

**SCHOOL DISTRICT**

**OF**

**HOPE TOWNSHIP**

**Hope Township School District  
Board of Education  
Hope, Warren County  
New Jersey**

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



# **Comprehensive Annual**

## **Financial Report**

**of the**

**Hope Township School District**

**Board of Education**

**Hope, New Jersey**

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

**Prepared by**

**Hope Township School District**

**Board of Education**

**Finance Department**



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# Introductory Section

**HOPE TOWNSHIP BOARD OF EDUCATION**  
**320 JOHNSONBURG ROAD, PO BOX 143**  
**HOPE, NJ 07844**  
**PHONE: (908) 459-4702, ext. 230**  
**FAX: (908) 459-4813**  
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August 31, 2012

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

Dear Board Members and Constituents of Hope:

The comprehensive annual financial report of the Hope Township School District for the fiscal year ended June 30, 2012, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a Roster of Officials. The financial section includes the general purpose financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and NJ OMB's Circular 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.

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

- The District provides a full range of educational services appropriate to grade levels Pre-K through 8, and has a sending/receiving relationship with the Belvidere School District and Warren County Technical School for its 9th through 12th grade students. These include regular as well as special education for special needs students. The district completed the 2011-12 fiscal year with an average enrollment of 194 students in our Pre-Kindergarten through 8<sup>th</sup> Grade program.

**2) ECONOMIC CONDITION AND OUTLOOK:** The Hope Township area has experienced a leveling off in development over the past several years. There has not been any subdivision development. In housing, growth is relatively moderate, consisting of one-family residences. Since there is no substantive expansion of business in Hope Township, there is no material increase in the employment level or tax base (either residential or industrial). This condition is expected to continue which suggests that Hope Township will remain relatively stable. Hope School's enrollment has remained relatively unchanged.

**MAJOR INITIATIVES:** Despite a significant reduction in state aid and unprecedented budget cuts, the Hope Township School continued its focus on the school level objectives. Our administration and teachers continue revisions to the curriculums to assure that they are aligned with the New Jersey Core Curriculum Content Standards (NJCCCS) and Common Core State Standards, and continued development of Grade Level Outcome Assessments (GLOA). The district also continued its attention on the NJCCCS in all other subject areas. Student needs were serviced in the areas of Special Education and speech. Our Preschool program was continued in 2011-2012 to serve PSD students and tuition paying general education students from Hope Township. Students continued to be grouped with teachers in clusters. World Language instruction continued weekly for grades K-6 and Spanish instruction occurred daily for grades 7 and 8.

The district continued the identification and service of exceptional students. At risk students were identified by classroom teachers and service plans are developed through an improved Pupil Assistance Committee (PAC). Students eligible for Basic Skills Instruction (BSI) were served in reading, writing, and mathematics. Gifted students are identified through a comprehensive formal process and served in the area of mathematics and language arts by our middle level mathematics teachers through the classroom teachers.

**4) INTERNAL ACCOUNTING CONTROLS:** Management of the District is responsible for establishing and maintaining internal controls designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). Internal controls are 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; but not absolute assurance that these objectives are met.

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

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

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

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

**6) ACCOUNTING SYSTEM AND REPORTS:** The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB), and in 2011-2012 were inclusive of the new GASB 34 requirements. The accounting system of the District is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements".

**7) FINANCIAL INFORMATION:** A summary of financial information is presented in the section Management's Disclosure and Analysis For The Fiscal Year Ended June 30, 2012.

**8) DEBT ADMINISTRATION:** At June 30, 2012, the District's outstanding debt issues included \$1,152,582 of general obligation bonds.

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

**10) RISK MANAGEMENT:** The Board carried various forms of insurance, including but not limited to general liability, hazard and theft insurance on property and contents, environmental impairment coverage, worker's compensation and fidelity bonds.

**11) OTHER INFORMATION:**

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

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

13) **SERVICE EFFORTS AND ACCOMPLISHMENTS:** This year the district replaced the flooring and repainted the walls in the Nurse's Suite and the faculty lounge and copy room areas. The District continues to provide the appropriate replacement and updating of its facility to provide for a safety, security and building efficiency.

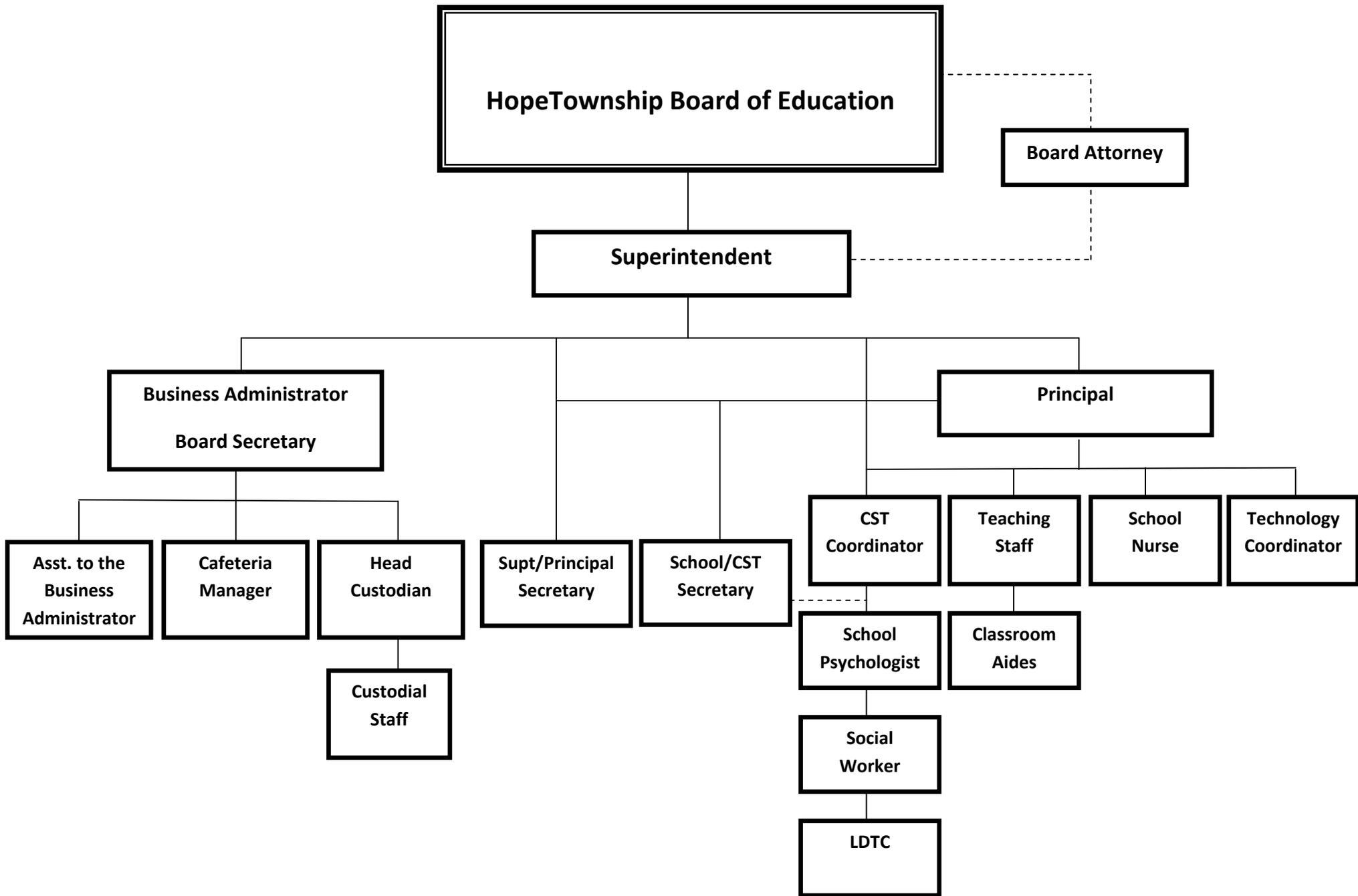
Respectfully submitted,



Michael Slattery  
Superintendent



Dawn Huff  
Business Administrator



**HOPE TOWNSHIP SCHOOL DISTRICT  
BOARD OF EDUCATION**

**ROSTER OF OFFICIALS**

**June 30, 2012**

| <b><u>Members of the Board of Education</u></b> | <b><u>Term Expires</u></b> |
|---|----------------------------|
| Lorraine Ostrzyzek, <i>President</i>            | 2012                       |
| Sherry Koeppen, <i>Vice-President</i>           | 2013                       |
| John Lucas                                      | 2014                       |
| Lisa Kahler                                     | 2012                       |
| Douglas Tighe                                   | 2014                       |
| Jennifer Wallace                                | 2013                       |
| Robert McKenna, Jr.                             | 2014                       |

**Other Officials**

Michael Slattery, *Superintendent*

Dawn Huff, *Board Secretary/School Business Administrator*

Phillip E. Stern, Esquire, *Solicitor*

**HOPE TOWNSHIP SCHOOL DISTRICT  
BOARD OF EDUCATION**

**CONSULTANTS AND ADVISORS**

**Architect of Record**

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**Official Depository**

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# Financial Section

# Independent Auditor's Report



## **ARDITO & Co., LLP**

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Douglas R. Williams, CPA, RMA, PSA  
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### **UNQUALIFIED OPINIONS ON BASIC FINANCIAL STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND SUPPLEMENTARY SCHEDULE OF STATE AWARDS AND OTHER SUPPLEMENTARY INFORMATION-GOVERNMENTAL ENTITY**

#### **Independent Auditor's Report**

The Honorable President and  
Members of the Board of Education  
Hope Township School District  
County of Warren  
Hope, New Jersey 07844

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund and the aggregate remaining fund information of the Board of Education of the Hope Township School District in the County of Warren, State of New Jersey, as of and for the fiscal year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Hope Township School District Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

-Continued-

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

The Management Discussion and Analysis and Budgetary Comparison Information on pages 7 through 7.8, and 38 through 49 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



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

Date: August 31, 2012

**Required Supplementary Information -  
Part I**

**Management's Discussion and Analysis**



HOPE TOWNSHIP SCHOOL DISTRICT

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

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

**Financial Highlights**

Key financial highlights for 2012 are as follows:

- ◆ In total, net assets increased \$197,216 which represents a 9 percent increase from 2011.
- ◆ General revenues accounted for \$3,491,233 in revenue or 69.0 percent of all revenues. Program specific revenues in the form of charges for services, operating grants were \$1,567,251 or 31.0 percent of total revenues of \$5,058,484.
- ◆ Total assets of governmental activities increased by \$42,586 as cash and cash equivalents increased by \$4,114, receivables decreased by \$20,317 and capital assets increased by \$21,468.
- ◆ The School District had \$4,861,268 in expenses; only \$1,567,251 of these expenses were offset by program specific charges for services, grants or contributions. General Revenues (primarily property taxes) of \$3,491,233 were adequate to provide for these programs.
- ◆ Among major funds, the General Fund had \$4,574,238 in revenues and \$4,529,653 in expenditures. The General Fund's surplus balance increased \$44,585 over 2011, due to budget savings in the areas of instruction and tuition expenditures.

**Using this Generally Accepted Accounting Principals Report (GAAP)**

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

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

## HOPE TOWNSHIP SCHOOL DISTRICT

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

#### **Reporting the School District as a Whole**

##### **Statement of Net Assets and the Statement of Activities**

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

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

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

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

#### **Reporting the School District's Most Significant Funds**

##### **Fund Financial Statements**

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

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

**Governmental Funds**

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

**The School District as a Whole**

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

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

**Table 1  
Net Assets**

|   | <u>2012</u>         | <u>2011</u>         |
|---|---------------------|---------------------|
| <b>Assets</b>                           |                     |                     |
| Current and Other Assets                | \$ 584,347          | \$ 613,623          |
| Capital Assets                          | <u>3,003,490</u>    | <u>2,982,022</u>    |
| <b>Total Assets</b>                     | <u>3,587,837</u>    | <u>3,595,645</u>    |
| <br><b>Liabilities</b>                  |                     |                     |
| Long-Term Liabilities                   | 1,082,038           | 1,218,218           |
| Other Liabilities                       | <u>132,121</u>      | <u>150,571</u>      |
| <b>Total Liabilities</b>                | <u>1,214,159</u>    | <u>1,368,789</u>    |
| <br><b>Net Assets</b>                   |                     |                     |
| Invested in Capital Assets, Net of Debt | 1,813,490           | 1,682,022           |
| Restricted                              | 518,006             | 459,671             |
| Unrestricted                            | <u>171,143</u>      | <u>163,730</u>      |
| <b>Total Net Assets</b>                 | <u>\$ 2,502,639</u> | <u>\$ 2,305,423</u> |

HOPE TOWNSHIP SCHOOL DISTRICT

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

Total assets increased \$42,586. Cash and cash equivalents increased by \$4,114 and receivables decreased by \$20,317, due to receipts of federal and state grants, and capital assets increased by \$21,468 due to parking lot paving projects, net of depreciation expense. Unrestricted net assets, the part of net assets that can be used to finance day to day activities without constraints established by grants or legal requirements, of the School District increased by \$7,413.

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

**Table 2**  
**Changes in Net Assets**

|   | <u>2012</u>       | <u>2011</u>       |
|---|-------------------|-------------------|
| <b>Revenues</b>   |                   |                   |
| Program Revenues:                                       |                   |                   |
| Charges for Services                                    | \$ 231,646        | \$ 237,263        |
| Federal and State Aid for Capital Asset Projects        |                   | -                 |
| Operating Grants and Contributions                      | 1,335,605         | 1,268,871         |
| General Revenues:                                       |                   |                   |
| Property Taxes  | 3,486,173         | 3,493,522         |
| Investment Earnings                                     | 3,487             | 5,001             |
| Other   | <u>1,573</u>      | <u>21,464</u>     |
| <b>Total Revenues</b>                                   | <u>5,058,484</u>  | <u>5,026,121</u>  |
| <b>Program Expenses</b>                                 |                   |                   |
| Instruction   | 1,680,421         | 1,518,361         |
| Support Services:                                       |                   |                   |
| Tuition   | 1,173,641         | 1,265,190         |
| Pupils and Instructional Staff                          | 488,384           | 536,992           |
| General Administration, School Administration, Business | 398,502           | 447,491           |
| Operations and Maintenance of Facilities                | 422,613           | 417,592           |
| Pupil Transportation                                    | 315,392           | 278,657           |
| Business-Type Activities                                | 227,594           | 229,768           |
| Interest and Fiscal Charges                             | <u>154,721</u>    | <u>157,505</u>    |
| <b>Total Expenses</b>                                   | <u>4,861,268</u>  | <u>4,851,556</u>  |
| Increase in Net Assets                                  | <u>\$ 197,216</u> | <u>\$ 174,565</u> |

HOPE TOWNSHIP SCHOOL DISTRICT

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

**Governmental Activities**

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. Property taxes made up 68.9 percent of revenues for governmental activities for the Hope Township School District for the fiscal year 2012.

Instruction comprises 34.6 percent of district expenses. Support services expenses make up 57.6 percent of the expenses.

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

**Table 3**

|   | Total Cost<br>of Services<br><u>2012</u> | Net Cost<br>of Services<br><u>2012</u> | Total Cost<br>of Services<br><u>2011</u> | Net Cost<br>of Services<br><u>2011</u> |
|---|--|--|--|--|
| Instruction                             | \$ 1,680,421                             | \$ 1,124,767                           | \$ 1,518,361                             | \$ 1,010,154                           |
| Support Services:                       |  |  |  |  |
| Tuition                                 | 1,173,641                                | 831,920                                | 1,265,190                                | 920,738                                |
| Pupils and Instructional Staff          | 488,384                                  | 348,612                                | 536,992                                  | 390,966                                |
| General Administration, School          |  |  |  |  |
| Administration, Business                | 398,502                                  | 291,206                                | 447,491                                  | 336,526                                |
| Operation and Maintenance of Facilities | 422,613                                  | 308,825                                | 417,592                                  | 314,040                                |
| Pupil Transportation                    | 315,392                                  | 230,473                                | 278,657                                  | 209,558                                |
| Business-Type Activities                | 227,594                                  | 3,493                                  | 229,768                                  | 5,935                                  |
| Interest and Fiscal Charges             | <u>154,721</u>                           | <u>154,721</u>                         | <u>157,505</u>                           | <u>157,505</u>                         |
| <b>Total Expenses</b>                   | <u>\$ 4,861,268</u>                      | <u>\$ 3,294,017</u>                    | <u>\$ 4,851,556</u>                      | <u>\$ 3,345,422</u>                    |

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

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

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

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

HOPE TOWNSHIP SCHOOL DISTRICT

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

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

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

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

The dependence upon tax revenues is apparent. Over 66.9 percent of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 61.1 percent. The community, as a whole, is the primary support for the Hope Township School District.

### **The School District's Funds**

Information about the School District's major funds starts on page 10 (Balance Sheet/Exhibit B-1) . These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$4,833,137 and expenditures of \$4,788,313. The net change in fund balance for the year was most significant in the General Fund, an increase of \$44,585, due to budget savings in the areas of instruction and outside tuition.

### **General Fund Budgeting Highlights**

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

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

For the General Fund, budget basis revenue and other financing sources, excluding TPAF on-behalf amount, was \$4,356,413, \$50,477 over original budgeted estimates of \$4,305,936. This difference was due primarily to additional transportation state aid of \$45,734.

The General fund revenues and other financing sources of the School District exceeded expenditures by \$57,668, again due to budget savings in instruction and outside tuition, and the receipt of additional state transportation aid.

HOPE TOWNSHIP SCHOOL DISTRICT

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

**Capital Assets**

At the end of the fiscal year 2012, the School District had \$3,003,490 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal 2012 balances compared to 2011.

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

|                            | <u>2012</u>               | <u>2011</u>                |
|----------------------------|---------------------------|----------------------------|
| Land                       | \$ 42,000                 | \$ 42,000                  |
| Land Improvements          | 3,475                     | 5,495                      |
| Buildings and Improvements | 2,859,166                 | 2,836,755                  |
| Machinery and Equipment    | <u>98,849</u>             | <u>97,772</u>              |
| <b>Totals</b>              | <b><u>\$3,003,490</u></b> | <b><u>\$ 2,982,022</u></b> |

Overall capital assets increased \$21,468 from fiscal year 2011 to fiscal year 2012. Increases in capital assets (primarily equipment) were partially offset by depreciation expenses for the year.

Equipment was purchased during fiscal year 2012 totaling \$144,216.

**Debt Administration**

At June 30, 2012, the School District had \$1,192,038 as outstanding debt. Of this amount \$2,038 is for compensated absences and the balance of \$1,190,000 is for bonds for school construction.

At June 30, 2012, the School District's overall legal debt margin was \$8,091,784 and the unvoted debt margin was \$6,901,784.

**For the Future**

The Hope Township School District is in very good financial condition presently. A concern, however, is that future expense increases will put further upward pressure on local property taxes. Future finances will therefore present challenges if the student community continues to grow and state funding does not increase.

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

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

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information contact Dawn Huff, School Business Administrator/Board Secretary at Hope Township School District, P.O. Box 143, Hope, NJ, 07844, or E-mail at [dhuff@hope-elem.org](mailto:dhuff@hope-elem.org).

# Basic Financial Statements

## **DISTRICT-WIDE FINANCIAL STATEMENTS**

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

## HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit A-1

## STATEMENT OF NET ASSETS

June 30, 2012

|   | <b>GOVERNMENTAL</b>      | <b>BUSINESS-TYPE</b>     |                     |
|---|--------------------------|--------------------------|---------------------|
|   | <b><u>ACTIVITIES</u></b> | <b><u>ACTIVITIES</u></b> | <b><u>TOTAL</u></b> |
| <b>ASSETS</b>                                   |                          |                          |                     |
| Cash and Cash Equivalents                       | \$265,560                | \$7,797                  | \$273,357           |
| Receivables from Other Governments              | 14,092                   | 988                      | 15,080              |
| Other Receivables                               | 37,969                   |                          | 37,969              |
| Inventory                                       |                          | 1,010                    | 1,010               |
| Restricted Assets:                              |                          |                          |                     |
| Capital Reserve Account - Cash                  | 256,931                  |                          | 256,931             |
| Emergency Reserve Account - Cash                | 78,961                   |                          | 78,961              |
| Tuition Reserve Account - Cash                  | 50,000                   |                          | 50,000              |
| Capital Assets, Net (Note 6):                   | 3,003,490                |                          | 3,003,490           |
| <b>Total Assets</b>                             | <b>3,707,003</b>         | <b>9,795</b>             | <b>3,716,798</b>    |
| <b>LIABILITIES</b>                              |                          |                          |                     |
| Accounts Payable                                |                          | 3,958                    | 3,958               |
| Interfund Payables                              |                          |                          |                     |
| Deferred Revenue                                |                          | 164                      | 164                 |
| Accrued Interest                                | 17,999                   |                          | 17,999              |
| Noncurrent Liabilities (Note 7):                |                          |                          |                     |
| Due Within One Year                             | 110,000                  |                          | 110,000             |
| Due Beyond One Year                             | 1,082,038                |                          | 1,082,038           |
| <b>Total Liabilities</b>                        | <b>1,210,037</b>         | <b>4,122</b>             | <b>1,214,159</b>    |
| <b>NET ASSETS</b>                               |                          |                          |                     |
| Invested in Capital Assets, Net of Related Debt | 1,813,490                |                          | 1,813,490           |
| Restricted for:                                 |                          |                          |                     |
| Debt Service Fund                               | 2,618                    |                          | 2,618               |
| Other Purposes                                  | 515,388                  |                          | 515,388             |
| Unrestricted                                    | 165,470                  | 5,673                    | 171,143             |
| <b>Total Net Assets</b>                         | <b>\$2,496,966</b>       | <b>\$5,673</b>           | <b>\$2,502,639</b>  |

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

HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit A-2

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012

|   | PROGRAM REVENUES |                         |  | NET(EXPENSE) REVENUE AND<br>CHANGES IN NET ASSETS |                            | TOTAL          |
|---|------------------|-------------------------|--|---|----------------------------|----------------|
|   | EXPENSES         | CHARGES FOR<br>SERVICES | OPERATING<br>GRANTS AND<br>CONTRIBUTIONS | CAPITAL<br>GRANTS AND<br>CONTRIBUTIONS            | GOVERNMENTAL<br>ACTIVITIES |                |
| <b>Functions/Programs</b>   |                  |                         |  |   |                            |                |
| Governmental Activities:  |                  |                         |  |   |                            |                |
| Instruction:  |                  |                         |  |   |                            |                |
| Regular   | \$ 1,385,067     |                         | \$ 476,130                               |   | \$ (908,937)               | \$ (908,937)   |
| Special Education   | 117,289          |                         | 31,580                                   |   | (85,709)                   | (85,709)       |
| Other Special Instruction   | 178,065          |                         | 47,944                                   |   | (130,121)                  | (130,121)      |
| Support Services:   |                  |                         |  |   |                            |                |
| Tuition   | 1,173,641        | \$ 25,720               | 316,001                                  |   | (831,920)                  | (831,920)      |
| Student & Instruction Related Services                              | 488,384          |                         | 139,772                                  |   | (348,612)                  | (348,612)      |
| School Administrative Services                                      | 136,283          |                         | 36,694                                   |   | (99,589)                   | (99,589)       |
| General and Business Admin. Services                                | 262,219          |                         | 70,602                                   |   | (191,617)                  | (191,617)      |
| Plant Operations and Maintenance                                    | 422,613          |                         | 113,788                                  |   | (308,825)                  | (308,825)      |
| Pupil Transportation  | 315,392          |                         | 84,919                                   |   | (230,473)                  | (230,473)      |
| Interest on Long-Term Debt  | 41,026           |                         |  |   | (41,026)                   | (41,026)       |
| Unallocated Depreciation  | 113,695          |                         |  |   | (113,695)                  | (113,695)      |
| Total Governmental Activities                                       | 4,633,674        | 25,720                  | 1,317,430                                |   | (3,290,524)                | (3,290,524)    |
| Business-Type Activities:   |                  |                         |  |   |                            |                |
| Food Service  | 67,011           | 45,343                  | 18,175                                   |   | \$ (3,493)                 | (3,493)        |
| Shared Services   | 160,583          | 160,583                 |  |   |                            |                |
| Total Business-Type Activities                                      | 227,594          | 205,926                 | 18,175                                   |   | (3,493)                    | (3,493)        |
| Total Primary Government  | \$ 4,861,268     | \$ 231,646              | \$ 1,335,605                             |   | \$ (3,290,524)             | \$ (3,294,017) |
| General Revenues:   |                  |                         |  |   |                            |                |
| Taxes:  |                  |                         |  |   |                            |                |
| Property Taxes, Levied for General Purposes, Net                    |                  |                         |  | \$ 3,338,754                                      |                            | \$ 3,338,754   |
| Taxes Levied for Debt Service                                       |                  |                         |  | 147,419   |                            | 147,419        |
| Investment Earnings   |                  |                         |  | 3,457   | \$ 30                      | 3,487          |
| Miscellaneous Income  |                  |                         |  | 357   | 1,216                      | 1,573          |
| Total General Revenues, Special Items, Extraor. Items and Transfers |                  |                         |  | 3,489,987   | 1,246                      | 3,491,233      |
| Change in Net Assets  |                  |                         |  | 199,463   | (2,247)                    | 197,216        |
| Net Assets—Beginning  |                  |                         |  | 2,297,503   | 7,920                      | 2,305,423      |
| Net Assets—Ending   |                  |                         |  | \$ 2,496,966                                      | \$ 5,673                   | \$ 2,502,639   |

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

## **FUND FINANCIAL STATEMENTS**

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

HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit B-1

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2012

|   | <b>GENERAL<br/>FUND</b> | <b>DEBT<br/>SERVICE<br/>FUND</b> | <b>TOTAL<br/>GOVERNMENTAL<br/>FUNDS</b> |
|---|-------------------------|----------------------------------|---|
| <b>ASSETS</b>   |                         |                                  |   |
| Cash and Cash Equivalents   | \$ 648,834              | \$ 2,618                         | \$ 651,452                              |
| Other Accounts Receivable   | 37,969                  |                                  | 37,969                                  |
| Receivables from Other Governments                                | 14,092                  |                                  | 14,092                                  |
| <b>TOTAL ASSETS</b>   | <b>\$ 700,895</b>       | <b>\$ 2,618</b>                  | <b>\$ 703,513</b>                       |
| <b>LIABILITIES AND<br/>FUND BALANCES</b>                          |                         |                                  |   |
| <b>Fund Balances:</b>   |                         |                                  |   |
| <u>Restricted for:</u>  |                         |                                  |   |
| Capital Reserve Account   | 256,931                 |                                  | 256,931                                 |
| Emergency Reserve   | 78,961                  |                                  | 78,961                                  |
| Tuition Reserve   | 50,000                  |                                  | 50,000                                  |
| Excess Surplus  | 68,463                  |                                  | 68,463                                  |
| Excess Surplus - Designated for<br>Subsequent Year's Expenditures | 61,033                  |                                  | 61,033                                  |
| <u>Assigned to:</u>   |                         |                                  |   |
| Year-End Encumbrances   | 20,109                  |                                  | 20,109                                  |
| Debt Service Fund   |                         | 2,618                            | 2,618                                   |
| <u>Unassigned:</u>  |                         |                                  |   |
| General Fund  | 165,398                 |                                  | 165,398                                 |
| <b>Total Fund Balances</b>  | <b>700,895</b>          | <b>2,618</b>                     | <b>703,513</b>                          |
| <b>TOTAL LIABILITIES<br/>AND FUND BALANCE</b>                     | <b>\$ 700,895</b>       | <b>\$ 2,618</b>                  | <b>\$ 703,513</b>                       |

Amounts reported for *governmental activities* in the statement of net assets (A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$4,479,443 and the accumulated depreciation is \$1,475,953. \$ 3,003,490

Accrued Interest on Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 7) (17,999)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 7) (1,192,038)

Net assets of governmental activities \$ 2,496,966

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

## HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit B-2

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

|  | <u>General<br/>Fund</u> | <u>Special<br/>Revenue<br/>Fund</u> | <u>Debt<br/>Service<br/>Fund</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|-------------------------|-------------------------------------|----------------------------------|---|
| <b>REVENUES</b>                                      |                         |                                     |                                  |   |
| <b>Local sources:</b>                                |                         |                                     |                                  |   |
| Local Tax Levy                                       | \$ 3,338,754            |                                     | \$ 147,419                       | \$ 3,486,173                            |
| Tuition  | 25,720                  |                                     |                                  | 25,720                                  |
| Interest Earned on Capital Reserve Funds             | 952                     |                                     |                                  | 952                                     |
| Miscellaneous  | 2,862                   |                                     |                                  | 2,862                                   |
| <b>Total - Local Sources</b>                         | <b>3,368,288</b>        |                                     | <b>147,419</b>                   | <b>3,515,707</b>                        |
| <b>State Sources</b>                                 | <b>1,169,065</b>        |                                     |                                  | <b>1,169,065</b>                        |
| <b>Federal Sources</b>                               | <b>36,885</b>           | <b>\$ 111,480</b>                   |                                  | <b>148,365</b>                          |
| <b>Total Revenues</b>                                | <b>4,574,238</b>        | <b>111,480</b>                      | <b>147,419</b>                   | <b>4,833,137</b>                        |
| <b>EXPENDITURES</b>                                  |                         |                                     |                                  |   |
| <b>Current:</b>                                      |                         |                                     |                                  |   |
| Regular Instruction                                  | 944,475                 | 76,951                              |                                  | 1,021,426                               |
| Special Education Instruction                        | 86,686                  |                                     |                                  | 86,686                                  |
| Other Special Instruction                            | 131,604                 |                                     |                                  | 131,604                                 |
| Support services and undistributed costs:            |                         |                                     |                                  |   |
| Tuition  | 1,173,641               |                                     |                                  | 1,173,641                               |
| Student and Instruction Related Services             | 352,680                 | 8,275                               |                                  | 360,955                                 |
| School Administrative Services                       | 100,724                 |                                     |                                  | 100,724                                 |
| Other Administrative Services                        | 188,570                 |                                     |                                  | 188,570                                 |
| Plant Operations and Maintenance                     | 311,608                 |                                     |                                  | 311,608                                 |
| Pupil Transportation                                 | 315,392                 |                                     |                                  | 315,392                                 |
| Unallocated Benefits                                 | 742,895                 |                                     |                                  | 742,895                                 |
| Transfer to Charter School                           | 63,416                  |                                     |                                  | 63,416                                  |
| <b>Debt Service:</b>                                 |                         |                                     |                                  |   |
| Principal  |                         |                                     | 110,000                          | 110,000                                 |
| Interest and Other Charges                           |                         |                                     | 37,180                           | 37,180                                  |
| <b>Capital Outlay</b>                                | <b>117,962</b>          | <b>26,254</b>                       |                                  | <b>144,216</b>                          |
| <b>Total Expenditures</b>                            | <b>4,529,653</b>        | <b>111,480</b>                      | <b>147,180</b>                   | <b>4,788,313</b>                        |
| Excess (Deficiency) of<br>Revenues Over Expenditures | 44,585                  | -                                   | 239                              | 44,824                                  |
| Net Change in Fund Balances                          | 44,585                  | -                                   | 239                              | 44,824                                  |
| Fund Balance—July 1                                  | 656,310                 |                                     | 2,379                            | 658,689                                 |
| <b>Fund Balance—June 30</b>                          | <b>\$ 700,895</b>       |                                     | <b>\$ 2,618</b>                  | <b>\$ 703,513</b>                       |

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

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

**Total Net Change in Fund Balances - Governmental Funds (from B-2)** \$ 44,824

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 | \$ (121,911)   |        |
|  | Capital Outlays      | <u>144,216</u> | 22,305 |

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities. 110,000

In the statement of activities, compensated absences is accrued regardless of when paid. In the governmental funds, compensated absences are reported when paid. This is the amount by which the current year's compensated absence payments exceed the current year's amount earned. 26,180

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. This is the amount by which current year's amount of interest accrual exceeds the prior year's amount. (3,846)

**Change in Net Assets of Governmental Activities (A-2)** \$ 199,463

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

## HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit B-4

STATEMENT OF PROPRIETARY NET ASSETS  
PROPRIETARY FUNDS

June 30, 2012

|   | <b>Business-Type Activities-<br/>Enterprise Funds</b> |                       |
|---|---|-----------------------|
|   | <b><u>Food<br/>Service</u></b>                        | <b><u>Totals</u></b>  |
| <b>ASSETS</b>                                   |   |                       |
| <b>Current assets:</b>                          |   |                       |
| Cash and Cash Equivalents                       | \$7,797   | \$7,797               |
| Accounts Receivable                             | 988   | 988                   |
| Inventories                                     | 1,010   | 1,010                 |
| <b>Total Current Assets</b>                     | <b><u>9,795</u></b>                                   | <b><u>9,795</u></b>   |
| <b>Noncurrent Assets:</b>                       |   |                       |
| Furniture, Machinery and Equipment              | 4,197   | 4,197                 |
| Less Accumulated Depreciation                   | (4,197)   | (4,197)               |
| <b>Total Noncurrent Assets</b>                  | <b><u>-</u></b>                                       | <b><u>-</u></b>       |
| <b>Total Assets</b>                             | <b><u>\$9,795</u></b>                                 | <b><u>\$9,795</u></b> |
| <b>LIABILITIES</b>                              |   |                       |
| <b>Current liabilities:</b>                     |   |                       |
| Accounts Payable                                | \$3,958   | \$3,958               |
| Deferred Revenue                                | 164   | 164                   |
| <b>Total Current Liabilities</b>                | <b><u>4,122</u></b>                                   | <b><u>4,122</u></b>   |
| <b>Total Liabilities</b>                        | <b><u>4,122</u></b>                                   | <b><u>4,122</u></b>   |
| <b>NET ASSETS</b>                               |   |                       |
| Invested in Capital Assets, Net of Related Debt |   |                       |
| Unrestricted                                    | 5,673   | 5,673                 |
| <b>Total Net Assets</b>                         | <b><u>\$5,673</u></b>                                 | <b><u>\$5,673</u></b> |

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

## HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit B-5

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
 FOR THE YEAR ENDED JUNE 30, 2012

|  | <b>Business-type Activities-<br/>Enterprise Fund</b> |                            |                             |
|--|--|----------------------------|-----------------------------|
|  | <b>Food<br/>Service</b>                              | <b>Shared<br/>Services</b> | <b>Total<br/>Enterprise</b> |
| <b>Operating Revenues:</b>                       |  |                            |                             |
| Charges for Services:                            |  |                            |                             |
| Daily Sales - Reimbursable & Non-Reimb.          | \$ 45,343  |                            | \$ 45,343                   |
| Interest Income                                  | 30   |                            | 30                          |
| Miscellaneous                                    | 1,216  | \$ 160,583                 | 161,799                     |
| <b>Total Operating Revenues</b>                  | <b>46,589</b>  | <b>160,583</b>             | <b>207,172</b>              |
| <b>Operating Expenses:</b>                       |  |                            |                             |
| Cost of Sales                                    | 26,069   |                            | 26,069                      |
| Salaries   | 20,734   | 160,583                    | 181,317                     |
| Employee Benefits                                | 3,595  |                            | 3,595                       |
| Supplies   | 7,986  |                            | 7,986                       |
| Other Purchased Professional Services            | 7,790  |                            | 7,790                       |
| Depreciation                                     | 837  |                            | 837                         |
| <b>Total Operating Expenses</b>                  | <b>67,011</b>  | <b>\$ 160,583</b>          | <b>227,594</b>              |
| Operating Income (Loss)                          | (20,422)   |                            | (20,422)                    |
| <b>Nonoperating Revenues (Expenses):</b>         |  |                            |                             |
| State Sources:                                   |  |                            |                             |
| State School Lunch Program                       | 739  |                            | 739                         |
| Federal Sources:                                 |  |                            |                             |
| National School Lunch Program                    | 14,646   |                            | 14,646                      |
| Food Distribution Program                        | 2,790  |                            | 2,790                       |
| <b>Total Nonoperating Revenues (Expenses)</b>    | <b>18,175</b>  |                            | <b>18,175</b>               |
| Income (Loss) Before Contributions and Transfers | (2,247)  |                            | (2,247)                     |
| Transfers In (Out)                               | -  |                            | -                           |
| Change in Net Assets                             | (2,247)  |                            | (2,247)                     |
| Total Net Assets—Beginning                       | 7,920  |                            | 7,920                       |
| <b>Total Net Assets—Ending</b>                   | <b>\$ 5,673</b>                                      |                            | <b>\$ 5,673</b>             |

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

## HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit B-6

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

For the Year Ended June 30, 2012

|  | Business-Type Activities-<br>Enterprise Funds |                    |                     |
|--|---|--------------------|---------------------|
|  | Food<br>Service                               | Shared<br>Services | Total<br>Enterprise |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |   |                    |                     |
| Receipts from Customers  | \$ 45,438                                     | \$ 160,583         | \$ 206,021          |
| Payments to Employees  | (20,734)                                      | (160,583)          | (181,317)           |
| Payments for Employee Benefits   | (3,595)                                       |                    | (3,595)             |
| Payments to Suppliers  | (40,007)                                      |                    | (40,007)            |
| <b>Net Cash Provided by (used for) Operating Activities</b>  | <b>(18,898)</b>                               |                    | <b>(18,898)</b>     |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>   |   |                    |                     |
| State Sources  | 738   |                    | 738                 |
| Federal Sources  | 14,423  |                    | 14,423              |
| <b>Net Cash Provided by (used for) Non-Capital Financing Activities</b>                                      | <b>15,161</b>                                 |                    | <b>15,161</b>       |
| <b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>  |   |                    |                     |
| Acquisition of Capital Assets  |   |                    |                     |
| <b>Net Cash Provided by (used for) Capital Financing Activities</b>  |   |                    |                     |
| Net Increase (Decrease) in Cash and Cash Equivalents   | (3,737)                                       |                    | (3,737)             |
| Balances—Beginning of Year   | 11,534  |                    | 11,534              |
| <b>Balances—End of Year</b>  | <b>\$ 7,797</b>                               | <b>-</b>           | <b>\$ 7,797</b>     |
| <b>Reconciliation of Operating Income (Loss) to Net Cash<br/>Provided (used) by Operating Activities:</b>    |   |                    |                     |
| Operating Income (Loss)  | \$ (20,422)                                   |                    | \$ (20,422)         |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash<br>Provided by (used for) Operating Activities: |   |                    |                     |
| Depreciation   | 837   |                    | 837                 |
| Federal Commodities  | 2,790   |                    | 2,790               |
| (Increase) Decrease in Inventories   | 491   |                    | 491                 |
| Increase (Decrease) in Accounts Payable  | (2,594)                                       |                    | (2,594)             |
| Total Adjustments  | 1,524   |                    | 1,524               |
| <b>Net Cash Provided by (used for) Operating Activities</b>  | <b>\$ (18,898)</b>                            | <b>-</b>           | <b>\$ (18,898)</b>  |

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

HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit B-7

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS

June 30, 2012

|  | <b>Unemployment<br/>Compensation<br/>Trust</b> | <b>Agency<br/>Fund</b>      |
|--|--|-----------------------------|
| <b>ASSETS</b>  |  |                             |
| Cash and Cash Equivalents                              | \$ 65,860                                      | \$ 11,458                   |
| <b>Total Assets</b>                                    | <u>\$ 65,860</u>                               | <u>\$ 11,458</u>            |
| <b>LIABILITIES</b>                                     |  |                             |
| Payroll Deductions and Withholdings                    |  | \$ -                        |
| Accounts Payable                                       |  | -                           |
| Payable to Student Groups                              | -  | <u>11,458</u>               |
| <b>Total Liabilities</b>                               | <u>-</u>                                       | <u>\$ 11,458</u>            |
| <b>NET ASSETS</b>                                      |  |                             |
| Held in Trust for Unemployment Claims & Other Purposes | <u>\$ 65,860</u>                               | <u>                    </u> |

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

HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit B-8

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS**

For the Year Ended June 30, 2012

|                                   | <b>Unemployment<br/>Compensation<br/><u>Trust</u></b> |
|-----------------------------------|---|
| <b>ADDITIONS</b>                  |   |
| Contributions:                    |   |
| Plan Member                       | \$ 4,590  |
| Employer                          | <u>20,000</u>   |
| Total Contributions               | <u>24,590</u>   |
| Investment Earnings:              |   |
| Interest                          | <u>266</u>  |
| Net Investment Earnings           | <u>266</u>  |
| <b>Total Additions</b>            | <b><u>24,856</u></b>                                  |
| <b>DEDUCTIONS</b>                 |   |
| Unemployment Claims               | <u>11,204</u>   |
| <b>Total Deductions</b>           | <b><u>11,204</u></b>                                  |
| Change in Net Assets              | 13,652  |
| Net Assets—Beginning of the Year  | <u>52,208</u>   |
| <b>Net Assets—End of the Year</b> | <b><u>\$ 65,860</u></b>                               |

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

# Notes to Financial Statements

HOPE TOWNSHIP SCHOOL DISTRICT

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

**A. Reporting Entity:**

The Hope Township School District is a Type II district located in the County of Warren, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The board is comprised of seven members elected to three-year terms. The purpose of the district is to educate students in grades K-8. The Hope Township School District had an approximate enrollment at June 30, 2012, of 196 students.

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

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

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

HOPE TOWNSHIP SCHOOL DISTRICT

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation, Basis of Accounting:**

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

**Basis of Presentation**

*District-wide Statements:* The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activity of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees and charged to external parties. The statement of net assets presents the financial condition of the governmental and business-type activity of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the District and for each function of the District's governmental

activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the School District.

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

**GOVERNMENTAL FUNDS**

The District reports the following governmental funds:

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

HOPE TOWNSHIP SCHOOL DISTRICT

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**GOVERNMENTAL FUNDS (Continued)**

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

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

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

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

**PROPRIETARY FUNDS**

The District reports the following proprietary fund:

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

HOPE TOWNSHIP SCHOOL DISTRICT

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Additionally, the District reports the following fund type:

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

**Basis of Accounting**

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

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

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

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

HOPE TOWNSHIP SCHOOL DISTRICT

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Budgets/Budgetary Control:**

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

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

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

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

**D. Encumbrance Accounting:**

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

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

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

HOPE TOWNSHIP SCHOOL DISTRICT

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**Cash and Cash Equivalents:**

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

**Interfund Transactions:**

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

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

**Inventories:**

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

**Allowance for Uncollectible Accounts:**

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

**Capital Assets:**

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

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

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

HOPE TOWNSHIP SCHOOL DISTRICT

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities and Equity (Continued):**

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

**Compensated Absences:**

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

District instructional employees are granted sick leave in amounts under the District's contractual policies. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after initial service and become eligible after fifteen years of service and payment is based upon retirement in the state pension system.

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

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

**Deferred Revenue:**

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue. Grants and entitlement received before the eligible requirements are met are also recorded as deferred revenue.

**Accrued Liabilities and Long-Term Obligations:**

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

HOPE TOWNSHIP SCHOOL DISTRICT

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities and Equity (Continued):**

**Net Assets:**

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

**Fund Balance Reserves:**

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

**Revenues—Exchange and Nonexchange Transactions**

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

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

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

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

HOPE TOWNSHIP SCHOOL DISTRICT

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities and Equity (Continued):**

**Operating Revenues and Expenses:**

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

**Allocation of Indirect Expenses:**

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

**Extraordinary and Special Items:**

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

**Management Estimates:**

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

HOPE TOWNSHIP SCHOOL DISTRICT

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

**NOTE 2: CASH AND CASH EQUIVALENTS**

**Deposits:**

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

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

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

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

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

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

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

|          | <u>Cash and Cash<br/>Equivalents (A-1)</u> | <u>Cash and Cash<br/>Equivalents (H-1)</u> |
|----------|--|--|
| Checking | \$ 659,249                                 | \$ 77,318                                  |
|          | <u>\$ 659,249</u>                          | <u>\$ 77,318</u>                           |

The carrying amount of the Board's cash and cash equivalents at June 30, 2012, was \$736,567 and the bank balance was \$1,056,147. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes. Of these bank balances, \$500,000 was covered by federal depository insurances and \$56,147 was covered by collateral pool.

HOPE TOWNSHIP SCHOOL DISTRICT

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

**NOTE 3: RECEIVABLES**

Receivables at June 30, 2012, consisted of intergovernmental. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

|                                 | Governmental Fund<br>Financial<br><u>Statements</u> | Government-Wide<br>Financial<br><u>Statements</u> |
|---------------------------------|---|---|
| State Aid                       | \$14,092  | \$14,142  |
| Federal Aid                     | -   | 938   |
| Other Receivables               | <u>37,969</u>                                       | <u>37,969</u>                                     |
| Gross Receivable                | \$52,061  | 53,049  |
| Less: Allow. for Uncollectibles | -   | -   |
| Total Receivables, Net          | <u><u>\$52,061</u></u>                              | <u><u>\$53,049</u></u>                            |

**NOTE 4: INVENTORY**

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

|          |                       |
|----------|-----------------------|
| Food     | \$744                 |
| Supplies | <u>266</u>            |
|          | <u><u>\$1,010</u></u> |

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

**NOTE 5: DEFERRED BOND ISSUANCE COSTS**

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

HOPE TOWNSHIP SCHOOL DISTRICT

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

**NOTE 6: CAPITAL ASSETS**

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

|  | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Retirements</u> | <u>Ending<br/>Balance</u> |
|--|------------------------------|------------------|--------------------|---------------------------|
| <b>Governmental Activities:</b>  |                              |                  |                    |                           |
| <i>Capital Assets Not Being Depreciated:</i>                               |                              |                  |                    |                           |
| Land   | \$ 42,000                    |                  |                    | \$ 42,000                 |
| Total Capital Assets Not Being Depreciated                                 | 42,000                       |                  |                    | 42,000                    |
| <i>Capital Assets Being Depreciated:</i>                                   |                              |                  |                    |                           |
| Land Improvements  | 40,400                       |                  |                    | 40,400                    |
| Buildings and Building Improvements  | 3,975,585                    | \$ 117,962       |                    | 4,093,547                 |
| Machinery and Equipment  | 277,242                      | 26,254           |                    | 303,496                   |
| Total at Historical Cost   | 4,293,227                    | 144,216          |                    | 4,437,443                 |
| Less Accumulated Depreciation for:   |                              |                  |                    |                           |
| Land Improvements  | (34,905)                     | (2,020)          |                    | (36,925)                  |
| Building and Improvements  | (1,138,830)                  | (95,551)         |                    | (1,234,381)               |
| Equipment  | (180,307)                    | (24,340)         |                    | (204,647)                 |
| Total Accumulated Depreciation   | (1,354,042)                  | (121,911)        |                    | (1,475,953)               |
| Total Capital Assets Being Depreciated,<br>net of Accumulated Depreciation | 2,939,185                    | 22,305           |                    | 2,961,490                 |
| <b>Government Activity Capital Assets, Net</b>                             | <b>\$ 2,981,185</b>          | <b>\$ 22,305</b> |                    | <b>\$ 3,003,490</b>       |

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

Depreciation expense was charged to functions as follows:

|                       |                   |
|-----------------------|-------------------|
| Regular Instruction   | \$ 2,248          |
| Support/Admin.        | 5,231             |
| Maintenance/Custodial | 737               |
| Unallocated           | 113,695           |
| Total                 | <u>\$ 121,911</u> |

HOPE TOWNSHIP SCHOOL DISTRICT

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

**NOTE 7: LONG-TERM OBLIGATIONS**

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

**A. Long-Term Obligation Activity:**

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

|                                 | Balance<br><u>7/1/11</u> | <u>Increases</u> | <u>Decreases</u>   | Balance<br><u>6/30/12</u> | Amounts<br>Due Within<br><u>One Year</u> |
|---------------------------------|--------------------------|------------------|--------------------|---------------------------|--|
| <b>Governmental Activities:</b> |                          |                  |                    |                           |  |
| Bonds Payable:                  |                          |                  |                    |                           |  |
| General Obligation Debt         | \$1,300,000              |                  | (\$110,000)        | \$1,190,000               | \$110,000                                |
| Other Liabilities:              |                          |                  |                    |                           |  |
| Compensated Absences Payable    | 28,218                   | \$3,368          | (29,548)           | 2,038                     |  |
| <b>Total</b>                    | <b>\$1,328,218</b>       | <b>\$3,368</b>   | <b>(\$139,548)</b> | <b>\$1,192,038</b>        | <b>\$110,000</b>                         |

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

On March 3, 2011, the district advance refunded \$1,252,000 of their series 2001 bonds. Refunding bonds were issued on March 3, 2011 through a private sale in the amount of \$1,300,000. The registered owner of the bonds is First Hope Bank.

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

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

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

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

|                        | Government Activities |                          |                            |                           |
|------------------------|-----------------------|--------------------------|----------------------------|---------------------------|
|                        | Issue<br><u>Dates</u> | Interest<br><u>Rates</u> | Date of<br><u>Maturity</u> | Balance<br><u>6/30/12</u> |
| School Refunding Bonds | 3/11/11               | 3.3%                     | 1/15/21                    | \$ 1,190,000              |
| Total Bonds            |                       |                          |                            | <u>\$ 1,190,000</u>       |

HOPE TOWNSHIP SCHOOL DISTRICT

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

**NOTE 7: LONG-TERM OBLIGATIONS (Continued)**

**B. Debt Service Requirements:**

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

| <u>Year Ending June 30,</u> | <u>Principal</u>    | <u>Interest</u>   | <u>Total</u>        |
|-----------------------------|---------------------|-------------------|---------------------|
| 2013                        | \$ 110,000          | \$ 39,270         | \$ 149,270          |
| 2014                        | 115,000             | 35,640            | 150,640             |
| 2015                        | 125,000             | 31,845            | 156,845             |
| 2016                        | 130,000             | 27,720            | 157,720             |
| 2017                        | 135,000             | 23,430            | 158,430             |
| Thereafter                  | <u>575,000</u>      | <u>48,346</u>     | <u>623,346</u>      |
|                             | <u>\$ 1,190,000</u> | <u>\$ 206,251</u> | <u>\$ 1,396,251</u> |

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

**NOTE 8: PENSION PLANS**

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

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

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

HOPE TOWNSHIP SCHOOL DISTRICT

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

**NOTE 8: PENSION PLANS (Continued)**

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

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

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

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

Three-Year Trend Information for PERS

| <u>Year</u><br><u>Funding</u> | <u>Annual</u><br><u>Pension</u><br><u>Cost (APC)</u> | <u>Percentage</u><br><u>of APC</u><br><u>Contributed</u> | <u>Net</u><br><u>Pension</u><br><u>Obligation</u> |
|-------------------------------|--|--|---|
| 6/30/2012                     | \$41,514   | 100 %  | -0-   |
| 6/30/2011                     | \$48,410   | 100  | -0-   |
| 6/30/2010                     | \$36,594   | 100  | -0-   |

HOPE TOWNSHIP SCHOOL DISTRICT

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

**NOTE 8: PENSION PLANS (Continued)**

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

| <u>Year</u><br><u>Funding</u> | <u>Annual</u><br><u>Pension</u><br><u>Cost (APC)</u> | <u>Percentage</u><br><u>of APC</u><br><u>Contributed</u> | <u>Net</u><br><u>Pension</u><br><u>Obligation</u> |
|-------------------------------|--|--|---|
| 6/30/2012                     | -0-  | 100 %  | -0-   |
| 6/30/2011                     | -0-  | 100  | -0-   |
| 6/30/2010                     | -0-  | 100  | -0-   |

During the fiscal year ended June 30, 2012, the State of New Jersey did contribute \$140,292 to the TPAF for post-retirement benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$90,616 during the year ended June 30, 2012, for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has been included in the District-wide financial statements, and the fund-based statements and schedules as revenues and expenditures in accordance with GASB Statement No.24.

**NOTE 9: POST-RETIREMENT BENEFITS**

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

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

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

HOPE TOWNSHIP SCHOOL DISTRICT

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

**NOTE 10: DEFERRED COMPENSATION**

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

Lincoln National  
Phoenix  
EquiVest  
VALIC

**NOTE 11: COMPENSATED ABSENCES**

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

District instructional employees are granted sick leave in amounts under the District's contractual policies. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after initial service and become eligible after fifteen years of service and payment is based upon retirement in the state pension system.

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

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2012, no liability existed for compensated absences in the proprietary fund types.

HOPE TOWNSHIP SCHOOL DISTRICT

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

**NOTE 12: RISK MANAGEMENT**

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

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

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

| <u>Fiscal Year</u> | <u>District Contributions</u> | <u>Employee Contributions</u> | <u>Amount Reimbursed</u> | <u>Ending Balance</u> |
|--------------------|-------------------------------|-------------------------------|--------------------------|-----------------------|
| 2011-2012          | \$20,266                      | \$4,590                       | \$11,204                 | \$65,860              |
| 2010-2011          | \$448                         | \$5,381                       | \$12,100                 | \$52,208              |
| 2009-2010          | \$846                         | \$5,686                       | \$2,549                  | \$58,479              |

**NOTE 13: CONTINGENT LIABILITIES**

**GRANT PROGRAMS**

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

**LITIGATION**

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

**NOTE 14: FUND BALANCE APPROPRIATED**

General Fund (Exhibit B) - Of the \$700,895 General Fund fund balance at June 30, 2012, \$20,109 has been reserved for Encumbrances; \$256,931 has been reserved in the Capital Reserve Account; \$78,961 has been reserved in the Emergency Reserve Account in accordance with P.L. 2007 c.62; \$50,000 has been reserved in the Tuition Reserve Account; \$129,496 is reserved as excess surplus in accordance with N.J.S.A. 18A:7F-7 (\$61,033 of this amount has been appropriated and included as anticipated revenue for the year ending June 30, 2013); and, \$165,398 is unreserved and undesignated.

HOPE TOWNSHIP SCHOOL DISTRICT

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

**NOTE 15: CAPITAL RESERVE ACCOUNT**

A capital reserve account was established by the Hope Township School District Board of Education by inclusion of \$1. on August 31, 2000, for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

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

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

|   |                   |
|---|-------------------|
| Beginning Balance, July 1, 2011         | \$ 267,579        |
| Interest Earnings                       | 952               |
| Deposits: June Board resolution 6/26/12 | 100,000           |
| Budgeted Withdrawal                     | <u>(111,600)</u>  |
| Ending Balance, June 30, 2012           | <u>\$ 256,931</u> |

**NOTE 16: EMERGENCY RESERVE ACCOUNT**

An emergency reserve account was established by the School District Board of Education in fiscal year 2008, for the accumulation of funds for use in accordance with PL 2007 c.62 (A1). The emergency reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

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

|                                |                  |
|--------------------------------|------------------|
| Beginning balance July 1, 2011 | \$ 78,567        |
| Interest earnings              | 394              |
| Deposits (PL 2007 c.62 (A1))   | -                |
| Ending balance June 30, 2012   | <u>\$ 78,961</u> |

HOPE TOWNSHIP SCHOOL DISTRICT

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

**NOTE 17: TUTION RESERVE ACCOUNT**

A tuition reserve account was established by the School District Board of Education in fiscal year 2012, for the accumulation of funds for use in fiscal year 2014, in accordance with NJAC 6A:23A17.1(f). The tuition reserve account is maintained in the general fund and enables the district to reserve fund balance for an anticipated large tuition adjustment for the current contract year. A maximum reserve for the current year is restricted to ten percent of the formal sending/receiving contract amount. Upon certification of rates in the second year following the contract year, full appropriation of the applicable year's reserve must be liquidated and any remaining balance related to that year must be reserved and budgeted for tax relief.

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

|                                     |                  |
|-------------------------------------|------------------|
| Deposits - June 26, 2012 resolution | \$ 50,000        |
| Ending balance June 30, 2012        | <u>\$ 50,000</u> |

**NOTE 18: CALCULATION OF EXCESS SURPLUS**

The designation for Reserved Fund Balance – Excess Surplus is a required calculation pursuant to N.J.S.A. 18A:7F-7, as amended. New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2012 is \$68,463.

**REQUIRED SUPPLEMENTARY INFORMATION - PART II**

**BUDGETARY COMPARISON SCHEDULES**

HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2012

|  | <u>Original<br/>Budget</u> | <u>Budget<br/>Transfers</u> | <u>Final<br/>Budget</u> | <u>Actual</u>           | <b>Variance<br/>Final to<br/>Actual<br/>Favorable/<br/>(Unfavorable)</b> |
|--|----------------------------|-----------------------------|-------------------------|-------------------------|--|
| <b>REVENUES:</b>                                 |                            |                             |                         |                         |  |
| <b>Local Sources:</b>                            |                            |                             |                         |                         |  |
| Local Tax Levy                                   | \$ 3,338,754               |                             | \$ 3,338,754            | \$ 3,338,754            |  |
| Tuition  | 24,000                     |                             | 24,000                  | 25,720                  | \$ 1,720   |
| Interest Earned on Capital Reserve Funds         | 500                        |                             | 500                     | 952                     | 452  |
| Miscellaneous                                    | 10,400                     |                             | 10,400                  | 2,862                   | (7,538)  |
| Total - Local Sources                            | <u>3,373,654</u>           |                             | <u>3,373,654</u>        | <u>3,368,288</u>        | <u>(5,366)</u>   |
| <b>State Sources:</b>                            |                            |                             |                         |                         |  |
| Equalization Aid                                 | 680,412                    |                             | 680,412                 | 680,412                 |  |
| Transportation Aid                               | 48,469                     | 45,734                      | 94,203                  | 94,203                  |  |
| Special Education Aid                            | 145,710                    |                             | 145,710                 | 145,710                 |  |
| Security Aid                                     | 21,926                     |                             | 21,926                  | 21,926                  |  |
| Extraordinary Aid                                |                            |                             |                         | 3,441                   | 3,441  |
| Non-Public Transportations Aid                   |                            |                             |                         | 5,548                   | 5,548  |
| TPAF Pension (On-Behalf - Non-Budgeted)          |                            |                             |                         | 140,292                 | 140,292  |
| TPAF Social Security (Reimbursed - Non-Budgeted) |                            |                             |                         | 90,616                  | 90,616   |
| Total State Sources                              | <u>896,517</u>             | <u>45,734</u>               | <u>942,251</u>          | <u>1,182,148</u>        | <u>239,897</u>   |
| <b>Federal Sources:</b>                          |                            |                             |                         |                         |  |
| Job Education Grant                              | 35,765                     | 1,120                       | 36,885                  | 36,885                  |  |
| Total Federal Sources                            | <u>35,765</u>              | <u>1,120</u>                | <u>36,885</u>           | <u>36,885</u>           |  |
| <b>TOTAL REVENUES</b>                            | <b><u>4,305,936</u></b>    | <b><u>46,854</u></b>        | <b><u>4,352,790</u></b> | <b><u>4,587,321</u></b> | <b><u>234,531</u></b>  |

HOPE TOWNSHIP SCHOOL DISTRICT  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**

Exhibit C-1

Fiscal Year Ended June 30, 2012

|  | <u>Original<br/>Budget</u> | <u>Budget<br/>Transfers</u> | <u>Final<br/>Budget</u> | <u>Actual</u>  | <b>Variance<br/>Final to<br/>Actual<br/>Favorable/<br/>(Unfavorable)</b> |
|--|----------------------------|-----------------------------|-------------------------|----------------|--|
| <b>EXPENDITURES:</b>                                 |                            |                             |                         |                |  |
| <b>Current Expense:</b>                              |                            |                             |                         |                |  |
| <b>Regular Programs - Instruction:</b>               |                            |                             |                         |                |  |
| Preschool - Salaries of Teachers                     | 24,733                     |                             | 24,733                  | 24,533         | 200  |
| Other Salaries for Instruction                       | 9,081                      | 414                         | 9,495                   | 9,495          |  |
| Kindergarten - Salaries of Teachers                  | 49,975                     | (1,733)                     | 48,242                  | 47,913         | 329  |
| Other Salaries for Instruction                       | 15,147                     |                             | 15,147                  | 14,799         | 348  |
| Grades 1-5 - Salaries of Teachers                    | 454,317                    | (69,601)                    | 384,716                 | 384,716        |  |
| Grades 6-8 - Salaries of Teachers                    | 311,800                    | 53,869                      | 365,669                 | 365,669        |  |
| <b>Regular Programs - Home Instruction</b>           |                            |                             |                         |                |  |
| Salaries of Teachers                                 | 500                        |                             | 500                     |                | 500  |
| <b>Regular Programs - Undistributed Instruction:</b> |                            |                             |                         |                |  |
| Rentals and Lease Purchases                          | 8,800                      |                             | 8,800                   | 8,700          | 100  |
| Other Purchased Services (400-500 series)            | 22,100                     | 8,545                       | 30,645                  | 30,645         |  |
| General Supplies                                     | 32,000                     | 9,797                       | 41,797                  | 41,507         | 290  |
| Textbooks  | 35,000                     | (6,588)                     | 28,412                  | 16,498         | 11,914   |
| Other Objects  | 300                        |                             | 300                     |                | 300  |
| <b>TOTAL REGULAR PROGRAMS - INSTRUCTION</b>          | <b>963,753</b>             | <b>(5,297)</b>              | <b>958,456</b>          | <b>944,475</b> | <b>13,981</b>  |

HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2012

|  | <u>Original<br/>Budget</u> | <u>Budget<br/>Transfers</u> | <u>Final<br/>Budget</u> | <u>Actual</u>    | <u>Variance<br/>Final to<br/>Actual<br/>Favorable/<br/>(Unfavorable)</u> |
|--|----------------------------|-----------------------------|-------------------------|------------------|--|
| <b>SPECIAL EDUCATION - INSTRUCTION</b>                   |                            |                             |                         |                  |  |
| <b>Resource Room/Resource Center:</b>                    |                            |                             |                         |                  |  |
| Salaries of Teachers                                     | 80,512                     | 6,174                       | 86,686                  | 86,686           |  |
| General Supplies   | 500                        | (174)                       | 326                     |                  | 326  |
| <b>Total Resource Room/Resource Center</b>               | <b>81,012</b>              | <b>6,000</b>                | <b>87,012</b>           | <b>86,686</b>    | <b>326</b>   |
| <hr/>  |                            |                             |                         |                  |  |
| <b>TOTAL SPECIAL EDUCATION - INSTRUCTION</b>             | <b>81,012</b>              | <b>6,000</b>                | <b>87,012</b>           | <b>86,686</b>    | <b>326</b>   |
| <hr/>  |                            |                             |                         |                  |  |
| <b>Basic Skills/Remedial - Instruction:</b>              |                            |                             |                         |                  |  |
| Salaries of Teachers                                     | 88,667                     | 33,974                      | 122,641                 | 114,906          | 7,735  |
| General Supplies   | 500                        |                             | 500                     |                  | 500  |
| <b>Total Basic Skills/Remedial - Instruction</b>         | <b>89,167</b>              | <b>33,974</b>               | <b>123,141</b>          | <b>114,906</b>   | <b>8,235</b>   |
| <hr/>  |                            |                             |                         |                  |  |
| <b>School Sponsored Co/Extra Curricular Activities:</b>  |                            |                             |                         |                  |  |
| Salaries of Teachers                                     | 15,259                     | 832                         | 16,091                  | 16,091           |  |
| Purchased Services (300-500 series)                      | 500                        | 2                           | 502                     | 502              |  |
| Supplies and Materials                                   | 500                        | (2)                         | 498                     | 105              | 393  |
| <b>Total School Sponsored Cocurricular Activities</b>    | <b>16,259</b>              | <b>832</b>                  | <b>17,091</b>           | <b>16,698</b>    | <b>393</b>   |
| <hr/>  |                            |                             |                         |                  |  |
| <b>TOTAL INSTRUCTION</b>                                 | <b>1,150,191</b>           | <b>35,509</b>               | <b>1,185,700</b>        | <b>1,162,765</b> | <b>22,935</b>  |
| <hr/>  |                            |                             |                         |                  |  |
| <b>UNDISTRIBUTED EXPENDITURES</b>                        |                            |                             |                         |                  |  |
| <b>Instruction:</b>                                      |                            |                             |                         |                  |  |
| Tuition to Other LEAs Within the State-Regular           | 917,600                    |                             | 917,600                 | 917,600          |  |
| Tuition to Other LEAs Within the State-Special           | 219,575                    | (6,500)                     | 213,075                 | 150,861          | 62,214   |
| Tuition to County Vocational School District - Regular   | 32,625                     | 350                         | 32,975                  | 32,975           |  |
| Tuition to County Vocational School District - Special   | 3,250                      |                             | 3,250                   | 3,250            |  |
| Tuition to CSSD and Reg. Day Schools                     | 35,500                     | (23,654)                    | 11,846                  | 750              | 11,096   |
| Tuition to Private Schools for the Disabled-Within State | 63,080                     | 5,125                       | 68,205                  | 68,205           |  |
| <b>Total Instruction</b>                                 | <b>1,271,630</b>           | <b>(24,679)</b>             | <b>1,246,951</b>        | <b>1,173,641</b> | <b>73,310</b>  |

HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2012

|   | <u>Original<br/>Budget</u> | <u>Budget<br/>Transfers</u> | <u>Final<br/>Budget</u> | <u>Actual</u>  | <b>Variance<br/>Final to<br/>Actual<br/>Favorable/<br/>(Unfavorable)</b> |
|---|----------------------------|-----------------------------|-------------------------|----------------|--|
| <b>Health Services:</b>                                     |                            |                             |                         |                |  |
| Salaries  | 62,475                     | 1,817                       | 64,292                  | 63,706         | 586  |
| Purchased Professional and Technical Services               | 1,800                      | 45                          | 1,845                   | 1,845          |  |
| Other Purchased Services (400-500 series)                   | 2,000                      | (45)                        | 1,955                   | 1,314          | 641  |
| Supplies and Materials                                      | 1,200                      | 263                         | 1,463                   | 1,463          |  |
| <b>Total Health Services</b>                                | <b>67,475</b>              | <b>2,080</b>                | <b>69,555</b>           | <b>68,328</b>  | <b>1,227</b>   |
| <b>Other Supp. Services Students-Related Services:</b>      |                            |                             |                         |                |  |
| Salaries  | 62,812                     |                             | 62,812                  | 51,019         | 11,793   |
| Purchased Professional - Educational Services               | 1,500                      |                             | 1,500                   |                | 1,500  |
| Supplies and Materials                                      | 500                        |                             | 500                     |                | 500  |
| <b>Total Other Supp. Services Students-Related Services</b> | <b>64,812</b>              |                             | <b>64,812</b>           | <b>51,019</b>  | <b>13,793</b>  |
| <b>Other Supp. Services Students-Extra. Services:</b>       |                            |                             |                         |                |  |
| Salaries  | 71,628                     |                             | 71,628                  | 63,278         | 8,350  |
| Purchased Professional and Educational Services             | 48,358                     | (28,966)                    | 19,392                  | 5,997          | 13,395   |
| <b>Total Other Supp. Services Students-Extra. Services</b>  | <b>119,986</b>             | <b>(28,966)</b>             | <b>91,020</b>           | <b>69,275</b>  | <b>21,745</b>  |
| <b>Other Supp. Services Students-Regular:</b>               |                            |                             |                         |                |  |
| Salaries of Other Professional Staff                        | 4,780                      |                             | 4,780                   | 4,779          | 1  |
| Other Purchased Professional - Technical Services           | 2,000                      | (1,299)                     | 701                     |                | 701  |
| Supplies and Materials                                      | 2,000                      | (604)                       | 1,396                   |                | 1,396  |
| <b>Total Other Supp. Services Students-Regular:</b>         | <b>8,780</b>               | <b>(1,903)</b>              | <b>6,877</b>            | <b>4,779</b>   | <b>2,098</b>   |
| <b>Other Supp. Services Students-Special:</b>               |                            |                             |                         |                |  |
| Salaries of Other Professional Staff                        | 75,855                     | (6,888)                     | 68,967                  | 68,967         |  |
| Salaries of Secretarial and Clerical Assistants             | 45,424                     | 936                         | 46,360                  | 46,360         |  |
| Purchased Professional and Educational Services             | 2,500                      | 4,640                       | 7,140                   | 7,140          |  |
| Other Purchased Professional - Technical Services           | 3,500                      | 7,612                       | 11,112                  | 11,112         |  |
| Supplies and Materials                                      | 1,800                      | 2,317                       | 4,117                   | 4,117          |  |
| <b>Total Other Supp. Services Students-Special</b>          | <b>129,079</b>             | <b>8,617</b>                | <b>137,696</b>          | <b>137,696</b> |  |
| <b>Improvement of Instruction:</b>                          |                            |                             |                         |                |  |
| Salaries of Secretarial and Clerical Assistants             | 6,680                      | 175                         | 6,855                   | 6,855          |  |
| <b>Total Improvement of Instruction</b>                     | <b>6,680</b>               | <b>175</b>                  | <b>6,855</b>            | <b>6,855</b>   |  |

HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2012

|  | <u>Original<br/>Budget</u> | <u>Budget<br/>Transfers</u> | <u>Final<br/>Budget</u> | <u>Actual</u>  | <b>Variance<br/>Final to<br/>Actual<br/>Favorable/<br/>(Unfavorable)</b> |
|--|----------------------------|-----------------------------|-------------------------|----------------|--|
| <b>Educational Media Services/School Library:</b>      |                            |                             |                         |                |  |
| Supplies and Materials                                 | 11,000                     | (932)                       | 10,068                  | 8,804          | 1,264  |
| <b>Total Educational Media Services/School Library</b> | <b>11,000</b>              | <b>(932)</b>                | <b>10,068</b>           | <b>8,804</b>   | <b>1,264</b>   |
| <b>Instructional Staff Training Services:</b>          |                            |                             |                         |                |  |
| Other Purchased Services (400-500 series)              | 2,000                      | 3,924                       | 5,924                   | 5,924          |  |
| <b>Total Instructional Staff Training Services</b>     | <b>2,000</b>               | <b>3,924</b>                | <b>5,924</b>            | <b>5,924</b>   |  |
| <b>Supp. Services - General Administration:</b>        |                            |                             |                         |                |  |
| Salaries   | 72,780                     | 10,330                      | 83,110                  | 72,779         | 10,331   |
| Legal Services   | 5,000                      | 720                         | 5,720                   | 5,720          |  |
| Audit Fees   | 10,450                     | 2                           | 10,452                  | 10,452         |  |
| Architect/Engineer                                     | 2,000                      | (658)                       | 1,342                   |                | 1,342  |
| Other Purchased Professional Services                  | 3,990                      | 138                         | 4,128                   | 3,530          | 598  |
| Communications/Telephone                               | 1,800                      | 80                          | 1,880                   |                | 1,880  |
| BOE Other Purchased Services                           | 2,900                      | (82)                        | 2,818                   | 690            | 2,128  |
| Other Purchased Services (400-500 series)              | 11,050                     | (1,550)                     | 9,500                   | 6,730          | 2,770  |
| General Supplies                                       | 1,400                      | 2,383                       | 3,783                   | 3,747          | 36   |
| Miscellaneous Expenditures                             | 7,700                      | 507                         | 8,207                   | 8,207          |  |
| BOE Membership Dues                                    |                            | 30                          | 30                      | 30             |  |
| <b>Total Supp. Services - General Administration</b>   | <b>119,070</b>             | <b>11,900</b>               | <b>130,970</b>          | <b>111,885</b> | <b>19,085</b>  |
| <b>Support Services - School Admin:</b>                |                            |                             |                         |                |  |
| Salaries of Principals/Assistant Principals            | 84,633                     | (199)                       | 84,434                  | 81,616         | 2,818  |
| Salaries of Secretarial and Clerical Assistants        | 6,819                      | 691                         | 7,510                   | 7,500          | 10   |
| Purchased Professional and Technical Services          |                            | 7,687                       | 7,687                   | 7,687          |  |
| Supplies and Materials                                 | 800                        | 77                          | 877                     | 877            |  |
| Other Objects  | 1,900                      | 1,144                       | 3,044                   | 3,044          |  |
| <b>Total Support Services - School Admin</b>           | <b>94,152</b>              | <b>9,400</b>                | <b>103,552</b>          | <b>100,724</b> | <b>2,828</b>   |
| <b>Central Services:</b>                               |                            |                             |                         |                |  |
| Salaries   | 64,100                     | 7,700                       | 71,800                  | 69,154         | 2,646  |
| Purchased Professional Services                        | 10,430                     |                             | 10,430                  | 5,785          | 4,645  |
| Other Purchased Services (400-500 series)              | 1,000                      | (16)                        | 984                     | 45             | 939  |
| Supplies and Materials                                 | 500                        | 16                          | 516                     | 516            |  |
| Miscellaneous Expenditures                             | 1,200                      |                             | 1,200                   | 1,185          | 15   |
| <b>Total Central Services</b>                          | <b>77,230</b>              | <b>7,700</b>                | <b>84,930</b>           | <b>76,685</b>  | <b>8,245</b>   |

HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2012

|  | <u>Original<br/>Budget</u> | <u>Budget<br/>Transfers</u> | <u>Final<br/>Budget</u> | <u>Actual</u>  | <b>Variance<br/>Final to<br/>Actual<br/>Favorable/<br/>(Unfavorable)</b> |
|--|----------------------------|-----------------------------|-------------------------|----------------|--|
| <b>Required Maintenance for School Facilities:</b>       |                            |                             |                         |                |  |
| Salaries   | 22,672                     | 1,300                       | 23,972                  | 23,642         | 330  |
| Cleaning, Repair and Maintenance Services                | 32,730                     | 28,055                      | 60,785                  | 51,993         | 8,792  |
| Supplies and Materials                                   | 4,000                      | 1,270                       | 5,270                   | 5,270          |  |
| <b>Total Required Maintenance for School Facilities</b>  | <b>59,402</b>              | <b>30,625</b>               | <b>90,027</b>           | <b>80,905</b>  | <b>9,122</b>   |
| <b>Other Operations and Maintenance of Plant:</b>        |                            |                             |                         |                |  |
| Salaries   | 112,521                    | 908                         | 113,429                 | 113,429        |  |
| Salaries of Non-Instructional Aides                      | 9,162                      |                             | 9,162                   | 8,947          | 215  |
| Cleaning, Repair and Maintenance Services                | 16,250                     | (4,953)                     | 11,297                  | 11,297         |  |
| Insurance  | 14,800                     | (2,138)                     | 12,662                  | 11,916         | 746  |
| General Supplies   | 8,000                      |                             | 8,000                   | 7,970          | 30   |
| Energy (Electricity)                                     | 54,000                     | (14,000)                    | 40,000                  | 37,625         | 2,375  |
| Energy (Oil)   | 36,000                     | (4,356)                     | 31,644                  | 31,085         | 559  |
| Other Objects  | 2,300                      |                             | 2,300                   | 1,902          | 398  |
| <b>Total Other Operations and Maintenance of Plant</b>   | <b>253,033</b>             | <b>(24,539)</b>             | <b>228,494</b>          | <b>224,171</b> | <b>4,323</b>   |
| <b>Care and Upkeep of Grounds:</b>                       |                            |                             |                         |                |  |
| Salaries   | 8,329                      |                             | 8,329                   | 6,532          | 1,797  |
| <b>Total Care and Upkeep of Grounds</b>                  | <b>8,329</b>               |                             | <b>8,329</b>            | <b>6,532</b>   | <b>1,797</b>   |
| <b>Student Transportation Services</b>                   |                            |                             |                         |                |  |
| Salaries for Pupil Transp.(Bet.Home and School)-Regular  | 15,259                     | 59                          | 15,318                  | 15,318         |  |
| Contract Services-Aid in Lieu Payments-Nonpublic Sch.    | 17,680                     | (3,015)                     | 14,665                  | 14,144         |  |
| Contract Services-Aid in Lieu Payments-Charter Sch.Stud. | 3,536                      | 1,562                       | 5,098                   | 5,098          |  |
| Contracted Services (Between Home and School)-Vendors    | 157,307                    | 42,708                      | 200,015                 | 197,746        | 2,269  |
| Contract.Serv.(Other than Bet. Home and School)-Vendors  | 3,000                      | (3,000)                     |                         |                |  |
| Contracted Services (Special Ed. Students)-Joint Agrmts. | 123,000                    | (39,614)                    | 83,386                  | 83,086         | 300  |
| <b>Total Student Transportation Services</b>             | <b>319,782</b>             | <b>(1,300)</b>              | <b>318,482</b>          | <b>315,392</b> | <b>3,090</b>   |

HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2012

|  | <u>Original<br/>Budget</u> | <u>Budget<br/>Transfers</u> | <u>Final<br/>Budget</u> | <u>Actual</u>    | <b>Variance<br/>Final to<br/>Actual<br/>Favorable/<br/>(Unfavorable)</b> |
|--|----------------------------|-----------------------------|-------------------------|------------------|--|
| <b>UNALLOCATED BENEFITS</b>  |                            |                             |                         |                  |  |
| Social Security Contributions  | 36,000                     | 16,578                      | 52,578                  | 52,578           |  |
| Other Retirement Contributions-Regular                               | 46,500                     | (4,986)                     | 41,514                  | 41,514           |  |
| Unemployment Compensation  |                            | 20,000                      | 20,000                  | 20,000           |  |
| Workmen's Compensation   | 19,000                     | 235                         | 19,235                  | 19,235           |  |
| Health Benefits  | 419,400                    | (50,757)                    | 368,643                 | 338,955          | 29,688   |
| Tuition Reimbursement  | 5,000                      |                             | 5,000                   | 4,851            | 149  |
| Other Employee Benefits  | 5,000                      | 29,913                      | 34,913                  | 34,854           | 59   |
| <b>TOTAL UNALLOCATED BENEFITS</b>                                    | <b>530,900</b>             | <b>10,983</b>               | <b>541,883</b>          | <b>511,987</b>   | <b>29,896</b>  |
| On-behalf TPAF pension Contrib. (non-budgeted)                       |                            |                             |                         | 140,292          | (140,292)  |
| Reimbursed TPAF Social Security Contrib. (non-budgeted)              |                            |                             |                         | 90,616           | (90,616)   |
| <b>TOTAL ON-BEHALF CONTRIBUTIONS</b>                                 |                            |                             |                         | <b>230,908</b>   | <b>(230,908)</b>   |
| <b>TOTAL PERSONAL SERVICES-EMPLOYEE BENEFITS</b>                     | <b>530,900</b>             | <b>10,983</b>               | <b>541,883</b>          | <b>742,895</b>   | <b>(201,012)</b>   |
| <b>TOTAL UNDISTRIBUTED EXPENDITURES</b>                              | <b>3,143,340</b>           | <b>3,085</b>                | <b>3,146,425</b>        | <b>3,185,510</b> | <b>(39,085)</b>  |
| <b>TOTAL GENERAL CURRENT EXPENSE</b>                                 | <b>4,293,531</b>           | <b>38,594</b>               | <b>4,332,125</b>        | <b>4,348,275</b> | <b>(16,150)</b>  |
| Transfer of Funds to Charter Schools                                 | 55,156                     | 8,260                       | 63,416                  | 63,416           |  |
| <b>Facilities Acquisition and Construction Services</b>              |                            |                             |                         |                  |  |
| Construction Services  | 130,000                    |                             | 130,000                 | 111,600          | 18,400   |
| Other Objects  | 6,362                      |                             | 6,362                   | 6,362            |  |
| <b>Total Facilities Acquisition and Construction Services</b>        | <b>136,362</b>             |                             | <b>136,362</b>          | <b>117,962</b>   | <b>18,400</b>  |
| <b>TOTAL CAPITAL OUTLAY</b>  | <b>136,362</b>             |                             | <b>136,362</b>          | <b>117,962</b>   | <b>18,400</b>  |
| <b>TOTAL EXPENDITURES</b>  | <b>4,485,049</b>           | <b>46,854</b>               | <b>4,531,903</b>        | <b>4,529,653</b> | <b>2,250</b>   |
| <b>Excess (Deficiency) of Revenues<br/>Over (Under) Expenditures</b> |                            |                             |                         |                  |  |
|  |                            |                             |                         |                  |  |
|  | (179,113)                  |                             | (179,113)               | 57,668           | 236,781  |

HOPE TOWNSHIP SCHOOL DISTRICT  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**

Exhibit C-1

Fiscal Year Ended June 30, 2012

|   | <u>Original<br/>Budget</u> | <u>Budget<br/>Transfers</u> | <u>Final<br/>Budget</u> | <u>Actual</u>     | <b>Variance<br/>Final to<br/>Actual<br/>Favorable/<br/>(Unfavorable)</b> |
|---|----------------------------|-----------------------------|-------------------------|-------------------|--|
| <b>Excess (Deficiency) of Revenues and<br/>Other Financing Sources Over (Under)<br/>Expenditures and Other Financing Sources (Uses)</b> | (179,113)                  |                             | (179,113)               | 57,668            | 236,781  |
| <b>Fund Balance, July 1</b>   | 736,818                    |                             | 736,818                 | 736,818           |  |
| <b>Fund Balance, June 30</b>  | <u>\$ 557,705</u>          | <u>-</u>                    | <u>\$ 557,705</u>       | <u>\$ 794,486</u> | <u>\$ 236,781</u>  |

HOPE TOWNSHIP SCHOOL DISTRICT  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**

**Exhibit C-1**

Fiscal Year Ended June 30, 2012

|  | <u>Original<br/>Budget</u> | <u>Budget<br/>Transfers</u> | <u>Final<br/>Budget</u> | <u>Actual</u>     | <b>Variance<br/>Final to<br/>Actual<br/>Favorable/<br/>(Unfavorable)</b> |
|--|----------------------------|-----------------------------|-------------------------|-------------------|--|
| <b>Recapitulation:</b>   |                            |                             |                         |                   |  |
| <b>Restricted for:</b>   |                            |                             |                         |                   |  |
| Capital Reserve  |                            |                             |                         | \$ 256,931        |  |
| Emergency Reserve  |                            |                             |                         | 78,961            |  |
| Tuition Reserve (FY 2014)  |                            |                             |                         | 50,000            |  |
| Excess Surplus   |                            |                             |                         | 68,463            |  |
| Excess Surplus - Designated for Subsequent Year's Expenditures     |                            |                             |                         | 61,033            |  |
| <b>Assigned to:</b>  |                            |                             |                         |                   |  |
| Year-End Encumbrances  |                            |                             |                         | 20,109            |  |
| <b>Unassigned:</b>   |                            |                             |                         |                   |  |
| Unrestricted Fund Balance  |                            |                             |                         | <u>258,989</u>    |  |
| <b>Fund Balance per Governmental Funds(Budgetary Basis)</b>        |                            |                             |                         | 794,486           |  |
| <b>Reconciliation to Governmental Funds Statement(GAAP Basis):</b> |                            |                             |                         |                   |  |
| Last State Aid Payment not recognized on GAAP basis                |                            |                             |                         | <u>(93,591)</u>   |  |
| <b>Fund Balance per Governmental Funds(GAAP Basis)</b>             |                            |                             |                         | <u>\$ 700,895</u> |  |

HOPE TOWNSHIP SCHOOL DISTRICT  
 APPROPRIATIONS COMBINING SCHEDULE - FUNDS 11 AND 18  
 GENERAL FUND

| Line                      | Description                               | Account #      | Fund 11/12/13<br>Approps | Fund 18<br>Approps | Schedule C-1<br>Total General<br>Fund<br>Approps |
|---------------------------|---|----------------|--------------------------|--------------------|--|
|                           | <b>Undist. Expend.-Custodial Services</b> |                |                          |                    |  |
| 12680                     | Health Benefits                           | 11-000-291-270 | 302,070                  | 36,885             | 338,955  |
| <b>TOTAL EXPENDITURES</b> |   |                | 302,070                  | 36,885             | 338,955  |

HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit C-2

**BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND**

For the Fiscal Year Ended June 30, 2012

|   | <u>Original<br/>Budget</u> | <u>Budget<br/>Transfers</u> | <u>Final<br/>Budget</u> | <u>Actual</u>     | <u>Variance<br/>Final to<br/>Actual<br/>Favorable/<br/>(Unfavorable)</u> |
|---|----------------------------|-----------------------------|-------------------------|-------------------|--|
| <b>REVENUES:</b>  |                            |                             |                         |                   |  |
| Federal Sources   | \$ 80,500                  | \$ 30,980                   | \$ 111,480              | \$ 111,480        | -  |
| <b>Total Revenues</b>   | <b>80,500</b>              | <b>30,980</b>               | <b>111,480</b>          | <b>111,480</b>    | <b>-</b>   |
| <b>EXPENDITURES:</b>  |                            |                             |                         |                   |  |
| <b>Instruction</b>  |                            |                             |                         |                   |  |
| Other Salaries for Instruction  |                            | 2,201                       | 2,201                   | 2,201             |  |
| Tuition   | 50,000                     | 18,975                      | 68,975                  | 68,975            |  |
| Supplies & Materials  | 5,000                      | 775                         | 5,775                   | 5,775             |  |
| <b>Total Instruction</b>  | <b>55,000</b>              | <b>21,951</b>               | <b>76,951</b>           | <b>76,951</b>     | <b>-</b>   |
| <b>Support Services</b>   |                            |                             |                         |                   |  |
| Other Purchased Professional Services   | 5,500                      | 2,775                       | 8,275                   | 8,275             |  |
| <b>Total Support Services</b>   | <b>5,500</b>               | <b>2,775</b>                | <b>8,275</b>            | <b>8,275</b>      | <b>-</b>   |
| <b>Facilities Acq. and Const. Services:</b>   |                            |                             |                         |                   |  |
| Instructional Equipment   | 20,000                     | 6,254                       | 26,254                  | 26,254            |  |
| <b>Total Facilities Acq. and Construction Services</b>  | <b>20,000</b>              | <b>6,254</b>                | <b>26,254</b>           | <b>26,254</b>     | <b>-</b>   |
| Total Expenditures  | 80,500                     | 30,980                      | 111,480                 | 111,480           | -  |
| <b>Total Outflows</b>   | <b>\$ 80,500</b>           | <b>\$ 30,980</b>            | <b>\$ 111,480</b>       | <b>\$ 111,480</b> | <b>-</b>   |
| <b>Excess (Deficiency) of Revenues Over (Under)<br/>Expenditures and Other Financing Sources (Uses)</b> |                            |                             |                         |                   |  |
| <b>Fund Balance per Governmental Funds(Budgetary Basis)</b>   |                            |                             |                         | None              |  |
| <b>Reconciliation to Governmental Funds Statement(GAAP Basis):</b>                                      |                            |                             |                         |                   |  |
| Last State Aid Payment not recognized on GAAP basis   |                            |                             |                         | None              |  |
| <b>Fund Balance per Governmental Funds(GAAP Basis)</b>  |                            |                             |                         | <u>None</u>       |  |

HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit C-3

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended June 30, 2012

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

|  | General<br>Fund     | Special<br>Revenue<br>Fund |
|--|---------------------|----------------------------|
|  | <u>          </u>   | <u>          </u>          |
| <b>Sources/Inflows of Resources</b>  |                     |                            |
| Actual amounts (budgetary basis) "revenue"   |                     |                            |
| from the budgetary comparison schedule (Exhibits C-1 and C-2, respectively)  | \$ 4,587,321        | \$ 111,480                 |
| Difference - budget to GAAP:   |                     |                            |
| Grant accounting budgetary basis differs from GAAP in that<br>encumbrances are recognized as expenditures, and the related<br>revenue is recognized.   | N/A                 | N/A                        |
| Adjustment for: Prior Year Final State Aid Payment not included in<br>Budgetary State Source Revenues and is considered a revenue<br>for GAAP reporting purposes   | 80,508              | N/A                        |
| Adjustment for: Current Year Final State Aid Payment included in<br>State Source Revenues that is not considered a revenue<br>for GAAP reporting purposes  | <u>(93,591)</u>     | <u>N/A</u>                 |
| Total revenues as reported on the statement of revenues, expenditures<br>and changes in fund balances - governmental funds. (Exhibit B-2)  | <u>\$ 4,574,238</u> | <u>\$ 111,480</u>          |
| <b>Uses/outflows of resources</b>  |                     |                            |
| Actual amounts (budgetary basis) "total outflows" from the<br>budgetary comparison schedules (Exhibits C-1 and C-2, respectively)  | \$ 4,529,653        | \$ 111,480                 |
| Differences - budget to GAAP   |                     |                            |
| Encumbrances for supplies and equipment ordered but<br>not received are reported in the year the order is placed for<br><i>budgetary</i> purposes, but in the year the supplies are received<br>for <i>financial reporting</i> purposes. | N/A                 | N/A                        |
| Transfers to and from other funds are presented as outflows of<br>budgetary resources but are not expenditures<br>for financial reporting purposes.  | N/A                 | N/A                        |
| Net transfers (outflows) to general fund   | <u>          </u>   | <u>          </u>          |
| Total expenditures as reported on the statement of revenues,<br>expenditures, and changes in fund balances - governmental funds (Exhibit B-2)  | <u>\$ 4,529,653</u> | <u>\$ 111,480</u>          |

**OTHER SUPPLEMENTARY INFORMATION**

**SPECIAL REVENUE FUND  
DETAIL STATEMENTS**

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

HOPE TOWNSHIP SCHOOL DISTRICT

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

For the Fiscal Year Ended June 30, 2012

|   | <b>Title I</b>  | <b>Title II<br/>Part A</b> | <b>IDEA<br/>Basic</b> | <b>IDEA<br/>Preschool</b> | <b>REAP</b>      | <b>Totals</b>     |
|---|-----------------|----------------------------|-----------------------|---------------------------|------------------|-------------------|
| <b>REVENUES</b>   |                 |                            |                       |                           |                  |                   |
| Federal Sources   | \$ 9,883        | \$ 6,758                   | \$ 68,975             | \$ 2,201                  | \$ 23,663        | \$ 111,480        |
| <b>TOTAL REVENUES</b>   | <b>9,883</b>    | <b>6,758</b>               | <b>68,975</b>         | <b>2,201</b>              | <b>23,663</b>    | <b>111,480</b>    |
| <b>EXPENDITURES:</b>  |                 |                            |                       |                           |                  |                   |
| <b>Instruction:</b>   |                 |                            |                       |                           |                  |                   |
| Other Salaries for Instruction  |                 |                            |                       | 2,201                     |                  | 2,201             |
| Tuition   |                 |                            | 68,975                |                           |                  | 68,975            |
| Supplies and Materials  | 5,775           |                            |                       |                           |                  | 5,775             |
| <b>Total Instruction</b>  | <b>5,775</b>    | <b>-</b>                   | <b>68,975</b>         | <b>2,201</b>              | <b>-</b>         | <b>76,951</b>     |
| <b>Support Services:</b>  |                 |                            |                       |                           |                  |                   |
| Other Purchased Professional Serv.  | 1,517           | 6,758                      |                       |                           |                  | 8,275             |
| <b>Total Support Services</b>   | <b>1,517</b>    | <b>6,758</b>               | <b>-</b>              | <b>-</b>                  | <b>-</b>         | <b>8,275</b>      |
| <b>Facilities Acq. and Const. Services:</b>   |                 |                            |                       |                           |                  |                   |
| Instructional Equipment   | 2,591           |                            |                       |                           | 23,663           | 26,254            |
| <b>Total Facilities Acq. and Const. Svs</b>   | <b>2,591</b>    | <b>-</b>                   | <b>-</b>              | <b>-</b>                  | <b>23,663</b>    | <b>26,254</b>     |
| <b>TOTAL EXPENDITURES</b>   | <b>\$ 9,883</b> | <b>\$ 6,758</b>            | <b>\$ 68,975</b>      | <b>\$ 2,201</b>           | <b>\$ 23,663</b> | <b>\$ 111,480</b> |
| <b>Total Outflows</b>   | <b>\$ 9,883</b> | <b>\$ 6,758</b>            | <b>\$ 68,975</b>      | <b>\$ 2,201</b>           | <b>\$ 23,663</b> | <b>\$ 111,480</b> |
| <b>Excess (Deficiency) of Revenues<br/>Over (Under) Expenditures and<br/>Other Financing Sources (Uses)</b> |                 |                            |                       |                           |                  |                   |

**CAPITAL PROJECTS FUND  
DETAIL STATEMENTS**

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

N/A

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

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

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

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

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

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

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

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

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

HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit H-1

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

|   | <b>UNEMPLOYMENT<br/>COMPENSATION<br/>INSURANCE<br/>TRUST</b> | <b>AGENCY FUNDS<br/>STUDENT<br/>ACTIVITY</b> | <b>PAYROLL<br/>AGENCY</b> | <b>TOTALS</b>   |
|---|--|--|---------------------------|-----------------|
| <b>ASSETS:</b>                          |  |  |                           |                 |
| Cash and Cash Equivalents               | \$65,860   | \$11,458                                     |                           | \$77,318        |
| <b>TOTAL ASSETS</b>                     | <u>\$65,860</u>  | <u>\$11,458</u>                              |                           | <u>\$77,318</u> |
| <br>                                    |  |  |                           |                 |
| <b>LIABILITIES:</b>                     |  |  |                           |                 |
| Liabilities:                            |  |  |                           |                 |
| Payroll Deductions and Withholdings     |  |  |                           |                 |
| Accounts Payable                        |  |  |                           |                 |
| Payable to Student Groups               |  | \$11,458                                     |                           | 11,458          |
| <b>Total Liabilities</b>                |  | <u>11,458</u>                                |                           | <u>11,458</u>   |
| <br>                                    |  |  |                           |                 |
| <b>NET ASSETS</b>                       |  |  |                           |                 |
| Held in Trust for Unemployment          |  |  |                           |                 |
| Claims and Other Purposes               | \$65,860   |  |                           | 65,860          |
| <b>TOTAL LIABILITIES AND NET ASSETS</b> | <u>\$65,860</u>  | <u>\$11,458</u>                              |                           | <u>\$77,318</u> |

HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit H-2

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

|  | UNEMPLOYMENT<br>COMPENSATION<br>INSURANCE |                         |
|--|---|-------------------------|
|  | <u>TRUST</u>                              | <u>TOTALS</u>           |
| <b>ADDITIONS</b>                         |   |                         |
| Contributions:                           |   |                         |
| Plan Member                              | \$ 4,590                                  | \$ 4,590                |
| Employer                                 | <u>20,000</u>                             | <u>20,000</u>           |
| Total Contributions                      | <u>24,590</u>                             | <u>24,590</u>           |
| Investment Earnings:                     |   |                         |
| Interest                                 | <u>266</u>                                | <u>266</u>              |
| Net Investment Earnings                  | <u>266</u>                                | <u>266</u>              |
| <b>Total Additions</b>                   | <b><u>24,856</u></b>                      | <b><u>24,856</u></b>    |
| <b>DEDUCTIONS</b>                        |   |                         |
| Unemployment Claims/Quarterly Remittance | <u>11,204</u>                             | <u>11,204</u>           |
| <b>Total Deductions</b>                  | <b><u>11,204</u></b>                      | <b><u>11,204</u></b>    |
| Change in Net Assets                     | 13,652                                    | 13,652                  |
| Net Assets—Beginning of the Year         | <u>52,208</u>                             | <u>52,208</u>           |
| <b>Net Assets—End of the Year</b>        | <b><u>\$ 65,860</u></b>                   | <b><u>\$ 65,860</u></b> |

HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit H-3

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

| <u>ACTIVITY</u>               | <u>BALANCE<br/>July 1, 2011</u> | <u>TRANSFERS</u> | <u>CASH<br/>RECEIPTS</u> | <u>CASH<br/>DISBURSEMENTS</u> | <u>BALANCE<br/>June 30, 2012</u> |
|-------------------------------|---------------------------------|------------------|--------------------------|-------------------------------|----------------------------------|
| Yearbook                      | \$ 938                          |                  | \$ 6,661                 | \$ 6,068                      | \$ 1,531                         |
| Eighth Grade                  | 947                             |                  | 22,017                   | 21,221                        | 1,743                            |
| Student Government            | 3,060                           |                  | 1,083                    | 1,031                         | 3,112                            |
| National Junior Honor Society | 1,154                           |                  | 250                      |                               | 1,404                            |
| Class Trips                   | 63                              |                  | 2,104                    | 2,131                         | 36                               |
| Sign Fund                     | 70                              |                  |                          |                               | 70                               |
| General                       | 1,415                           |                  | 2,651                    | 1,927                         | 2,139                            |
| AE                            | 79                              |                  |                          | -                             | 79                               |
| Stage Account                 | 1,340                           |                  | 4                        |                               | 1,344                            |
|                               | <b>\$ 9,066</b>                 |                  | <b>\$ 34,770</b>         | <b>\$ 32,378</b>              | <b>\$ 11,458</b>                 |

HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit H-4

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

|                                     | BALANCE             |                     |                     | BALANCE              |          |
|-------------------------------------|---------------------|---------------------|---------------------|----------------------|----------|
|                                     | <u>July 1, 2011</u> | <u>ADDITIONS</u>    | <u>DELETIONS</u>    | <u>June 30, 2012</u> |          |
| <b>ASSETS:</b>                      |                     |                     |                     |                      |          |
| Cash and Cash Equivalents           | \$ 659              | \$ 2,165,164        | \$ 2,165,823        |                      | -        |
| <b>Total Assets</b>                 | <u>\$ 659</u>       | <u>\$ 2,165,164</u> | <u>\$ 2,165,823</u> |                      | <u>-</u> |
| <br>                                |                     |                     |                     |                      |          |
| <b>LIABILITIES:</b>                 |                     |                     |                     |                      |          |
| Salaries and Wages                  |                     | \$ 1,313,855        | \$ 1,313,855        |                      |          |
| Payroll Deductions and Withholdings | \$ 651              | 851,309             | 851,960             |                      | -        |
| Accounts Payable                    | 8                   |                     | 8                   |                      | -        |
| <b>Total Liabilities</b>            | <u>\$ 659</u>       | <u>\$ 2,165,164</u> | <u>\$ 2,165,823</u> |                      | <u>-</u> |

## **LONG-TERM DEBT SCHEDULES**

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

HOPE TOWNSHIP SCHOOL DISTRICT  
**SCHEDULE OF SERIAL BONDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**Exhibit I-1**

| <u>ISSUE</u>                  | <u>DATE OF<br/>ISSUE</u> | <u>AMOUNT<br/>OF<br/>ISSUE</u> | <u>ANNUAL MATURITIES</u> |           | <u>INTEREST<br/>RATE</u> | <u>BALANCE<br/>July 1, 2011</u> | <u>RETIRED</u>      | <u>REFUNDED</u> | <u>BALANCE<br/>June 30, 2012</u> |
|-------------------------------|--------------------------|--------------------------------|--------------------------|-----------|--------------------------|---------------------------------|---------------------|-----------------|----------------------------------|
| Refunding Bonds - Series 2011 | 3/3/11                   | \$ 1,300,000                   | 1/15/13                  | \$110,000 | 3.30%                    | \$ 1,300,000                    | \$ (110,000)        |                 | \$ 1,190,000                     |
|                               |                          |                                | 1/15/14                  | 115,000   | 3.30%                    |                                 |                     |                 |                                  |
|                               |                          |                                | 1/15/15                  | 125,000   | 3.30%                    |                                 |                     |                 |                                  |
|                               |                          |                                | 1/15/16                  | 130,000   | 3.30%                    |                                 |                     |                 |                                  |
|                               |                          |                                | 1/15/17                  | 135,000   | 3.30%                    |                                 |                     |                 |                                  |
|                               |                          |                                | 1/15/18                  | 135,000   | 3.30%                    |                                 |                     |                 |                                  |
|                               |                          |                                | 1/15/19                  | 140,000   | 3.30%                    |                                 |                     |                 |                                  |
|                               |                          |                                | 1/15/20                  | 150,000   | 3.30%                    |                                 |                     |                 |                                  |
|                               |                          |                                | 1/15/21                  | 150,000   | 3.30%                    |                                 |                     |                 |                                  |
| <b>Total</b>                  |                          |                                |                          |           |                          | <b>\$ 1,300,000</b>             | <b>\$ (110,000)</b> | <b>\$ -</b>     | <b>\$ 1,190,000</b>              |

HOPE TOWNSHIP SCHOOL DISTRICT  
**BUDGETARY COMPARISON SCHEDULE**  
**DEBT SERVICE FUND**

Exhibit I-3

For the Fiscal Year Ended June 30, 2012

|  | <u>Original<br/>Budget</u> | <u>Budget<br/>Transfers</u> | <u>Final<br/>Budget</u> | <u>Actual</u>     | <u>Variance<br/>Positive/<br/>(Negative)<br/>Final to Actual</u> |
|--|----------------------------|-----------------------------|-------------------------|-------------------|--|
| <b>REVENUES:</b>                                 |                            |                             |                         |                   |  |
| Local Sources:                                   |                            |                             |                         |                   |  |
| Local Tax Levy                                   | \$ 147,419                 |                             | \$ 147,419              | \$ 147,419        |  |
| <b>TOTAL REVENUES</b>                            | <b>\$ 147,419</b>          |                             | <b>\$ 147,419</b>       | <b>\$ 147,419</b> |  |
| <b>EXPENDITURES:</b>                             |                            |                             |                         |                   |  |
| Regular Debt Service:                            |                            |                             |                         |                   |  |
| Interest   | \$ 37,419                  |                             | \$ 37,419               | \$ 37,180         | \$ (239)   |
| Redemption of Principal                          | 110,000                    |                             | 110,000                 | 110,000           |  |
| Total Regular Debt Service                       | 147,419                    |                             | 147,419                 | 147,180           | (239)  |
| <b>TOTAL EXPENDITURES</b>                        | <b>\$ 147,419</b>          |                             | <b>\$ 147,419</b>       | <b>\$ 147,180</b> | <b>(239)</b>   |
| Fund Balance, July 1                             | 2,379                      |                             | 2,379                   | 2,379             |  |
| Fund Balance, June 30                            | \$ 2,379                   |                             | \$ 2,379                | \$ 2,618          | \$ 239   |
| <b>Recapitulation of Excess (Deficiency) of</b>  |                            |                             |                         |                   |  |
| <b><u>Revenues Over (Under) Expenditures</u></b> |                            |                             |                         |                   |  |
| Budgeted Fund Balance                            |                            |                             |                         |                   |  |

Hope Township School District  
**Statistical Section**

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| <b>Financial Trends (J-1 thru J-5)</b><br>These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.   | 57-62              |
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**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.

**Hope Township School District  
Net Assets by Component,  
Last Ten Fiscal Years**

*(accrual basis of accounting)*

**Exhibit J-1**

|   | Fiscal Year Ending June 30, |                     |                     |                     |                     |                     |                     |                     |                     |                     |
|---|-----------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|   | 2003                        | 2004                | 2005                | 2006                | 2007                | 2008                | 2009                | 2010                | 2011                | 2012                |
| Governmental activities                         | <b>N/A</b>                  |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Invested in capital assets, net of related debt |                             | \$ 1,466,953        | \$ 1,479,722        | \$ 1,571,799        | \$ 1,539,612        | \$ 1,536,682        | \$ 1,559,319        | \$ 1,728,539        | \$ 1,681,185        | \$ 1,813,490        |
| Restricted                                      |                             | 226,691             | 114,945             | 159,685             | 466,939             | 239,290             | 342,346             | 300,047             | 459,671             | 518,006             |
| Unrestricted                                    |                             | (5,751)             | 71,474              | (32,634)            | (85,256)            | 146,579             | 100,608             | 92,902              | 156,647             | 165,470             |
| Total governmental activities net assets        | -                           | <u>\$ 1,687,893</u> | <u>\$ 1,666,141</u> | <u>\$ 1,698,850</u> | <u>\$ 1,921,295</u> | <u>\$ 1,922,551</u> | <u>\$ 2,002,273</u> | <u>\$ 2,121,488</u> | <u>\$ 2,297,503</u> | <u>\$ 2,496,966</u> |
| Business-type activities                        |                             |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Invested in capital assets, net of related debt |                             |                     |                     |                     |                     | \$ 3,357            | \$ 2,517            | \$ 1,677            | \$ 837              | \$ -                |
| Restricted                                      |                             |                     |                     |                     |                     |                     |                     |                     |                     | -                   |
| Unrestricted                                    |                             | \$ 2,654            | \$ 3,599            | \$ 6,999            | \$ 15,563           | \$ 8,575            | \$ 8,351            | \$ 7,693            | \$ 7,083            | 5,673               |
| Total business-type activities net assets       | -                           | <u>\$ 2,654</u>     | <u>\$ 3,599</u>     | <u>\$ 6,999</u>     | <u>\$ 15,563</u>    | <u>\$ 11,932</u>    | <u>\$ 10,868</u>    | <u>\$ 9,370</u>     | <u>\$ 7,920</u>     | <u>\$ 5,673</u>     |
| District-wide                                   |                             |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Invested in capital assets, net of related debt |                             | \$ 1,466,953        | \$ 1,479,722        | \$ 1,571,799        | \$ 1,539,612        | \$ 1,540,039        | \$ 1,561,836        | \$ 1,730,216        | \$ 1,682,022        | \$ 1,813,490        |
| Restricted                                      |                             | 226,691             | 114,945             | 159,685             | 466,939             | 239,290             | 342,346             | 300,047             | 459,671             | 518,006             |
| Unrestricted                                    |                             | (3,097)             | 75,073              | (25,635)            | (69,693)            | 155,154             | 108,959             | 100,595             | 163,730             | 171,143             |
| Total district net assets                       | -                           | <u>\$ 1,690,547</u> | <u>\$ 1,669,740</u> | <u>\$ 1,705,849</u> | <u>\$ 1,936,858</u> | <u>\$ 1,934,483</u> | <u>\$ 2,013,141</u> | <u>\$ 2,130,858</u> | <u>\$ 2,305,423</u> | <u>\$ 2,502,639</u> |

Source: CAFR Schedule A-1

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

**Exhibit J-2**

|   | <u>2004</u>           | <u>2005</u>           | <u>2006</u>           | <u>2007</u>           | <u>2008</u>           | <u>2009</u>           | <u>2010</u>           | <u>2011</u>           | <u>2012</u>           |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Expenses</b>                                 |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Governmental activities                         |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Instruction                                     |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Regular   | \$ 1,265,675          | \$ 1,319,928          | \$ 1,281,336          | \$ 1,307,855          | \$ 1,559,516          | \$ 1,332,987          | \$ 1,399,343          | \$ 1,368,082          | \$ 1,385,067          |
| Special education                               | 137,661               | 138,129               | 163,869               | 170,788               | 189,048               | 109,212               | 100,393               | 52,016                | 117,289               |
| Other special education                         | 52,114                | 57,875                | 81,924                | 71,824                | 83,250                | 145,469               | 122,807               | 98,263                | 178,065               |
| Support Services:                               |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Tuition   | 805,086               | 871,399               | 946,341               | 1,021,235             | 1,133,076             | 1,220,581             | 1,321,343             | 1,265,190             | 1,173,641             |
| Student & instruction related services          | 422,627               | 395,549               | 501,187               | 586,471               | 599,803               | 641,665               | 615,959               | 536,992               | 488,384               |
| School administrative services                  | 124,423               | 86,511                | 65,964                | 66,225                | 71,329                | 72,103                | 75,097                | 125,249               | 136,283               |
| General and business administrative services    | 363,176               | 384,718               | 361,670               | 351,592               | 347,005               | 363,124               | 333,781               | 322,242               | 262,219               |
| Plant operations and maintenance                | 260,781               | 319,090               | 357,846               | 369,887               | 418,140               | 409,727               | 408,262               | 417,592               | 422,613               |
| Pupil transportation                            | 181,147               | 178,677               | 236,041               | 237,181               | 236,590               | 297,273               | 248,793               | 278,657               | 315,392               |
| Interest on long-term debt                      | 92,861                | 88,863                | 80,883                | 81,642                | 76,986                | 67,497                | 66,840                | 49,236                | 41,026                |
| Unallocated depreciation                        | 89,699                | 89,274                | 89,274                | 88,837                | 88,837                | 88,837                | 95,725                | 108,269               | 113,695               |
| Total governmental activities expenses          | <u>3,795,250</u>      | <u>3,930,013</u>      | <u>4,166,335</u>      | <u>4,353,537</u>      | <u>4,803,580</u>      | <u>4,748,475</u>      | <u>4,788,343</u>      | <u>4,621,788</u>      | <u>4,633,674</u>      |
| Business-type activities:                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Food service                                    | 52,358                | 53,487                | 61,673                | 61,393                | 63,586                | 67,029                | 73,064                | 69,850                | 67,011                |
| Total business-type activities expense          | <u>52,358</u>         | <u>53,487</u>         | <u>61,673</u>         | <u>61,393</u>         | <u>63,586</u>         | <u>67,029</u>         | <u>73,064</u>         | <u>69,850</u>         | <u>67,011</u>         |
| Total district expenses                         | <u>\$ 3,847,608</u>   | <u>\$ 3,983,500</u>   | <u>\$ 4,228,008</u>   | <u>\$ 4,414,930</u>   | <u>\$ 4,867,166</u>   | <u>\$ 4,815,504</u>   | <u>\$ 4,861,407</u>   | <u>\$ 4,691,638</u>   | <u>\$ 4,700,685</u>   |
| <b>Program Revenues</b>                         |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Governmental activities:                        |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Charges for services:                           |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Tuition   |                       |                       | \$ 17,853             | \$ 29,208             | \$ 2,491              | \$ 65,716             | \$ 55,360             | \$ 30,720             | \$ 25,720             |
| Operating grants and contributions              | \$ 1,326,901          | \$ 1,346,007          | \$ 1,390,757          | \$ 1,481,739          | \$ 1,500,518          | \$ 1,370,079          | \$ 1,359,276          | \$ 1,251,581          | 1,317,430             |
| Total governmental activities program revenues  | <u>1,326,901</u>      | <u>1,346,007</u>      | <u>1,408,610</u>      | <u>1,510,947</u>      | <u>1,503,009</u>      | <u>1,435,795</u>      | <u>1,414,636</u>      | <u>1,282,301</u>      | <u>1,343,150</u>      |
| Business-type activities:                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Charges for services                            |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Food service                                    | 40,450                | 40,370                | 50,496                | 53,665                | 49,478                | 52,058                | 47,814                | 46,625                | 45,343                |
| Operating grants and contributions              | 10,967                | 9,342                 | 11,662                | 11,140                | 14,003                | 13,624                | 17,619                | 17,290                | 18,175                |
| Total business type activities program revenues | <u>51,417</u>         | <u>49,712</u>         | <u>62,158</u>         | <u>64,805</u>         | <u>63,481</u>         | <u>65,682</u>         | <u>65,433</u>         | <u>63,915</u>         | <u>63,518</u>         |
| Total district program revenues                 | <u>\$ 1,378,318</u>   | <u>\$ 1,395,719</u>   | <u>\$ 1,470,768</u>   | <u>\$ 1,575,752</u>   | <u>\$ 1,566,490</u>   | <u>\$ 1,501,477</u>   | <u>\$ 1,480,069</u>   | <u>\$ 1,346,216</u>   | <u>\$ 1,406,668</u>   |
| <b>Net (Expense)/Revenue</b>                    |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Governmental activities                         | \$ (2,468,349)        | \$ (2,584,006)        | \$ (2,757,725)        | \$ (2,842,590)        | \$ (3,300,571)        | \$ (3,312,680)        | \$ (3,373,707)        | \$ (3,339,487)        | \$ (3,290,524)        |
| Business-type activities                        | (941)                 | (3,775)               | 485                   | 3,412                 | (105)                 | (1,347)               | (7,631)               | (5,935)               | (3,493)               |
| Total district-wide net expense                 | <u>\$ (2,469,290)</u> | <u>\$ (2,587,781)</u> | <u>\$ (2,757,240)</u> | <u>\$ (2,839,178)</u> | <u>\$ (3,300,676)</u> | <u>\$ (3,314,027)</u> | <u>\$ (3,381,338)</u> | <u>\$ (3,345,422)</u> | <u>\$ (3,294,017)</u> |

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

**Exhibit J-2**

|   | <u>2004</u>         | <u>2005</u>         | <u>2006</u>         | <u>2007</u>         | <u>2008</u>         | <u>2009</u>         | <u>2010</u>         | <u>2011</u>         | <u>2012</u>         |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>General Revenues and Other Changes in Net Assets</b> |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Governmental activities:                                |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Property taxes levied for general purposes, net         | \$ 2,256,800        | \$ 2,367,600        | \$ 2,587,447        | \$ 2,763,268        | \$ 3,067,833        | \$ 3,190,546        | \$ 3,256,069        | \$ 3,338,754        | \$ 3,338,754        |
| Taxes levied for debt service                           | 181,849             | 173,679             | 181,861             | 183,175             | 184,926             | 181,441             | 153,593             | 154,768             | 147,419             |
| Unrestricted grants and contributions                   |                     | 8,859               | -                   | 61,390              | 23,302              |                     | 67,982              | -                   |                     |
| Investment earnings                                     | 12,061              | 10,056              | 14,500              | 18,192              | 20,388              | 19,287              | 11,246              | 4,957               | 3,457               |
| Miscellaneous income                                    | 6,585               | 6,661               | 9,126               | 127,760             | 5,378               | 1,128               | 4,032               | 17,023              | 357                 |
| Transfers   | (1,500)             | (4,601)             | (2,500)             | -                   | -                   | -                   | -                   | -                   | -                   |
| Total governmental activities                           | <u>2,455,795</u>    | <u>2,562,254</u>    | <u>2,790,434</u>    | <u>3,153,785</u>    | <u>3,301,827</u>    | <u>3,392,402</u>    | <u>3,492,922</u>    | <u>3,515,502</u>    | <u>3,489,987</u>    |
| Business-type activities:                               |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Miscellaneous Income                                    | 138                 | 119                 | 415                 | 870                 | 756                 | 283                 | 6,133               | 4,485               | 1,246               |
| Transfers   | 1,500               | 4,601               | 2,500               | -                   | -                   | -                   | -                   | -                   | -                   |
| Total business-type activities                          | <u>1,638</u>        | <u>4,720</u>        | <u>2,915</u>        | <u>870</u>          | <u>756</u>          | <u>283</u>          | <u>6,133</u>        | <u>4,485</u>        | <u>1,246</u>        |
| Total district-wide                                     | <u>\$ 2,457,433</u> | <u>\$ 2,566,974</u> | <u>\$ 2,793,349</u> | <u>\$ 3,154,655</u> | <u>\$ 3,302,583</u> | <u>\$ 3,392,685</u> | <u>\$ 3,499,055</u> | <u>\$ 3,519,987</u> | <u>\$ 3,491,233</u> |
| <b>Change in Net Assets</b>                             |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Governmental activities                                 | \$ (12,554)         | \$ (21,752)         | \$ 32,709           | \$ 311,195          | \$ 1,256            | \$ 79,722           | \$ 119,215          | \$ 176,015          | \$ 199,463          |
| Business-type activities                                | 697                 | 945                 | 3,400               | 4,282               | 651                 | (1,064)             | (1,498)             | (1,450)             | (2,247)             |
| Total district  | <u>\$ (11,857)</u>  | <u>\$ (20,807)</u>  | <u>\$ 36,109</u>    | <u>\$ 315,477</u>   | <u>\$ 1,907</u>     | <u>\$ 78,658</u>    | <u>\$ 117,717</u>   | <u>\$ 174,565</u>   | <u>\$ 197,216</u>   |

Source: CAFR Schedule A-2

**Hope Township School District  
Fund Balances, Governmental Funds,  
Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*

**Exhibit J-3**

|                                    | Fiscal Year Ending June 30, |                   |                   |                   |                   |                   |                   |                   |                   |                   |
|------------------------------------|-----------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                                    | 2003                        | 2004              | 2005              | 2006              | 2007              | 2008              | 2009              | 2010              | 2011              | 2012              |
| General Fund                       |                             |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Reserved                           | \$ 131,892                  | \$ 199,120        | \$ 119,682        | \$ 43,980         | \$ 97,113         | \$ 229,290        | \$ 316,844        | \$ 245,017        | \$ 412,774        | \$ 515,388        |
| Unreserved                         | 173,480                     | 65,945            | 51,916            | 161,746           | 324,621           | 227,819           | 190,437           | 163,932           | 243,536           | 185,507           |
| Total general fund                 | <u>\$ 305,372</u>           | <u>\$ 265,065</u> | <u>\$ 171,598</u> | <u>\$ 205,726</u> | <u>\$ 421,734</u> | <u>\$ 457,109</u> | <u>\$ 507,281</u> | <u>\$ 408,949</u> | <u>\$ 656,310</u> | <u>\$ 700,895</u> |
| All Other Governmental Funds       |                             |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Reserved                           | \$ 16,495                   | \$ 12,935         |                   |                   |                   |                   |                   |                   |                   |                   |
| Unreserved, reported in:           |                             |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Special revenue fund               | (600)                       |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Capital projects fund              |                             | 19,306            | \$ 2,954          | \$ 2,954          | \$ 359,826        |                   |                   | \$ 39,548         |                   |                   |
| Debt service fund                  |                             |                   |                   |                   |                   |                   |                   |                   | \$ 2,379          | \$ 2,618          |
| Trust and agency fund              | 17,400                      | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Total all other governmental funds | <u>\$ 33,295</u>            | <u>\$ 32,241</u>  | <u>\$ 2,954</u>   | <u>\$ 2,954</u>   | <u>\$ 359,826</u> | <u>-</u>          | <u>-</u>          | <u>39,548</u>     | <u>\$ 2,379</u>   | <u>\$ 2,618</u>   |

Source: CAFR Schedule B-1

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

**Exhibit J-4**

|   | <u>2003</u>        | <u>2004</u>       | <u>2005</u>         | <u>2006</u>      | <u>2007</u>       | <u>2008</u>        | <u>2009</u>      | <u>2010</u>        | <u>2011</u>       | <u>2012</u>      |
|---|--------------------|-------------------|---------------------|------------------|-------------------|--------------------|------------------|--------------------|-------------------|------------------|
| <b>Revenues</b>   |                    |                   |                     |                  |                   |                    |                  |                    |                   |                  |
| Tax levy  | \$ 2,297,015       | \$ 2,438,649      | \$ 2,541,279        | \$ 2,769,308     | \$ 2,946,443      | \$ 3,252,759       | \$ 3,371,987     | \$ 3,409,662       | \$ 3,493,522      | \$ 3,486,173     |
| Interest earnings   | 2,106              | 2,482             | 1,938               | 1,284            | 1,882             | 2,258              | 3,341            | 1,840              | 1,694             | 952              |
| Miscellaneous   | 43,775             | 16,164            | 8,118               | 40,195           | 173,278           | 25,999             | 82,790           | 68,798             | 51,006            | 28,582           |
| State sources   | 1,121,181          | 1,229,063         | 1,248,441           | 1,280,398        | 1,436,461         | 1,417,360          | 1,264,890        | 1,163,055          | 1,107,020         | 1,169,065        |
| Federal sources   | 81,543             | 97,838            | 106,425             | 110,359          | 106,668           | 106,459            | 105,189          | 264,203            | 144,561           | 148,365          |
| <b>Total revenue</b>                                      | <b>3,545,620</b>   | <b>3,784,196</b>  | <b>3,906,201</b>    | <b>4,201,544</b> | <b>4,664,732</b>  | <b>4,804,835</b>   | <b>4,828,197</b> | <b>4,907,558</b>   | <b>4,797,803</b>  | <b>4,833,137</b> |
| <b>Expenditures</b>                                       |                    |                   |                     |                  |                   |                    |                  |                    |                   |                  |
| <b>Instruction</b>  |                    |                   |                     |                  |                   |                    |                  |                    |                   |                  |
| Regular Instruction                                       | 868,547            | 966,606           | 1,063,792           | 990,191          | 982,159           | 984,296            | 1,039,252        | 1,071,376          | 1,046,167         | 1,021,426        |
| Special education instruction                             | 115,553            | 111,504           | 111,570             | 126,934          | 129,687           | 146,876            | 85,880           | 77,025             | 40,250            | 86,686           |
| Other special instruction                                 | 16,199             | 42,212            | 46,747              | 63,459           | 54,539            | 64,679             | 114,391          | 94,222             | 76,036            | 131,604          |
| <b>Support Services:</b>                                  |                    |                   |                     |                  |                   |                    |                  |                    |                   |                  |
| Tuition   | 780,511            | 805,086           | 871,399             | 946,341          | 1,021,235         | 1,133,076          | 1,220,581        | 1,321,343          | 1,265,190         | 1,173,641        |
| Student & instruction related services                    | 218,382            | 357,339           | 319,494             | 388,223          | 445,334           | 466,002            | 504,580          | 472,585            | 415,523           | 360,955          |
| School administrative services                            | 144,118            | 85,768            | 69,877              | 51,096           | 50,288            | 55,417             | 56,699           | 57,617             | 96,917            | 100,724          |
| Other administrative services                             | 251,867            | 287,825           | 304,400             | 273,807          | 261,749           | 264,366            | 280,315          | 250,857            | 196,119           | 188,570          |
| Plant operations and maintenance                          | 204,367            | 207,354           | 256,854             | 276,308          | 280,135           | 324,127            | 321,457          | 312,496            | 322,395           | 311,608          |
| Pupil transportation                                      | 218,924            | 181,147           | 178,677             | 236,041          | 237,181           | 236,590            | 297,273          | 248,793            | 278,657           | 315,392          |
| Unallocated employee benefits                             | 448,965            | 501,438           | 536,427             | 608,161          | 713,361           | 714,402            | 640,791          | 697,867            | 616,958           | 742,895          |
| Transfer to Charter School                                |                    |                   |                     |                  |                   | 14,130             | 17,648           | 20,408             | 41,297            | 63,416           |
| <b>Special Revenue</b>                                    | <b>90,766</b>      |                   |                     |                  |                   |                    |                  |                    |                   |                  |
| Capital Outlay  | 92,897             | 59,276            | 88,690              | 20,515           | 16,716            | 251,233            | 15,000           | 188,161            | 37,334            | 144,216          |
| <b>Debt service:</b>                                      |                    |                   |                     |                  |                   |                    |                  |                    |                   |                  |
| Principal   | 88,749             | 89,912            | 89,398              | 97,270           | 103,605           | 109,974            | 111,399          | 85,000             | 90,000            | 110,000          |
| Interest and other charges                                | 98,560             | 94,695            | 87,029              | 86,570           | 82,303            | 77,678             | 72,759           | 68,593             | 64,768            | 37,180           |
| <b>Total expenditures</b>                                 | <b>3,638,405</b>   | <b>3,790,162</b>  | <b>4,024,354</b>    | <b>4,164,916</b> | <b>4,378,292</b>  | <b>4,842,846</b>   | <b>4,778,025</b> | <b>4,966,343</b>   | <b>4,587,611</b>  | <b>4,788,313</b> |
| Excess (Deficiency) of revenues over (under) expenditures | (92,785)           | (5,966)           | (118,153)           | 36,628           | 286,440           | (38,011)           | 50,172           | (58,785)           | 210,192           | 44,824           |
| <b>Other Financing Sources (uses)</b>                     |                    |                   |                     |                  |                   |                    |                  |                    |                   |                  |
| Capital leases (non-budgeted)                             |                    |                   |                     |                  |                   |                    |                  |                    |                   |                  |
| Bond proceeds   |                    |                   |                     |                  |                   |                    |                  |                    |                   |                  |
| EDA grant   | 19,718             |                   |                     |                  |                   |                    |                  |                    |                   |                  |
| Transfers in  |                    |                   |                     |                  |                   | 6,716              |                  | 123,866            | (39,548)          |                  |
| Transfers out   | (3,000)            | (1,500)           | (4,601)             | (2,500)          | -                 | (6,716)            |                  | (123,866)          | 39,548            |                  |
| <b>Total other financing sources (uses)</b>               | <b>16,718</b>      | <b>(1,500)</b>    | <b>(4,601)</b>      | <b>(2,500)</b>   | <b>-</b>          | <b>-</b>           | <b>-</b>         | <b>-</b>           | <b>-</b>          | <b>-</b>         |
| <b>Net change in fund balances</b>                        | <b>\$ (76,067)</b> | <b>\$ (7,466)</b> | <b>\$ (122,754)</b> | <b>\$ 34,128</b> | <b>\$ 286,440</b> | <b>\$ (38,011)</b> | <b>\$ 50,172</b> | <b>\$ (58,785)</b> | <b>\$ 210,192</b> | <b>\$ 44,824</b> |
| Debt service as a percentage of noncapital expenditures   | 5.3%               | 4.9%              | 4.5%                | 4.4%             | 4.3%              | 4.1%               | 3.9%             | 3.2%               | 3.4%              | 3.2%             |

Source: CAFR Schedule B-2

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

Exhibit J-5

| <u>Fiscal Year<br/>Ended June 30,</u> | <u>Interest on<br/>Investments</u> | <u>Interest on<br/>Capital<br/>Reserve<br/>Fund</u> | <u>Tuition</u> | <u>Miscellaneous</u> | <u>Total</u> |
|---------------------------------------|------------------------------------|---|----------------|----------------------|--------------|
| 2003                                  | \$ 11,433                          | \$ 2,106  |                | \$ 3,299             | \$ 16,838    |
| 2004                                  | 9,579                              | 2,482   |                | 6,585                | 18,646       |
| 2005                                  | 8,118                              | 1,938   |                |                      | 10,056       |
| 2006                                  | 13,216                             | 1,284   | \$ 17,853      | 9,126                | 41,479       |
| 2007                                  | 16,310                             | 1,882   | 29,208         | 10,714               | 58,114       |
| 2008                                  | 18,130                             | 2,258   | 2,491          | 5,378                | 28,257       |
| 2009                                  | 14,250                             | 5,037   | 65,716         | 1,128                | 86,131       |
| 2010                                  | 9,406                              | 1,840   | 55,360         | 4,032                | 70,638       |
| 2011                                  | 3,897                              | 1,060   | 30,720         | 14,644               | 50,321       |
| 2012                                  | 2,505                              | 952   | 25,720         | 357                  | 29,534       |

SOURCE: District Records

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

**Exhibit J-6**

| <u>Fiscal Year Ended June 30,</u> | <u>Vacant Land</u> | <u>Residential</u> | <u>Farm Reg.</u> | <u>Qfarm</u> | <u>Commercial</u> | <u>Industrial</u> | <u>Apartment</u> | <u>Total Assessed Value</u> | <u>Less: Tax-Exempt Property</u> | <u>Public Utilities a</u> | <u>Net Valuation Taxable</u> | <u>Total Direct School Tax Rate b</u> | <u>Estimated Actual (County Equalized Value)</u> |
|-----------------------------------|--------------------|--------------------|------------------|--------------|-------------------|-------------------|------------------|-----------------------------|----------------------------------|---------------------------|------------------------------|---------------------------------------|--|
| 2003                              | \$6,178,900        | \$96,959,600       | \$20,233,300     | \$1,934,600  | \$7,982,400       | \$209,300         | \$264,200        | \$148,351,314               | \$13,344,600                     | \$1,244,414               | \$135,006,714                | \$1.700                               | \$151,389,544                                    |
| 2004                              | 5,316,800          | 98,974,100         | 20,951,200       | 1,934,700    | 7,982,400         | 209,300           | 264,200          | 150,723,066                 | 13,769,200                       | 1,321,166                 | 136,953,866                  | 1.780                                 | 165,391,415                                      |
| 2005                              | 5,230,700          | 100,863,200        | 20,366,000       | 1,936,300    | 7,994,900         | 209,300           | 264,200          | 152,204,766                 | 14,019,000                       | 1,321,166                 | 138,185,766                  | 1.840                                 | 191,594,134                                      |
| 2006                              | 4,923,400          | 103,246,200        | 20,209,800       | 1,842,200    | 7,994,900         | 209,300           | 264,200          | 153,803,954                 | 14,174,600                       | 939,354                   | 139,629,354                  | 1.971                                 | 220,633,404                                      |
| 2007                              | 4,881,800          | 105,083,300        | 20,766,900       | 1,810,900    | 7,853,900         | 209,300           | 264,200          | 155,778,164                 | 14,157,400                       | 750,464                   | 141,620,764                  | 2.082                                 | 249,831,108                                      |
| 2008                              | 14,930,000         | 232,661,200        | 46,235,700       | 1,776,714    | 17,588,500        | 357,600           | 523,900          | 346,349,129                 | 30,978,884                       | 1,296,631                 | 315,370,245                  | 1.032                                 | 285,269,848                                      |
| 2009                              | 13,448,400         | 230,478,500        | 46,766,400       | 1,781,524    | 16,884,900        | 357,600           | 523,900          | 343,931,755                 | 32,351,884                       | 1,338,647                 | 311,579,871                  | 1.082                                 | 302,371,153                                      |
| 2010                              | 12,066,700         | 228,881,600        | 48,990,300       | 1,783,324    | 16,730,500        | 357,600           | 523,900          | 342,851,469                 | 32,358,196                       | 1,159,349                 | 310,493,273                  | 1.098                                 | 299,453,703                                      |
| 2011                              | 9,785,450          | 193,727,900        | 42,683,600       | 1,821,800    | 13,802,600        | 291,300           | 449,200          | 293,103,951                 | 29,383,752                       | 1,158,349                 | 263,720,199                  | 1.325                                 | 290,093,507                                      |
| 2012                              | 9,173,650          | 195,592,600        | 41,105,600       | 1,821,400    | 13,982,200        | 291,300           | 449,200          | 292,138,531                 | 28,639,352                       | 1,083,229                 | 263,499,179                  | 1.323                                 | 273,285,370                                      |

Source: District records Tax list summary & Municipal Tax Assessor

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

Reassessment occurs when ordered by the County Board of Taxation

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

**b** Tax rates are per \$100

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

**Exhibit J-7**

*(rate per \$100 of assessed value)*

| Fiscal<br>Year<br>Ended<br>June 30, | Hope Township Board of Education |  |                 | Overlapping Rates |         |                  | Total Direct and<br>Overlapping Tax<br>Rate |
|-------------------------------------|----------------------------------|--|-----------------|-------------------|---------|------------------|---|
|                                     | Basic Rate <sup>a</sup>          | General<br>Obligation Debt<br>Service <sup>b</sup> | Total<br>Direct | Hope<br>Township  | Library | Warren<br>County |   |
| 2003                                | \$1.573                          | \$0.127  | \$1.700         | \$0.203           | \$0.066 | \$0.731          | \$2.700                                     |
| 2004                                | \$1.658                          | \$0.122  | \$1.780         | \$0.203           | \$0.064 | \$0.753          | \$2.800                                     |
| 2005                                | \$1.708                          | \$0.132  | \$1.840         | \$0.208           | \$0.073 | \$0.849          | \$2.970                                     |
| 2006                                | \$1.846                          | \$0.125  | \$1.971         | \$0.239           | \$0.082 | \$0.943          | \$3.235                                     |
| 2007                                | \$1.951                          | \$0.131  | \$2.082         | \$0.280           | \$0.092 | \$1.016          | \$3.470                                     |
| 2008                                | \$0.972                          | \$0.060  | \$1.032         | \$0.144           | \$0.048 | \$0.506          | \$1.730                                     |
| 2009                                | \$1.023                          | \$0.059  | \$1.082         | \$0.176           | \$0.051 | \$0.535          | \$1.844                                     |
| 2010                                | \$1.049                          | \$0.049  | \$1.098         | \$0.187           | \$0.050 | \$0.532          | \$1.867                                     |
| 2011                                | \$1.266                          | \$0.059  | \$1.325         | \$0.217           | \$0.053 | \$0.619          | \$2.214                                     |
| 2012                                | \$1.267                          | \$0.056  | \$1.323         | \$0.225           | \$0.051 | \$0.609          | \$2.208                                     |

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.

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

Exhibit J-8

| Taxpayer                   | 2012                   |                 |  | 2002                   |                 |  |
|----------------------------|------------------------|-----------------|--|------------------------|-----------------|--|
|                            | Taxable Assessed Value | Rank [Optional] | % of Total District Net Assessed Value | Taxable Assessed Value | Rank [Optional] | % of Total District Net Assessed Value |
| First Hope Bank            | \$2,295,000            | 1               | 0.87%                                  | 999,000                | 2               | 0.49%                                  |
| Individual Taxpayer #1     | 1,986,600              | 2               | 0.75%                                  | 399,200                | 5               | 0.39%                                  |
| Individual Taxpayer #2     | 1,837,200              | 3               | 0.70%                                  | 499,500                | 7               |  |
| Individual Taxpayer #3     | 1,702,100              | 4               | 0.65%                                  |                        |                 |  |
| Individual Taxpayer #4     | 1,676,500              | 5               | 0.64%                                  |                        |                 |  |
| Individual Taxpayer #5     | 1,499,400              | 6               | 0.57%                                  |                        |                 |  |
| United Telephone Co. of NJ | 1,257,229              | 7               | 0.48%                                  | 1,182,444              | 1               | 1.17%                                  |
| Individual Taxpayer #6     | 1,152,900              | 8               | 0.44%                                  |                        |                 |  |
| Individual Taxpayer #7     | 1,067,600              | 9               | 0.41%                                  |                        |                 |  |
| Bardon Goodbody Farm, Co.  | 1,046,600              | 10              | 0.40%                                  |                        |                 |  |
| B & S Partners             |                        |                 |  | 451,600                | 6               | 0.45%                                  |
| Land of Make Believe       |                        |                 |  | 878,900                | 3               | 0.87%                                  |
| Inn at Millrace Pond       |                        |                 |  | 857,950                | 4               | 0.85%                                  |
| A T & T                    |                        |                 |  | 264,800                | 8               | 0.26%                                  |
| Dick Direct Sales          |                        |                 |  | 242,900                | 9               | 0.24%                                  |
| Newton Trust Company       |                        |                 |  | 223,700                | 10              | 0.22%                                  |
| Total                      | <u>\$ 15,521,129</u>   |                 | <u>5.89%</u>                           | <u>\$ 5,999,994</u>    |                 | <u>4.94%</u>                           |

Source: District CAFR & Municipal Tax Assessor

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

**Exhibit J-9**

| Fiscal<br>Year<br>Ended<br>June 30, | Taxes Levied<br>for the Fiscal<br>Year | Collected within the Fiscal Year of<br>the Levy |                       | Collections in<br>Subsequent<br>Years |
|-------------------------------------|--|---|-----------------------|---------------------------------------|
|                                     |  | Amount  | Percentage<br>of Levy |                                       |
| 2003                                | \$ 2,297,015                           | \$ 2,297,015                                    | 100.00%               | -                                     |
| 2004                                | \$ 2,438,649                           | \$ 2,438,649                                    | 100.00%               | -                                     |
| 2005                                | \$ 2,541,279                           | \$ 2,541,279                                    | 100.00%               | -                                     |
| 2006                                | \$ 2,769,308                           | \$ 2,769,308                                    | 100.00%               | -                                     |
| 2007                                | \$ 2,946,443                           | \$ 2,946,443                                    | 100.00%               | -                                     |
| 2008                                | \$ 3,252,759                           | \$ 3,252,759                                    | 100.00%               | -                                     |
| 2009                                | \$ 3,371,987                           | \$ 3,371,987                                    | 100.00%               | -                                     |
| 2010                                | \$ 3,409,662                           | \$ 3,409,662                                    | 100.00%               | -                                     |
| 2011                                | \$ 3,493,522                           | \$ 3,493,522                                    | 100.00%               | -                                     |
| 2012                                | \$ 3,486,173                           | \$ 3,486,173                                    | 100.00%               | -                                     |

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

**Note:**

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

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

**Exhibit J-10**

| Fiscal<br>Year<br>Ended<br>June 30, | Governmental Activities                     |                                     |                   |   | Business-Type<br>Activities |              | Total District | Percentage of<br>Personal<br>Income <sup>a</sup> | Per Capita <sup>a</sup> |
|-------------------------------------|---|-------------------------------------|-------------------|---|-----------------------------|--------------|----------------|--|-------------------------|
|                                     | General<br>Obligation<br>Bonds <sup>b</sup> | Certificates<br>of<br>Participation | Capital<br>Leases | Bond<br>Anticipation<br>Notes<br>(BANs) | Capital Leases              |              |                |  |                         |
| 2003                                | \$ 2,034,055                                | -0-                                 | -0-               | -0-                                     | -0-                         | \$ 2,034,055 | 3.03%          | \$ 1,044.71                                      |                         |
| 2004                                | \$ 1,945,306                                | -0-                                 | -0-               | -0-                                     | -0-                         | \$ 1,945,306 | 2.81%          | \$ 999.64  |                         |
| 2005                                | \$ 1,849,247                                | -0-                                 | -0-               | -0-                                     | -0-                         | \$ 1,849,247 | 2.58%          | \$ 953.22  |                         |
| 2006                                | \$ 1,751,977                                | -0-                                 | -0-               | -0-                                     | -0-                         | \$ 1,751,977 | 2.28%          | \$ 899.37  |                         |
| 2007                                | \$ 1,648,373                                | -0-                                 | -0-               | -0-                                     | -0-                         | \$ 1,648,373 | 2.02%          | \$ 846.62  |                         |
| 2008                                | \$ 1,538,399                                | -0-                                 | -0-               | -0-                                     | -0-                         | \$ 1,538,399 | 1.80%          | \$ 790.95  |                         |
| 2009                                | \$ 1,427,000                                | -0-                                 | -0-               | -0-                                     | -0-                         | \$ 1,427,000 | 1.69%          | \$ 729.55  |                         |
| 2010                                | \$ 1,342,000                                | -0-                                 | -0-               | -0-                                     | -0-                         | \$ 1,342,000 | 1.56%          | \$ 689.62  |                         |
| 2011                                | \$ 1,300,000                                | -0-                                 | -0-               | -0-                                     | -0-                         | \$ 1,300,000 | 1.51%          | \$ 665.98  |                         |
| 2012                                | \$ 1,190,000                                | -0-                                 | -0-               | -0-                                     | -0-                         | \$ 1,190,000 | 1.38%          | \$ 611.51  |                         |

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

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

**a** See Exhibit NJ J-14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

**b** Includes Early Retirement Incentive Plan (ERIP) refunding

\* Current data unavailable

R Revised

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

**Exhibit J-11**

| Fiscal<br>Year<br>Ended<br>June 30, | General Bonded Debt Outstanding |            |   | Percentage of<br>Actual Taxable<br>Value <sup>a</sup> of<br>Property | Per Capita <sup>b</sup> |
|-------------------------------------|---------------------------------|------------|---|--|-------------------------|
|                                     | General<br>Obligation<br>Bonds  | Deductions | Net General<br>Bonded Debt<br>Outstanding |  |                         |
| 2003                                | \$ 2,034,055                    | -0-        | \$ 2,034,055                              | 1.49%  | \$ 1,045                |
| 2004                                | \$ 1,945,306                    | -0-        | \$ 1,945,306                              | 1.41%  | \$ 1,000                |
| 2005                                | \$ 1,849,247                    | -0-        | \$ 1,849,247                              | 1.32%  | \$ 953                  |
| 2006                                | \$ 1,751,977                    | -0-        | \$ 1,751,977                              | 1.24%  | \$ 899                  |
| 2007                                | \$ 1,648,373                    | -0-        | \$ 1,648,373                              | 0.52%  | \$ 847                  |
| 2008                                | \$ 1,538,399                    | -0-        | \$ 1,538,399                              | 0.49%  | \$ 791                  |
| 2009                                | \$ 1,427,000                    | -0-        | \$ 1,427,000                              | 0.46%  | \$ 730                  |
| 2010                                | \$ 1,342,000                    | -0-        | \$ 1,342,000                              | 0.43%  | \$ 690                  |
| 2011                                | \$ 1,300,000                    | -0-        | \$ 1,300,000                              | 0.49%  | \$ 666                  |
| 2012                                | \$ 1,190,000                    | -0-        | \$ 1,190,000                              | 0.45%  | \$ 612                  |

**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.

\* Current data unavailable

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

**Exhibit J-12**

| <u>Governmental Unit</u>                                   | <u>Debt<br/>Outstanding</u> | <u>Estimated<br/>Percentage<br/>Applicable <sup>a</sup></u> | <u>Estimated<br/>Share of<br/>Overlapping<br/>Debt</u> |
|--|-----------------------------|---|--|
| <b>Debt repaid with property taxes</b><br>Township of Hope | \$ 876,600                  | 100.000%  | \$ 876,600   |
| <b>Other debt</b><br>Warren County                         | 8,760,000                   | 2.131%  | <u>186,713</u>   |
| Subtotal, overlapping debt                                 |                             |   | 1,063,313  |
| <b>Hope Township School District Direct Debt</b>           |                             |   | <u>1,190,000</u>                                       |
| <b>Total direct and overlapping debt</b>                   |                             |   | <u><u>\$ 2,253,313</u></u>                             |

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

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

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

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

Exhibit J-13

Legal Debt Margin Calculation for Fiscal Year 2012

|                           |                       |
|---------------------------|-----------------------|
| Equalized valuation basis |                       |
| 2011                      | \$ 250,899,656        |
| 2010                      | 271,353,710           |
| 2009                      | 286,925,076           |
| <b>[A]</b>                | <b>\$ 809,178,442</b> |

Average equalized valuation of taxable **[A/3]** \$ 269,726,147

Debt limit (3 % of average equalization value) **[B]** 8,091,784

Net bonded school debt **[C]** 1,190,000

Legal debt margin **[B-C]** \$ 6,901,784

|   | Fiscal Year        |                    |                    |                    |                    |                    |                    |                    |                    |                    |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|   | <u>2003</u>        | <u>2004</u>        | <u>2005</u>        | <u>2006</u>        | <u>2007</u>        | <u>2008</u>        | <u>2009</u>        | <u>2010</u>        | <u>2011</u>        | <u>2012</u>        |
| Debt limit  | \$4,452,225        | \$4,961,742        | \$5,645,605        | \$6,478,342        | \$7,436,887        | \$8,315,014        | \$8,853,511        | \$8,887,208        | \$8,563,870        | 8,091,784          |
| Total net debt applicable to limit                                      | <u>2,034,055</u>   | <u>1,945,306</u>   | <u>1,849,247</u>   | <u>1,751,977</u>   | <u>1,648,373</u>   | <u>1,538,399</u>   | <u>1,427,000</u>   | <u>1,342,000</u>   | <u>1,300,000</u>   | <u>1,190,000</u>   |
| Legal debt margin   | <u>\$2,418,170</u> | <u>\$3,016,436</u> | <u>\$3,796,358</u> | <u>\$4,726,365</u> | <u>\$5,788,514</u> | <u>\$6,776,615</u> | <u>\$7,426,511</u> | <u>\$7,545,208</u> | <u>\$7,263,870</u> | <u>\$6,901,784</u> |
| Total net debt applicable to the limit<br>as a percentage of debt limit | 45.69%             | 39.21%             | 32.76%             | 27.04%             | 22.16%             | 18.50%             | 16.12%             | 15.10%             | 15.18%             | 14.71%             |

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

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

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

**Exhibit J-14**

| <u>Year</u> | <u>Population <sup>a</sup></u> | <u>Personal<br/>Income<br/>(thousands of<br/>dollars) <sup>b</sup></u> | <u>Per Capita<br/>Personal<br/>Income <sup>c</sup></u> | <u>Unemployment<br/>Rate <sup>d</sup></u> |
|-------------|--------------------------------|--|--|---|
| 2003        | 1,947                          | \$ 67,200,705  | \$34,515 R   | 5.9%                                      |
| 2004        | 1,946                          | \$ 69,299,006  | \$35,611 R   | 4.4%                                      |
| 2005        | 1,940                          | \$ 71,669,420  | \$36,943 R   | 4.3%                                      |
| 2006        | 1,948                          | \$ 76,930,416  | \$39,492 R   | 4.6%                                      |
| 2007        | 1,947                          | \$ 81,509,208  | \$41,864 R   | 4.3%                                      |
| 2008        | 1,945                          | \$ 85,243,515  | \$43,827 R   | 5.7%                                      |
| 2009        | 1,956                          | \$ 84,246,876  | \$43,071 R   | 10.0%                                     |
| 2010        | 1,946                          | \$ 85,980,118  | \$44,183 P   | 10.3%                                     |
| 2011        | 1,952                          | \$ 86,245,216  | \$44,183 *   | 9.6%                                      |
| 2012        | 1,946                          | \$ 85,980,118  | \$44,183 *   | *   |

**Source:**

<sup>a</sup> Population information provided by the NJ Dept of Labor and Workforce Development

<sup>b</sup> Personal Income provided by US Dept of Commerce

<sup>c</sup> Per Capita provided by US Dept of Commerce

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

R =Revised

\* Current data unavailable

Hope Township School District  
Principal Employers,  
Current Year and Nine Years Ago

Exhibit J-15

N/A

| Employer | 2012      |                 |                                | 2003      |                 |                                |
|----------|-----------|-----------------|--------------------------------|-----------|-----------------|--------------------------------|
|          | Employees | Rank (Optional) | Percentage of Total Employment | Employees | Rank (Optional) | Percentage of Total Employment |
|          |           | 1               | 0.00%                          | -         |                 | 0.00%                          |
|          |           | 2               | 0.00%                          | -         |                 | 0.00%                          |
|          |           | 3               | 0.00%                          | -         |                 | 0.00%                          |
|          |           | 4               | 0.00%                          | -         |                 | 0.00%                          |
|          |           | 5               | 0.00%                          | -         |                 | 0.00%                          |
|          |           | 6               | 0.00%                          | -         |                 | 0.00%                          |
|          |           | 7               | 0.00%                          | -         |                 | 0.00%                          |
|          |           | 8               | 0.00%                          | -         |                 | 0.00%                          |
|          |           | 9               | 0.00%                          | -         |                 | 0.00%                          |
|          |           | 10              | 0.00%                          | -         |                 | 0.00%                          |
|          | -         |                 |                                | -         |                 | 0.00%                          |
|          | -         |                 |                                | -         |                 | 0.00%                          |
|          | -         |                 |                                | -         |                 | 0.00%                          |
|          |           |                 |                                |           |                 |                                |
|          | -         |                 | 0.00%                          | -         |                 | 0.00%                          |

**Source:**  
No reliable information for Employer  
Data available at Local or County level

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

**Exhibit J-16**

| <u>Function/Program</u>          | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Instruction                      |             |             |             |             |             |             |             |             |             |             |
| Regular                          |             |             | 15          | 15          | 14          | 14          | 14          | 16          | 15          | 16          |
| Special education                |             |             | 4           | 3           | 3           | 3           | 3           | 2           | 2           | 2           |
| Other special education          |             |             | 2           | 3           | 3           | 3           | 3           | 2           | 2           | 2           |
| Support Services:                |             |             |             |             |             |             |             |             |             |             |
| General administrative services  |             |             | 2           | 2           | 2           | 2           | 2           | 1           | 1           | 1           |
| School administrative services   |             |             | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           |
| Other administrative services    |             |             | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           |
| Plant operations and maintenance |             |             | 3           | 3           | 3           | 3           | 3           | 3           | 3           | 3           |
| Pupil transportation             |             |             | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           |
| Other support services           |             |             | 4           | 3           | 3           | 6           | 7           | 8           | 8           | 7           |
| Special Schools                  |             |             | 2           | 2           | 2           | 2           | 1           | 1           | 1           | 2           |
| Total                            |             |             | 35          | 34          | 33          | 36          | 36          | 36          | 35          | 36          |

**Source:** District Personnel Records

Hope Township School District  
 Operating Statistics  
 Last Ten Fiscal Years

Exhibit J-17

| Fiscal Year | Enrollment | Operating Expenditures <sup>a</sup> | Cost Per Pupil | Percentage Change | Teaching Staff <sup>b</sup> | Pupil/Teacher Ratio | Average Daily Enrollment (ADE) <sup>c</sup> | Average Daily Attendance (ADA) <sup>c</sup> | % Change in Average Daily Enrollment | Student Attendance Percentage |
|-------------|------------|-------------------------------------|----------------|-------------------|-----------------------------|---------------------|---|---|--------------------------------------|-------------------------------|
|             |            |                                     |                |                   |                             | Elementary          |   |   |                                      |                               |
| 2003        | 214        | \$3,358,199                         | \$15,693       | 15.47%            | 23.4                        | 1:12                | 187.7                                       | 179.5                                       | -2.59%                               | 95.6%                         |
| 2004        | 239        | \$3,546,279                         | \$14,838       | -5.45%            | 22.9                        | 1:13.6              | 236.8 *                                     | 226.3                                       | 26.16%                               | 95.6%                         |
| 2005        | 227        | \$3,222,810                         | \$14,197       | -4.32%            | 23.8                        | 1:11.8              | 226.3 **                                    | 215.9                                       | -4.43%                               | 95.4%                         |
| 2006        | 228        | \$3,960,561                         | \$17,371       | 22.35%            | 19.7                        | 1:11.6              | 223.7                                       | 215.0                                       | -1.15%                               | 96.1%                         |
| 2007        | 228        | \$4,175,668                         | \$18,314       | 5.43%             | 18.7                        | 1:12.2              | 223.5                                       | 214.6                                       | -0.09%                               | 96.0%                         |
| 2008        | 202        | \$4,389,831                         | \$21,732       | 18.66%            | 18.0                        | 1:11.2              | 197.8                                       | 189.6                                       | -11.50%                              | 95.9%                         |
| 2009        | 213        | \$4,561,219                         | \$21,414       | -1.46%            | 20.0                        | 1:10.7              | 212.6                                       | 202.9                                       | 7.48%                                | 95.4%                         |
| 2010        | 207        | \$4,604,181                         | \$22,242       | 3.87%             | 20.0                        | 1:10.4              | 204.4                                       | 194.4                                       | -3.86%                               | 95.1%                         |
| 2011        | 203        | \$4,354,212                         | \$21,449       | -3.57%            | 19.0                        | 1:10.7              | 205.6                                       | 195.4                                       | 0.59%                                | 95.0%                         |
| 2012        | 196        | \$4,433,501                         | \$22,620       | 5.46%             | 20.0                        | 1:9.8               | 193.5                                       | 185.5                                       | -5.89%                               | 95.9%                         |

Sources: District records, ASSA and Schedules J-2, J-4

Note: Enrollment based on annual October district count.

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

\*Includes 35.7 preschool students in ADE and 34.1 preschool students in ADA  
 \*\*Includes 29.3 preschool students in ADE and 27.9 preschool students in ADA  
 Preschool was not counted in years prior to 2004

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

**Exhibit J-18**

|                                    | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b><u>Hope Township School</u></b> |             |             |             |             |             |             |             |             |             |             |
| Square Feet                        | 42,207      | 42,207      | 42,207      | 42,207      | 42,207      | 42,207      | 42,207      | 42,207      | 42,207      | 42,207      |
| Capacity (students)                | 269         | 269         | 269         | 269         | 269         | 269         | 269         | 269         | 269         | 269         |
| Enrollment                         | 214         | 239         | 227         | 228         | 228         | 202         | 213         | 207         | 203         | 196         |

Number of Schools at June 30, 2012  
Elementary = 1

**Source:** District records, ASSA

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

HOPE TOWNSHIP SCHOOL DISTRICT  
GENERAL FUND  
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES  
Last Ten Fiscal Years Ending June 30, 2012

Exhibit J-19

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

| <u>School Facilities</u> | <u>Project #</u> | <u>2003</u>      | <u>2004</u>      | <u>2005</u>      | <u>2006</u>      | <u>2007</u>      | <u>2008</u>      | <u>2009</u>      | <u>2010</u>      | <u>2011</u>      | <u>2012</u>      | <u>Total</u>      |
|--------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|
| Hope Township School     | N/A              | \$ 16,013        | \$ 21,214        | \$ 62,176        | \$ 59,421        | \$ 51,001        | \$ 72,179        | \$ 60,149        | \$ 67,886        | \$ 57,345        | \$ 80,905        | 548,289           |
| Total School Facilities  |                  | 16,013           | 21,214           | 62,176           | 59,421           | 51,001           | 72,179           | 60,149           | 67,886           | 57,345           | 80,905           | 548,289           |
| Other Facilities         |                  | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                 |
| <b>Grand Total</b>       |                  | <b>\$ 16,013</b> | <b>\$ 21,214</b> | <b>\$ 62,176</b> | <b>\$ 59,421</b> | <b>\$ 51,001</b> | <b>\$ 72,179</b> | <b>\$ 60,149</b> | <b>\$ 67,886</b> | <b>\$ 57,345</b> | <b>\$ 80,905</b> | <b>\$ 548,289</b> |

HOPE TOWNSHIP SCHOOL DISTRICT

INSURANCE SCHEDULE

June 30, 2012

UNAUDITED

Exhibit J-20

| <u>POLICY TYPE</u>  | <u>COVERAGE</u> | <u>DEDUCTIBLE</u> |
|---|-----------------|-------------------|
| <b>SCHOOL PACKAGE POLICY - SAIF</b>   |                 |                   |
| Property-Blanket Building and Contents  | \$250,000,000   | \$1,000           |
| Comprehensive General Liability (ACE)   | 5,000,000       | None              |
| <b>ENVIRONMENTAL IMPAIRMENT - SAIF</b>  |                 |                   |
| Other   | 1,000,000       | 5,000             |
| <b>WORKMENS' COMPENSATION POLICY - NJSAIG</b>   |                 |                   |
| Statutory   | 2,000,000       |                   |
| <b>SCHOOL BOARD LEGAL LIABILITY - SAIF</b>  |                 |                   |
| Directors and Officers Policy   | 5,000,000       | 5,000             |
| <b>PUBLIC EMPLOYEES' FAITHFUL PERFORMANCE<br/>BLANKET POSITION BOND - Selective Insurance</b> |                 |                   |
| Treasurer of School Monies  | 160,000         |                   |
| Board Secretary   | 160,000         |                   |

SOURCE: District Records

# Single Audit Section



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

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

Honorable President and  
 Members of the Board of Education  
 Hope Township School District  
 County of Warren  
 Hope, New Jersey 07844

We have audited the financial statements of the Board of Education of the Hope Township School District in the County of Warren, State of New Jersey, as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated August 31, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

### **Internal Control Over Financial Reporting**

Management of the Hope Township School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Hope Township School District Board of Education's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hope Township School District Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hope Township School District Board of Education's internal control over financial reporting.

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

-Continued-

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

### **Compliance and Other Matters**

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

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



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

Date: August 31, 2012



## **ARDITO & Co., LLP**

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

Honorable President and  
 Members of the Board of Education  
 Hope Township School District  
 County of Warren  
 Hope, New Jersey 07844

#### **Compliance**

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

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

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

-Continued-

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

### **Internal Control Over Compliance**

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

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

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

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



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

Date: August 31, 2012

HOPE TOWNSHIP SCHOOL DISTRICT

K-4

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

Schedule B

| STATE GRANTOR/PASS-THROUGH<br>GRANTOR/PROGRAM TITLE | GRANT OR STATE<br>PROJECT NUMBER | GRANT PERIOD   | AWARD<br>AMOUNT | BALANCE<br>6/30/2011 | CARRY-<br>OVER<br>AMOUNT | CASH<br>RECEIVED    | BUDGET.<br>EXPEND.    | ADJUST. | REPAYMENT<br>OF PRIOR<br>YEARS'<br>BALANCES | BALANCE AT JUNE 30, 2012 |  |                   | MEMO                    |                                     |                     |
|---|----------------------------------|----------------|-----------------|----------------------|--------------------------|---------------------|-----------------------|---------|---|--------------------------|--|-------------------|-------------------------|-------------------------------------|---------------------|
|   |                                  |                |                 |                      |                          |                     |                       |         |   | (ACCTS.<br>RECEIV.)      | INTERFUND<br>PAYABLE/<br>DEFER.<br>REVENUE | DUE TO<br>GRANTOR | BUDGETARY<br>RECEIVABLE | CUMULATIVE<br>TOTAL<br>EXPENDITURES |                     |
| <b>State Department of Education</b>                |                                  |                |                 |                      |                          |                     |                       |         |   |                          |  |                   |                         |                                     |                     |
| <b>General Fund:</b>                                |                                  |                |                 |                      |                          |                     |                       |         |   |                          |  |                   |                         |                                     |                     |
| Equalization Aid                                    | 12-495-034-5120-078              | 7/1/11-6/30/12 | \$ 680,412      |                      |                          | \$ 680,412          | \$ (680,412)          |         |   |                          |  |                   |                         | \$ 67,583                           | \$ 680,412          |
| Transportation Aid                                  | 12-495-034-5120-014              | 7/1/11-6/30/12 | 94,203          |                      |                          | 94,203              | (94,203)              |         |   |                          |  |                   |                         | 9,357                               | 94,203              |
| Special Education Aid                               | 12-495-034-5120-089              | 7/1/11-6/30/12 | 145,710         |                      |                          | 145,710             | (145,710)             |         |   |                          |  |                   |                         | 14,473                              | 145,710             |
| Security Aid  | 12-495-034-5120-084              | 7/1/11-6/30/12 | 21,926          |                      |                          | 21,926              | (21,926)              |         |   |                          |  |                   |                         | 2,178                               | 21,926              |
| Non-Public Transportation Aid                       | 11-495-034-5120-044              | 7/1/10-6/30/11 |                 | \$ (6,009)           |                          | 6,009               |                       |         |   |                          |  |                   |                         |                                     |                     |
| Non-Public Transportation Aid                       | 12-495-034-5120-044              | 7/1/11-6/30/12 | 5,548           |                      |                          |                     | (5,548)               |         |   | \$ (5,548)               |  |                   |                         |                                     | 5,548               |
| Extra-Ordinary Aid                                  | 11-495-034-5120-044              | 7/1/10-6/30/11 |                 | (23,517)             |                          | 23,517              | -                     |         |   |                          |  |                   |                         |                                     |                     |
| Extra-Ordinary Aid                                  | 12-495-034-5120-044              | 7/1/11-6/30/12 | 3,441           |                      |                          |                     | (3,441)               |         |   | (3,441)                  |  |                   |                         |                                     | 3,441               |
| On-behalf TPAF Pension Contrib.                     | 12-495-034-5095-001              | 7/1/11-6/30/12 | 140,292         |                      |                          | 140,292             | (140,292)             |         |   |                          |  |                   |                         |                                     | 140,292             |
| Reimbursed TPAF Soc.Secur.Contrib.                  | 12-495-034-5095-002              | 7/1/11-6/30/12 | 90,616          | (5,107)              |                          | 90,620              | (90,616)              |         |   | (5,103)                  |  |                   |                         |                                     | 90,616              |
| <b>Total General Fund</b>                           |                                  |                |                 | <u>(34,633)</u>      |                          | <u>1,202,689</u>    | <u>(1,182,148)</u>    |         |   | <u>(14,092)</u>          |  |                   |                         | <u>93,591</u>                       | <u>1,182,148</u>    |
| <b>State Department of Agriculture:</b>             |                                  |                |                 |                      |                          |                     |                       |         |   |                          |  |                   |                         |                                     |                     |
| <b>Enterprise Fund:</b>                             |                                  |                |                 |                      |                          |                     |                       |         |   |                          |  |                   |                         |                                     |                     |
| Nat.School Lunch Prog.(State Share)                 | 11-100-010-3350-023              | 7/1/10-6/30/11 |                 | (50)                 |                          | 50                  |                       |         |   |                          |  |                   |                         |                                     |                     |
| Nat.School Lunch Prog.(State Share)                 | 12-100-010-3350-023              | 7/1/11-6/30/12 | 739             |                      |                          | 689                 | (739)                 |         |   | (50)                     |  |                   |                         |                                     | 739                 |
| <b>Total Enterprise Fund</b>                        |                                  |                |                 | <u>(50)</u>          |                          | <u>739</u>          | <u>(739)</u>          |         |   | <u>(50)</u>              |  |                   |                         |                                     | <u>739</u>          |
| <b>Total State Financial Assistance</b>             |                                  |                |                 | <u>\$ (34,683)</u>   |                          | <u>\$ 1,203,428</u> | <u>\$ (1,182,887)</u> |         |   | <u>\$ (14,142)</u>       |  |                   |                         | <u>\$ 93,591</u>                    | <u>\$ 1,182,887</u> |

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

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

**NOTE 1. GENERAL**

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

**NOTE 2. BASIS OF ACCOUNTING**

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

**NOTE 3. RELATIONSHIP TO GENERAL PURPOSE FINANCIAL STATEMENTS**

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$13,083) for the general fund and -0- for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented on the following page:

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

**NOTE 3. (Continued)**

|                            | <u>Federal</u>    | <u>State</u>        | <u>Total</u>        |
|----------------------------|-------------------|---------------------|---------------------|
| General Fund               | \$ 36,885         | \$ 1,169,065        | \$ 1,205,950        |
| Special Revenue Fund       | 111,480           | -                   | 111,480             |
| Food Service Fund          | <u>17,436</u>     | <u>739</u>          | <u>18,175</u>       |
| Total Financial Assistance | <u>\$ 165,801</u> | <u>\$ 1,169,804</u> | <u>\$ 1,335,605</u> |

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

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

**NOTE 5. OTHER**

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

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

Part I - Summary of Auditor's Results

**Financial Statement Section**

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

**Federal Awards Section**

N/A

- D) Dollar threshold used to determine Type A programs: \$300,000
  
- E) Auditee qualified as low-risk auditee? \_\_\_ Yes \_\_\_ No
  
- F) Type of auditor's report on compliance for major programs: Unqualified
  
- G) Internal Control over compliance:
  - 1) Material weakness(es) identified? \_\_\_ Yes \_\_\_ No
  - 2) Were significant deficiencies identified that were not considered to be material weaknesses? \_\_\_ Yes \_\_\_ No
  
- H) Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133(Section .510(a))? \_\_\_ Yes \_\_\_ No
  
- I) Identification of major programs:

**CFDA NUMBER(S)**

**NAME OF FEDERAL PROGRAM OR CLUSTER**

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

Part I - Summary of Auditor's Results

**State Financial Assistance Section**

- J) Dollar threshold used to determine Type A programs: \$300,000
- K) Auditee qualified as low-risk auditee? (1) x\_yes\_\_no
- L) Type of auditor's report on compliance for major programs: Unqualified
- M) Internal Control over compliance:
  - 1) Material weakness(es) identified? \_\_\_yes x\_no
  - 2) Were significant deficiencies identified that were not considered to be material weaknesses? \_\_\_yes x\_none reported
- N) Any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular 04-04? \_\_\_yes x\_no
- O) Identification of major programs:

**GMIS Number(s)**

**Name of State Program**

12-495-034-5120-078

Equalization Aid

12-495-034-5120-089

Special Education Aid

\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

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

**Section II-Financial Statement Findings**

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

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

**STATE FINANCIAL ASSISTANCE**-There were no state financial assistance findings or questioned costs noted, that are required to be reported in accordance with NJOMB Circular 04-04.

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

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