insurance Group (the “Fund”). The Fund is a risk-sharing public entity pool established for the purpose of insuring against workers’ compensation claims, general liability, property and vehicle insurance.

8. OTHER INFORMATION:

State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The Board’s finance committee selected the accounting firm of Suplee, Clooney & Company. 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 as amended and the related OMB Circular A-133 and State Treasury Circular Letter 04-04 OMB. The auditor’s report on the basic financial statements 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.

The Hawthorne School Board entered into a new contract with Pomptonian Food Services to manage the District’s cafeteria operation for the 2011/2012 school year. The award is based on Pomptonian’s prior performance and that firm’s 2009/2010 selection via the Request for Proposal process.

The Hawthorne Board of Education renewed its membership in the Northeast Bergen County Insurance Group. This is a joint insurance group participating with other local school boards to provide general liability, vehicle, and worker’s compensation coverage in a cost-effective manner. The Hawthorne Board of Education purchases medical insurance directly from Oxford United Health Care, and dental coverage from Delta.

9. ACKNOWLEDGMENTS:

We would like to express our appreciation to the members of the Hawthorne Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the school District and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our administrative, financial, accounting, and secretarial staffs.

Respectfully submitted,



Robert P. Mooney
Superintendent of Schools



Anthony Mistretta
Interim, Board Secretary/Business Administrator

**HAWTHORNE BOARD OF EDUCATION
HAWTHORNE, NJ**

**ROSTER OF OFFICIALS
JUNE 30, 2012**

<u>Board Members</u>	<u>Term Expires</u>
Ms. Michele Hyams, President	2015
Ms. Elaine Tolomeo, Vice President	2014
Mr. Burton Alkes	2014
Mr. Kevin Duffy	2013
Mr. Domenick Giancaspro	2013
Mr. Bruce Reicher	2013
Mr. Robert Maggio	2014
Ms. Abigail Goff	2015
Mr. Victor Terraglia	2015

Other Officials

Robert P. Mooney, Superintendent of Schools
Mr. Anthony Mistretta, Interim Business Administrator/Board Secretary
Mr. Rodney Hara, Esq.

**HAWTHORNE BOARD OF EDUCATION
HAWTHORNE, NJ
CONSULTANTS AND ADVISORS**

Audit Firm

Suplee, Clooney & Company
308 East Broad Street
Westfield, NJ 07090

Attorney

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

Official Depository

Columbia Bank
60 Godwin Ave
Midland Park, NJ 07432

FINANCIAL SECTION



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

Telephone 908-789-9300

Fax 908-789-8535

E-mail info@scnco.com

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
Borough of Hawthorne School District
County of Passaic
Hawthorne, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Hawthorne School District, County of Passaic, New Jersey as of and for the 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 District's management. Our responsibility is to express opinions on these financial statements based on our audit. The financial statements of the Hawthorne Borough School District as of June 30, 2011 were audited by other auditors whose report dated December 6, 2011 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey, the provisions of U. S. Office of Management and Budget (OMB) Circular A-133 "Audits of State, Local Governments and Non-Profit Organizations" and State of New Jersey OMB Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid." Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Borough of Hawthorne School District, County of Passaic, 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 U.S. generally accepted accounting principles.

SUPLEE, CLOONEY & COMPANY

In accordance with Government Auditing Standards, we have also issued our report dated October 17, 2012 on our consideration of the Borough of Hawthorne School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 in Exhibits C-1 through C-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the Borough of Hawthorne School District's financial statements that collectively comprise the basic financial statements. The accompanying supplementary information schedules such as the combining and individual fund financial statements and the Schedules of Expenditures of Federal and State Awards, as listed in the table of contents, as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Nonprofit Organization," New Jersey's OMB Circular NJOMB 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid," and State of New Jersey, Department of Education, Division of Finance are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Borough of Hawthorne School District, County of Passaic, New Jersey. 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

SUPLEE, CLOONEY & COMPANY

In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The accompanying other information, such as the introductory and statistical sections, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.


CERTIFIED PUBLIC ACCOUNTANTS


PUBLIC SCHOOL ACCOUNTANT NO. 93

October 17, 2012

REQUIRED SUPPLEMENTARY INFORMATION – Part I

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

BOROUGH OF HAWTHORNE SCHOOL DISTRICT

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

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

Financial Highlights

Key financial highlights for 2012 are as follows:

- The state continues to delay the final two state aid payments into the subsequent budget year. Therefore, the final two payments were not reflected on the GAAP basis financial statements for the 2011/2012 school year. The amount of the deferred state aid payments, which were received in July 2012, is \$108,927.
- In total, net assets for governmental fund increased \$2,818,595, which represents a 53% increase from 2011.
- General revenues accounted for \$33,974,600 or 79% of all revenues. Program specific revenues in the form of charges for services and operating/capital grants and contributions accounted for \$9,259,753 or 21% of all revenues.
- The District had \$40,415,758 in expenses that were adequately provided for by general revenues consisting primarily of state aid and property taxes.

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

BOROUGH OF HAWTHORNE SCHOOL DISTRICT

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

The *Statement of Net Assets and Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the 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 District's most significant funds with all other non-major funds presented in total in one column. In the case of the district, the General Fund is by far the most significant fund.

Reporting the 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 District to provide programs and activities, the view of the 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 answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the school district as a whole, the financial position of the 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 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 District is divided into two distinct kinds of activities:

- Government Activities – All of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant facilities, student transportation and extracurricular activities.
- Business-Type Activities – 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 program and the Adult Community School program are reported as business activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund Financial reports provide detailed information about the District's funds. The District uses many funds to account for a multitude of financial transactions. The District's governmental funds are the General Fund, Special Revenue Fund, Capital Projects Fund and Debt Service Fund.

BOROUGH OF HAWTHORNE SCHOOL DISTRICT

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

Governmental Funds

The 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 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 District's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Enterprise Fund

The enterprise fund uses the same basis of accounting as business-type activities. These statements closely resemble financial statements of a private sector business entity.

The School District as a Whole

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

Table 1 provides a comparative summary of the District's net assets for 2012 and 2011.

**Table 1
Net Assets**

	<u>2012</u>	<u>2011</u>
Assets		
Current and Other Assets	\$5,452,263.29	\$8,502,024.00
Capital Assets	<u>16,632,089.90</u>	<u>12,168,908.00</u>
Total Assets	22,084,353.19	20,670,932.00
Liabilities		
Long-Term Liabilities	12,269,892.27	12,687,046.00
Other Liabilities	<u>1,701,938.86</u>	<u>2,689,959.00</u>
Total Liabilities	13,971,831.13	15,377,005.00
Net Assests		
Invested in Capital Assets, Net of Debt	7,222,677.13	5,786,992.00
Restricted	2,238,134.50	133,137.00
Unrestricted	<u>(1,348,289.57)</u>	<u>(626,202.00)</u>
Total Net Assets	<u>\$8,112,522.06</u>	<u>\$5,293,927.00</u>

BOROUGH OF HAWTHORNE SCHOOL DISTRICT

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

The District's combined net assets were \$8,112,522 on June 30, 2012. This was an increase of 53 percent from the prior year. Table 2 shows changes in net assets for fiscal years 2012 and 2011.

**Table 2
Changes in Net Assets**

	<u>2012</u>	<u>2011</u>
Revenues		
Program Revenues:		
Charges for Services	\$1,126,612.21	\$1,005,674.00
Grants and Contributions	8,133,140.40	5,963,782.00
General Revenues:		
Property Taxes	33,437,997.00	32,119,402.00
Other	<u>536,603.57</u>	<u>280,446.00</u>
Total Revenues	<u>43,234,353.18</u>	<u>39,369,304.00</u>
 Program Expenses		
Instruction	24,757,207.43	23,776,945.00
Support Services:		
Student and Instruction Related	5,163,537.18	5,515,931.00
General Administration	810,541.92	689,107.00
School Administration	2,156,745.34	1,920,335.00
Central Services/ Adm. Of Technology	728,784.06	648,109.00
Maintenance of Facilities	3,494,799.14	3,666,748.00
Student Transportation	1,091,191.75	1,213,287.00
Business Type Activities	1,111,426.97	1,022,011.00
Other	<u>1,101,524.78</u>	<u>324,824.00</u>
Total Expenses	<u>40,415,758.57</u>	<u>38,777,297.00</u>
Increase/ (Decrease) in Net Assets	<u>\$2,818,594.61</u>	<u>\$592,007.00</u>

Government Activities

The nature of funding public education primarily through property taxes in New Jersey creates the legal requirements to annually seek voter approval for the School District budget. Property taxes made up 58 percent of revenues for governmental activities in the District. There was a \$1,318,595 increase in property taxes or 4.1 percent from the prior year. The District's total revenues were \$42,105,116 for the year ended June 30, 2012. Federal, State and local grants accounted for 41 percent of revenue.

BOROUGH OF HAWTHORNE SCHOOL DISTRICT

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

Instruction comprises 63 percent of district expenses. Support services make up 36 percent of the district expenses and other services and expenses make up 1 percent.

Business-Type Activities

Revenues for the District's business-type activities were comprised of charges for services and operating grants and contributions in the food service program and the adult community school program. The following are some of our major business type activity results.

- Business type revenues exceeded expenses by \$17,810.
- Revenues consist of \$808,206 in operating revenue from charges for services and \$321,031 in non-operating revenue from State, Federal and other sources.

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 for 2012. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Table 3
Net Cost of Services**

	Total Cost of <u>Services 2012</u>	Net Cost of <u>Services 2012</u>
Instruction	\$24,757,207.43	\$19,010,057.48
Support Services:		
Students and Instruction Related	5,163,537.18	4,671,883.23
General Administration, School & Central Admin.,	3,696,071.32	3,434,007.73
Maintenance of Facilities	3,494,799.14	2,487,257.40
Student Transportation	1,091,191.75	1,055,144.94
Other	1,101,524.78	513,408.78
Business-Type Activities	<u>1,111,426.97</u>	<u>(15,753.60)</u>
Total Net Cost of Services	<u>\$40,415,758.57</u>	<u>\$31,156,005.96</u>

Instruction expenses include activities directly dealing with the teaching of students and the interaction between teacher and student, including extracurricular activities. Tuition paid to other schools for regular and special education students is also included here.

Students and instruction related include the activities involved with assisting staff with the content and process of teaching to students, including curriculum and staff development.

BOROUGH OF HAWTHORNE SCHOOL DISTRICT

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

General administration, school administration, and central services include expenses associated with administrative and financial management of the District.

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

Student transportation includes activities with the conveyance of special education students to and from school, school activities and athletic events, as provided by state law.

"Other" includes unallocated depreciation and interest on long term debt.

Business-Type activities include activities in the food service program and the adult community school program.

The School District's Funds

All governmental funds (i.e., general fund, special revenue fund, capital projects fund, and debt service fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$42,684,015 and expenditures were \$44,740,557.

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, which required significant budget adjustments to contend with state aid reductions. The following schedules, which do not include the Capital Project Fund's activity, present a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2012, and the amount and percentage of increase or decrease in relation to prior year revenues.

<u>Revenues</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase(Decrease) from FY 2011</u>	<u>Percent Increase (Decrease)</u>
Local Sources	\$33,814,775.04	80.31%	\$1,427,264.04	5.03%
State Sources	7,256,713.26	17.23%	2,591,507.26	10.22%
Federal Sources	<u>1,033,628.19</u>	<u>2.45%</u>	<u>(191,031.81)</u>	<u>-12.92%</u>
Total	<u>\$42,105,116.49</u>	<u>100.00%</u>	<u>\$3,827,739.49</u>	<u>6.93%</u>

BOROUGH OF HAWTHORNE SCHOOL DISTRICT

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

The following schedule represents a summary of general fund, special revenue fund, and debt service fund expenditures for the fiscal year ended June 30, 2012, and the percentage of increases and decreases in relation to prior year amounts.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase(Decrease) from FY 2011</u>	<u>Percent Increase (Decrease)</u>
Current:				
Instruction	\$22,291,406.44	49.82%	(\$1,509,172.56)	-7.26%
Support Services	15,607,362.98	34.88%	2,396,028.98	13.31%
Capital Outlay	1,387,851.17	3.10%	754,008.17	35.20%
Debt Service	<u>5,453,937.30</u>	<u>12.19%</u>	<u>4,538,049.30</u>	<u>45.42%</u>
Total	<u>\$44,740,557.89</u>	<u>100.00%</u>	<u>\$6,178,913.89</u>	<u>11.48%</u>

General Fund Budgeting Highlights

The 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.

Over the course of the year, the Board of Education, when appropriate, approved budget transfers to keep accounts in balance. Transfers to the budget were made to accurately reflect expenditures according to state guidelines and prevent over-expenditures in specific line item accounts. These revisions bear notation:

- TPAF, which is the State's contribution to the pension fund, post-retirement benefits and the employer's share of FICA costs, is neither a revenue or expenditure item in the budget; however, the School District is required to present this information in the revenue and expenditure sections of the report.
- The Board of Education amended the 2011-2012 budget for additional education jobs fund aid.

BOROUGH OF HAWTHORNE SCHOOL DISTRICT

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

Debt Administration

At June 30, 2012, the District had \$12,269,892 of outstanding long-term liabilities. Of this amount, \$911,377 is for compensated absences; \$577,969 for capital leases; 123,748 for deferred pension obligation and \$10,656,798 of serial bonds for school construction, net of unamortized balances.

Capital Assets

At the end of the fiscal year 2012, the District had a net of \$16,623,191 invested in land and improvements, building and building improvements, and machinery and equipment. Table 4 shows fiscal year 2012 balances compared to 2011.

**Table 4
Capital Assets (Net of Depreciation)**

	<u>2012</u>	<u>2011</u>
Governmental Activities Capital Assets, Net:		
Land	\$310,876.00	\$310,876.00
Construction in Progress	1,126,207.90	546,178.00
Building and Building Improvements	14,682,385.00	11,043,971.00
Machinery and Equipment	<u>503,723.00</u>	<u>235,188.00</u>
Total Governmental Activities Capital Assets, Net	<u>16,623,191.90</u>	<u>12,136,213.00</u>
Business Type Activities Capital Assets, Net:		
Machinery and Equipment	<u>8,898.00</u>	<u>32,695.00</u>
Total Business Type Activities Capital Assets, Net:	<u>8,898.00</u>	<u>32,695.00</u>
Total Capital Assets, Net	<u><u>\$16,632,089.90</u></u>	<u><u>\$12,168,908.00</u></u>

Overall capital assets increased by \$4,463,181 from fiscal year 2011 to fiscal year 2012.

BOROUGH OF HAWTHORNE SCHOOL DISTRICT

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

For the Future

Everyone associated with the Hawthorne School District is grateful for the community support of the schools. A major concern is the financial support required to maintain appropriate class sizes and services. This, in an environment of virtually flat state aid support, means an ever-increasing reliance on local property taxes.

In conclusion, the Hawthorne School District has committed itself to financial and educational excellence. Its system for financial planning, budgeting and internal financial controls is audited annually and it plans to continue to manage its finances in order to meet the many challenges ahead.

Contacting the School District's Financial Management Office

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 any questions about this report or need additional information contact Anthony Mistretta, Interim Business Administrator/Board Secretary, Hawthorne Board of Education, 445 Lafayette Avenue, Hawthorne, NJ 07507. Also, please visit our website to learn more about our School District.

BASIC FINANCIAL STATEMENTS

The basic financial statements provide a financial overview of the District's operations. These financial statements present the financial position and operating results of all funds as of June 30, 2012

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.

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
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	\$2,003,332.16	\$447,678.15	\$2,451,010.31
Receivables, net	2,927,144.42	16,035.71	2,943,180.13
Inventory		8,365.85	8,365.85
Restricted assets:			
Restricted cash and cash equivalents			
Deferred Bond Issuance Costs, net	49,707.00		49,707.00
Capital assets,			
Non Depreciable	1,437,083.90		1,437,083.90
Depreciable - Net	15,186,108.00	8,898.00	15,195,006.00
Total Assets	<u>21,603,375.48</u>	<u>480,977.71</u>	<u>22,084,353.19</u>
LIABILITIES:			
Accounts payable	609,041.91	24,745.64	633,787.55
Payable to state government	55,735.89		55,735.89
Payable to other funds	1,476.00		1,476.00
Deferred revenue	904,043.78	811.90	904,855.68
Accrued interest on bonds	106,083.74		106,083.74
Noncurrent liabilities:			
Due within one year	1,009,006.23		1,009,006.23
Due beyond one year	11,260,886.04		11,260,886.04
Total liabilities	<u>13,946,273.59</u>	<u>25,557.54</u>	<u>13,971,831.13</u>
NET ASSETS:			
Invested in capital assets, net of related debt	7,213,779.13	8,898.00	7,222,677.13
Restricted for:			
Capital projects	1,702,304.64		1,702,304.64
Other purposes	535,829.86		535,829.86
Unrestricted (Deficit)	<u>(1,794,811.74)</u>	<u>446,522.17</u>	<u>(1,348,289.57)</u>
Total net assets	<u>\$7,657,101.89</u>	<u>\$455,420.17</u>	<u>\$8,112,522.06</u>

See accompanying notes to financial statements.

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 14,404,030.42		\$ 1,409,912.51	44,399.00	\$ (12,949,718.91)		\$ (12,949,718.91)
Special	9,118,079.81	\$ 318,405.86	3,882,316.88	\$ 28,247.00	(4,889,110.07)		(4,889,110.07)
Other Instruction	1,275,097.20		103,868.70		(1,171,228.50)		(1,171,228.50)
Support services:							
Student & instruction related services	5,163,537.18		491,653.95		(4,671,883.23)		(4,671,883.23)
General administrative services	810,541.92		44,637.63		(765,904.29)		(765,904.29)
School administrative services	2,156,745.34		174,783.87		(1,981,961.47)		(1,981,961.47)
Central services	460,934.85		39,141.46		(421,793.39)		(421,793.39)
Administration information technology	267,849.21		3,500.63		(264,348.58)		(264,348.58)
Plant operations and maintenance	3,494,799.14		215,956.10	1,379,701.64	(1,899,141.40)		(1,899,141.40)
Pupil transportation	1,091,191.75		36,046.81		(1,055,144.94)		(1,055,144.94)
Interest on Long-Term Debt	455,275.78				(455,275.78)		(455,275.78)
Unallocated depreciation and amortization	646,249.00				(646,249.00)		(646,249.00)
Total governmental activities	<u>39,344,331.60</u>	<u>318,405.86</u>	<u>6,401,818.54</u>	<u>1,452,347.64</u>	<u>(31,171,759.56)</u>		<u>(31,171,759.56)</u>
Business-type activities							
Food Service	845,151.41	545,411.48	266,747.93			\$ (32,992.00)	(32,992.00)
Community School	266,275.56	262,794.87				(3,480.69)	(3,480.69)
Total business-type activities	<u>1,111,426.97</u>	<u>808,206.35</u>	<u>266,747.93</u>			<u>(36,472.69)</u>	<u>(36,472.69)</u>
Total primary government	<u>\$ 40,455,758.57</u>	<u>\$ 1,126,612.21</u>	<u>\$ 6,668,566.47</u>	<u>\$ 1,452,347.64</u>	<u>\$ (31,171,759.56)</u>	<u>\$ (36,472.69)</u>	<u>\$ (31,208,232.25)</u>
General Revenues:							
Taxes:							
					\$ 32,346,376.00	\$	\$ 32,346,376.00
					1,091,621.00		1,091,621.00
					271,752.00		271,752.00
					205,754.00		205,754.00
					57,041.00		57,041.00
					<u>33,972,544.00</u>		<u>33,972,544.00</u>
					2,800,784.44	(36,472.69)	2,764,311.75
					4,856,317.45		4,856,317.45
					<u>\$ 7,657,101.89</u>	<u>\$ (36,472.69)</u>	<u>\$ 7,620,629.20</u>

See accompanying notes to financial statements.

MAJOR FUND FINANCIAL STATEMENTS

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

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

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS:					
Cash and cash equivalents	\$ 1,627,620.37	\$ 231,486.55	\$ 144,219.12	\$ 6.12	\$ 2,003,332.16
Accounts receivable:					
Federal	6,374.00	49,750.46			56,124.46
State	656,563.56		2,202,243.40		2,858,806.96
Local	12,213.00				12,213.00
Interfunds	52,012.00				52,012.00
	<u>2,354,782.93</u>	<u>281,237.01</u>	<u>2,346,462.52</u>	<u>6.12</u>	<u>4,982,488.58</u>
Total assets	\$ 2,354,782.93	\$ 281,237.01	\$ 2,346,462.52	\$ 6.12	\$ 4,982,488.58
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts payable	\$ 488,233.45	\$ 116,566.94	\$ 4,241.52		\$ 609,041.91
Interfund payable	1,664.00	51,824.00			53,488.00
Intergovernmental payables:					
State		55,735.89			55,735.89
Deferred revenue	207,017.24	57,110.18	639,916.36		904,043.78
	<u>696,914.69</u>	<u>281,237.01</u>	<u>644,157.88</u>		<u>1,622,309.58</u>
Total liabilities	696,914.69	281,237.01	644,157.88		1,622,309.58
Fund balances:					
Restricted for:					
Capital reserve account	244,884.86				244,884.86
Emergency reserve account	175,000.00				175,000.00
Excess surplus - designated for subsequent year's expenditures	115,945.00				115,945.00
Committed for capital projects			1,702,304.64		1,702,304.64
Committed for Debt Service				6.00	6.00
Assigned for year-end encumbrances	516,213.03				516,213.03
Committed for subsequent years expenditures				0.12	0.12
Unassigned:					
General fund	605,825.35				605,825.35
	<u>1,657,868.24</u>		<u>1,702,304.64</u>	<u>6.12</u>	<u>3,360,179.00</u>
Total fund balances	1,657,868.24		1,702,304.64	6.12	3,360,179.00
Total liabilities and fund balances	\$ 2,354,782.93	\$ 281,237.01	\$ 2,346,462.52	\$ 6.12	\$ 4,982,488.58

See accompanying notes to financial statements.

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

Total Fund Balances (Brought Forward)		\$3,360,179.00
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.		
Cost of Assets	\$28,997,603.90	
Accumulated Depreciation	<u>(12,374,412.00)</u>	16,623,191.90
Long term liabilities, including bonds payable, and other related amounts that are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Serial bonds payable	(10,891,000.00)	
Original issue discount, net	8,163.00	
Deferred amount on refunding bonds, net	226,039.00	
Bond issue costs, net	49,707.00	
Capital leases payable	(577,969.27)	
Deferred pension obligation	(123,748.00)	
Compensated absences payable	<u>(911,377.00)</u>	(12,220,185.27)
Certain liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.		
Accrued Interest Payable		<u>(106,083.74)</u>
Net Assets of Governmental Activities		<u><u>\$7,657,101.89</u></u>

See accompanying notes to financial statements.

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

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
Local sources:					
Local tax levy	\$ 32,346,376.00			\$ 1,091,621.00	\$ 33,437,997.00
Interest earned on capital reserve funds	105.19				105.19
Miscellaneous	375,342.12	\$ 1,330.73			376,672.85
Total - local sources	32,721,823.31	1,330.73		1,091,621.00	33,814,775.04
State sources	5,494,679.51	176,578.11	\$ 1,379,701.64	205,754.00	7,256,713.26
Federal sources	94,069.64	979,558.55			1,073,628.19
Total revenues	38,310,572.46	1,157,467.39	1,379,701.64	1,297,375.00	42,145,116.49
EXPENDITURES:					
Current expense:					
Regular instruction	13,148,768.50	316,474.66			13,465,243.16
Special instruction	6,861,899.43	728,939.49			7,590,838.92
Other Instruction	1,274,807.12	517.24			1,275,324.36
Support services:					
Student & instruction related services	7,324,771.17	38,890.00			7,363,661.17
General administrative services	806,493.03				806,493.03
School administrative services	2,136,783.49				2,136,783.49
Central services	461,020.88				461,020.88
Administrative information technology	267,856.90				267,856.90
Plant operations and maintenance	3,487,760.79				3,487,760.79
Student transportation	1,083,786.72				1,083,786.72
Debt Service:					
Principal	63,751.13			910,000.00	973,751.13
Interest	7,966.16			406,133.88	414,100.04
Capital outlay	604,869.30	72,646.00	4,776,422.00		5,453,937.30
Total expenditures	37,530,534.62	1,157,467.39	4,776,422.00	1,316,133.88	44,780,557.89
Excess (deficiency) of revenues over (under) expenditures	780,037.84		(3,396,720.36)	(18,758.88)	(2,635,441.40)
Other financing sources (uses):					
Capital leases (non-budgeted)	578,899.40				578,899.40
Total other financing sources	578,899.40				578,899.40
Net change in fund balances	1,358,937.24		(3,396,720.36)	(18,758.88)	(2,056,542.00)
Fund balances, July 1, 2011	298,931.00		5,099,025.00	18,765.00	5,416,721.00
Fund balances, June 30, 2012	\$ 1,657,868.24	\$ -0-	\$ 1,702,304.64	\$ 6.12	\$ 3,360,179.00

See accompanying notes to financial statements.

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

Total net change in fund balances - governmental funds (from B-2) \$ (2,056,542.00)

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	\$ (755,376.00)	
Capital outlays	5,453,937.30	
Less: Capital outlays not capitalized	(211,582.40)	
		4,486,978.90

Proceeds from debt issues are a financing source in governmental funds. They are not revenue in the statement of activities; issuing debt increases long-term liabilities in the statement of net assets.

Capital lease proceeds		(578,899.40)
Original Issue Discount on Refunding Bonds		(1,830.00)
Deferred Amount on Refunding Bond Payments to Escrow Agent		(50,673.00)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.

Payment of capital lease principle	63,751.13	
Payment of deferred pension	5,631.00	
Payment of bond principle	910,000.00	
		979,382.13

Bond Issue costs are reported in the Governmental Funds as expenditures in the year the bonds are issued. However, on the Statement of Activities the costs are amortized over the life of the Bonds (5,630.00)

In the statement of activities, interest on long-term debt is accrued, regardless of when due. In governmental funds, interest is reported when due. The accrued interest is an increase in the reconciliation.

Increase in accrued interest payable		(41,175.74)
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In the statement of activities, certain expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).

Decrease in compensated absences payable		69,174.00
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Change in net assets of governmental activities		\$ 2,800,784.44
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See accompanying notes to financial statements.

OTHER FUNDS

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

	<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u> <u>ENTERPRISE</u> <u>FUNDS</u> <u>NON-MAJOR</u>
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 447,678.15
Accounts receivable:	
Federal	15,381.05
State	654.66
Inventories	8,365.85
Total current assets	472,079.71
Noncurrent assets:	
Furniture, machinery and equipment	79,375.00
Less accumulated depreciation	(70,477.00)
Total noncurrent assets	8,898.00
Total assets	480,977.71
LIABILITIES:	
Current liabilities:	
Accounts payable	24,745.64
Deferred revenue	811.90
Total current liabilities	25,557.54
Total liabilities	25,557.54
NET ASSETS:	
Invested in capital assets	8,898.00
Unrestricted	446,522.17
Total net assets	\$ 455,420.17

See accompanying notes to financial statements.

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

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS <u>NON-MAJOR</u>
OPERATING REVENUES:	
Charges for services:	
Daily sales	\$ 545,411.48
Child care activities	262,794.87
	<u>808,206.35</u>
OPERATING EXPENSES:	
Cost of sales	362,330.72
Salaries and employee benefits	471,199.54
Other purchased services	95,221.67
Supplies and materials	72,855.24
Miscellaneous	86,022.80
Depreciation	23,797.00
	<u>1,111,426.97</u>
Total operating expenses	(303,220.62)
Operating (loss)	<u>(303,220.62)</u>
NONOPERATING REVENUES:	
State Sources	
State school lunch program	11,725.92
Federal Sources	
National school lunch program	251,178.78
National school breakfast program	2,837.01
National food distribution commodities	53,232.51
Interest and investment revenue	2,056.57
	<u>321,030.79</u>
Total nonoperating revenues	321,030.79
Net income before contributions and transfers	17,810.17
Change in net assets	17,810.17
Total net assets - beginning	<u>437,610.00</u>
Total net assets - ending	<u>\$ 455,420.17</u>

See accompanying notes to financial statements.

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

	<u>BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS NON-MAJOR</u>
Cash flows from operating activities:	
Receipts from customers	\$ 808,206.35
Payments to employees and employee benefits	(471,199.54)
Payments to suppliers	<u>(612,075.23)</u>
Net cash provided by (used for) operating activities	<u>(275,068.42)</u>
Cash flows from noncapital financing activities:	
State Sources	11,071.26
Federal Sources	238,634.74
Transfers to other funds	<u>28,228.00</u>
Net cash provided by noncapital financing activities:	<u>277,934.00</u>
Cash flows from investing activities:	
Interest on investments	<u>2,056.57</u>
Net cash provided by (used for) investing activities	<u>2,056.57</u>
Net decrease in cash and cash equivalents	4,922.15
Cash and cash equivalents, July 1, 2011	<u>442,756.00</u>
Cash and cash equivalents, June 30, 2012	<u>\$ 447,678.15</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ (303,220.62)
Adjustments to reconciling operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation and net amortization	23,797.00
National food distribution commodities	53,232.51
Change in assets and liabilities:	
Increase (decrease) in accounts payable	(45,176.36)
Increase (decrease) in deferred revenue	(5,889.10)
(Increase) decrease in inventories	<u>2,188.15</u>
	<u>28,152.20</u>
Net cash provided by (used for) operating activities	<u>\$ (275,068.42)</u>

See accompanying notes to financial statements.

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>AGENCY FUNDS</u>	<u>UNEMPLOYMENT COMPENSATION TRUST</u>	<u>PRIVATE PURPOSE SCHOLARSHIP FUNDS</u>
ASSETS:			
Cash and cash equivalents	\$ 224,563.08	\$ 8,892.51	\$ 7,067.15
Due from other funds	<u>1,476.00</u>	<u>6,414.00</u>	<u> </u>
Total assets	<u><u>226,039.08</u></u>	<u><u>15,306.51</u></u>	<u><u>7,067.15</u></u>
LIABILITIES:			
Payroll deductions and withholdings	15,432.33		
Summer Pay	3,771.89		
Due to other funds	6,414.00		
Due to student groups	<u>200,420.86</u>		
Total liabilities	<u><u>\$ 226,039.08</u></u>		
NET ASSETS:			
Held in trust for unemployment claims and other purposes		<u>15,306.51</u>	<u>7,067.15</u>
Total net assets		<u><u>\$ 15,306.51</u></u>	<u><u>\$ 7,067.15</u></u>

See accompanying notes to financial statements.

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

	PRIVATE PURPOSE SCHOLARSHIP FUNDS	UNEMPLOYMENT COMPENSATION TRUST
ADDITIONS:		
Contributions:		
Donations	\$ 3,830.00	\$
Unemployment		214,808.54
	<hr/>	<hr/>
Total contributions	3,830.00	214,808.54
	<hr/>	<hr/>
Investment earnings:		
Interest earned	29.75	46.72
	<hr/>	<hr/>
Net investment earnings	29.75	46.72
	<hr/>	<hr/>
Total additions	3,859.75	214,855.26
	<hr/>	<hr/>
DEDUCTIONS:		
Other purposes	1,220.60	
Unemployment claims		185,329.75
	<hr/>	<hr/>
Total deductions	1,220.60	185,329.75
	<hr/>	<hr/>
Change in net assets	2,639.15	29,525.51
Net assets beginning of year	4,428.00	(14,219.00)
	<hr/>	<hr/>
Net assets end of year	\$ 7,067.15	\$ 15,306.51
	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to financial statements.

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Hawthorne School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America (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 District's accounting policies are described below:

Reporting Entity

The School District is a Type II District located in Passaic County, New Jersey. The School District is an instrumentality of the State of New Jersey, established to function as an educational institution. The Hawthorne School District is governed by a seven member board, which is the primary governing authority of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District.

The primary criterion for including activities within the District's reporting entity, are set forth in Statement No. 39 of the Governmental Accounting Standards Board entitled "*Determining Whether Certain Organizations are Component Units*" (GASB 39) as codified in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards.

Organizations that are legally separate, tax-exempt entities and that meet *all* of the following criteria should be discretely presented as component units:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government.
2. The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources of the organization.
3. The economic resources received or held by an *individual organization* that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. The financial statements include all funds of the District over which the Board exercises operating control.

The operations of the District include pre-kindergarten through high school education. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

The 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.

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 generally between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of net assets presents the financial condition of the governmental and business-type activities of the 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 requirement 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 District.

Fund Financial Statements: During the fiscal year, the District segregates transactions related to certain 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 are presented for each fund category-governmental, proprietary, and fiduciary. 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 as the oversight entity believes that the presentation of all funds as major is important for the public interest and to promote consistency among District financial reporting models.

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 non instructional equipment which are classified in the capital outlay sub-fund.

As required by the New Jersey State Department of Education, the District includes budgeted capital outlay in this fund. U.S. 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 capital 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 the current expense by Board resolution; in certain instances approval by the County Superintendent of Schools may also be required.

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

Capital Projects Funds 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 debt issued to finance major property acquisition, construction and improvement programs.

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Funds

Enterprise Fund The enterprise fund accounts for all revenues and expenses pertaining to the District's Food Service and School Age Child Care program operations. These funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (*i.e.* expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Fiduciary Funds

Agency Funds The agency funds are used to account for assets held by the District on behalf of outside parties, including other governments, or on behalf of other funds within the District. The agency funds included are as follows:

Payroll and Student Activities Funds These are agency funds used to account for the assets that the District holds on behalf of others as their agent. Agency funds are custodial in nature and do not involve measurement of results of operations.

Private Purpose Trust Funds These trust funds are used to account for assets donated by individuals that will provide for the payment of awards and other purposes.

Unemployment Insurance Trust Funds An expendable trust fund used to account for unemployment compensation claims as they arise.

Basis of Accounting-Measurement Focus

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

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting-Measurement Focus (Continued)

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. 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 for expenses versus expenditures. Ad Valorem (Property) Taxes are susceptible to accrual as under New Jersey State 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 are 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 transactions 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 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 from the issuance of 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, Account Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the county office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23-2.2(f)1. Expenditures may not legally exceed budgeted appropriations at the line item level. All budget amendments and transfers must be approved by School Board resolution. Budget amendments during the year ended June 30, 2012 totaled \$70,831, representing the balance of June 30, 2011 general fund encumbrances and additional state and federal aid.

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 (GAAP) with the exception of the legally mandated (NJSA 18A:22-44.2) revenue recognition of deferred State Aid payments for budgetary purposes only and the accounting treatment of encumbrances in the special revenue fund as described 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 recognized 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 records.

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Encumbrance Accounting

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditures 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 and capital project funds 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.

Interfunds

Interfund receivables and payables arise from transactions between particular funds and are considered short term in duration. The interfund transactions are recorded by all funds affected in the period in which the transactions are executed and are part of the district's available expendable resources.

Inventories and Prepaid Expenses

Inventories of materials and supplies held for consumption in the governmental funds are recorded as expenditures at the time of purchase and year end balances are not reported in the financial statements.

Inventories of food and/or supplies in the food service fund are recorded at cost on a first-in, first-out basis or, in the case of Food Distribution Commodities, at stated value which approximates market.

Prepaid expenses which benefit future periods, other than those recorded in the enterprise fund, are recorded as expenditures in the year of purchase.

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

The District has an established formal system of accounting for its capital assets. Capital Assets used for governmental purposes, which include land, buildings and improvements and furniture and equipment, are only reported in the district-wide financial statements. The District generally defines capital assets as assets with an initial cost of \$2,000.00 or more and an estimated useful life in excess of one year. 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.

Capital assets are depreciated in the district-wide statements using the straight-line method over the following estimated useful lives:

	Estimated
School Buildings	50
Building Improvements	20
Electrical/Plumbing	30
Vehicles	8
Office & computer equipment	5-10
Instructional equipment	10
Grounds equipment	15

Compensated Absences

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

District employees are granted varying amounts of vacation and sick leave in accordance with the District's personnel policy and/or collective bargaining unit contracts. Upon termination, employees are paid for accrued vacation. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after four years of service.

The liability for compensated absences was accrued using the termination payment method, whereby the liability is calculated based on the amount of sick leave and vacation days that are 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.

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences (Continued)

For the district-wide statements, the current portion is the amount estimated to be used in the following year. For the governmental funds in the fund financial statements, a liability is reported only for to the extent of the amount actually due at year end as a result of employee resignations/retirements. Compensated absences are a reconciling item between the fund level and district-wide presentations.

Deferred Revenue

Deferred revenue in the special revenue and capital projects funds represents funds which have been received but not yet earned. A corresponding accounts receivable has also been established for any open encumbrances at year end which is an allowable practice under generally accepted accounting principles.

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. Long term debt is recognized as a liability on the fund financial statements when due.

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 District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The 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.

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Reserves

In fiscal year 2011, the District implemented GASB Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions". This statement modifies fund balance reporting and clarifies fund type definitions. This new Statement aims to enhance the usefulness of fund balance information by providing clearer fund balance clarifications that can be applied more consistently. The restricted fund balance classification includes amounts that are subject to externally enforceable legal restriction such as by constitutional provision, enabling legislation or other government imposed restrictions. The committed fund balance classification includes amounts constrained for a specific purpose by a government using its highest decision-making authority. The assigned fund balance classification includes amounts for all funds, other than the general fund with any remaining positive balances not already classified as restricted or committed. For the general fund, amounts constrained with the intent to be used for a specific purpose by the governing board or an official delegated authority by the board. The unassigned fund balance classification includes for the general fund, amounts not classified as restricted, committed or assigned. The general fund is the only fund that will report a positive unassigned fund balance. For all other governmental funds the amount of a residual deficit would be classified as unassigned. Fund balance restrictions have been established for excess surplus, excess surplus-designated for subsequent year's expenditures and tuition reserve.

Revenues Exchange and Non-Exchange 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.

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues Exchange and Non-Exchange Transactions (Continued)

Non-exchange transactions, in which the 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 District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the District, these revenues are sales and program fees in the Enterprise Funds. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 the 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.

Extraordinary and Special Items

Extraordinary items are transactions or events that are unusual in nature and infrequent of occurrence. Special items are transactions or events that are within 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 GAAP requires management to make assumptions that affect the amounts reported as revenue and expenditures/expenses during the reporting period. These estimates may differ from actual results.

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2012

NOTE 2: CASH, CASH EQUIVALENTS AND INVESTMENTS

The District considers petty cash, change funds, cash in banks, deposits in the New Jersey Cash Management Fund and short term investments with original maturities of three months or less as cash and cash equivalents. Investments are stated at cost, which approximates market.

Deposits

New Jersey statutes permit the deposit of public funds in public depositories which are located in New Jersey and which meet the requirements of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA requires a bank that accepts public funds to be a public depository. A public depository is defined as a state bank, a national bank, or a savings bank, which is located in the State of New Jersey, the deposits of which are insured by the Federal Deposit Insurance Corporation. The statutes also require public depositories to maintain collateral for deposits of public funds that exceed certain insurance limits. Each depository participating in the GUDPA system must pledge collateral equal to 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of 75% of its capital funds. No collateral is required for amounts covered by FDIC insurance. The collateral which may be pledged to support these deposits includes obligations of the State and federal governments, insured securities and other collateral approved by the Department. When the capital position of the depository deteriorates or the depository takes an unusually large amount of public deposits, the Department of Banking and Insurance requires additional collateral to be pledged. Under (GUDPA), if a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of the deposits to the governmental unit.

Custodial Credit Risk- Deposits – Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The District does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of June 30, 2012, based upon the coverage provided by FDIC and NJGUDPA, \$-0- of cash equivalents was exposed to custodial credit risk. Of the \$3,089,792.98 cash and cash equivalents on deposit, \$540,535.84 was covered by Federal Depository Insurance, \$2,549,257.14 was covered under the provisions of NJGUDPA.

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2012

NOTE 2: CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Deposits (Continued)

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

Fund Type:	<u>Bank</u> <u>Balance</u>	Reconciling Items:		Reconciled <u>Balance</u>
		<u>Additions</u>	<u>Deletions</u>	
Governmental	\$1,961,720.45	\$337,792.85	\$296,181.14	\$2,003,332.16
Proprietary	586,897.79	\$31,778.78	170,998.42	447,678.15
Fiduciary	<u>541,174.74</u>	<u> </u>	<u>300,652.00</u>	<u>240,522.74</u>
	<u>\$3,089,792.98</u>	<u>\$369,571.63</u>	<u>\$767,831.56</u>	<u>\$2,691,533.05</u>

Investments

The types of investments which may be purchased by the District are strictly limited by the express authority of the N.J.S.A. 18A:20-37 Education, Administration of School Districts. Permitted investments include any of the following type of securities:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
2. Government money market mutual funds which are purchased from an investment company or investment trust which is registered with the Securities and Exchange Commission under the "Investment Company Act of 1940," 15 U.S.C. 80a1 et seq., and operated in accordance with 17 C.F.R. § 270.2a7 and which portfolio is limited to U.S. Government securities that meet the definition of an eligible security pursuant to 17 C.F.R. § 270.2a7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 18A:2037. These funds are also required to be rated by a nationally recognized statistical rating organization.

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2012

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments (Continued)

3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
4. Bonds or other obligations of the Local Unit or bonds or other obligations of school districts of which the Local Unit is a part or within which the school district is located.
5. Bonds or other obligations, having a maturity date not more than 397 days from date of purchase, approved by the Division of Investment of the Department of Treasury for investment by School Districts;
6. Local government investment pools that are fully invested in U.S. Government securities that meet the definition of eligible security pursuant to 17 C.F.R. § 270a7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 18A:2037. This type of investment is also required to be rated in the highest category by a nationally recognized statistical rating organization.
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 C. 52:18A-90.4); or
8. Agreements for the repurchase of fully collateralized securities if:
 - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection;
 - b. the custody of collateral is transferred to a third party;
 - c. the maturity of the agreement is not more than 30 days;
 - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 C. 17:1941); and
 - e. a master repurchase agreement providing for the custody and security of collateral is executed.

At June 30, 2012, the District had no outstanding investments that were not considered "cash equivalents".

Based upon the limitation set forth by New Jersey Statutes 18A:20-37 and its existing investment practices, the District is generally not exposed to credit risks, custodial credit risks, concentration of credit risks and interest rate risks for its investments, nor is it exposed to foreign currency risks for its deposits and investments.

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2012

NOTE 3: CAPITAL ASSETS

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

	Beginning <u>Balance</u>	<u>Additions</u>	Transfers/ <u>Deletions</u>	Ending <u>Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$310,876.00			\$310,876.00
Construction in progress	546,178.00	\$580,029.90		1,126,207.90
Total Capital Assets not being depreciated	<u>857,054.00</u>	<u>580,029.90</u>		<u>1,437,083.90</u>
Buildings & Building Improvements	20,575,210.00	4,243,970.00		24,819,180.00
Machinery & Equipment	2,322,985.00	418,355.00		2,741,340.00
Totals at historical cost	<u>22,898,195.00</u>	<u>4,662,325.00</u>		<u>27,560,520.00</u>
Gross Assets (Memo only)	<u>23,755,249.00</u>	<u>5,242,354.90</u>		<u>28,997,603.90</u>
Less: Accumulated Depreciation				
Buildings & Building Improvements	(9,531,239.00)	(605,556.00)		(10,136,795.00)
Machinery & Equipment	(2,087,797.00)	(149,820.00)		(2,237,617.00)
Total Depreciation	<u>(11,619,036.00)</u>	<u>(755,376.00)</u>		<u>(12,374,412.00)</u>
Total capital assets being depreciated, net of depreciation	<u>11,279,159.00</u>	<u>3,906,949.00</u>		<u>15,186,108.00</u>
Total Governmental Fund Activities	<u>\$12,136,213.00</u>	<u>\$4,486,978.90</u>		<u>\$16,623,191.90</u>
Proprietary Activities:				
Machinery & Equipment	\$79,375.00			\$79,375.00
Totals at historical cost	<u>79,375.00</u>			<u>79,375.00</u>
Less: Accumulated Depreciation				
Machinery & Equipment	(46,680.00)	(23,797.00)		(70,477.00)
Total Depreciation	<u>(46,680.00)</u>	<u>(23,797.00)</u>		<u>(70,477.00)</u>
Total Proprietary Fund Activities	<u>\$32,695.00</u>	<u>(\$23,797.00)</u>		<u>\$8,898.00</u>

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2012

NOTE 3: CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functional expenses areas of the District as follows:

Instruction:	
Regular	\$114,372.00
Support services:	
Student and instruction related services	13,457.00
General administrative services	4,147.00
School administrative services	20,346.00
Plant operations and maintainance	595,629.00
Pupil transportation	<u>7,425.00</u>
	<u>\$755,376.00</u>

NOTE 4: LONG-TERM DEBT

Bonds are issued by the District pursuant to the provisions of Title 18A, Education, of the New Jersey Statutes and are required to be approved by the voters of the municipality through referendum. The proceeds of bonds are recorded in the Capital Projects Fund and are restricted to the use for which they were approved in the bond referendum. All bonds are retired in annual installments within the statutory period of usefulness.

School Bonds issued by the District are entitled to and benefit from the provision of the New Jersey School Board Reserve Act P.L. 1980 c.72. Basically, funds are held by the State of New Jersey within its State Fund for the Support of Free Public Schools as a school bond reserve pledged by law to secure payment of principal and interest due on such bonds in the event of the inability of the issuer to make payments.

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2012

NOTE 4: LONG-TERM DEBT (CONTINUED)

Debt Capacity

Under New Jersey Statutes the District may incur debt in an amount not to exceed 4% of the averaged equalized valuation basis of real property. For the fiscal year ended June 30, 2012, the District borrowing capacity under N.J.S. 18A:24-19 is as follows:

<u>Year</u>	<u>Equalized Valuation of Real Property</u>
2011	\$2,495,877,654
2010	2,776,120,144
2009	<u>2,771,706,514</u>
	<u>\$8,043,704,312</u>
 Average equalized valuation	 <u>\$2,681,234,771</u>
 School borrowing margin (4% of \$2,681,234,771)	 \$107,249,391
Net school debt as of June 30, 2012	<u>10,891,000</u>
 School borrowing power available	 <u>\$96,358,391</u>

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2012

NOTE 4: LONG-TERM DEBT (CONTINUED)

The following is a summary of transactions that affect long-term liabilities for the year ended June 30, 2012:

	Balance, <u>June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	Balance, <u>June 30, 2012</u>	Due Within <u>One Year</u>
Bonds Payable	\$11,801,000.00		(\$910,000.00)	\$10,891,000.00	\$855,000.00
Less: Deferred Amounts:					
Unamortized Original Issue Discount	(9,993.00)		1,830.00	(8,163.00)	
Unamortized Deferred Amount Refunding	(276,712.00)		50,673.00	(226,039.00)	
Bonds Payable, Net	11,514,295.00		(857,497.00)	10,656,798.00	855,000.00
Compensated Absence	980,551.00		(69,174.00)	911,377.00	
Deferred Pension Obligation	129,379.00		(5,631.00)	123,748.00	
Capital Leases Payable	<u>62,821.00</u>	<u>\$578,899.40</u>	<u>(63,751.13)</u>	<u>577,969.27</u>	<u>154,006.23</u>
Total	<u>\$12,687,046.00</u>	<u>\$578,899.40</u>	<u>(\$996,053.13)</u>	<u>\$12,269,892.27</u>	<u>\$1,009,006.23</u>

Debt Service Requirements:

The annual requirements to amortize all debt outstanding as of June 30, 2012, including interest payments on issued debt, are as follows:

Fiscal Year <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$945,000.00	\$378,541.00	\$1,323,541.00
2014	970,000.00	349,234.00	1,319,234.00
2015	1,000,000.00	318,297.00	1,318,297.00
2016	1,035,000.00	284,915.00	1,319,915.00
2017	1,070,000.00	250,119.00	1,320,119.00
2018-2022	4,045,000.00	717,356.00	4,762,356.00
2023-2026	<u>1,826,000.00</u>	<u>186,360.00</u>	<u>2,012,360.00</u>
	<u>\$10,891,000.00</u>	<u>\$2,484,822.00</u>	<u>\$13,375,822.00</u>

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2012

NOTE 4: LONG-TERM DEBT (CONTINUED)

General obligation school and refunding bonds payable with their outstanding balances are comprised of the following individual issues:

<u>Issue</u>	<u>Amount Outstanding June 30, 2012</u>
\$1,475,000.00 in 2002 Bonds due in remaining annual installments of between \$90,000.00 and \$100,000.00 ending December, 2019 with interest between 3.75% to 4.40%	\$780,000.00
\$5,850,000.00 in 2005 Refunding Bonds due in remaining annual installments of between \$590,000.00 and \$635,000.00 ending November, 2019 with interest between 3.75% to 4.00%	4,885,000.00
\$5,476,000.00 in 2011 Bonds due in annual remaining installments of between \$265,000.00 and \$496,000.00 ending February, 2026 with interest between 2.00% to 4.00%	<u>5,226,000.00</u>
	<u>\$10,891,000.00</u>

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2012

NOTE 4: LONG-TERM DEBT (CONTINUED)

Capital Leases Payable

The District is leasing communications and copier equipment under capital leases. The capital leases are for terms up to five years. The following is a schedule of the future minimum lease payments under the capital leases and the present value of the net minimum lease payments at June 30, 2012:

Fiscal Year Ended <u>June 30,</u>	<u>Amount</u>
2013	\$166,638.54
2014	136,353.19
2015	105,707.25
2016	103,024.35
2017	<u>100,341.45</u>
Total Minimum Lease Payments	612,064.78
Less: Amount Representing Interest	<u>(34,095.51)</u>
Present Value of Lease Payments	<u><u>\$577,969.27</u></u>

Advanced Refunding of Debt

On February 2, 2011, the District issued \$4,645,000 principal amount School District Refunding Bonds have interest rates of 3.00% to 4.50%. These bonds were issued to advance refund certain principal maturities and certain interest payments of the District's series 2001 school bonds. The total bond principal defeased was \$4,740,000 and the total interest payments defeased was \$430,295. The net proceeds of \$5,015,760 (after payment of issuance costs) were used to purchase U.S. Government Securities. The securities were deposited with an escrow agent in an irrevocable trust to provide for all future debt service payments; therefore, the advance refunding met the requirements of an in-substance debt defeasance and the refunded bond liability was removed from the statement of net assets of the governmental activities. The reacquisition price exceeded the net carrying amount of the old debt by \$275,760. This amount is being netted against the new debt and will be amortized over the remaining life of the old debt. The advance refunding was undertaken to reduce total debt service payments over the next six years by \$282,179.

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2012

NOTE 5: 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 provision 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 of PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:6C 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 60 and are generally determined to be 1/60 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).

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2012

NOTE 5: PENSION PLANS (CONTINUED)

Vesting and Benefit Provisions (Continued) Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Significant Legislation Chapter 89- P.L. 2008 - Members of either system who became members before July 1, 2007 may retire at age 55 years with 25 years of service or at age 60 with any number of years of service without a reduction in the amount of retirement allowance the members' receive. There is a reduction in such an allowance if the member is under 55 with 25 years of service. There is also a reduction in an allowance for members of either system who became members on or after July 1, 2007 and who retire between age 55 and 60 years with 25 or more years of service.

Contribution Requirements The contribution policy is set by N.J.S.A. 43:15A 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 currently provide for employee contributions of 5.5% 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 cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the District is a non-contributing employer of TPAF (i.e. the State of new Jersey makes the employer contribution on behalf of public school districts.

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2012

NOTE 5: PENSION PLANS (CONTINUED)

Three Year Trend Information for PERS

Year Ended <u>June 30,</u>	Annual Pension Cost <u>(APC)</u>	2009 Deferral Ch. 19 P.L. Principal and <u>Interest Cost</u>
2012	\$463,379.00	\$18,492.00
2011	438,282.00	-0-
2010	352,571.00	-0-

During fiscal year ended June 30, 2009, the Board deferred 50% of its normal and accrued PERS liability. The deferred amount will be paid back with interest over 15 years. During fiscal year ending June 30, 2012,, the Board made its first payment of \$5,631.00.

During the fiscal year ended June 30, 2012, the State of New Jersey contributed \$481,009.00 to the TPAF pension system on behalf of the District.

During the fiscal year ended June 30, 2012, the State of New Jersey contributed \$966,954.00 to the TPAF for normal and post-retirement benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$1,113,911.96 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 basic financial statements, and the combining and individual fund and account group statements and schedules as a revenue and expenditure in accordance with GASB 27.

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2012

NOTE 6: OTHER POST-RETIREMENT BENEFITS

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

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295.

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 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 state disability retirement. P.L. 2007, Chapter 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 eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a 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 Chapter 126, P.L. 1992, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$144 million toward Chapter 126 benefits for 15,709 eligible retired members in Fiscal Year 2011.

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2012

NOTE 6: OTHER POST-RETIREMENT BENEFITS (CONTINUED)

The State will set the contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF retirees' post-retirement benefits on behalf of the School District for the years ended June 30, 2012, 2011 and 2010 were \$966,954, \$1,030,203 and \$999,172, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey.

NOTE 7: LITIGATION

The District's counsel advises that there is no litigation, pending litigation, claims, contingent liabilities, unasserted claims or assessments or statutory violations which involve the School District and which might materially affect the District's financial position.

NOTE 8: CONTINGENCIES

The District receives financial assistance from the State of New Jersey and the U.S. Government in the form of grants. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. The State and Federal grants received and expended in the 2011-2012 fiscal year were subject to the U.S. OMB Circular A-133 and New Jersey OMB Circular 04-04 which mandates that grant revenues and expenditures be audited in conjunction with the District's annual audit if expenditures for federal or state programs exceed \$500,000. Findings and questioned costs, if any, relative to federal and state financial assistance programs are discussed in the Single Audit Section, Schedule of Findings and Questioned Costs. In addition, all grants and cost reimbursements are subject to financial and compliance audits by the grantors. The District's management does not believe any such audit would result in material amounts of disallowed costs.

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2012

NOTE 9: 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 insurance coverage covering each of those risks of loss. The administration believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded the insurance coverage in any of the past three fiscal years.

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 fiduciary trust fund for the current and previous two years:

Year Ended <u>June 30,</u>	Employer <u>Contributions</u>	Employee <u>Contributions</u>	Amount <u>Reimbursed</u>	Ending <u>Balance</u>
2012	\$160,488.72	\$54,366.54	\$185,329.75	\$15,306.51
2011	45,947.00	51,761.00	123,459.00	(14,219.00)
2010		44,376.00	66,017.00	11,532.00

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2012

NOTE 10: COMPENSATED ABSENCES

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

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

The liability for vested compensated absences of the governmental fund types are recorded in the district - wide statement of net assets. As of June 30, 2012, a liability existed for compensated absences for governmental fund-types in the district-wide Statement of Net Assets of \$911,377.

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 funds.

For additional descriptive information see Note 1, Summary of Significant Accounting Policies.

NOTE 11: FUND BALANCE APPROPRIATED

General Fund Of the \$1,657,868.24 in General Fund Balance at June 30, 2012, \$516,213.03 has been assigned for encumbrances; \$244,884.86 has been restricted in the Capital Reserve account, \$175,000.00 has been restricted in the Maintenance Reserve account and \$3,510,424.40 is restricted for excess surplus in accordance with N.J.S.A. 18A:7F-7. \$115,945.00 of the total reserve for excess surplus has been appropriated and included as anticipated revenue for the year ended June 30, 2013 and \$605,825.35 is unassigned fund balance.

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2012

NOTE 12: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2012:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$51,824.00	\$1,476.00
Special Revenue Fund		51,824.00
Fiduciary Funds	<u>1,476.00</u>	<u> </u>
	<u>\$53,300.00</u>	<u>\$53,300.00</u>

All balances resulted from the time lag between the dates that short-term loans were disbursed and payments between funds were received.

NOTE 13: MAINTENANCE RESERVE ACCOUNT

In accordance with N.J.S.A. 18A:7G-13, a Maintenance reserve account was established by the District. The Maintenance reserve account is maintained in the general fund.

A district board of education or board of school estimate, as appropriate, may increase the balance in the maintenance reserve account by appropriating funds in the annual general fund budget certified for taxes.

A district board of education or board of school estimate, as appropriate, may by resolution withdraw such funds from the maintenance reserve account and appropriate into the required maintenance account lines at budget time or any time during the year for use on required maintenance activities for a school facility as reported in the comprehensive maintenance plan pursuant to N.J.A.C. 6A:26A-4.

The district board of education shall ensure that the maintenance reserve account balance does not, at any time, exceed four percent of the replacement cost of the school district's school facilities for the current year. If the account exceeds this maximum amount at June 30, the district board of education shall reserve and designate such excess in the subsequent year's budget.

At June 30, 2012, the balance of the Maintenance Reserve Account was \$135,000.00 and is within the statutory limitations.

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2012

NOTE 14: CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the District 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 of Education, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by Board resolution at year end (June 1 to June 30) of any unanticipated revenue or unexpended line item appropriations, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained by either a separate proposal at budget time or by a special question at one of the four special election dates authorized by N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6A:23A-14.1(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 during the year ended June 30, 2012, is as follows:

Balance, July 1, 2011	\$92,389.00
Interest Earnings	105.19
Deposits:	
Board Resolution dated 6/25/12	<u>152,390.67</u>
Balance, June 30, 2012	<u>\$244,884.86</u>

NOTE 15: INVENTORY

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

Food and Supplies	\$ <u>8,365.85</u>
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The value of Federal donated commodities as reflected on Schedule A (required by the Single Audit Law of 1984) is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of non-operating revenue in the financial statements.

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2012

NOTE 16: DEFERRED COMPENSATION

The District offers its employees a choice of the deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). The plans permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death, or unforeseeable emergency. Since the District does not have any property or rights to the plan assets and no fiduciary relationship exists between the District and the deferred compensation plan, the plan assets are not included in the District's financial statements as of June 30, 2012.

REQUIRED SUPPLEMENTARY INFORMATION – Part II

BUDGETARY COMPARISON SCHEDULES

HAWTHORNE SCHOOL DISTRICT
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	ADOPTED BUDGET	BUDGET TRANSFERS AND AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE/ (UNFAVORABLE)
REVENUES					
Local Sources:					
Local Tax Levy	\$ 32,346,376.00	\$	\$ 32,346,376.00	\$ 32,346,376.00	\$
Interest Earned on Capital Reserve Funds	1,000.00		1,000.00	105.19	(894.81)
Miscellaneous	286,000.00		286,000.00	375,342.12	89,342.12
Total Local Sources	32,633,376.00		32,633,376.00	32,721,823.31	88,447.31
State Sources:					
Special Education Aid	1,402,035.00	136.00	1,402,171.00	1,402,171.00	
Equalization Aid	288,582.00		288,582.00	288,582.00	
Extraordinary Aid	650,000.00		650,000.00	574,154.00	(75,846.00)
Reimbursed Non Public Transportation				26,959.50	26,959.50
Bully Aid				1,688.00	1,688.00
On-behalf TPAF Contributions (Non-Budgeted)					
NCGI				481,009.00	481,009.00
Post Retirement Medical				966,954.00	966,954.00
Reimbursed TPAF Social Security Contribution				1,114,052.01	1,114,052.01
Total State Sources	2,340,617.00	136.00	2,340,753.00	4,855,569.51	2,514,816.51
Federal Sources:					
Medicaid Reimbursement	30,320.00		30,320.00	2,086.64	(28,233.36)
Education Jobs Fund	89,189.00	2,794.00	91,983.00	91,983.00	
Total Federal Sources	119,509.00	2,794.00	122,303.00	94,069.64	(28,233.36)
Total Revenues	35,093,502.00	2,930.00	35,096,432.00	37,671,462.46	2,575,030.46
EXPENDITURES:					
CURRENT EXPENSE:					
Instruction - Regular Programs:					
Salaries of Teachers:					
Preschool / Kindergarten	384,640.00	93,193.32	477,833.32	477,307.48	525.84
Grades 1-5	2,966,828.00	170,804.50	3,137,632.50	3,133,346.23	4,286.27
Grades 6-8	1,979,168.00	(32,753.31)	1,946,414.69	1,944,511.53	1,903.16
Grades 9-12	2,464,402.00	240,960.87	2,705,362.87	2,705,355.45	7.42
Regular programs - home instruction:					
Salaries of teachers	12,000.00	16,153.88	28,153.88	26,557.68	1,596.20
Purchased professional educational services	10,000.00	4,993.31	14,993.31	14,992.79	0.52
Regular programs - undistributed instruction:					
Other salaries for instruction	24,999.00	(9,970.00)	15,029.00	14,864.02	164.98
Purchased technical services	5,650.00	(1,728.88)	3,921.12	3,900.00	21.12
Other purchased services (400 - 500 series)	37,512.00		37,512.00	37,512.00	
General supplies	237,484.00	1,044.33	238,528.33	153,398.39	85,129.94
Textbooks	296,631.00	205,355.69	501,986.69	310,754.77	191,231.92
Other objects	1,500.00	195.00	1,695.00	1,694.87	0.13
Total regular programs	8,420,814.00	688,248.71	9,109,062.71	8,824,195.21	284,867.50
Instruction - Special Education:					
Learning and/or Language Disabilities:					
Salaries of Teachers	1,052,658.00	135,954.13	1,188,612.13	1,187,793.27	818.86
Other salaries for instruction	859,811.00	14,170.47	873,981.47	870,687.26	3,294.21
General Supplies	5,500.00	(2,131.00)	3,369.00	3,346.45	22.55
Total Learning and/or Language Disabilities	1,917,969.00	147,993.60	2,065,962.60	2,061,826.98	4,135.62
Resource Room / Resource Center:					
Salaries of Teachers	1,528,528.00	136,307.41	1,664,835.41	1,664,595.41	240.00
Other salaries for instruction	568,979.00	(216,635.31)	352,343.69	350,337.61	2,006.08
General Supplies	1,900.00	1,024.00	2,924.00	2,711.52	212.48
Total Resource Room / Resource Center	2,099,407.00	(79,303.90)	2,020,103.10	2,017,644.54	2,458.56
Preschool Disabilities - Part -Time:					
Salaries of Teachers	405,340.00	(57,756.00)	347,584.00	340,891.08	6,692.92
Other Salaries for Instruction	194,994.00	190,797.00	385,791.00	377,244.03	8,546.97
General Supplies	1,500.00	(1,015.99)	484.01	461.39	22.62
Total Preschool Disabilities - Part -Time	601,834.00	132,025.01	733,859.01	718,596.50	15,262.51
Total Special Education	4,619,210.00	200,714.71	4,819,924.71	4,798,068.02	21,856.69
Basic Skills / Remedial:					
Salaries of Teachers	310,485.00	2,070.00	312,555.00	311,345.82	1,209.18
General Supplies	300.00		300.00	214.38	85.62
Total Basic Skills / Remedial	310,785.00	2,070.00	312,855.00	311,560.20	1,294.80

HAWTHORNE SCHOOL DISTRICT
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

(Continued from prior page)	ADOPTED BUDGET	BUDGET TRANSFERS AND AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE/ (UNFAVORABLE)
Bilingual Education:					
Salaries of Teachers	\$ 106,745.00	\$ (5,825.00)	\$ 100,920.00	\$ 100,878.00	\$ 42.00
General Supplies	600.00		600.00	74.98	525.02
Total Bilingual Education:	<u>107,345.00</u>	<u>(5,825.00)</u>	<u>101,520.00</u>	<u>100,952.98</u>	<u>567.02</u>
School Sponsored Co-Curricular Activities:					
Salaries	133,276.00	(17,117.85)	116,158.15	108,109.16	8,048.99
Supplies and Materials	3,600.00	11,720.00	15,320.00	3,520.00	11,800.00
Other Objects	11,000.00	3,525.62	14,525.62	13,836.43	689.19
Total School Sponsored Co-Curricular Activities	<u>147,876.00</u>	<u>(1,872.23)</u>	<u>146,003.77</u>	<u>125,465.59</u>	<u>20,538.18</u>
School Sponsored Athletics:					
Salaries	288,490.00	(5,825.00)	282,665.00	262,959.50	19,705.50
Supplies and Materials	15,850.00	(465.00)	15,385.00	15,336.61	48.39
Other Objects	49,000.00	680.00	49,680.00	46,229.06	3,450.94
Total School Sponsored Athletics	<u>353,340.00</u>	<u>(5,610.00)</u>	<u>347,730.00</u>	<u>324,525.17</u>	<u>23,204.83</u>
Total Other Instructional Programs	<u>919,346.00</u>	<u>(11,237.23)</u>	<u>908,108.77</u>	<u>862,503.94</u>	<u>45,604.83</u>
Total - Instruction	<u>13,959,370.00</u>	<u>877,726.19</u>	<u>14,837,096.19</u>	<u>14,484,767.17</u>	<u>352,329.02</u>
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEA's within the State - Special	136,248.00		136,248.00	136,248.00	
Tuition to County Vocational School District - Regular	602,430.00	47,393.10	649,823.10	649,823.10	
Tuition to County Vocational School District - Sp Ed	18,829.00	4,744.59	23,573.59	20,570.00	3,003.59
Tuition to County Special Services - School Districts & Regional Day Schools	350,700.00	137,470.00	488,170.00	487,939.40	230.60
Tuition to Private Schools for the Handicapped w/in State	1,105,959.00	(162,509.95)	943,449.05	879,120.54	64,328.51
Tuition - State Facilities	4,500.00		4,500.00	4,500.00	
Total Undistributed Expenditures - Instruction	<u>2,218,666.00</u>	<u>27,097.74</u>	<u>2,245,763.74</u>	<u>2,178,201.04</u>	<u>67,562.70</u>
Attendance and Social Work Services:					
Salaries	1,000.00	430.00	1,430.00	1,035.00	395.00
Supplies and Materials	50.00	(50.00)			
Total Attendance and Social Work Services	<u>1,050.00</u>	<u>380.00</u>	<u>1,430.00</u>	<u>1,035.00</u>	<u>395.00</u>
Health Services:					
Salaries	417,724.00	10,737.00	428,461.00	428,460.40	0.60
Purchased Professional and Technical Services	22,000.00	(380.00)	21,620.00	21,400.00	220.00
Supplies and Materials	4,070.00	(867.94)	3,202.06	2,596.81	605.25
Other Objects	2,000.00		2,000.00	1,858.18	141.82
Total Health Services	<u>445,794.00</u>	<u>9,489.06</u>	<u>455,283.06</u>	<u>454,315.39</u>	<u>967.67</u>
Other Support Services - Speech, OT, PT & Related Services:					
Salaries	590,772.00	(56,840.00)	533,932.00	532,462.19	1,469.81
Purchased Professional - Educational Services	49,000.00		49,000.00	48,307.00	693.00
Supplies and Materials	400.00		400.00	391.72	8.28
Total Other Support Services - Speech, OT, PT & Related Services	<u>640,172.00</u>	<u>(56,840.00)</u>	<u>583,332.00</u>	<u>581,160.91</u>	<u>2,171.09</u>
Guidance:					
Salaries of Other Professional Staff	382,220.00	(30,891.00)	351,329.00	349,049.55	2,279.45
Salaries of Secretarial and Clerical Assistants	53,626.00	0.33	53,626.33	53,626.32	0.01
Other Purchased Professional and Technical Services	1,300.00	204.95	1,504.95	1,502.95	2.00
Supplies and Materials	1,525.00	1,625.00	3,150.00	3,150.00	
Total Guidance	<u>438,671.00</u>	<u>(29,060.72)</u>	<u>409,610.28</u>	<u>407,328.82</u>	<u>2,281.46</u>
Child Study Teams:					
Salaries of Other Professional Staff	798,848.00	88,584.99	887,432.99	886,568.94	864.05
Salaries of Secretarial and Clerical Assistants	81,900.00	(0.24)	81,899.76	81,899.76	
Salaries of ABA In Home Therapy	10,000.00	56,909.46	66,909.46	65,641.13	1,268.33
Purchased Professional Educational Services	105,000.00	(22,085.00)	82,915.00	82,412.89	502.11
Other Purchased Professional and Technical Services	825,000.00	(70,001.00)	754,999.00	743,632.67	11,366.33
Travel		200.00	200.00	198.27	1.73
Supplies and Materials	14,100.00	1,260.00	15,360.00	15,270.46	89.54
Other Objects	25,800.00	(3,645.00)	22,155.00	21,513.91	641.09
Total Child Study Teams	<u>1,860,648.00</u>	<u>51,223.21</u>	<u>1,911,871.21</u>	<u>1,897,138.03</u>	<u>14,733.18</u>

HAWTHORNE SCHOOL DISTRICT
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

(Continued from prior page)	ADOPTED BUDGET	BUDGET TRANSFERS AND AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE/ (UNFAVORABLE)
Improvement of Instruction Services					
Other Support Services - Instructional Staff:					
Salaries of Supervisors of Instruction	\$ 283,875.00	\$ (123,630.45)	\$ 160,244.55	\$ 160,233.26	\$ 11.29
Salaries of Summer Curriculum Development		9,892.00	9,892.00	9,891.25	0.75
Other Purchased Professional and Technical Services	4,000.00	22,789.35	26,789.35	23,066.33	3,723.02
Other Objects	2,900.00	(267.00)	1,733.00	1,636.00	97.00
Total Improvement of Instruction Services / Other Support Services - Instructional Staff	289,875.00	(91,216.10)	198,658.90	194,826.84	3,832.06
Educational Media Services / School Library:					
Salaries	211,604.00	(40,270.00)	171,334.00	165,462.45	5,871.55
Supplies and materials	10,030.00	(1,627.11)	8,402.89	6,028.11	2,374.78
Total Educational Media Services / School Library	221,634.00	(41,897.11)	179,736.89	171,490.56	8,246.33
Support Services General Administration:					
Salaries	347,409.00	(153,582.46)	193,826.54	193,826.52	0.02
Salaries of Secretarial and Clerical Assistants		144,482.64	144,482.64	144,478.58	4.06
Legal Services	35,000.00	9,720.00	44,720.00	44,715.61	4.39
Audit Fees	35,000.00	18,268.77	53,268.77	52,575.00	693.77
Expenditure and Internal Control Audit Fees	10,000.00	9,000.00	19,000.00	2,000.00	17,000.00
Other Purchased Technical Services	7,200.00	4,630.83	11,830.83	11,830.83	
Communications / Telephone	93,380.00	30,909.19	124,289.19	123,108.18	1,181.01
General Supplies	2,500.00	(75.73)	2,424.27	2,228.42	195.85
Miscellaneous Expenditures	35,100.00	(5,014.10)	30,085.90	30,025.55	60.35
BOE Membership Dues and Fees	23,000.00	631.00	23,631.00	23,630.08	0.92
Total Support Services General Administration	588,589.00	58,970.14	647,559.14	628,418.77	19,140.37
Support Services School Administration:					
Salaries of Principals / Asst. Principals	742,791.00	103,580.20	846,371.20	845,789.33	581.87
Salaries of Secretarial and Clerical Assistants	478,623.00	1,230.07	479,853.07	478,883.76	969.31
Purchased Professional and Technical Services	12,500.00	(1,500.00)	11,000.00	10,741.50	258.50
Other Purchased Services	31,500.00	21,242.67	52,742.67	39,987.01	12,755.66
Supplies and Materials	32,193.00	21,591.67	53,784.67	50,850.20	2,934.47
Other Objects	15,000.00		15,000.00	13,261.00	1,739.00
Total Support Services School Administration	1,312,607.00	146,144.61	1,458,751.61	1,439,512.80	19,238.81
Central Service:					
Salaries	254,813.00	42,793.90	297,606.90	296,650.86	956.04
Travel		191.93	191.93	191.93	
Supplies and Materials	5,500.00		5,500.00	5,317.99	182.01
Interest on Lease Purchase Agreements	1,000.00	5,609.13	6,609.13	5,730.07	879.06
Miscellaneous Expenditures	4,915.00	(1,227.67)	3,687.33	2,682.96	1,004.37
Total Central Service	266,228.00	47,367.29	313,595.29	310,573.81	3,021.48
Administrative Information Technology:					
Salaries	25,750.00	2,560.18	28,310.18	26,531.58	1,778.60
Purchased Technical Services	175,100.00	2,755.00	177,855.00	174,585.38	3,269.62
Other Purchased Services	24,000.00	(113.00)	23,887.00	21,157.25	2,729.75
Supplies and Materials	14,000.00	18,241.00	32,241.00	31,617.52	623.48
Total Administrative Information Technology	238,850.00	23,443.18	262,293.18	253,891.73	8,401.45
Required Maintenance for School Facilities:					
Salaries	461,436.00	(7,621.63)	453,814.37	446,856.45	6,957.92
Cleaning, Repair and Maintenance Services	119,300.00	50,984.79	170,284.79	156,411.01	13,873.78
Supplies and Materials	27,700.00	3,764.00	31,464.00	10,763.75	20,700.25
Other Objects	700.00		700.00	391.54	308.46
Total Required Maintenance for School Facilities	609,136.00	47,127.16	656,263.16	614,422.75	41,840.41

HAWTHORNE SCHOOL DISTRICT
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

(Continued from prior page)

	ADOPTED BUDGET	BUDGET TRANSFERS AND AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE/ (UNFAVORABLE)
Custodial Services:					
Salaries	\$ 1,078,032.00	\$ 79,147.69	\$ 1,157,179.69	\$ 1,152,631.27	\$ 4,548.42
Cleaning, Repair and Maintenance Services	4,213.00	(1,541.11)	2,671.89	2,615.14	56.75
Rental of Land and Building	68,567.00	9,433.00	78,000.00	78,000.00	
Other Purchased Property Services	10,675.00	842.63	11,517.63	11,517.63	
Insurance	261,333.00	(16,557.63)	244,775.37	244,607.59	167.78
Miscellaneous Purchased Services	3,000.00	4,618.00	7,618.00	7,618.00	
General Supplies	62,000.00	5,345.00	67,345.00	47,413.39	19,931.61
Energy (Natural Gas)	105,700.00	(105,700.00)			
Energy (Heat and Electricity)	649,300.00	(219,406.00)	429,894.00	425,890.01	4,003.99
Other Objects	6,200.00	(641.12)	5,558.88	4,118.92	1,439.96
Total Custodial Services	2,249,020.00	(244,459.54)	2,004,560.46	1,974,411.95	30,148.51
Care and Upkeep of Grounds:					
Salaries	117,735.00	(117,735.00)			
Cleaning, Repair and Maintenance Services	7,875.00	(7,475.00)	400.00	177.79	222.21
Total Care and Upkeep of Grounds	125,610.00	(125,210.00)	400.00	177.79	222.21
Security:					
Salaries	40,576.00	(0.40)	40,575.60	37,227.98	3,347.62
Total Security	40,576.00	(0.40)	40,575.60	37,227.98	3,347.62
Student Transportation Services:					
Salaries of Non-instructional Aides		69,745.00	69,745.00	68,872.42	872.58
Salaries for Pupil Transportation (Between Home and School) - Regular	268,914.00	(96,023.63)	172,890.37	167,889.45	5,000.92
Salaries for Pupil Transportation (Between Home and School) - Special	122,818.00	52,279.36	175,097.36	174,722.36	375.00
Management Fee - ESC & CTSA Trans. Program	250.00	415.00	665.00		665.00
Cleaning, Repair and Maintenance Services	36,000.00	13,156.54	49,156.54	42,347.59	6,808.95
Rental Payments	5,000.00	1,175.00	6,175.00		6,175.00
Lease Payments	28,000.00	505.00	28,505.00	28,504.13	0.87
Contracted Services (Between Home & School) - Vendors	45,000.00	(43,346.54)	1,653.46	884.00	769.46
Contracted Services (Other than Between Home and School) - Vendors	28,925.00	9,590.00	38,515.00	34,162.90	4,352.10
	5,016.00	(4,595.00)	421.00		
Contracted Services (Spec. Ed. Students) - Joint Agreements	300,000.00	29,845.34	329,845.34	329,842.94	2.40
Miscellaneous Purchased Services - Transportation	196,000.00	(3,776.06)	192,223.94	178,296.52	13,927.42
General Supplies	42,900.00	8,030.00	50,930.00	50,516.25	413.75
Total Student Transportation Services	1,078,823.00	37,000.01	1,115,823.01	1,076,038.56	39,784.45
Unallocated Benefits - Employee Benefits:					
Social Security Contributions	441,314.00	51,960.80	493,274.80	489,448.15	3,826.65
Other Retirement Contributions - PERS	557,050.00	(75,179.00)	481,871.00	481,871.00	
Other Retirement Contributions - Deferred PERS	18,492.00	(18,492.00)			
Unemployment Compensation	1,279,187.00	(1,089,521.06)	189,665.94	187,795.05	1,870.89
Workmen's Compensation	186,461.00	499.94	186,960.94	186,917.00	43.94
Health Benefits	5,749,533.00	496,415.38	6,245,948.38	6,245,548.72	399.66
Tuition Reimbursements	55,000.00	(5,896.00)	49,104.00	48,894.13	209.87
Other Employee Benefits	100,010.00	(81,773.64)	18,236.36	18,236.36	
Total Unallocated Benefits - Employee Benefits	8,387,047.00	(721,985.58)	7,665,061.42	7,658,710.41	6,351.01
On-Behalf TPAF Contributions (Non-Budgeted):					
NCGI				481,009.00	(481,009.00)
Post Retirement Medical				966,954.00	(966,954.00)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				1,114,052.01	(1,114,052.01)
Total On-Behalf TPAF Contributions (Non-Budgeted)				2,562,015.01	(2,562,015.01)
Total Undistributed Expenditures	21,012,996.00	(862,427.05)	20,150,568.95	22,440,898.15	(2,290,329.20)
TOTAL EXPENDITURES - CURRENT EXPENSE	34,972,368.00	15,299.14	34,987,665.14	36,925,665.32	(1,938,000.18)
CAPITAL OUTLAY:					
Interest Deposit to Capital Reserve	1,000.00		1,000.00		1,000.00
Equipment:					
Undistributed		78,173.86	78,173.86	2,757.00	75,416.86
General Administration		13,554.00	13,554.00	6,776.90	6,777.10
Total Equipment		91,727.86	91,727.86	9,533.90	82,193.96
Facilities Acquisition and Construction Services:					
Construction services	120,000.00	(34,266.00)	85,734.00	16,300.00	69,434.00
Other Objects	136.00		136.00	136.00	
Total Facilities Acquisition and Construction Services	120,136.00	(34,266.00)	85,870.00	16,436.00	69,434.00

HAWTHORNE SCHOOL DISTRICT
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

(Continued from prior page)	ADOPTED BUDGET	BUDGET TRANSFERS AND AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE/ (UNFAVORABLE)
Capital Outlay - Transfer to Capital Projects	\$ _____	\$ 1,000.00	\$ 1,000.00	\$ _____	\$ 1,000.00
Total assets acquired under capital leases (non-budgeted)	_____	_____	_____	578,899.40	(578,899.40)
TOTAL CAPITAL OUTLAY	<u>121,136.00</u>	<u>58,461.86</u>	<u>179,597.86</u>	<u>604,869.30</u>	<u>(425,271.44)</u>
TOTAL EXPENDITURES	<u>35,093,502.00</u>	<u>73,761.00</u>	<u>35,167,263.00</u>	<u>37,530,534.62</u>	<u>(2,363,271.62)</u>
Excess (deficiency) of revenues over (under) expenditures	_____	(70,831.00)	(70,831.00)	140,927.84	211,758.84
Other financing sources (uses)	_____	_____	_____	_____	_____
Proceeds from Capital Lease (non-budgeted)	_____	_____	_____	578,899.40	578,899.40
Total other financing sources	_____	_____	_____	578,899.40	578,899.40
Excess of revenues and other financing sources over expenditures and other expenditures and other financing sources	_____	(70,831.00)	(70,831.00)	719,827.24	790,658.24
Fund balances, July 1	1,046,968.00	_____	1,046,968.00	1,046,968.00	_____
Fund balances, June 30	\$ <u>1,046,968.00</u>	\$ <u>(70,831.00)</u>	\$ <u>976,137.00</u>	\$ <u>1,766,795.24</u>	\$ <u>790,658.24</u>
Recapitulation:					
Assigned - year-end encumbrances				\$ 516,213.03	
Restricted - excess surplus - designated for subsequent year's expenditures				115,945.00	
Restricted - capital reserve				244,884.86	
Restricted - maintenance reserve				175,000.00	
Unassigned fund balance				<u>714,752.35</u>	
				1,766,795.24	
Reconciliation to governmental funds statements (GAAP):					
Prior Year aid payment not recognized on GAAP basis				<u>(108,927.00)</u>	
Fund balance per governmental funds (GAAP)				\$ <u>1,657,868.24</u>	

HAWTHORNE SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND - EDUCATION JOBS
 FOR FISCAL YEARS ENDED JUNE 30, 2012

	<u>ORIGINAL BUDGET</u>	<u>BUDGET TRANSFERS/ AMENDMENTS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FINAL TO ACTUAL</u>
REVENUES:					
Federal sources	<u>\$89,189.00</u>	<u>\$2,794.00</u>	<u>\$91,983.00</u>	<u>\$91,983.00</u>	<u> </u>
Total revenues	<u>\$89,189.00</u>	<u>\$2,794.00</u>	<u>\$91,983.00</u>	<u>\$91,983.00</u>	<u> </u>
EXPENDITURES:					
Guidance:					
Salaries	<u>\$88,764.00</u>	<u> </u>	<u>\$88,764.00</u>	<u>\$88,764.00</u>	<u> </u>
Total Guidance	<u>88,764.00</u>	<u> </u>	<u>88,764.00</u>	<u>88,764.00</u>	<u> </u>
Unallocated benefits					
Health benefits	<u>425.00</u>	<u>\$2,794.00</u>	<u>3,219.00</u>	<u>3,219.00</u>	<u> </u>
Total unallocated benefits	<u>425.00</u>	<u>2,794.00</u>	<u>3,219.00</u>	<u>3,219.00</u>	<u> </u>
Total expenditures	<u>\$89,189.00</u>	<u>\$2,794.00</u>	<u>\$91,983.00</u>	<u>\$91,983.00</u>	<u> </u>

BOROUGH OF HAWTHORNE
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR FISCAL YEARS ENDED JUNE 30, 2012

	<u>ORIGINAL BUDGET</u>	<u>BUDGET TRANSFERS/ AMENDMENTS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FINAL TO ACTUAL</u>
REVENUES:					
Other Sources	\$ 10,778.00	\$	\$ 10,778.00	\$ 1,330.73	\$ (9,447.27)
State Sources	207,360.00	38,577.00	245,937.00	176,578.11	(69,358.89)
Federal Sources	875,766.00	413,572.39	1,289,338.39	979,558.55	(309,779.84)
Total Revenues	<u>\$ 1,093,904.00</u>	<u>\$ 452,149.39</u>	<u>\$ 1,546,053.39</u>	<u>\$ 1,157,467.39</u>	<u>\$ (388,586.00)</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers	\$ 160,889.00	\$ 107,292.70	\$ 268,181.70	\$ 146,429.44	\$ 121,752.26
Purchased Professional/Technical Services	196,906.00	103,625.08	300,531.08	211,090.70	89,440.38
Tuition	430,000.00	99,593.00	529,593.00	440,000.00	89,593.00
General Supplies	49,000.00	46,024.49	95,024.49	73,632.67	21,391.82
Textbooks	30,808.00	(3,582.00)	27,226.00	27,057.49	168.51
Total Instruction	<u>867,603.00</u>	<u>352,953.27</u>	<u>1,220,556.27</u>	<u>898,210.30</u>	<u>322,345.97</u>
Support Services:					
Other Salaries	14,890.00	(8,550.00)	6,340.00	1,000.00	5,340.00
Purchased Services Employee Benefits	36,178.00	10,236.00	46,414.00	46,414.00	18,906.03
Purchased Professional/Technical Services	175,233.00	52,324.00	139,877.12	120,971.09	34,098.00
Other purchased services	<u>226,301.00</u>	<u>54,010.00</u>	<u>244,955.12</u>	<u>186,611.09</u>	<u>58,344.03</u>
Total Support Services	<u>226,301.00</u>	<u>54,010.00</u>	<u>244,955.12</u>	<u>186,611.09</u>	<u>58,344.03</u>
Facilities Acquisition and Construction Service:					
Equipment	<u>80,542.00</u>	<u>80,542.00</u>	<u>80,542.00</u>	<u>72,646.00</u>	<u>7,896.00</u>
Total Facilities Acquisition and Construction Service	<u>80,542.00</u>	<u>80,542.00</u>	<u>80,542.00</u>	<u>72,646.00</u>	<u>7,896.00</u>
Total expenditures	<u>\$ 1,093,904.00</u>	<u>\$ 487,505.27</u>	<u>\$ 1,546,053.39</u>	<u>\$ 1,157,467.39</u>	<u>\$ 388,586.00</u>

HAWTHORNE BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
BUDGET TO GAAP RECONCILIATION
NOTE TO RSI (REQUIRED SUPPLEMENTARY INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Note A - Explanation of difference between budgetary inflows and outflows and GAAP revenues and expenditures

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	(C-1) \$ 37,671,462.46	(C-2) \$ 1,117,467.39
Difference - budget to GAAP:		
State aid payment recognized for GAAP statements in the current year, previously it was recognized for budgetary purposes.	748,037.00	
The last state aid payment is recognized as revenue for budgetary purposes and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expense (GASB 33)	(108,927.00)	
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Adjust for encumbrances:		
Add prior year encumbrances		
Less prior year encumbrances canceled		
Less current year encumbrances		
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	(B-2) \$ <u>38,310,572.46</u>	(B-2) \$ <u>1,117,467.39</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	(C-1) \$ 37,530,534.62	(C-2) \$ 1,117,467.39
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance - governmental funds	(B-2) \$ <u>37,530,534.62</u>	(B-2) \$ <u>1,117,467.39</u>

OTHER SUPPLEMENTARY INFORMATION

**SPECIAL REVENUE FUND
DETAIL STATEMENTS**

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

	<u>ARRA</u> <u>IDEA</u> <u>BASIC</u>	<u>ARRA</u> <u>IDEA</u> <u>PRESCHOOL</u>	<u>NONPUBLIC</u> <u>COMPENSATORY</u> <u>EDUCATION</u>	<u>NONPUBLIC</u> <u>SUPPLEMENTAL</u> <u>INSTRUCTION</u>	<u>NONPUBLIC</u> <u>EXAM AND</u> <u>CLASS</u>	<u>NONPUBLIC</u> <u>SPEECH</u> <u>CORRECTION</u>	<u>ANNUAL</u> <u>EXAM AND</u> <u>CLASS</u>
REVENUES:							
Local Sources	\$	\$	\$	\$	\$	\$	\$
State Sources			35,672.98	23,080.11	31,701.56	12,558.67	7,100.06
Federal Sources	30,109.56	7,198.02					
Total Revenues	30,109.56	7,198.02	35,672.98	23,080.11	31,701.56	12,558.67	7,100.06
EXPENDITURES:							
Instruction:							
Salaries of Teachers							
Purchased Professional / Technical Services			35,672.98	23,080.11	31,701.56	12,558.67	7,100.06
Tuition							
Textbooks							
General Supplies	9,112.56						
Total Instruction	9,112.56		35,672.98	23,080.11	31,701.56	12,558.67	7,100.06
Support Services:							
Other Salaries							
Personal Services Employee - Benefits							
Purchased Professional / Technical Services	2,000.00	448.02					
Other purchased services							
Total Support Services	2,000.00	448.02					
Equipment:							
Instructional Equip.	18,997.00	6,750.00					
Total Equipment	18,997.00	6,750.00					
Total Expenditures	30,109.56	7,198.02	35,672.98	23,080.11	31,701.56	12,558.67	7,100.06
Excess (Deficiency) of Revenues Over (Under) Expenditures	-0-	-0-	-0-	-0-	-0-	-0-	-0-

(Continued on next page)

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

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	NONPUBLIC NURSING	NONPUBLIC ESL	NONPUBLIC TEXTBOOKS	LOCAL / HEF PROGRAMS	TITLE III	TITLE I
REVENUES:						
Local Sources	\$	\$	\$	\$ 1,330.73	\$	\$
State Sources	38,890.00	517.24	27,057.49			
Federal Sources					9,741.00	263,977.42
Total Revenues	38,890.00	517.24	27,057.49	1,330.73	9,741.00	263,977.42
EXPENDITURES:						
Instruction:						
Salaries of Teachers					8,117.00	106,364.48
Purchased Professional / Technical Services		517.24				971.10
Tuition						
Textbooks			27,057.49			
General Supplies				1,330.73		38,798.48
Total Instruction		517.24	27,057.49	1,330.73	8,117.00	146,134.06
Support Services:						
Other Salaries						
Personal Services Employee - Benefits					1,624.00	39,685.00
Purchased Professional / Technical Services	38,890.00					15,533.36
Other purchased services						18,226.00
Total Support Services	38,890.00				1,624.00	73,444.36
Equipment:						
Instructional Equip.						44,399.00
Total Equipment						44,399.00
Total Expenditures	38,890.00	517.24	27,057.49	1,330.73	9,741.00	263,977.42
Excess (Deficiency) of Revenues Over (Under) Expenditures	-0-	-0-	-0-	-0-	-0-	-0-

(Continued on next page)

BOROUGH OF HAWTHORNE - SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	ARRA TITLE I	IDEA PART B BASIC	IDEA PART B PRESCHOOL	TITLE IIA	TITLE IIA CARRYOVER	Totals
REVENUES:						
Local Sources	\$	\$	\$	\$	\$	\$ 1,330.73
State Sources						176,578.11
Federal Sources	1,994.06	582,874.63	26,890.90	56,340.96	432.00	979,558.55
Total Revenues	1,994.06	582,874.63	26,890.90	56,340.96	432.00	1,157,467.39
EXPENDITURES:						
Instruction:						
Salaries of Teachers				31,947.96		146,429.44
Purchased Professional / Technical Services		98,978.98		510.00		211,090.70
Tuition		440,000.00				440,000.00
Textbooks						27,057.49
General Supplies			24,390.90			73,632.67
Total Instruction		538,978.98	24,390.90	32,457.96		898,210.30
Support Services:						
Other Salaries				1,000.00		1,000.00
Personal Services Employee - Benefits				5,105.00		46,414.00
Purchased Professional / Technical Services	1,994.06	43,895.65		17,778.00	432.00	120,971.09
Other purchased services						18,226.00
Total Support Services	1,994.06	43,895.65		23,883.00	432.00	186,611.09
Equipment:						
Instructional Equip.			2,500.00			72,646.00
Total Equipment			2,500.00			72,646.00
Total Expenditures	1,994.06	582,874.63	26,890.90	56,340.96	432.00	1,157,467.39
Excess (Deficiency) of Revenues Over (Under) Expenditures	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL PROJECTS FUND DETAIL STATEMENTS

The capital projects fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY STATEMENT OF PROJECT EXPENDITURES-BUDGETARY BASIS
AS OF JUNE 30, 2012

<u>ISSUE/PROJECT TITLE</u>	<u>APPROPRIATIONS</u>	<u>EXPENDITURES TO DATE</u>		<u>BALANCE</u>
		<u>PRIOR YEAR</u>	<u>CURRENT YEAR</u>	<u>JUNE 30, 2012</u>
Partial Roof and HVAC Replacement Hawthorne High School	\$ 220,375.00	\$ 183,737.00	\$	\$ 36,638.00
Rehabilitation of School Facilities and Technology Upgrades at Senior High School, Lincoln Middle School, Roosevelt Elementary, Washington Elementary, and Jefferson Elementary Schools	<u>7,665,375.00</u>	<u>583,370.00</u>	<u>4,776,422.00</u>	<u>2,305,583.00</u>
Totals	<u>\$ 7,885,750.00</u>	<u>\$ 767,107.00</u>	<u>\$ 4,776,422.00</u>	<u>\$ 2,342,221.00</u>

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

EXPENDITURES AND OTHER FINANCING USES:	
Purchased Professional Services	\$ 968.77
Purchased Professional and Technical Services	121,641.00
Construction Services	4,593,872.29
General Supplies	<u>59,939.94</u>
Total Expenditures and Other Financing Uses	<u>4,776,422.00</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Financing Uses	(4,776,422.00)
Fund Balance - Beginning of Year	<u>7,118,643.00</u>
Fund Balance - End of Year	<u>\$ 2,342,221.00</u>
<u>Reconciliation to GAAP Financial Statements:</u>	
Fund Balance- Budgetary Basis (Exhibit F-2)	\$ 2,342,221.00
Less: Unearned Revenue (GAAP Basis)	<u>639,916.36</u>
Fund Balance- GAAP Basis (Exhibit B-1)	<u>\$ 1,702,304.64</u>
<u>Recapitulation:</u>	
Reserved for Encumbrances	\$ 148,093.60
Restricted for Capital Projects	<u>1,554,210.59</u>
	<u>\$ 1,702,304.19</u>

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND PROJECT STATUS -
BUDGETARY BASIS
REHABILITATION OF SCHOOL FACILITIES AND TECHNOLOGY UPGRADES AT HAWTHORNE SENIOR
HIGH SCHOOL, LINCOLN MIDDLE SCHOOL, ROOSEVELT ELEMENTARY SCHOOL, WASHINGTON
ELEMENTARY SCHOOL AND JEFFERSON ELEMENTARY SCHOOL
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 COST</u>
REVENUES AND OTHER FINANCING SOURCES:				
SDA Grant	\$ 2,189,375.00	\$	\$ 2,189,375.00	\$ 2,189,375.00
Bond Proceeds	5,476,000.00		5,476,000.00	5,476,000.00
Total Revenues and Other Financing Sources	<u>7,665,375.00</u>	<u>0.00</u>	<u>7,665,375.00</u>	<u>7,665,375.00</u>
EXPENDITURES AND OTHER FINANCING USES:				
Purchased Professional Services	408,027.00	122,609.77	530,636.77	572,660.07
Purchased Professional and Technical Services	54,251.00		54,251.00	54,251.00
Construction Services	105,453.00	4,593,872.29	4,699,325.29	6,958,471.48
General Supplies	15,639.00	59,939.94	75,578.94	80,468.45
Total Expenditures and Other Financing Uses	<u>583,370.00</u>	<u>4,776,422.00</u>	<u>5,359,792.00</u>	<u>7,665,851.00</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 7,082,005.00</u>	<u>\$ (4,776,422.00)</u>	<u>\$ 2,305,583.00</u>	
ADDITIONAL PROJECT INFORMATION:				
Project Number	2100-050-10-1001	2100-050-10-1006		
Project Number	2100-050-10-1002	2100-050-10-1008		
Project Number	2100-050-10-1003	2100-050-10-1009		
Project Number	2100-050-10-1004	2100-050-10-1010		
Project Number	2100-050-10-1005	2100-050-10-1011		
Grant Date	9/28/10			
Bond Authorization Date	9/28/10			
Bonds Authorization	\$ 5,476,476.00			
Bonds Issued	\$ 5,476,476.00			
Original Authorized Cost	\$ 7,665,851.00			
Additional Authorized Cost	-			
Revised Authorized Cost	\$ 7,665,851.00			
Percentage Increase over Original Authorized Cost	N/A			
Percentage Completion	69.92%			
Original Target Completion Date	6/30/12			
Revised Target Completion Date	6/30/12			

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND PROJECT STATUS
BUDGETARY BASIS
PARTIAL ROOF AND HVAC REPLACEMENT - HAWTHORNE HIGH SCHOOL
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 COST</u>
REVENUES AND OTHER FINANCING SOURCES:				
SDA Grant	\$ 88,150.00		\$ 88,150.00	\$ 88,150.00
Capital Reserve	132,225.00		132,225.00	132,225.00
Total Revenues and Other Financing Sources	<u>220,375.00</u>		<u>220,375.00</u>	<u>220,375.00</u>
EXPENDITURES AND OTHER FINANCING USES:				
Purchased Professional Services	10,558.00		10,558.00	10,558.00
Construction Services	173,179.00		173,179.00	209,817.00
Total Expenditures and Other Financing Uses	<u>183,737.00</u>		<u>183,737.00</u>	<u>220,375.00</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 36,638.00</u>		<u>\$ 36,638.00</u>	
ADDITIONAL PROJECT INFORMATION:				
Project Number	2100-050-09-1001			
Grant Date	2/26/09			
Bond Authorization Date	N/A			
Bonds Authorized	N/A			
Bonds Issued	N/A			
Original Authorized Cost	\$ 220,375.00			
Additional Authorized Cost	-			
Revised Authorized Cost	220,375.00			
Percentage Increase over Original Authorized Cost	N/A			
Percentage Completion	100.00%			
Original Target Completion Date	6/30/11			
Revised Target Completion Date	6/30/11			

PROPRIETARY FUND DETAIL STATEMENTS

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

FOOD SERVICES FUND: This fund provides for the operation of food services within the school district.

CHILD CARE FUND: This fund provides for the operation of a Child Care program within the school district.

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
COMBINING STATEMENT OF NET ASSETS
PROPRIETARY FUNDS - ENTERPRISE FUNDS
JUNE 30, 2012

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND		
	NON-MAJOR		
	FOOD SERVICE	SCHOOL AGE CHILD CARE PROGRAM	TOTALS NON-MAJOR
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 276,507.49	\$ 171,170.66	\$ 447,678.15
Accounts receivable:			
Federal	15,381.05		15,381.05
State	654.66		654.66
Inventories	8,365.85		8,365.85
	300,909.05	171,170.66	472,079.71
Total Current Assets			
Capital Assets:			
Equipment	79,375.00		79,375.00
Less: Accumulated Depreciation	(70,477.00)		(70,477.00)
	8,898.00		8,898.00
Total Capital Assets			
	309,807.05	171,170.66	480,977.71
Total Assets			
LIABILITIES			
Current Liabilities:			
Accounts payable	24,745.64		24,745.64
Deferred revenue	811.90		811.90
	25,557.54		25,557.54
Total Current Liabilities			
	25,557.54		25,557.54
Total Liabilities			
NET ASSETS			
Restricted for:			
Invested in Capital Assets	8,898.00		8,898.00
Unrestricted	275,351.51	171,170.66	446,522.17
	284,249.51	171,170.66	455,420.17
Total Net Assets			
	\$ 284,249.51	\$ 171,170.66	\$ 455,420.17

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

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND</u>		
	<u>NON-MAJOR</u>		
	<u>FOOD SERVICE</u>	<u>SCHOOL AGE CHILD CARE PROGRAM</u>	<u>TOTALS NON-MAJOR</u>
OPERATING REVENUES:			
Charges for services:			
Daily sales	\$ 545,411.48	\$	\$ 545,411.48
Child care activities		262,794.87	262,794.87
Total Operating Revenues	<u>545,411.48</u>	<u>262,794.87</u>	<u>808,206.35</u>
OPERATING EXPENSES:			
Cost of sales	362,330.72		362,330.72
Salaries and employee benefits	279,617.06	191,582.48	471,199.54
Other purchased services	45,221.67	50,000.00	95,221.67
Supplies and materials	72,147.65	707.59	72,855.24
Miscellaneous	62,037.31	23,985.49	86,022.80
Depreciation	23,797.00		23,797.00
Total Operating Expenses	<u>845,151.41</u>	<u>266,275.56</u>	<u>1,111,426.97</u>
Operating Income (Loss)	<u>(299,739.93)</u>	<u>(3,480.69)</u>	<u>(303,220.62)</u>
NONOPERATING REVENUES:			
State Sources			
State School Lunch Program	11,725.92		11,725.92
Federal Sources			
National School Lunch Program	251,178.78		251,178.78
National School Breakfast Program	2,837.01		2,837.01
National Food Distribution Commodities	53,232.51		53,232.51
Interest and Investment Revenue	1,006.22	1,050.35	2,056.57
Total Nonoperating Revenues	<u>319,980.44</u>	<u>1,050.35</u>	<u>321,030.79</u>
Net Income (Loss) before Contributions and Transfers	<u>20,240.51</u>	<u>(2,430.34)</u>	<u>17,810.17</u>
Change in net assets	20,240.51	(2,430.34)	17,810.17
Total Net Assets, Beginning of Year	<u>264,009.00</u>	<u>173,601.00</u>	<u>437,610.00</u>
Total Net Assets, End of Year	<u>\$ 284,249.51</u>	<u>\$ 171,170.66</u>	<u>\$ 455,420.17</u>

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
PROPRIETARY FUND
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND</u>		
	<u>FOOD SERVICE</u>	<u>SCHOOL AGE CHILD CARE PROGRAM</u>	<u>TOTALS</u>
Cash flows from operating activities:			
Receipts from customers	\$ 545,411.48	\$ 262,794.87	\$ 808,206.35
Payments for employees' salaries and benefits	(279,617.06)	(191,582.48)	(471,199.54)
Payments to suppliers for goods and services	(537,382.15)	(74,693.08)	(612,075.23)
Net Cash Provided by (Used for) Operating Activities	<u>(271,587.73)</u>	<u>(3,480.69)</u>	<u>(275,068.42)</u>
Cash Flows from Noncapital Financing Activities:			
State Sources	11,071.26		11,071.26
Federal Sources	238,634.74		238,634.74
Transfers from/(to) other funds	28,228.00		28,228.00
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>277,934.00</u>		<u>277,934.00</u>
Cash Flows from Investing Activities:			
Interest on investments and deposits	1,006.22	1,050.35	2,056.57
Net Cash Provided by (Used for) by Investing Activities	<u>1,006.22</u>	<u>1,050.35</u>	<u>2,056.57</u>
Net increase in cash and cash equivalents	7,352.49	(2,430.34)	4,922.15
Cash and cash equivalents, July 1	269,155.00	173,601.00	442,756.00
Cash and cash equivalents, June 30	<u>\$ 276,507.49</u>	<u>\$ 171,170.66</u>	<u>\$ 447,678.15</u>
Operating Income (Loss)	\$ (299,739.93)	\$ (3,480.69)	\$ (303,220.62)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation and Net Amortization	23,797.00		23,797.00
Non-Cash Federal Assistance Food Distribution Program	53,232.51		53,232.51
Change in Assets and Liabilities:			
Increase / (Decrease) in Accounts Payable	(45,176.36)		(45,176.36)
Increase / (Decrease) in Deferred Revenue	(5,889.10)		(5,889.10)
(Increase) / Decrease in Inventory	2,188.15		2,188.15
Net Cash Provided by (Used for) by Operating Activities	<u>\$ (271,587.73)</u>	<u>\$ (3,480.69)</u>	<u>\$ (275,068.42)</u>

FIDUCIARY FUNDS DETAIL STATEMENTS

Fiduciary funds are used to account for assets when a school district is functioning either as a trustee or as an agent for another party.

Unemployment Compensation Insurance Trust Fund:	This trust fund is used to account for board contributions which are utilized to pay unemployment compensation claims as they arise.
Scholarship Trust Fund:	This trust fund is used to account for assets held by the district for grants to students where there are no restrictions regarding the use of principal and interest.
Student Activity Fund:	This agency fund is used to account for student funds held at the schools.
Payroll Agency Fund:	This agency fund is used to account for the payroll transactions of the school district.

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

	<u>AGENCY FUNDS</u>		<u>TOTAL</u> <u>AGENCY</u> <u>FUNDS</u>
	<u>STUDENT</u> <u>ACTIVITY</u>	<u>PAYROLL</u>	
ASSETS:			
Cash and Cash Equivalents	\$ 200,420.86	\$ 24,142.22	\$ 224,563.08
Due from Other Funds		<u>1,476.00</u>	<u>1,476.00</u>
Total assets	<u>\$ 200,420.86</u>	<u>\$ 25,618.22</u>	<u>\$ 226,039.08</u>
LIABILITIES:			
Payroll Deductions and Withholdings	\$	\$ 15,432.33	\$ 15,432.33
Accrued Salaries and Wages		3,771.89	3,771.89
Due to Student Groups	200,420.86		200,420.86
Due to Other Funds		<u>6,414.00</u>	<u>6,414.00</u>
Total liabilities	<u>\$ 200,420.86</u>	<u>\$ 25,618.22</u>	<u>\$ 226,039.08</u>

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

	<u>UNEMPLOYMENT COMPENSATION TRUST</u>	<u>PRIVATE PURPOSE TRUST FUNDS</u>	<u>TOTALS</u>
ADDITIONS:			
Contributions:			
Employees	\$ 54,366.54	\$	\$ 54,366.54
Board Share (Net)	160,442.00		160,442.00
Donations		3,830.00	3,830.00
Total contributions	<u>214,808.54</u>	<u>3,830.00</u>	<u>218,638.54</u>
Investment Earnings:			
Interest Earned	46.72	29.75	76.47
Net Investment Earnings	<u>46.72</u>	<u>29.75</u>	<u>76.47</u>
Total additions	<u>214,855.26</u>	<u>3,859.75</u>	<u>218,715.01</u>
DEDUCTIONS:			
Scholarships awarded		1,220.60	1,220.60
Unemployment claims and contributions	185,329.75		185,329.75
Total deductions	<u>185,329.75</u>	<u>1,220.60</u>	<u>186,550.35</u>
Change in Net Assets	29,525.51	2,639.15	32,164.66
Net Assets (Deficit), Beginning of Year	<u>(14,219.00)</u>	<u>4,428.00</u>	<u>(9,791.00)</u>
Net Assets (Deficit), End of Year	<u>\$ 15,306.51</u>	<u>\$ 7,067.15</u>	<u>\$ 22,373.66</u>

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

	<u>BALANCE</u> <u>JULY 1, 2011</u>	<u>CASH</u> <u>RECEIPTS</u>	<u>CASH</u> <u>DISBURSE-</u> <u>MENTS</u>	<u>BALANCE</u> <u>JUNE 30, 2012</u>
ASSETS:				
Cash and cash equivalents	\$ <u>180,423.00</u>	\$ <u>394,911.79</u>	\$ <u>374,913.93</u>	\$ <u>200,420.86</u>
Total assets	\$ <u><u>180,423.00</u></u>	\$ <u><u>394,911.79</u></u>	\$ <u><u>374,913.93</u></u>	\$ <u><u>200,420.86</u></u>
LIABILITIES:				
Due student groups:				
Elementary Schools:				
Jefferson School	\$ 6,327.00	\$ 9,795.55	\$ 13,612.51	\$ 2,510.04
Roosevelt School	4,372.00	871.00	903.48	4,339.52
Washington School	879.00	6,872.64	6,063.86	1,687.78
Junior High Schools:				
Lincoln Middle School	30,011.00	70,439.82	69,265.24	31,185.58
High Schools:				
Hawthorne School	138,834.00	253,317.60	231,743.66	160,407.94
Athletics	<u> </u>	<u>53,615.18</u>	<u>53,325.18</u>	<u>290.00</u>
Total liabilities	\$ <u><u>180,423.00</u></u>	\$ <u><u>394,911.79</u></u>	\$ <u><u>374,913.93</u></u>	\$ <u><u>200,420.86</u></u>

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
PAYROLL AGENCY FUNDS
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>BALANCE</u> <u>JULY 1, 2011</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2012</u>
ASSETS:				
Cash and cash equivalents	\$ 40,158.00	\$ 23,371,224.83	\$ 23,387,240.61	\$ 24,142.22
Due from General Fund	<u>1,476.00</u>			<u>1,476.00</u>
Total assets	<u>\$ 41,634.00</u>	<u>\$ 23,371,224.83</u>	<u>\$ 23,387,240.61</u>	<u>\$ 25,618.22</u>
LIABILITIES:				
Payroll deductions and withholdings	\$ 29,868.00	\$ 9,363,763.47	\$ 9,378,199.14	\$ 15,432.33
Accrued salaries and wages	5,352.00	14,007,461.36	14,009,041.47	3,771.89
Due to Unemployment Trust Fund	<u>6,414.00</u>			<u>6,414.00</u>
Total liabilities	<u>\$ 41,634.00</u>	<u>\$ 23,371,224.83</u>	<u>\$ 23,387,240.61</u>	<u>\$ 25,618.22</u>

LONG-TERM DEBT SCHEDULES

The Long-Term schedules are used to reflect the outstanding principal balances of the long-term liabilities of the District. This includes obligations under Serial Bonds and Capital Leases.

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

ISSUE	DATE OF ISSUE	AMOUNT OF ISSUE	MATURITIES		RATE OF INTEREST	BALANCE JUNE 30, 2011	RETIRED	BALANCE JUNE 30, 2012
			DATE	AMOUNT				
School Improvements	12/1/2002	\$ 1,475,000.00	12/1/2012	\$ 90,000.00	3.750%	\$	\$	\$
			12/1/2013	90,000.00	3.750%			
			12/1/2014	100,000.00	3.880%			
			12/1/2015	100,000.00	4.000%			
			12/1/2016	100,000.00	4.130%			
			12/1/2017	100,000.00	4.250%			
			12/1/2018	100,000.00	4.300%			
			12/1/2019	100,000.00	4.400%			
			870,000.00	90,000.00	780,000.00			
Refunding Bonds	3/15/2005	5,850,000.00	11/1/2012	590,000.00	3.375%	5,455,000.00	570,000.00	4,885,000.00
			11/1/2013	610,000.00	3.500%			
			11/1/2014	620,000.00	3.625%			
			11/1/2015	635,000.00	3.750%			
			11/1/2016	625,000.00	3.625%			
			11/1/2017	615,000.00	3.750%			
			11/1/2018	600,000.00	3.750%			
			11/1/2019	590,000.00	4.000%			
			5,455,000.00	570,000.00	4,885,000.00			
School Refunding Bonds	2/1/2011	\$ 5,476,000.00	2/1/2013	\$ 265,000.00	2.000%	5,476,000.00	250,000.00	5,226,000.00
			2/1/2014	270,000.00	2.000%			
			2/1/2015	280,000.00	2.250%			
			2/1/2016	300,000.00	2.500%			
			2/1/2017	345,000.00	3.000%			
			2/1/2018	360,000.00	3.250%			
			2/1/2019	365,000.00	3.500%			
			2/1/2020	370,000.00	3.500%			
			2/1/2021	420,000.00	4.000%			
			2/1/2022	425,000.00	4.000%			
			2/1/2023	435,000.00	4.000%			
			2/1/2024	445,000.00	4.000%			
			2/1/2025	450,000.00	4.000%			
			2/1/2026	496,000.00	4.000%			
5,476,000.00	250,000.00	5,226,000.00						
\$ 11,801,000.00	\$ 910,000.00	\$ 10,891,000.00						

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
AS OF JUNE 30, 2012

<u>SERIES</u>	<u>INTEREST RATE PAYABLE</u>	<u>AMOUNT OF ORIGINAL LEASE</u>	<u>AMOUNT OUTSTANDING JUNE 30, 2011</u>	<u>INCREASE</u>	<u>DECREASE</u>	<u>AMOUNT OUTSTANDING JUNE 30, 2012</u>
Digital Copiers	Various	\$ 104,538.00	\$ 62,821.00	\$	\$ 35,247.00	\$ 27,574.00
Bus	Various	83,899.40		83,899.40	28,504.13	55,395.27
Building Rewiring	Various	495,000.00		495,000.00		495,000.00
			\$ <u>62,821.00</u>	\$ <u>578,899.40</u>	\$ <u>63,751.13</u>	\$ <u>577,969.27</u>

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

	<u>ORIGINAL BUDGET</u>	<u>TRANSFERS</u>	<u>MODIFIED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES:					
Local sources:					
Local tax levy	\$ 1,091,621.00		\$ 1,091,621.00	\$ 1,091,621.00	\$
State sources:					
Debt Service Aid Type II	205,754.00		205,754.00	205,754.00	
Total revenues	<u>1,297,375.00</u>		<u>1,297,375.00</u>	<u>1,297,375.00</u>	
EXPENDITURES:					
Regular debt service:					
Interest	406,134.00		406,134.00	406,133.88	0.12
Redemption of principal	910,000.00		910,000.00	910,000.00	
Total regular debt service-expenditures	<u>1,316,134.00</u>		<u>1,316,134.00</u>	<u>1,316,133.88</u>	<u>0.12</u>
Excess (deficiency) of revenues over (under) expenditures	(18,759.00)		(18,759.00)	(18,758.88)	0.12
Fund balance, July 1	<u>18,765.00</u>		<u>18,765.00</u>	<u>18,765.00</u>	
Fund balance, June 30	<u>\$ 6.00</u>		<u>\$ 6.00</u>	<u>\$ 6.12</u>	<u>\$ 0.12</u>

STATISTICAL SECTION
(UNAUDITED)

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BOROUGH OF HAWTHORNE SCHOOL DISTRICT
STATISTICAL SECTION

<u>Contents</u>	<u>Page</u>
Financial Trends:	
These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	J-1 to J-4
Revenue Capacity:	
These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	J-5 to J-9
Debt Capacity:	
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.	J-10 to J-13
Demographic and Economic Information:	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	J-14 to J-15
Operating Information:	
These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.	J-16 to J-20

Sources

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

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
NET ASSETS BY COMPONENT
(accrual basis of accounting)
UNAUDITED

	Fiscal Year Ending June 30,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental activities										
Invested in capital assets, net of related debt	\$ 7,213,779	\$ 5,754,297	\$ 5,341,862	\$ 4,902,544	\$ 4,659,627	\$ 4,358,409	\$ 4,127,300	\$ 4,025,299	\$ 3,493,715	\$ 2,722,231
Restricted	2,238,135	133,137	92,213	23,987	218,390	239,321	285,081	127,495	138,005	947,748
Unrestricted	(1,794,812)	(1,031,117)	(1,099,849)	(1,617,430)	(853,861)	(98,783)	167,182	620,350	146,330	(28,636)
Total governmental activities net assets	<u>\$ 7,657,102</u>	<u>\$ 4,856,317</u>	<u>\$ 4,334,226</u>	<u>\$ 3,309,101</u>	<u>\$ 4,024,156</u>	<u>\$ 4,498,947</u>	<u>\$ 4,579,563</u>	<u>\$ 4,773,144</u>	<u>\$ 3,778,050</u>	<u>\$ 3,641,343</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ 8,898	\$ 32,695	\$ 32,455	\$ 25,898	\$ 26,331	\$ 25,388	\$ 27,437	\$ 12,132	\$ 9,069	\$ 9,910
Unrestricted	446,522	404,915	335,239	254,805	178,187	119,632	96,258	119,047	106,617	81,405
Total business-type activities net assets	<u>\$ 455,420</u>	<u>\$ 437,610</u>	<u>\$ 367,694</u>	<u>\$ 280,703</u>	<u>\$ 204,518</u>	<u>\$ 145,020</u>	<u>\$ 123,695</u>	<u>\$ 131,179</u>	<u>\$ 115,686</u>	<u>\$ 91,315</u>
District-wide										
Invested in capital assets, net of related debt	\$ 7,222,677	\$ 5,786,992	\$ 5,374,317	\$ 4,928,442	\$ 4,685,958	\$ 4,383,797	\$ 4,154,737	\$ 4,037,431	\$ 3,502,784	\$ 2,732,141
Restricted	2,238,135	133,137	92,213	23,987	218,390	239,321	285,081	127,495	138,005	947,748
Unrestricted	(1,348,290)	(626,202)	(764,610)	(1,362,625)	(675,674)	20,849	263,440	739,397	252,947	52,769
Total district net assets	<u>\$ 8,112,522</u>	<u>\$ 5,293,927</u>	<u>\$ 4,701,920</u>	<u>\$ 3,589,804</u>	<u>\$ 4,228,674</u>	<u>\$ 4,643,967</u>	<u>\$ 4,703,258</u>	<u>\$ 4,904,323</u>	<u>\$ 3,893,736</u>	<u>\$ 3,732,658</u>

Source: CAFR Schedule A-1

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
CHANGES IN NET ASSETS
(accrual basis of accounting)
UNAUDITED

	Fiscal Year Ending June 30,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Expenses										
Governmental activities										
Instruction										
Regular	\$ 14,404,030	\$ 13,508,306	\$ 13,591,186	\$ 13,324,774	\$ 13,524,283	\$ 13,428,527	\$ 12,754,375	\$ 12,067,752	\$ 12,429,844	\$ 11,670,542
Special education	9,118,080	8,993,260	8,908,910	8,403,023	7,764,135	7,084,382	6,184,627	5,145,831	4,356,407	3,983,271
Other instruction	1,275,097	656,570	743,141	987,767	1,098,145	1,193,358	1,240,937	1,303,432	1,286,752	1,039,986
School sponsored activities and athletics		618,809	609,102	585,460	663,295	640,881	570,198	522,025	492,181	398,912
Support Services:										
Student and instruction related services	5,163,537	5,515,931	4,862,359	4,847,228	4,830,563	4,265,823	3,994,853	3,653,984	3,606,475	3,489,023
Educational media/school library						374,462	320,420	311,263	387,950	346,205
School administrative services	2,156,745	1,920,335	1,904,951	1,786,761	1,720,957	1,723,804	1,600,341	1,582,647	1,566,932	1,476,951
General administration	810,542	689,107	657,247	682,126	631,886	559,837	548,355	512,673	642,958	602,954
Central services	728,784	648,109	557,226	585,214	549,617	493,214	491,210	489,060	455,201	388,543
Plant operations and maintenance	4,082,915	3,666,748	3,637,576	3,445,432	3,550,446	2,916,477	2,897,749	2,655,220	2,800,706	2,455,651
Pupil transportation	1,091,192	1,213,287	1,235,050	1,410,385	1,310,924	1,243,685	1,181,927	1,358,714	1,118,318	1,297,352
Interest on long-term debt	455,276	324,824	324,311	356,875	341,929	428,383	506,571	381,043	552,228	487,663
Unallocated amortization	58,133									
Total governmental activities expenses	<u>39,344,332</u>	<u>37,755,286</u>	<u>37,031,059</u>	<u>36,415,045</u>	<u>35,986,180</u>	<u>34,352,833</u>	<u>32,291,563</u>	<u>29,983,644</u>	<u>29,695,952</u>	<u>27,637,053</u>
Business-type activities:										
Food service	845,151	757,040	772,445	746,607	713,137	676,635	707,350	547,024	558,513	557,718
Child care	266,276	264,971	264,212	258,905	267,009	276,451	207,292	268,220	175,365	202,308
Total business-type activities expense	<u>1,111,427</u>	<u>1,022,011</u>	<u>1,036,657</u>	<u>1,005,512</u>	<u>980,146</u>	<u>953,086</u>	<u>914,642</u>	<u>815,244</u>	<u>733,878</u>	<u>760,026</u>
Total district expenses	<u>\$ 40,455,759</u>	<u>\$ 38,777,297</u>	<u>\$ 38,067,716</u>	<u>\$ 37,420,557</u>	<u>\$ 36,966,326</u>	<u>\$ 35,305,919</u>	<u>\$ 33,206,205</u>	<u>\$ 30,798,888</u>	<u>\$ 30,429,830</u>	<u>\$ 28,397,079</u>
Program Revenues										
Governmental activities:										
Charges for services										
Instruction (Tuition)	\$ 318,406	\$ 193,095	\$ 168,816	\$ 4,952,717	\$ 6,544,089	\$ 6,333,260	\$ 5,225,209	\$ 4,781,597	\$ 4,632,539	\$ 4,261,429
Operating grants and contributions	6,401,819	5,502,933	6,168,816	4,952,717	6,544,089	6,333,260	5,225,209	4,781,597	4,632,539	4,261,429
Capital grants and contributions	1,452,348	184,412	73,495						30,502	17,882
Total governmental activities program revenues	<u>8,172,572</u>	<u>5,880,440</u>	<u>6,242,311</u>	<u>4,952,717</u>	<u>6,544,089</u>	<u>6,333,260</u>	<u>5,225,209</u>	<u>4,781,597</u>	<u>4,663,041</u>	<u>4,279,311</u>
Business-type activities:										
Charges for services										
Food service	545,411	546,756	564,431	566,476	537,261	531,055	532,358	491,563	460,687	452,898
Child care	262,795	265,823	284,326	299,601	318,959	277,258	237,493	220,376	185,853	176,847
Operating grants and contributions	318,974	276,437	270,660	212,003	176,615	156,152	131,067	114,867	110,643	112,004
Total business type activities program revenues	<u>1,127,181</u>	<u>1,089,016</u>	<u>1,119,417</u>	<u>1,078,080</u>	<u>1,032,835</u>	<u>964,465</u>	<u>900,918</u>	<u>826,806</u>	<u>757,183</u>	<u>741,749</u>
Total district program revenues	<u>9,299,753</u>	<u>6,969,456</u>	<u>7,361,728</u>	<u>6,030,797</u>	<u>7,576,924</u>	<u>7,297,725</u>	<u>6,126,127</u>	<u>5,608,403</u>	<u>5,420,224</u>	<u>5,021,060</u>
Net (Expense)/Revenue										
Governmental activities	(31,171,760)	(31,874,846)	(30,788,748)	(31,462,328)	(29,442,091)	(28,019,573)	(27,066,354)	(25,202,047)	(25,032,911)	(23,357,742)
Business-type activities	15,754	67,005	82,760	72,568	52,689	11,379	(13,724)	11,562	23,305	(18,277)
Total district-wide net expense	<u>\$ (31,156,006)</u>	<u>\$ (31,807,841)</u>	<u>\$ (30,705,988)</u>	<u>\$ (31,389,760)</u>	<u>\$ (29,389,402)</u>	<u>\$ (28,008,194)</u>	<u>\$ (27,080,078)</u>	<u>\$ (25,190,485)</u>	<u>\$ (25,009,606)</u>	<u>\$ (23,376,019)</u>

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
CHANGES IN NET ASSETS
(accrual basis of accounting)
UNAUDITED

	Fiscal Year Ending June 30,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 32,346,376	\$ 31,446,287	\$ 30,225,447	\$ 28,930,867	\$ 27,630,749	\$ 26,377,804	\$ 25,618,957	\$ 25,468,924	\$ 24,505,062	\$ 22,668,910
Taxes levied for debt service	1,091,621	673,115	644,807	643,412	646,052	669,217	527,998			
State aid restricted for debt service	205,754	146,565	167,360	159,539	152,176	204,127	248,780	248,602	248,078	248,848
Unrestricted state aid	271,752	57,862	607,623	891,535	388,003	466,658	321,649	319,022	250,554	
Gain on refinancing								10,000		
Miscellaneous income	57,041	73,108	162,866	121,920	150,320	221,151	152,081	150,593	165,924	196,013
Donation - Capital asset			5,770				3,308			
Transfers										(10,000)
Total governmental activities	33,972,544	32,396,937	31,813,873	30,747,273	28,967,300	27,938,957	26,872,773	26,197,141	25,169,618	23,103,771
Business-type activities:										
Investment earnings	2,057	2,911	4,231	3,617	6,809	9,946	6,240	3,931	1,066	1,231
Transfers										10,000
Total business-type activities	2,057	2,911	4,231	3,617	6,809	9,946	6,240	3,931	1,066	11,231
Total district-wide	\$ 33,974,601	\$ 32,399,848	\$ 31,818,104	\$ 30,750,890	\$ 28,974,109	\$ 27,948,903	\$ 26,879,013	\$ 26,201,072	\$ 25,170,684	\$ 23,115,002
Change in Net Assets										
Governmental activities	\$ 2,800,784	\$ 522,091	\$ 1,025,125	\$ (715,055)	\$ (474,791)	\$ (80,616)	\$ (193,581)	\$ 995,094	\$ 136,707	\$ (253,971)
Business-type activities	17,810	69,916	86,991	76,185	59,498	21,325	(7,484)	15,493	24,371	(7,046)
Total district	\$ 2,818,595	\$ 592,007	\$ 1,112,116	\$ (638,870)	\$ (415,293)	\$ (59,291)	\$ (201,065)	\$ 1,010,587	\$ 161,078	\$ (261,017)

Source: CAFR Schedule A-2

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
 FUND BALANCES, GOVERNMENTAL FUNDS
 (modified accrual basis of accounting)
 UNAUDITED

	Fiscal Year Ending June 30,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Fund										
Reserved	\$	\$	\$ 461,320	\$ 214,772	\$ 238,185	\$ 276,866	\$ 680,788	\$ 666,114	\$ 552,981	\$ 237,850
Unreserved			(277,080)	(607,141)	(165,297)	661,206	523,762	694,228	711,340	618,236
Nonspendable Fund Balance		6,174								
Restricted	535,830	308,334								
Committed		19,400								
Assigned	516,213	50,567								
Unassigned	605,825	(85,544)								
Total general fund	<u>\$ 1,657,868</u>	<u>\$ 298,931</u>	<u>\$ 184,240</u>	<u>\$ (392,369)</u>	<u>\$ 72,888</u>	<u>\$ 938,072</u>	<u>\$ 1,204,550</u>	<u>\$ 1,360,342</u>	<u>\$ 1,264,321</u>	<u>\$ 856,086</u>
All Other Governmental Funds										
Reserved	\$	\$	\$	\$ 89,930	\$ 4,754	\$	\$	\$ 123,385	\$ 77,773	\$ 468,999
Unreserved			40,748	21,429	112,221	127,996	135,060	256,330	313,142	281,736
Restricted	1,702,311	5,117,790								
Committed										
Assigned										
Unassigned			40,748	21,429	112,221	127,996	135,060	256,330	313,142	281,736
Total all other governmental funds	<u>\$ 1,702,311</u>	<u>\$ 5,117,790</u>	<u>\$ 81,496</u>	<u>\$ 132,788</u>	<u>\$ 229,196</u>	<u>\$ 255,992</u>	<u>\$ 270,120</u>	<u>\$ 636,045</u>	<u>\$ 704,057</u>	<u>\$ 1,032,471</u>

Source: CAFR Schedule B-1

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
 CHANGES IN GOVERNMENTAL FUND BALANCES, GOVERNMENTAL FUNDS
UNAUDITED

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues										
Tax levy	\$ 33,437,997	\$ 32,119,402	\$ 30,870,254	\$ 29,574,279	\$ 28,276,801	\$ 27,047,021	\$ 26,146,955	\$ 25,468,924	\$ 24,505,062	\$ 22,668,910
Miscellaneous	376,778	268,109	169,070	130,742	159,947	226,822	165,202	159,560	156,586	196,013
State Sources	7,256,713	4,665,206	5,719,949	5,203,395	6,288,478	6,252,868	5,098,257	4,634,439	4,569,078	4,026,666
Federal Sources	1,073,628	1,224,660	1,291,141	791,574	787,163	745,506	693,162	705,815	589,483	501,495
Total Revenue	42,145,116	38,277,377	38,050,414	35,699,990	35,511,389	34,272,217	32,103,576	30,968,738	29,820,209	27,393,084
Expenditures										
Instruction										
Regular Instruction	13,465,243	13,514,515	13,578,202	13,155,985	13,530,144	13,192,962	12,557,234	12,132,160	11,870,409	11,448,149
Special Education Instruction	7,590,839	9,008,115	8,905,283	8,285,578	7,770,663	7,010,535	6,124,744	5,164,634	4,232,658	3,931,089
Other Instruction	1,275,324	658,005	742,695	974,884	1,099,412	1,178,836	1,225,887	1,309,634	1,230,602	1,013,089
School Sponsored Activities and Athletics		619,944	608,789	579,005	663,931	633,024	563,275	524,518	479,582	396,468
Support Services:										
Student & Instruction Related Services	7,363,661	5,514,664	4,854,965	4,775,318	4,827,096	4,216,808	3,948,386	3,670,732	3,857,932	3,446,443
Educational Media / School Library						368,190	315,801	312,941		336,825
General Administration	806,493	676,709	642,984	666,108	619,748	554,027	543,046	529,957	619,655	601,288
School Administrative Services	2,136,783	1,877,605	1,875,358	1,727,674	1,691,324	1,699,815	1,577,950	1,575,640	1,547,970	1,466,349
Central Services	728,878	649,054	555,616	568,363	548,814	487,802	1,175,557	491,503	447,072	386,877
Plant Operations and Maintenance	3,506,818	3,289,660	3,248,737	3,026,815	3,199,776	2,884,548	2,867,609	2,666,033	2,760,580	2,442,997
Pupil Transportation	1,083,787	1,203,642	1,202,665	1,405,600	1,311,440	1,236,988	485,162	1,360,839	1,084,719	1,269,110
Capital Outlay	5,434,880	633,843	491,890	29,116	45,636	200,365	73,575	256,741	498,775	907,256
Debt Service:										
Refunding Bond Issue Cost								90,076		
Principal	973,751	663,585	659,557	662,675	730,651	659,469	627,628	652,389	577,140	525,522
Interest and Other Charges	414,100	252,303	262,213	313,742	348,959	379,108	409,267	392,829	564,700	485,160
Total expenditures	44,780,557	38,561,644	37,648,954	36,170,863	36,387,594	34,702,477	32,495,121	31,130,526	29,771,794	28,656,622
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,635,441)	(284,267)	401,460	(470,873)	(876,205)	(430,260)	(391,545)	(161,888)	48,415	(1,263,538)
Other Financing Sources (Uses)										
Proceeds from Borrowing		5,476,000								1,475,000
Capital Leases (Non-Budgeted)	578,899		104,538			156,718		148,020		
Proceeds from Refunding								5,829,740		
Payments to Escrow Agent								(5,731,051)		
Refund Prior Year Revenue							(8,902)			
Transfers In		18,759	132,225			18,031	184,746	42,210	105,356	27,445
Transfers Out		(18,759)	(132,225)			(18,031)	(184,746)	(42,210)	(105,356)	(37,445)
Total Other Financing Sources (Uses)	578,899	5,476,000	104,538			156,718	(8,902)	246,709		1,465,000
Net Change in Fund Balances	\$ (2,056,542)	\$ 5,191,733	\$ 505,998	\$ (470,873)	\$ (876,205)	\$ (273,542)	\$ (400,447)	\$ 84,821	\$ 48,415	\$ 201,462
Debt Service as a Percentage of Noncapital Expenditures	3.10%	2.41%	2.53%	2.70%	2.97%	3.01%	3.20%	3.38%	3.90%	3.64%

Source: CAFR Schedule B-2

* Noncapital expenditures are total expenditures less capital outlay.

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
UNAUDITED

Fiscal Year Ended <u>June 30,</u>	<u>Tuition</u>	<u>Tuition Refund</u>	<u>Insurance Refund</u>	<u>Interest on Investments</u>	<u>Use of Property</u>	<u>Athletics</u>	<u>Miscellaneous</u>	<u>Total</u>
2003	\$	\$	\$81,539	\$33,725	\$33,720	\$8,885	\$33,853	\$191,722
2004		92,894		28,183	22,010	10,387		153,474
2005		9,565		66,561	23,097	12,559	38,811	150,593
2006		9,387		128,453		11,937	11,206	160,983
2007		4,474		169,797	2,800	16,065	28,415	221,551
2008				86,972	10,400	15,497	28,385	141,254
2009				46,764	8,563	8,722	52,278	116,327
2010		43,151		36,700	1,440	10,645	70,930	162,866
2011	193,095	10,594		32,656		11,366	18,596	266,307
2012	318,406			23,051		13,142	20,743	375,342

Source: District Records

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY

Calendar Year	Vacant Land	Residential	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2003	\$11,495,100	\$980,840,850	\$115,277,400	\$79,476,000	\$21,442,400	\$1,208,531,750	\$1,408,980	\$1,209,940,730	\$2.03	\$1,654,320,564
2004	8,380,300	973,445,950	123,678,900	88,590,200	21,587,900	1,215,683,250	1,188,213	1,216,871,463	2.090	1,643,299,997
2005	8,010,600	975,174,150	121,777,900	89,296,600	22,189,500	1,216,448,750	1,006,295	1,217,455,045	2.150	2,085,373,246
2006	14,865,000	976,754,050	121,413,500	86,656,600	21,539,500	1,221,228,650	843,345	1,222,071,995	2.210	2,567,917,619
2007	15,201,600	978,314,050	122,246,400	84,517,200	23,288,400	1,223,567,650	777,640	1,224,345,290	2.310	2,584,741,696
2008	9,824,500	994,885,650	121,641,800	83,619,800	22,900,200	1,232,871,950	781,881	1,233,653,831	2.410	2,758,462,459
2009	6,439,700	1,006,280,400	120,954,000	81,547,000	22,900,200	1,238,121,300	809,598	1,238,930,898	2.492	2,862,181,177
2010	6,449,600	1,006,540,800	120,785,100	79,530,600	22,900,200	1,236,206,300	813,464	1,237,019,764	2.597	2,781,923,249
2011	6,733,300	1,005,098,500	120,463,600	79,079,100	22,837,000	1,234,211,500	672,157	1,234,883,657	2.708	2,773,149,915
2012	6,828,200	1,001,958,800	119,826,500	78,684,700	22,006,700	1,229,304,900	495	1,229,305,395	2.775	2,498,214,325

Source: District records Tax list summary & Municipal Tax Assessor

* Not available at time of audit

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.

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

b Tax rates are per \$100

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES

(rate per \$100 of assessed value)

UNAUDITED

Calendar Year Ended Dec. 31	Hawthorne Public Schools	Hawthorne Borough	Passaic County	Total
2003	\$ 2.03	\$ 0.75	\$ 0.78	\$ 3.56
2004	2.09	0.79	0.85	3.73
2005	2.15	0.82	0.90	3.87
2006	2.21	0.88	1.00	4.09
2007	2.31	0.91	1.05	4.27
2008	2.41	0.96	1.10	4.47
2009	2.49	1.05	1.17	4.71
2010	2.60	1.07	1.21	4.88
2011	2.70	1.09	1.30	5.09
2012	2.78	1.11	1.29	5.18

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.

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
 PRINCIPAL PROPERTY TAX PAYERS
 CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

Taxpayer	2011			2002		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Graham Partnership	\$ 9,000,000.00		0.73%	*		
PRT Realty, L.P.	8,726,400.00		0.71%	*		
VanDyk's Senior Residence	8,500,000.00		0.69%	*		
Hawthorne Garden Assoc.	7,600,000.00		0.62%	*		
Hawthorne Acquisition, LLC	6,171,300.00		0.50%	*		
Hawthorne Auto Sales Co.	4,706,500.00		0.38%	*		
PSAF Dev. Partners LLC	3,030,200.00		0.25%	*		
Hawthorne Commons, LLC	3,000,000.00		0.24%	*		
Dater Park Apts	2,400,000.00		0.20%	*		
One Loretto Ave Realty	2,344,700.00		0.19%	*		
Total	\$ 55,479,100.00		4.51%	\$ -		0.00%

(*) Not Available at time of Audit

Source: District CAFR J11 and Municipal Tax Assessor

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
UNAUDITED

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	\$22,668,910.00	\$22,668,910.00	100.00%	-
2004	24,505,062	24,505,062	100.00%	-
2005	25,468,924	25,468,924	100.00%	-
2006	26,146,955	26,146,955	100.00%	-
2007	27,047,021	27,047,021	100.00%	-
2008	28,276,801	28,276,801	100.00%	-
2009	29,574,279	29,574,279	100.00%	-
2010	30,870,254	30,870,254	100.00%	-
2011	32,119,402	32,119,402	100.00%	-
2012	33,437,997	33,437,997	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 the amount voted upon or certified prior to the end of the school year.

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
UNAUDITED

Fiscal Year Ended June 30,	<u>Governmental Activities</u>			Total District	Population	Per Capita ^a
	General Obligation Bonds	Capital Leases	Notes Payable			
2005	\$ 9,735,000.00	\$ 395,130.00		\$ 10,130,130.00	17,907	\$ 566
2006	9,230,000.00	272,502.00		9,502,502.00	17,819	533
2007	8,700,000.00	299,751.00		8,999,751.00	17,922	502
2008	8,145,000.00	124,100.00		8,269,100.00	17,909	462
2009	7,565,000.00	41,425.00		7,606,425.00	17,993	423
2010	6,955,000.00	96,406.00		7,051,406.00	17,993	392
2011	11,801,000.00	62,821.00		11,863,821.00	17,993	659
2012	10,891,000.00	577,969.27		11,468,969.27	18,821	609

Source: District CAFR Schedules I-1

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.

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
RATIOS OF NET BONDED DEBT OUTSTANDING
UNAUDITED

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Total Municipal Assessed Value	Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding			
2005	\$ 9,735,000.00	-0-	\$ 9,735,000.00	\$1,217,455,045	0.80%	543.64
2006	9,230,000.00	-0-	9,230,000.00	1,222,071,995	0.76%	517.99
2007	8,700,000.00	-0-	8,700,000.00	1,224,345,290	0.71%	485.44
2008	8,145,000.00	-0-	8,145,000.00	1,233,653,831	0.66%	454.80
2009	7,565,000.00	-0-	7,565,000.00	1,238,930,898	0.61%	420.44
2010	6,955,000.00	-0-	6,955,000.00	1,237,019,764	0.56%	386.54
2011	11,801,000.00	-0-	11,801,000.00	1,234,883,657	0.96%	656.00
2012	10,891,000.00	-0-	10,891,000.00	1,229,305,395	0.89%	578.66

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.

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2011
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable^a</u>	<u>awth</u>
Debt repaid with property taxes Hawthorne Borough	\$17,761,420.65	100.00%	\$ 17,761,421
Other debt Passaic County	409,047,118.00	5.00%	<u>20,452,356</u>
Subtotal, overlapping debt			38,213,777
Hawthorne Borough School District Direct Debt			<u>11,141,000</u>
Total direct and overlapping debt			<u>\$ 49,354,777</u>

Sources: Borough Chief Financial Officer and County Treasurer's Office

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 Hawthorne. 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.

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
 LEGAL DEBT MARGIN INFORMATION
UNAUDITED

Legal Debt Margin Calculation for Fiscal Year 2012

	Equalized valuation basis	
	2011	\$ 2,495,877,654
	2010	2,776,120,144
	2009	<u>2,771,706,514</u>
	[A]	<u>\$ 8,043,704,312</u>
Average equalized valuation of taxable property	[A/3]	\$ 2,681,234,771
Debt limit (4 % of average equalization value)	[B]	\$107,249,391 ^a
Net bonded school debt	[C]	11,141,000
Legal debt margin	[B-C]	<u>\$ 96,108,391</u>

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit	\$ 59,511,035	\$ 65,842,569	\$ 73,904,749	\$ 82,876,399	\$ 92,591,510	\$ 101,278,962	\$ 108,332,173	\$ 111,072,987	\$ 111,777,583	\$ 107,249,391
Total net debt applicable to limit	<u>10,051,870</u>	<u>9,576,712</u>	<u>9,735,000</u>	<u>9,230,000</u>	<u>8,700,000</u>	<u>8,145,000</u>	<u>7,565,000</u>	<u>6,955,000</u>	<u>11,801,000</u>	<u>11,141,000</u>
Legal debt margin	<u>\$ 49,459,165</u>	<u>\$ 56,265,857</u>	<u>\$ 64,169,749</u>	<u>\$ 73,646,399</u>	<u>\$ 83,891,510</u>	<u>\$ 93,133,962</u>	<u>\$ 100,767,173</u>	<u>\$ 104,117,987</u>	<u>\$ 99,976,583</u>	<u>\$ 96,108,391</u>
Total net debt applicable to the limit as a percentage of debt limit	16.89%	14.54%	13.17%	11.14%	9.40%	8.04%	6.98%	20.30%	10.56%	10.39%

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

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

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
 DEMOGRAPHIC AND ECONOMIC STATISTICS
UNAUDITED

<u>Year Ended December 31</u>	<u>Unemployment Rate</u>	<u>Per Capita Income</u>	<u>Population</u>
2002	4.2%	\$ 32,313	18,214
2003	4.3%	32,807	18,134
2004	3.3%	33,721	18,013
2005	2.9%	35,699	17,907
2006	2.9%	38,392	17,819
2007	2.7%	40,845	17,922
2008	3.5%	42,354	17,909
2009	7.0%	40,436	17,993
2010	7.2%	39,704	17,993
2011	7.0%	39,704 *	18,821

Source: N.J. Department of Labor

* Estimate

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
 FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
UNAUDITED

<u>Function/Program</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Instruction							
Regular	147	142	143	133	120	132	120
Special education	110	123	130	134	135	130	129
Other special education	1	1	1	1	1	1	1
Support Services:							
Student & instruction related services	35	36	37	37	42	27	25
General administration	3	3	3	3	3	3	3
School administrative services	18	18	18	18	17	17	18
Central services	4	4	4	4	4	4	4
Administrative Information Technology	1	1	1	1	2	1	1
Plant operations and maintenance	45	43	43	39	39	35	35
Pupil transportation	10	10	9	10	12	7	9
Total	<u>374</u>	<u>381</u>	<u>389</u>	<u>380</u>	<u>375</u>	<u>357</u>	<u>345</u>

Source: District Personnel Records

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
OPERATING STATISTICS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost per Pupil ^d	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio			Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School	Senior High School				
2003	2,285	\$ 26,738,624.00	\$ 11,701.80	N/A	216.5	10.7:1	10.2:1	10.6:1	2,285	2,176	3.02%	95.23%
2004	2,276	28,133,179.00	12,360	5.62%	216.5	10.8:1	10.1:1	10.5:1	2,276	2,180	-0.39%	95.78%
2005	2,318	29,738,591.00	12,829	3.80%	225.7	10.3	9.5:1	10.9:1	2,318	2,210	1.85%	95.34%
2006	2,334	31,384,651.00	13,447	4.81%	257.5	8.1:1	8.7:1	11.5:1	2,334	2,229	0.69%	95.50%
2007	2,381	33,463,535.00	14,054	4.52%	265.5	8.1:1	8.7:1	11.0:3	2,383	2,277	2.10%	95.55%
2008	2,423	35,262,348.00	14,553	3.55%	274.0	7.9:1	8.9:1	10.5:1	2,428	2,335	1.89%	96.17%
2009	2,428	33,104,597.00	13,635	-6.31%	268.0	7.9:1	9.4:1	11.4:1	2,447	2,337	0.78%	95.50%
2010	2,478	36,215,294.00	14,615	7.21%	256.0	8.6:1	10.4:1	11.7:1	2,466	2,350	0.78%	95.30%
2011	2,526	37,011,913.00	14,652	0.26%	256.0	11.0:1	12.0:1	12.5:1	2,481	2,350	0.61%	94.72%
2012	2,453	37,907,524.94	15,454	5.47%	250.0	10.5:1	11.3:1	11.4:1	2,430	2,312	-2.06%	95.14%

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

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures (modified accrual) less debt service and capital outlay;
- 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).
- d Cost per pupil represents operating expenditures divided by enrollment.

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>District Building</u>										
<u>Elementary</u>										
Jefferson										
Square Feet	40,108	40,108	40,108	40,108	40,108	40,108	40,108	40,108	40,108	40,108
Capacity (students)	282	282	282	282	282	282	282	282	282	282
Enrollment	251	236	251	259	269	269	274	280	280	280
Roosevelt										
Square Feet	80,848	80,848	80,848	80,848	80,848	80,848	80,848	80,848	80,848	80,848
Capacity (students)	489	489	489	489	489	489	489	489	489	489
Enrollment	559	581	614	611	620	652	634	641	641	641
Washington										
Square Feet	40,361	40,361	40,361	40,361	40,361	40,361	40,361	40,361	40,361	40,361
Capacity (students)	234	234	234	234	234	234	234	234	234	234
Enrollment	248	243	235	249	257	248	261	291	291	291
<u>Middle School</u>										
Square Feet	87,155	87,155	87,155	87,155	87,155	87,155	87,155	87,155	87,155	87,155
Capacity (students)	513	513	513	513	513	513	513	513	513	513
Enrollment	580	577	532	516	546	562	596	588	588	588
<u>High School</u>										
Square Feet	144,704	144,704	144,704	144,704	144,704	144,704	144,704	144,704	144,704	144,704
Capacity (students)	714	714	714	714	714	714	714	714	714	714
Enrollment	648	639	665	699	691	699	683	666	666	666
Number of Schools at June 30, 2012										
Elementary -	3									
Middle School -	1									
Senior High School -	<u>1</u>									
	5									

Source: District records, ASSA

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

BOROUGH OF HAWTHORNE - SCHOOL DISTRICT
 SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
UNAUDITED

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

School Facilities	Project # (s)	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Jefferson School	N/A	\$ 58,148	\$ 53,777	\$ 53,057	\$ 56,093	\$ 45,906	\$ 50,611	\$ 58,317	\$ 69,520	\$ 6,776	\$ 53,767
Roosevelt School	N/A	116,925	103,957	123,517	102,619	115,037	121,560	130,522	153,712	321,187	74,013
Washington School	N/A	57,099	58,654	54,924	55,019	52,578	49,126	55,489	90,824	42,594	54,095
Lincoln Middle School	N/A	126,153	112,067	124,841	121,769	127,698	119,058	124,665	162,499	79,567	91,000
Hawthorne High School	N/A	256,099	208,703	187,301	172,150	261,251	210,653	209,945	259,018	154,295	195,532
Total School Facilities		614,423	537,158	543,640	507,650	602,470	551,008	578,938	735,573	604,419	468,407
Other Facilities											
Grand Total		\$ 614,423	\$ 537,158	\$ 543,640	\$ 507,650	\$ 602,470	\$ 551,008	\$ 578,938	\$ 735,573	\$ 604,419	\$ 468,407

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
 INSURANCE SCHEDULE
 JUNE 30, 2012
UNAUDITED

	<u>LIMITS</u>	<u>DEDUCTIBLE</u>
<u>PROPERTY</u>		
Blanket Building and Contents	\$ 75,436,911	\$ 5,000
Flood - Outside 100 Year Flood Zone	5,000,000	50,000
Flood - Outside 100 Year Flood Zone	1,000,000	500,000
Boiler and Machinery	75,436,911	5,000
Public Official Bond -Bus Admn/Treasurer	250,000	
Environmental Impairment Liability (Group Aggregate)	20,000,000	
Each Impairment Aggregate limit per Insured:	3,000,000	15,000
 <u>GENERAL LIABILITY COVERAGES</u>		
Each Occurrence Limit	1,000,000	
Personal and Advertising Injury Limit	1,000,000	
General Aggregate Limit	2,000,000	
Products/Completed Operations, Aggregate Limit	2,000,000	
Fire Damage Limit	1,000,000	
Medical Expense Limit	5,000	
 <u>AUTOMOBILE</u>		
Liability	1,000,000	
Uninsured/Underinsured Motorists	1,000,000	
Comprehensive and Collision Deductibles		1,000
 <u>SCHOOL BOARD LEGAL LIABILITY</u>		
Employment Related Practices	1,000,000	5,000
		15,000
 <u>CRIME</u>		
Employee Dishonesty-per employee	100,000	5,000
Forgery and Alteration	50,000	1,000
 <u>UMBRELLA LIABILITY</u>		
	9,000,000	
 <u>EXCESS UMBRELLA LIABILITY</u>		
	50,000,000	
 <u>WORKERS COMPENSATION</u>		
BI by Accident-Each Accident	1,000,000	
BI by Disease-Each Employee	1,000,000	
BI by Disease-Policy Limit	1,000,000	
Employers Liability Retained Limit	350,000	

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
 INSURANCE SCHEDULE
 JUNE 30, 2012
UNAUDITED

	<u>LIMITS</u>	<u>DEDUCTIBLE</u>
<u>FLOOD INSURANCE</u>		
Bamford & Warburton-Trailer-1 and Trailer 2(each)		
Building	\$ 2,500	\$ 1,000
Contents	16,800	1,000
Bamford & Warburton-Fieldhouse		
Building	143,000	1,000
Contents	68,000	1,000
<u>Disability-Chubb Group -\$2,000 max per week/52 weeks</u>		
<u>Student Accident Full Excess Plan</u>	5,000,000	
<u>Volunteer Accident Full Excess Plan</u>	500,000	

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SINGLE AUDIT SECTION



SUPLEE, CLOONEY & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

EXHIBIT "K-1"

308 East Broad Street, Westfield, New Jersey 07090-2122

Telephone 908-789-9300

Fax 908-789-8535

E-mail info@scnco.com

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

Honorable President and Members
of the Board of Education
Borough of Hawthorne School District
County of Passaic
Hawthorne, New Jersey

We have audited the basic financial statements of the Borough of Hawthorne School District, County of Passaic, New Jersey as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated October 17, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Borough of Hawthorne School District, County of Passaic, New Jersey internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements but not for the purpose of expressing an opinion on the effectiveness of the Borough of Hawthorne School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Borough of Hawthorne School District'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 possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

SUPLEE, CLOONEY & COMPANY

Our consideration of the internal control over financial reporting was limited for the 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 noted immaterial matters involving the internal control over financial reporting that we have reported to the Board of Education of the Borough of Hawthorne School District in a separate Auditor's Management Report on Administrative Findings – Financial and Compliance dated October 17, 2012.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of Hawthorne School District's basic 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 basic 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.

This report is intended solely for the information and use of management and the Board of Education of the Borough of Hawthorne School District, the New Jersey State Department of Education and federal and state audit awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.


CERTIFIED PUBLIC ACCOUNTANTS


PUBLIC SCHOOL ACCOUNTANT NO. 93

October 17, 2012



SUPLEE, CLOONEY & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

EXHIBIT "K-2"

308 East Broad Street, Westfield, New Jersey 07090-2122

Telephone 908-789-9300

Fax 908-789-8535

E-mail info@senco.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL
AND STATE FINANCIAL ASSISTANCE PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04

Honorable President and Members
of the Board of Education
Borough of Hawthorne School District
County of Passaic
Hawthorne, New Jersey

Compliance

We have audited the compliance of the Borough of Hawthorne School District with the types of compliance requirements described in the New Jersey State Grant Compliance Supplement that are applicable to each of its major federal and state programs for the year ended June 30, 2012. The Borough of Hawthorne School District's major federal and state programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of Borough of Hawthorne School District's management. Our responsibility is to express an opinion on Borough of Hawthorne School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey and the provisions of U.S. Office of Management and Budget (OMB) Circular A-133 "Audits of States, Local Governments and Non-Profit Organizations" and State of New Jersey OMB Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid." Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and state program occurred. An audit includes examining, on a test basis, evidence about the Borough of Hawthorne School District'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 Borough of Hawthorne School District's compliance with those requirements.

SUPLEE, CLOONEY & COMPANY

In our opinion, the Borough of Hawthorne School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of the Borough of Hawthorne School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Borough of Hawthorne School District's internal control over compliance with requirements that could have a direct and material effect on a major federal and state program in order to determine our 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 Borough of Hawthorne School District's internal control over compliance.

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

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

This report is intended solely for the information and use of management and the Board of Education of the Borough of Hawthorne School District, the New Jersey State Department of Education and federal and state audit awarding agencies and is not intended to be and should not be used by anyone other than these specified parties


CERTIFIED PUBLIC ACCOUNTANTS


PUBLIC SCHOOL ACCOUNTANT NO. 93

October 17, 2012

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

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE	CARRYOVER/	CASH RECEIVED	BUDGETARY EXPENDITURES	ADJUSTMENTS /	REPAYMENT	BALANCE JUNE 30, 2012		
					(ACCOUNTS RECEIVABLE)	(WALKOVER) AMOUNT			CANCEL PRIOR YEAR ACCOUNTS PAYABLE	OF PRIOR YEARS' BALANCES	(ACCOUNTS RECEIVABLE)	DEFERRED REVENUE	DUE TO GRANTOR
Enterprise Funds													
U.S. Department of Agriculture													
Passed-through State Department of Education													
Food Distribution Commodities Program	10 550	N/A	7/1/10-6/30/11	\$ 37,274.00	\$ 6,701.00	\$	\$	(6,701.00)	\$	\$	\$	\$	\$
Food Distribution Commodities Program	10 550	N/A	7/1/11-6/30/12	53,232.51			53,232.51	(52,420.61)				811.90	
National School Lunch Program	10 555	N/A	7/1/11-6/30/12	11,725.92			235,953.14	(251,178.78)			(15,225.64)		
National School Breakfast Program	10 553	N/A	7/1/11-6/30/12	2,681.60			2,681.60	(2,837.01)			(155.41)		
Total U.S. Department of Agriculture					6,701.00		291,867.25	(313,137.40)			(15,381.05)	811.90	
Special Revenue Funds													
U.S. Department of Education													
Passed-through State Department of Education													
Title I - Carryover	84 010	NCLB219011	7/1/10-8/31/11	221,290.00	(85,262.00)	(167,011.00)	85,262.00		167,011.00				
Title I	84 010	NCLB219012	7/1/11-8/31/12	261,622.00		167,011.00	225,733.00	(263,977.42)	(167,011.00)		(38,244.42)		
Title II A - Carryover	84 367	NCLB219011	7/1/10-8/31/11	60,878.00	(16,621.00)	(21,980.00)	16,621.00		21,980.00				
Title II A	84 367	NCLB219012	7/1/11-8/31/12	51,919.00		21,980.00	49,142.00	(56,340.96)	(21,980.00)		(7,198.96)		
Title II D - Carryover	84 318	NCLB219011	7/1/10-8/31/11	432.00	(399.00)		399.00	(432.00)			(432.00)		
Title II D - Immigrant - Carryover	84 365	NCLB219011	7/1/10-8/31/11	7,067.00	(1,178.00)		1,178.00						
Title II D	84 365	NCLB219012	7/1/11-8/31/12	9,741.00			8,308.00	(9,741.00)			(1,433.00)		
Title IV - Carryover	84 188	NCLB219011	7/1/10-8/31/11		(3,172.00)		1,827.00		1,345.00				
Title IV - Carryover	84 298	NCLB219010	7/1/09-8/31/10		1,157.00				(1,157.00)				
ARRA-Title I	84 389	ARRA2011	7/1/09-8/31/11	69,969.00	(14,318.00)		14,318.00	(1,994.06)			(1,994.06)		
ARRA-I.D.E.A. Part B, Basic	84 391	ARRA2011	7/1/09-8/31/11	658,028.00	(38,911.00)		70,647.00	(30,108.56)				626.44	
ARRA-I.D.E.A. Part B, Preschool	84 392	ARRA2011	7/1/09-8/31/11	23,776.00	(3,082.00)		9,842.00	(7,198.02)			(448.02)		
I.D.E.A. Part B, Basic - Carryover	84 027	IDEA219011	7/1/09-8/31/11	594,261.00	(21,863.00)	(89,593.00)	21,863.00		89,593.00				
I.D.E.A. Part B, Basic	84 027	IDEA219012	7/1/11-8/31/12	594,710.00		89,593.00	615,776.00	(582,874.63)	(89,593.00)			32,901.37	
I.D.E.A. Part B - Preschool - Carryover	84 173	IDEA219011	7/1/09-8/31/11	30,020.00	1,780.00	(1,835.00)			55.00				
I.D.E.A. Part B - Preschool	84 173	IDEA219012	7/1/11-8/31/12	29,814.00		1,835.00	26,984.00	(26,890.90)	(1,835.00)			93.10	
Total U.S. Department of Education					(182,879.00)		1,147,900.00	(979,558.55)	(1,592.00)		(49,750.46)	33,620.91	
General Fund													
U.S. Department of Health & Human Services													
Medical Assistance Program (SEMI)	93 778		7/1/11-6/30/12	2,086.64			2,086.64	(2,086.64)					
Total U.S. Department of Health & Human Services							2,086.64	(2,086.64)					
U.S. Department of Education													
Education Jobs Fund	84 410		8/10/10 - 9/30/12	91,983.00			89,189.00	(91,983.00)			(2,794.00)		
Total U.S. Department of Education							89,189.00	(91,983.00)			(2,794.00)		
Total Federal Financial Assistance					(\$176,178.00)		\$1,531,042.89	(\$1,386,765.59)	(\$1,592.00)		(\$67,925.51)	\$34,432.81	

See accompanying notes to schedules of financial assistance.

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

STATE GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE AT JUNE 30, 2011			CARRYOVER/ (WALKOVER) AMOUNT	CASH RECEIVED	BUDGETARY EXPENDITURES	ADJUSTMENTS	REPAYMENT OF PRIOR YEAR'S BALANCES	BALANCE AT JUNE 30, 2012			MEMO	
				(ACCOUNTS RECEIVABLE)	DEFERRED REVENUE	DUE TO GRANTOR						(ACCOUNTS RECEIVABLE)	DEFERRED REVENUE	DUE TO GRANTOR	GAAP RECEIVABLE	CUMULATIVE TOTAL EXPENDITURES
State Department of Education																
General Funds:																
Equalization Aid	12-495-034-5120-078	7/1/11-6/30/12	\$288,582.00					\$270,064.00	(\$288,582.00)			(\$18,518.00)				\$288,582.00
Special Education Aid	11-495-034-5120-089	7/1/10-6/30/11	1,022,448.00	(\$59,107.00)				59,107.00								1,022,448.00
Special Education Aid	12-495-034-5120-089	7/1/11-6/30/12	1,402,171.00					1,311,762.00	(1,402,171.00)			(90,409.00)				1,402,171.00
Non-Public Transportation Aid	N/A	7/1/10-6/30/11	30,328.00	(\$30,328.00)				30,328.00							\$30,328.00	30,328.00
Non-Public Transportation Aid	N/A	7/1/11-6/30/12	26,959.50						(26,959.50)			(26,959.50)				
Extraordinary Aid	11-100-034-5120-473	7/1/10-6/30/11	688,930.00	(\$688,930.00)				688,930.00								688,930.00
Extraordinary Aid	12-100-034-5120-473	7/1/11-6/30/12	574,154.00						(574,154.00)			(574,154.00)			(574,154.00)	574,154.00
Bullying Aid		7/1/11-6/30/12	1,688.00					1,688.00	(1,688.00)							1,688.00
On-Behalf Payments																
TPAF Social Security Aid	11-495-034-5095-002	7/1/10-6/30/11	1,162,246.00	(\$58,022.00)				58,022.00							58,022.00	1,162,246.00
TPAF Social Security Aid	12-495-034-5095-002	7/1/11-6/30/12	1,114,052.01					1,058,462.35	(1,113,811.96)			(55,449.61)			55,449.61	1,113,911.96
Total General Fund				(\$836,387.00)				3,478,363.35	(3,407,466.45)			(765,490.11)			(430,354.39)	6,284,458.96
Special Revenue Fund:																
Distance Learning Network Aid	03-100-034-5120-348	7/1/02-6/30/03	101,530.00		\$65.00											
Character Education Aid	06-100-034-5120-053	7/1/05-6/30/06	6,241.00		3,084.00										3,084.00	
Professional Development Schools	02000345	7/1/03-6/30/04	17,500.00		8,145.00										8,145.00	
State of N.J. - Dept. of Comm. Affairs	N/A	7/1/05-6/30/06	35,000.00		2,748.00										2,748.00	
NJ Nonpublic Aid:																
Textbook Aid - PY	11-100-034-5120-064	7/1/10-6/30/11	30,808.00			\$2,740.00					(\$2,740.00)					26,068.00
Textbook Aid - CY	12-100-034-5120-064	7/1/11-6/30/12	27,226.00					27,226.00	(27,057.49)			(0.00)		\$168.51		27,057.49
Nursing	12-100-034-5120-070	7/1/11-6/30/12	38,890.00					38,890.00	(38,890.00)							38,890.00
Auxiliary Services:																
English as a Second Language	11-100-034-5120-067	7/1/10-6/30/11	6,404.00			4,099.00					(4,099.00)					2,305.00
English as a Second Language	12-100-034-5120-067	7/1/11-6/30/12	862.00					862.00	(517.24)					344.76		517.24
Compensatory Education	11-100-034-5120-067	7/1/10-6/30/11	63,214.00			18,253.00					(18,253.00)					44,961.00
Compensatory Education	12-100-034-5120-067	7/1/11-6/30/12	51,142.00					51,142.00	(35,672.98)					15,469.02		37,925.62
Home Instruction	11-100-034-5120-067	7/1/10-6/30/11	1,365.00			419.00								419.00		946.00
Home Instruction	12-100-034-5120-067	7/1/11-6/30/12	946.00					946.00						946.00		
Handicapped Services:																
Transportation	12-100-034-5120-068	7/1/11-6/30/12	21,332.00					21,332.00						21,332.00		
Supplemental Instruction	11-100-034-5120-068	7/1/10-6/30/11	23,693.00			625.00					(625.00)					23,068.00
Supplemental Instruction	12-100-034-5120-068	7/1/11-6/30/12	26,858.00					26,858.00	(23,060.11)					3,577.89		23,060.11
Examination & Classification	11-100-034-5120-068	7/1/10-6/30/11	35,898.00			2,857.00					(2,857.00)					32,841.00
Examination & Classification	12-100-034-5120-068	7/1/11-6/30/12	45,863.00					45,863.00	(38,801.62)					7,061.38		19,147.44
Corrective Speech	11-100-034-5120-068	7/1/10-6/30/11	18,776.00			4,694.00					(4,694.00)					14,082.00
Corrective Speech	12-100-034-5120-068	7/1/11-6/30/12	18,956.00					18,956.00	(12,558.67)					6,397.33		12,558.67
Total Special Revenue Fund					14,042.00	33,687.00		231,895.00	(176,578.11)			(33,268.00)	(0.00)	14,042.00	55,735.89	312,547.63

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

STATE GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE AT JUNE 30, 2011			CARRYOVER/ (WALKOVER) AMOUNT	CASH RECEIVED	BUDGETARY EXPENDITURES	ADJUSTMENTS	REPAYMENT OF PRIOR YEAR'S BALANCES	BALANCE AT JUNE 30, 2012			MEMO		
				(ACCOUNTS RECEIVABLE	DEFERRED REVENUE	DUE TO GRANTOR						(ACCOUNTS RECEIVABLE	DEFERRED REVENUE	DUE TO GRANTOR	GAAP RECEIVABLE	CUMULATIVE TOTAL EXPENDITURES	
Capital Projects Fund																	
School Development Authority - Facilities Grant	2100-050-09-1001	7/1/09-6/30/10	\$88,150.00	(\$88,150.00)	\$14,655.00			\$75,281.00				(\$12,869.00)	\$14,655.00		\$12,869.00	\$73,495.00	
Partial Roof and HVAC Replacement - High School Referendum	Various	7/1/10-6/30/11	2,189,195.00	(2,169,195.00)	2,004,863.00				(\$1,379,701.64)			(2,189,195.00)	625,081.36		2,189,195.00	1,564,113.64	
				(4,466,720.00)	4,024,581.00			75,281.00	(1,379,701.64)			(4,391,438.00)	2,644,699.36		12,689.00	1,822,020.64	
Debt Service Fund																	
Debt Service State Aid	12-495-034-5120-075	7/1/11-6/30/12	205,754.00					205,754.00	(205,754.00)							205,754.00	
Enterprise Fund																	
National School Lunch Program (State Share)	12-100-020-3350-023	7/1/11-6/30/12	11,725.92					11,071.26	(11,725.92)			(654.66)			654.66	11,725.92	
Total State Financial Assistance Subject to Single Audit				(\$5,303,107.00)	\$4,038,623.00	\$33,687.00		4,002,964.61	(5,181,226.13)			(\$33,268.00)	\$5,157,583.77	\$2,656,741.36	\$55,735.86	(\$417,010.73)	\$8,636,507.15
Less: On-Behalf amounts not utilized for determination of Single Audit and Major Programs.																	
TPAF Pension and Annuity Fund - Post Medical	11-485-034-5095-001	7/1/11-6/30/12	966,954.00					966,954.00	(966,954.00)								
TPAF Pension and Annuity Fund - NCGI	11-485-034-5095-007	7/1/11-6/30/12	481,009.00					481,009.00	(481,009.00)								
								\$5,450,327.61	(\$6,629,189.13)								

See accompanying notes to schedules of financial assistance.

Borough of Hawthorne School District
Notes to the Schedules of Expenditures of Federal Awards
and State Financial Assistance
Year Ended June 30, 2012

NOTE 1: GENERAL

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

NOTE 2: BASIS OF ACCOUNTING

The accompanying schedules of expenditures of federal awards and state financial assistance are presented on the budgetary basis of accounting with the exceptions 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 of the District's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. 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 BASIC FINANCIAL STATEMENTS

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedule (RSI) are presented for the general fund and special revenue fund to demonstrate finance-regulated 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 deferred state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP accounting purposes, those payments are not recognized until the subsequent budget year due to the state deferral and recording of the state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenue, whereas GAAP basis does not. The special revenue fund also recognizes the deferred state aid payments in the current budget year, consistent with N.J.S.A. 18A:22-44.2.

Borough of Hawthorne School District
Notes to the Schedules of Expenditures of Federal Awards
and State Financial Assistance
Year Ended June 30, 2012

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$639,110.00) for the general fund. The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$(-0-) for the special revenue fund. See the notes to the required supplementary information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Federal awards and state financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$94,069.64	\$3,407,466.46	\$3,501,536.10
Special Revenue Fund	979,558.55	176,578.11	1,156,136.66
Capital Projects Fund		1,379,701.64	1,379,701.64
Debt Service Fund		205,754.00	
Food Service Fund	<u>313,137.40</u>	<u>11,725.92</u>	<u>324,863.32</u>
Total Awards and Financial Assistance	<u>\$1,386,765.59</u>	<u>\$5,181,226.13</u>	<u>\$6,362,237.72</u>

NOTE 4: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5: OTHER

Revenues and expenditures reported in the Food Distribution Program represent current year value received and current year distributions respectively. TPAF Social Security contributions represent the amount reimbursed by the state for the employer's share of Social Security contributions for TPAF members for the year ended June 30, 2012.

The amount of TPAF On-Behalf Payments and Post-Retirement Medical \$481,009.00 and \$966,954.00, respectively, reported in the financial statements represents the amounts paid by the state on behalf of the district for the year ended June 30, 2012 and are not subject to the requirements of New Jersey OMB 04-04.

Borough of Hawthorne School District
Passaic County, New Jersey

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012

Section I – Summary of Auditor’s Results

Financial Statements

- | | | |
|-----|---|-------------|
| (1) | Type of Auditor’s Report Issued: | Unqualified |
| (2) | Internal Control Over Financial Reporting: | |
| | (a) Material weakness(es) identified? | No |
| | (b) Significant deficiencies identified that are not
Considered to be material weaknesses? | N/A |
| (3) | Noncompliance material to the basic financial
statements noted during the audit? | No |

Federal Program(s)

- | | | |
|-----|--|-------------|
| (1) | Internal Control Over Major Federal Programs: | |
| | (a) Material weaknesses identified? | No |
| | (b) Significant deficiencies identified that are not
considered to be material weaknesses? | N/A |
| (2) | Type of Auditor’s Report issued on compliance for major federal
Program(s)? | Unqualified |
| (3) | Any audit findings disclosed that are required to be reported in
accordance with section .510(a) of Circular OMB A-133? | No |

Borough of Hawthorne School District
Passaic County, New Jersey

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012

Section I – Summary of Auditor’s Results (Continued)

Federal Program(s) (Continued)

(4) Identification of Major Federal Program(s):

<u>Program</u>	<u>CFDA</u>
IDEA Part B	84.027
ARRA IDEA Part B	84.391
IDEA Preschool	84.173
ARRA IDEA Preschool	84.392

(5) Program Threshold Determination:
 Type A Federal Program Threshold > \$300,000.00
 Type B Federal Program Threshold <= \$300,000.00

(6) Auditee qualified as a low-risk auditee under OMB Circular A-133? Yes

State Program(s)

(1) Internal Control Over Major State Programs:

(a) Material weakness(es) identified? No

(b) Significant deficiencies identified that are not
 Considered to be material weaknesses? N/A

(2) Type of Auditor’s Report issued on compliance for major state
 program(s)? Unqualified

Borough of Hawthorne School District
Passaic County, New Jersey

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012

State Program(s)(Continued)

(3) Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular 04-04? No

(4) Identification of Major State Program(s):

<u>Program</u>	<u>Grant Number</u>
School Development Authority	2100-XXX-10-XXX

(5) Program Threshold Determination:
Type A State Program Threshold > \$300,000.00
Type B State Program Threshold <= \$300,000.00

(6) Auditee qualified as a low-risk auditee under OMB Circular 04-04? Yes

Section II – Financial Statement Audit – Reported Findings
Under Government Auditing Standards

Internal Control Findings – None Reported

Compliance Findings – None Reported

Section III – Findings and Questioned Costs Relative to Major Federal and State Programs

Federal Programs – None Reported

State Programs – None Reported

Borough of Hawthorne School District
Passaic County, New Jersey

Schedule of Prior Year Audit Findings

Not Applicable

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