

# **HARDYSTON TOWNSHIP SCHOOL DISTRICT**

**Hardyston Township School District  
Hardyston, New Jersey**

**Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2013**

**Comprehensive Annual  
Financial Report**

**of the**

**HARDYSTON TOWNSHIP SCHOOL DISTRICT**

**Hardyston, New Jersey**

**For the Fiscal Year Ended June 30, 2013**

**Prepared by**

**Hardyston Township School District  
Business Office**

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
TABLE OF CONTENTS  
FISCAL YEAR ENDED JUNE 30, 2013

INTRODUCTORY SECTION (UNAUDITED)

Letter of Transmittal .....	1
Organizational Chart.....	5
Roster of Officials.....	6
Consultants and Advisors .....	7

FINANCIAL SECTION ..... 8

Independent Auditors' Report .....	9
------------------------------------	---

Required Supplementary Information .....	12
Management's Discussion and Analysis (Unaudited).....	13

Basic Financial Statements (Sections A. and B.).....	21
--	----

A. District-Wide Financial Statements.....	22
A-1 Statement of Net Position.....	23
A-2 Statement of Activities .....	24

B. Fund Financial Statements .....	26
B-1 Balance Sheet – Governmental Funds.....	27
B-2 Statement of Revenue, Expenditures and Changes in Fund Balance – Governmental Funds .....	29
B-3 Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	31
B-4 Statement of Net Position – Proprietary Funds .....	32
B-5 Statement of Revenue, Expenses and Changes in Net Position – Proprietary Funds .....	33
B-6 Statement of Cash Flows – Proprietary Funds .....	34
B-7 Statement of Fiduciary Net Position – Fiduciary Funds.....	35
B-8 Statement of Changes in Fiduciary Net Position – Fiduciary Funds.....	36

Notes to the Basic Financial Statements .....	37
---	----

Supplementary Schedules (Sections C. to I.)

C. Budgetary Comparison Schedules.....	59
C-1 Budgetary Comparison Schedule – General Fund (Unaudited) .....	60
C-2 Budgetary Comparison Schedule –Budgetary Basis - Special Revenue Fund (Unaudited).....	70
C-3 Budgetary Comparison Schedule – Note to RSI (Unaudited).....	71

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
TABLE OF CONTENTS  
FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

FINANCIAL SECTION (Cont' d)

D. School Level Schedules (Not Applicable) .....	73
E. Special Revenue Fund.....	74
E-1 Combining Schedule of Revenue and Expenditures Special Revenue Fund – Budgetary Basis .....	75
E-2 Preschool Education Aid Schedule of Expenditures – Budgetary Basis (Not Applicable).....	77
F. Capital Projects Fund .....	78
F-1 Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis .....	79
F-1a Schedule of Project Revenues, Expenditures, Project Balances, and Project Status - Budgetary Basis – Construction and Renovations to Elementary School and Construction of New Middle School.....	80
F-1b Schedule of Project Revenues, Expenditures, Project Balances, and Project Status – Budgetary Basis – Renovations to Middle School Roof.....	81
F-1c Schedule of Project Revenues, Expenditures, Project Balances, and Project Status – Budgetary Basis – Replacement of Floor Tile and Stairway at Hardyston Elementary School .....	82
G. Proprietary Funds .....	83
Enterprise Fund:	
G-1 Statement of Net Position.....	84
G-2 Statement of Revenue, Expenses and Changes in Net Position .....	85
G-3 Statement of Cash Flows .....	86
H. Fiduciary Funds.....	87
H-1 Combining Statement of Net Position.....	88
H-2 Combining Statement of Changes in Net Position .....	89
H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements .....	90
H-4 Payroll Agency Fund Schedule of Receipts and Disbursements.....	91
I. Long-Term Debt.....	92
I-1 Schedule of Serial Bonds.....	93
I-2 Schedule of Obligations Under Capital Leases (Not Applicable).....	95
I-3 Debt Service Fund Budgetary Comparison Schedule (Unaudited).....	96
J. STATISTICAL SECTION (Unaudited).....	97
J-1 Net Position by Component.....	99
J-2 Changes in Net Position .....	100
J-3 Fund Balances – Governmental Funds.....	103
J-4 Changes in Fund Balances – Governmental Funds .....	104
J-5 General Fund Other Local Revenue by Source .....	106
J-6 Assessed Value and Actual Value of Taxable Property .....	107
J-7 Direct and Overlapping Property Tax Rates.....	108
J-8 Principal Property Taxpayers .....	109
J-9 Property Tax Levies and Collections.....	110
J-10 Ratios of Outstanding Debt by Type .....	111
J-11 Ratios of Net General Bonded Debt Outstanding .....	112

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
TABLE OF CONTENTS  
FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

J. STATISTICAL SECTION (Unaudited) (Cont'd)

J-12 Ratios of Overlapping Governmental Activities Debt .....	113
J-13 Legal Debt Margin Information .....	114
J-14 Demographic and Economic Statistics .....	115
J-15 Principal Employers .....	116
J-16 Full-Time Equivalent District Employees by Function/Program .....	117
J-17 Operating Statistics.....	118
J-18 School Building Information .....	119
J-19 Schedule of Required Maintenance for School Facilities .....	120
J-20 Insurance Schedule.....	121

K. SINGLE AUDIT SECTION ..... 122

K-1 Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	123
K-2 Independent Auditors' Report on Compliance Each Major State Program; Report on Internal Control over Compliance Required By OMB Circular A-133 and New Jersey OMB's Circular 04-04 .....	125
Schedule of Expenditures of Federal Awards .....	127
Schedule of Expenditures of State Awards .....	128
Notes to the Schedules of Expenditures of Federal and State Awards.....	129
Schedule of Findings and Questioned Costs .....	131
Summary Schedule of Prior Audit Findings .....	132

INTRODUCTORY SECTION

# Hardyston School District

183 Wheatsworth Road  
Hamburg, NJ 07419  
(973) 823-7000 FAX (973) 823-7010  
[www.hsdps.org](http://www.hsdps.org)

*Richard R. Corbett*  
*Chief School Administrator/Middle School Principal*

*James R. Sekelsky*  
*Business Administrator/Board Secretary*

*John Brennan*  
*Elementary School Principal*

*Robert Demeter*  
*Middle School Vice-Principal*

November 15, 2013

The Honorable President and Members  
Of the Board of Education  
Hardyston Township School District  
County of Sussex, State of New Jersey

Dear Board Members:

The comprehensive annual financial report of the Hardyston Township School District (“the District”) for the fiscal year ended June 30, 2013, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Hardyston Township Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District’s financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District’s organizational chart and a list of principal officials. The financial section includes the Independent Auditors’ Report, the management’s discussion and analysis, the basic financial statements and notes providing an overview of the District’s financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected financial and demographic information generally presented on a multi-year basis.

The District is subject to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the New Jersey OMB’s Circular 04-04, *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:** Hardyston Township School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (“GASB”) in codification section 2100. All funds of the District are included in this report. The Hardyston Township Board of Education and all its schools constitute the District’s reporting entity.

The District provides a full range of educational services appropriate to grade levels Preschool through 8. These include regular, as well as special education for handicapped youngsters preschool through grade 8.

The Honorable President and Members  
of the Board of Education  
Hardyston Township School District  
Page 2  
November 15, 2013

2) ECONOMIC CONDITION AND OUTLOOK: Hardyston Township encompasses an area of 32.5 square miles in central Sussex County. Hamburg Mountain divides the Township into almost two equal areas. The eastern portion of the Township is mountainous and consists mainly of lakes and resort development. At least one-half of this area consists of the Newark watershed property. The western portion of Hardyston is made up of mostly farmland. New housing development has slowed as compared to recent years. The outlook for the future is that Hardyston Township will grow at a moderate pace, slightly higher than surrounding communities, with both housing for families and senior citizen facilities.

Major traffic arteries serving the area consist of State Route 23, which bisects the Township in an east-west direction, and Route 94 in a north-south direction, which is located in the western section of the Township. Additional routes include County Roads 515 and 517. Hardyston Township also has easy access to Interstate Routes 80 and 287, and State Routes 15, 206 and 46.

The Hardyston Township School District became a two-school district during the 2003-2004 school year. The Hardyston Township Middle School became a reality on November 11, 2003. The school, located on Wheatsworth Road, is part of an educational/recreational cooperative effort between the school board and the community. The Middle School building also houses the Administrative and Board Offices.

Beginning in September, 2011 the fifth grade program was relocated to the middle school making the elementary facility a pre-k through fourth building and creating a fifth through eighth middle school. The elementary school is located on State Highway Route 23. This building continues to undergo refurbishing as needed.

Hardyston Township recently celebrated its 250<sup>th</sup> anniversary with various year-long activities involving the community and the School District. During the 2012-2013 school year, the two schools in the Hardyston Township School District provided education for 768 students in grades pre-kindergarten through grade eight with a staff of 78 professionals and a support staff of 31.5. Students in grades nine through twelve have the option of attending Wallkill Valley Regional High School, Pope John XXIII Regional High School or Sussex County Technical School.

The academic and social needs of the students are addressed through a comprehensive curriculum that includes all mandated programs plus additional programs that the Board of Education has determined are necessary to meet the total educational goals of the District. These programs include Art, Music, Family and Consumer Sciences, World Language, Enrichment, and Computer Education. The Enrichment Program is conducted District wide. A Basic Skills program is provided for students identified as in need of supplemental instruction. Services of guidance counselors and a full Child Study Team are provided to meet the needs of our students. Children with special needs are served through resource centers, Learning and/or Language Disability classes, the Preschool Handicapped Program, the Multiple Disabled Program, as well as outside district placements. In September 2011, the District initiated a preschool program with the parents of participating students paying tuition. Articulation of the curriculum is supervised by the Building Administrators. An extensive extra-curricular sports program provides students with experience in cross country running, field hockey, soccer, girls' and boys' basketball, cheerleading, gymnastics, and boys' and girls' track. Yearbook, band, chorus, and intramurals also provide after-school activities for the students. In September 2013 the District implemented full-day kindergarten with four sections accommodating 76 students.

Students in grades six, seven, and eight are organized and taught through the team concept and a schedule which provides lengthened periods of instruction every other day in language arts, science, mathematics, and social studies. Bus transportation to and from school is provided for all students.

The Hardyston Township Manager and the Economic Development Committee have continued their efforts to lure additional clean, commercial ratables. Crystal Springs offers the golfing public a choice of several courses in a small, concentrated area, including a huge clubhouse and hotel, which is a centerpiece for the golfing community.

The Honorable President and Members  
of the Board of Education  
Hardyston Township School District  
Page 3  
November 15, 2013

The Township's ratables have begun to reach a plateau and ratable growth has become flat.

The Township is comprised of a large community work force. The major housing developments of Crystal Springs, Indian Fields, Timberline Manor, and Walden Village have reduced the rate at which they build new houses over the last several years. The recreation complex created by the joint venture with the School District and the Township is operational and successful. The level of activity has exceeded the most optimistic projects with soccer, baseball, softball, and football teams continually utilizing the fields. The perimeter track, which was an afterthought of the project, has proven to be an equally popular attraction. The complex itself is another inducement attracting residential and commercial growth in the community.

**3) MAJOR INITIATIVES:** The School District continues to perform on mandated tests at a level that meets those required by the No Child Left Behind law. The District continues to pursue academic excellence by providing staff with professional development programs, along with the purchase of teaching materials in the areas of mathematics, language arts, science and special education. The District maintains a multiple disabled classroom in both the elementary school and the middle school as well as an after school extended learning program for lower performing students for grade levels three through eight. The District also has a number of classroom aides who work closely with classified students in accordance with their individual instructional plans.

The District replaced the middle school roof during the summer of 2009. The Board addressed the middle school windows in the front of the building and finalized a favorable legal settlement in September of 2012. Both the middle and elementary schools have improved technology, networking software, and band-width improvements which were completed in August of 2012.

The Board of Education and Superintendent work cooperatively with the administrators, staff, students, parents, and community to develop the formation of the educational goals of this District. The educational goals are adopted by the Board to address the needs of the students.

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

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

As part of the District's single audit described earlier, tests are made to determine the adequacy of the internal control system, 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 municipalities. 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.

The Honorable President and Members  
of the Board of Education  
Hardyston Township School District  
Page 4  
November 15, 2013

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as fund balance restrictions, commitments, and/or assignments at June 30, 2013.

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

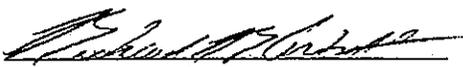
**7) CASH MANAGEMENT:** The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements", Note 3. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

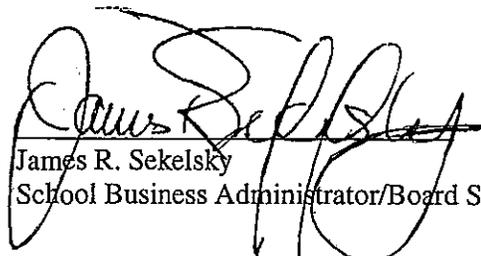
**8) RISK MANAGEMENT:** The Board carries various forms of insurance, including, but not limited to, general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds.

**9) OTHER INFORMATION:** Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related OMB Circular A-133 and New Jersey OMB's Circular 04-04. The auditors' report on the basic financial statements and specific required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit and *Government Auditing Standards* are included in the single audit section of this report.

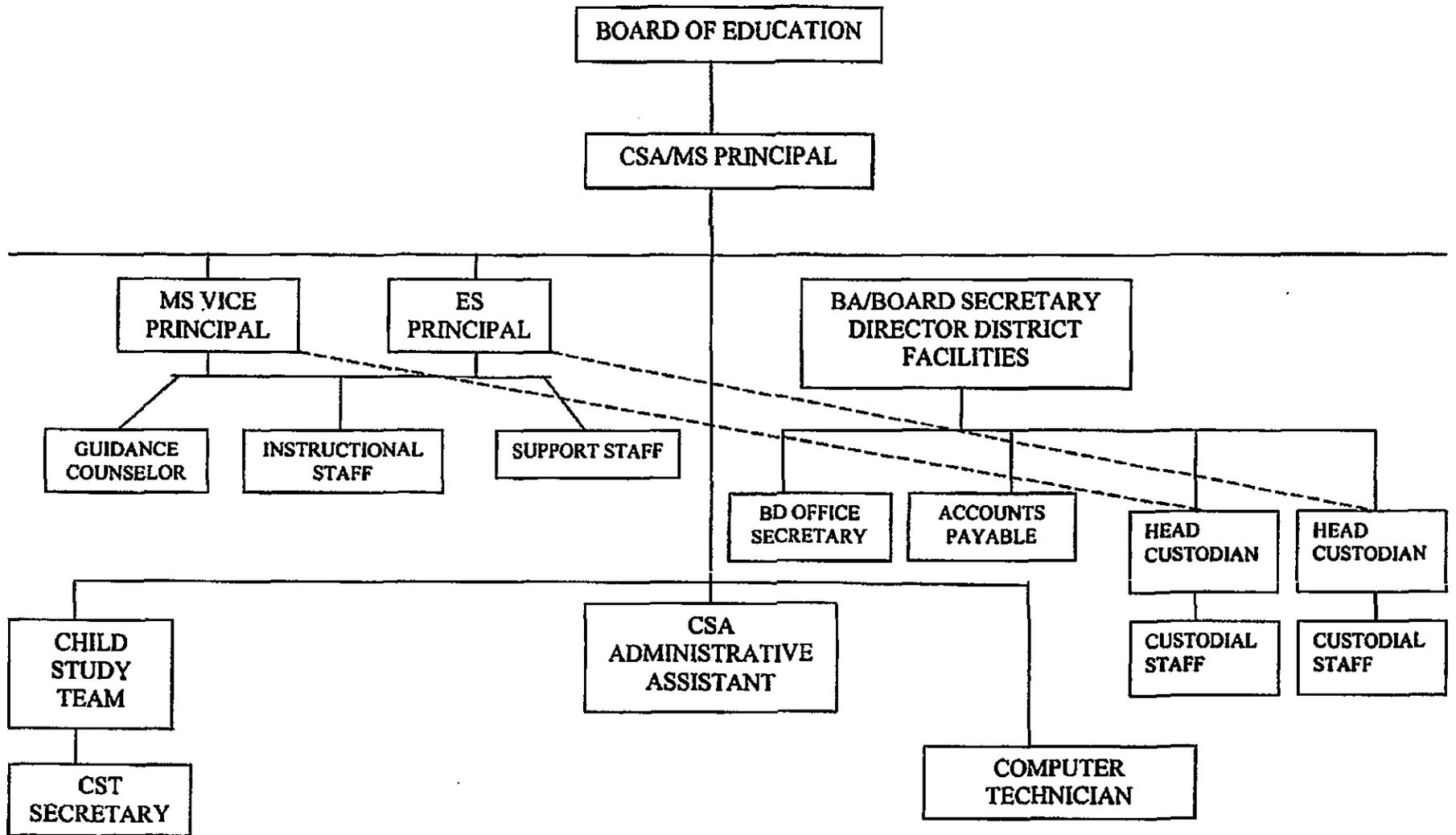
**10) ACKNOWLEDGEMENTS:** We would like to express our appreciation to the members of the Hardyston Township School District for their concern in providing fiscal accountability to the citizens and taxpayers of the District and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial and accounting staff.

Respectfully submitted,

  
Richard R. Corbett  
Superintendent

  
James R. Sekelsky  
School Business Administrator/Board Secretary

# HARDYSTON TOWNSHIP SCHOOL DISTRICT



**HARDYSTON TOWNSHIP SCHOOL DISTRICT  
ROSTER OF OFFICIALS  
JUNE 30, 2013**

<u>Members of the Board of Education</u>		<u>Term Expires</u>
Todd Anderson		2013
Dorothy Beltramine		2015
Edward Blahut		2013
Christine E. Clavin	President	2014
Kevin Johnson		2013
Ron Hoffman		2015
William Repasy		2014
Randolph Roof	Vice President	2013
Martin O'Shea		2015
<u>Other Officers</u>	<u>Title</u>	
Richard R. Corbett	Superintendent of Schools	
James R. Sekelsky	Business Administrator/Board Secretary	
Grant Rome	Treasurer of School Moneys	
Andy Brown	Attorney	

**HARDYSTON TOWNSHIP SCHOOL DISTRICT  
Consultants and Advisors**

**Audit Firm**

Nisivoccia LLP, CPAs  
Mount Arlington Corporate Center  
200 Valley Road Suite 300  
Mt. Arlington, New Jersey 07856-1320  
and  
Lawrence Business Park  
11 Lawrence Road  
Newton, New Jersey 07860

**Attorney**

Schwartz, Simon, Edelstein, & Celso, LLC  
100 South Jefferson Road  
Whippany, New Jersey 07981

**Bond Counsel**

McManimon & Scotland, LLC  
1037 Raymond Boulevard, Suite 400  
Newark, New Jersey 07102

**Architect**

Parette Somjen Architects  
439 Route 46 East  
Rockaway, New Jersey 07866

**Official Depositories**

Sussex Bank  
399 Route 23  
Franklin, New Jersey 07416

New Jersey Cash Management Fund  
CN 290  
Trenton, New Jersey 08625

New Jersey Asset Rebate Management Fund  
224 Strawbridge Drive Suite 104  
Moorestown, New Jersey 08057

FINANCIAL SECTION



Mount Arlington Corporate Center  
 200 Valley Road, Suite 300  
 Mt. Arlington, NJ 07856  
 973-328-1825 | 973-328-0507 Fax

Lawrence Business Center  
 11 Lawrence Road  
 Newton, NJ 07860  
 973-383-6699 | 973-383-6555 Fax

## Independent Auditors' Report

The Honorable President and Members  
 of the Board of Education  
 Hardyston Township School District  
 County of Sussex, New Jersey

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Hardyston Township School District (the "District") in the County of Sussex, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

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 Office of School 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

The Honorable President and Members  
of the Board of Education  
Hardyston Township School District  
Page 2

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Hardyston Township School District, in the County of Sussex, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, which follows this report, and the budgetary comparison information in Exhibits C-1 through C-3 and I-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal and state awards, as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary schedules such as the combining and individual non-major fund financial statements and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Honorable President and Members  
of the Board of Education  
Hardyston Township School District  
Page 3

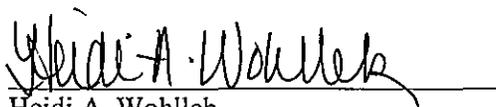
The accompanying other information such as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2013 on our consideration of the District'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

November 15, 2013  
Mount Arlington, New Jersey

NISIVOCCIA LLP



Heidi A. Wohlleb  
Licensed Public School Accountant #2140  
Certified Public Accountant

**REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)**

**Hardyston Township School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
(Unaudited)**

This section of the Hardyston Township School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2013. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

### Financial Highlights

- The District's financial status remains strong and financially stable.
- Overall revenue was \$13.1 million.
- The District's outstanding long-term debt decreased due to the pay down of \$485,000 of outstanding bonds and a net decrease of \$687 in compensated absences payable due to retirements and the current year amortization of the deferred amount of refunding of \$1,683.

### Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more* detail than the District-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- *Proprietary funds* statements offer *short-* and *long-term* financial information about the activities the District operates like a business, such as food services.
- *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-1**

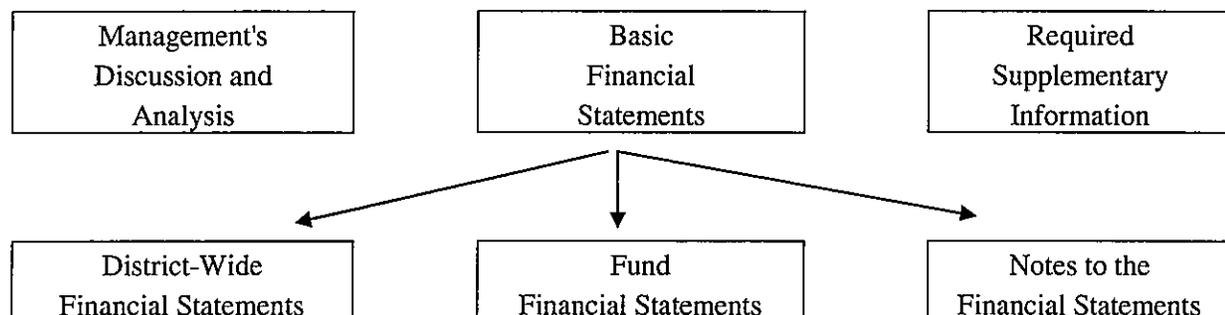


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents of each of the statements.

**Figure A-2**

*Major Features of the District-Wide and Fund Financial Statements*

	District-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities
Required Financial Statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenue, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenue, expenses, and changes in net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's *net position* and how they have changed. Net position – the difference between the District's assets and deferred outflows and liabilities and deferred inflows – is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.
- *Business-type activities*: The District charges fees to help it cover the costs of certain services it provides. The District's food service is included here.

## Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenue (such as federal grants).

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on {1} how cash and other financial assets that can readily be converted to cash flow in and out, and {2} the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.
- *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District uses *internal service funds* (the other kind of proprietary fund) to report activities that provide supplies and services for its other programs and activities. The District currently does not maintain any internal service funds.
- *Fiduciary funds*: The District is the trustee, or *fiduciary*, for assets that belong to others, such as scholarship funds and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

*Notes to the Basic Financial Statements:* Provide additional information essential to a full understanding of the District-wide and fund financial statements.

### Financial Analysis of the District as a Whole

*Net Position.* The District's combined net position increased by \$217,793. Net position from governmental activities increased by \$216,964 combined with an increase in net position from business activities of \$829. Net investment in capital assets increased by \$55,029, restricted net position increased by \$374,509, and unrestricted net position decreased by \$211,745.

**Figure A-3**  
**Condensed Statement of Net Position**

	Government Activities		Business-Type Activities		Total School District		Percentage
	2012/2013	2011/2012	2012/2013	2011/2012	2012/2013	2011/2012	Change
Current and Other Assets	\$ 2,041,327	\$ 1,865,556	\$ 61,255	\$ 53,507	\$ 2,102,582	\$ 1,919,063	9.56%
Capital Assets	16,212,462	16,633,204	26,522	35,751	16,238,984	16,668,955	-2.58%
Total Assets	<u>18,253,789</u>	<u>18,498,760</u>	<u>87,777</u>	<u>89,258</u>	<u>18,341,566</u>	<u>18,588,018</u>	-1.33%
Long-Term Debt Outstanding	12,593,574	13,076,204			12,593,574	13,076,204	-3.69%
Other Liabilities	416,453	395,758	1,814	4,124	418,267	399,882	4.60%
Total Liabilities	<u>13,010,027</u>	<u>13,471,962</u>	<u>1,814</u>	<u>4,124</u>	<u>13,011,841</u>	<u>13,476,086</u>	-3.44%
Net Position:							
Net Investment in Capital							
Assets	3,983,462	3,919,204	26,522	35,751	4,009,984	3,954,955	1.39%
Restricted	1,497,105	1,122,596			1,497,105	1,122,596	33.36%
Unrestricted/(Deficit)	<u>(236,805)</u>	<u>(15,002)</u>	<u>59,441</u>	<u>49,383</u>	<u>(177,364)</u>	<u>34,381</u>	-615.88%
Total Net Position	<u>\$ 5,243,762</u>	<u>\$ 5,026,798</u>	<u>\$ 85,963</u>	<u>\$ 85,134</u>	<u>\$ 5,329,725</u>	<u>\$ 5,111,932</u>	<u>4.26%</u>

*Changes in Net Position.* The District's combined net position was \$5,329,725 on June 30, 2013, \$217,793 or 4.26% greater than it was the year before. (See Figure A-3). The net position of the business-type activities increased by \$829 and the net position of the governmental activities increased by \$216,964 (See Figure A-4). The increase in net investment in capital assets is due to current year capital projects expenses of \$109,525 and current year maturities of serial bonds of \$485,000 offset by current year depreciation expense of \$539,496 offset. The increase in restricted net position is due to increases in the capital reserve of \$300,802, the maintenance reserve of \$100,248 and the emergency reserve of \$66 offset a decrease in the debt service fund balance of \$15,419 and referendum project expenses of \$11,188. The decrease in unrestricted net position is due primarily to Schools Development Authority project expenses of \$98,337 for which the related SDA revenue has not been realized as of June 30, 2013 as well as current year increases in the capital and maintenance reserves and decreases in year-end encumbrances and amounts designated for subsequent year's expenditures in the General Fund offset by unexpended budget appropriations in the General Fund.

**Figure A-4**  
**Change in Net Position from Operating Results**

	Governmental Activities		Business-Type Activities		Total School District		Percentage
	2012/2013	2011/2012	2012/2013	2011/2012	2012/2013	2011/2012	Change 2012/2013
<b>Revenue:</b>							
<b>Program Revenue:</b>							
Charges for Services			\$ 122,765	\$ 138,996	\$ 122,765	\$ 138,996	-11.68%
Operating Grants & Contributions	\$ 2,112,545	\$ 1,928,474	62,263	63,799	2,174,808	1,992,273	9.16%
<b>General Revenue:</b>							
Property Taxes	9,602,668	9,461,611			9,602,668	9,461,611	1.49%
Federal and State Aid Unrestricted	1,175,632	1,326,796			1,175,632	1,326,796	-11.39%
Other	7,090	107,318	41	215	7,131	107,533	-93.37%
<b>Total Revenue</b>	<b>12,897,935</b>	<b>12,824,199</b>	<b>185,069</b>	<b>203,010</b>	<b>13,083,004</b>	<b>13,027,209</b>	<b>0.43%</b>
<b>Expenses:</b>							
Instruction	7,255,539	6,642,715			7,255,539	6,642,715	9.23%
Pupil and Instruction Services	1,414,873	1,607,835			1,414,873	1,607,835	-12.00%
Administrative and Business	1,257,971	1,223,077			1,257,971	1,223,077	2.85%
Maintenance and Operations	1,171,531	1,228,762			1,171,531	1,228,762	-4.66%
Transportation	947,319	942,306			947,319	942,306	0.53%
Other	633,738	698,183	184,240	202,633	817,978	900,816	-9.20%
<b>Total Expenses</b>	<b>12,680,971</b>	<b>12,342,878</b>	<b>184,240</b>	<b>202,633</b>	<b>12,865,211</b>	<b>12,545,511</b>	<b>2.55%</b>
<b>Special Items:</b>							
Debt Service Contributions		(25,000)				(25,000)	100.00%
<b>Increase in Net Position</b>	<b>\$ 216,964</b>	<b>\$ 456,321</b>	<b>\$ 829</b>	<b>\$ 377</b>	<b>\$ 217,793</b>	<b>\$ 456,698</b>	<b>-52.31%</b>

*Revenue Sources.* The District's total revenue for the 2012/2013 school year was \$13,083,004, (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$9,602,668 of the total, or 73.40 percent. (See Figure A-5). Approximately 25.61 percent came from state and federal aid and the remainder from charges for services and other.

**Figure A-5**  
**Sources of School District Revenue - Fiscal Year 2013**

	Amount	Percentage
<b>Sources of Income:</b>		
Federal and State Aid Unrestricted	\$ 1,175,632	8.99%
Property Taxes	9,602,668	73.40%
Federal and State Categorical Grants	2,174,808	16.62%
Charges for Services	122,765	0.94%
Other	7,131	0.05%
	<b>\$ 13,083,004</b>	<b>100.00%</b>

The total cost of all programs and services was \$12,865,211. The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students (74.76 percent). (See Figure A-6). The District's administrative and maintenance and operations activities accounted for 9.10 percent of total costs. It is important to remember that \$539,496 in depreciation is included in expenses for the year.

**Figure A-6**  
**Sources of School District Expenses - Fiscal Year 2013**

Expense Category:	Amount	Percentage
Instruction	\$ 7,255,539	56.40%
Pupil and Instruction Services	1,414,873	11.00%
Administrative and Business	1,257,971	9.78%
Maintenance and Operations	1,171,531	9.10%
Transportation	947,319	7.36%
Other	817,978	6.36%
	\$ 12,865,211	100.00%

### Governmental Activities

As discussed elsewhere in this commentary, the financial position of the District remains strong. However, maintaining existing programs and the provision of a multitude of special programs and services for disabled pupils place great demands on the District's resources.

Careful management of expenses remains essential for the District to sustain its financial health. Among the many significant cost savings actions continued or implemented during the year were:

- Participation in an insurance pool operated by the School Alliance Insurance Fund resulting in low cost property, liability and workers compensation insurance.
- Shared-service contracts with the Township of Hardyston for field maintenance, technology, and fuel.
- Participation in Joint Cooperative Transportation Agreements and maximization of school buses by staggering school schedules and tiered routes.
- Participation in joint purchasing agreements and utilizing state contract vendors when possible.

It is crucial that the District examine its expenses carefully. Increasing parental and student demands for new activities and programs must be evaluated thoroughly. District resources are at their tightest level in a decade.

Figure A-7 presents the cost of six major District activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs).

The net cost shows the financial obligation placed on the District's taxpayers by each of these functions:

**Figure A-7**  
**Net Cost of Governmental Activities**

	Total Costs of Services		Net Cost of Services	
	2012/2013	2011/2012	2012/2013	2011/2012
Instruction	\$ 7,255,539	\$ 6,642,715	\$ 6,059,269	\$ 5,701,724
Pupil and Instruction Services	1,414,873	1,607,835	1,145,688	1,229,244
Administrative and Business	1,257,971	1,223,077	1,134,465	1,129,869
Maintenance and Operations	1,171,531	1,228,762	1,106,541	1,181,016
Transportation	947,319	942,306	488,725	474,368
Other	633,738	698,183	633,738	698,183
	<u>\$ 12,680,971</u>	<u>\$ 12,342,878</u>	<u>\$ 10,568,426</u>	<u>\$ 10,414,404</u>

- The cost of all governmental activities this year was \$12.68 million.
- The federal and state governments subsidized certain programs with grants and contributions totaling \$3.29 million.
- Approximately \$9.60 million of the District's costs were financed by District taxpayers.
- The remainder of the funding came from miscellaneous revenue and investment earnings.

### **Business-Type Activities**

Net position from the District's business-type activity increased by \$829 due to a \$15,000 guaranteed profit from the food service management contractor offset by depreciation and other expenses, (Refer to Figure A-4).

### **Financial Analysis of the District's Funds**

The District's financial position remains strong despite difficult economic times. However, expenditures during the recent year increased significantly as a result of an increased number of pupils with disabilities entering the school district. In addition to greater numbers, these pupils are more profoundly disabled and require more complex educational and related services. A continued increase in enrollment of disabled students has also forced the District to expand its classroom teaching staff, special education aides, and special transportation.

### **General Fund Budgetary Highlights**

Over the course of the year, the District revised the annual operating budget several times. These budget amendments fall into two categories:

- Changes made within budgetary line items for changes in school-based needs for programs, supplies and equipment.
- Changes in budgetary line accounts to more accurately reflect current requirements.

## Capital Asset and Debt Administration

**Figure A-8**  
**Capital Assets (Net of Depreciation)**

	Government Activities		Business-Type Activities		Total School District		Percentage
	2012/2013	2011/2012	2012/2013	2011/2012	2012/2013	2011/2012	Change 2012/2013
Land	\$ 362,892	\$ 362,892			\$ 362,892	\$ 362,892	0.00%
Site Improvements	154,115	179,954			154,115	179,954	-14.36%
Buildings and Building Improvements	14,326,296	14,796,975			14,326,296	14,796,975	-3.18%
Machinery and Equipment	114,015	147,764	\$ 26,522	\$ 35,751	140,537	183,515	-23.42%
Construction in Progress	1,255,144	1,145,619			1,255,144	1,145,619	9.56%
	<u>\$ 16,212,462</u>	<u>\$ 16,633,204</u>	<u>\$ 26,522</u>	<u>\$ 35,751</u>	<u>\$ 16,238,984</u>	<u>\$ 16,668,955</u>	<u>-2.58%</u>

### Long-term Debt

At year-end, the District had \$12,229,000 in general obligation bonds outstanding as shown in Figure A-9. (More detailed information about the District's long-term liabilities is presented in Note 10 to the financial statements.)

**Figure A-9**  
**Outstanding Long-Term Debt**

	Total School District		Percentage
	2012/2013	2011/2012	Change
General Obligation Bonds (Financed with Property Taxes)	\$ 12,229,000	\$ 12,714,000	-3.81%
Less: Deferred Amount on Refunding	(6,731)	(8,414)	-20.00%
	<u>12,222,269</u>	<u>12,705,586</u>	<u>-3.80%</u>
Compensated Absences	371,305	370,618	0.19%
	<u>\$ 12,593,574</u>	<u>\$ 13,076,204</u>	<u>-3.69%</u>

- The District continued to pay down its debt, retiring \$485,000 of outstanding bonds.
- Compensated absences payable increased by a net amount of \$687.

### Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following circumstance that could significantly affect its financial health in the future:

- There is concern financially due to the fact that the State has reduced the level of aid provided to the District overall during the last several years. In addition to this decrease, the allowable increase in the tax levy has been reduced from 4% to 2%. Prices for energy, transportation, and out-of-district tuitions have historically increased more than 2% per year. The Board of Education will have to plan long term to avoid significant changes to the current educational programs.

### Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. James R. Sekelsky, Board Secretary/Business Administrator, at the Board of Education Office, 183 Wheatsworth Road, Hamburg, NJ 07419.

**BASIC FINANCIAL STATEMENTS**

DISTRICT-WIDE FINANCIAL STATEMENTS

Exhibit A-1

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2013

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 379,085	\$ 89,861	\$ 468,946
Internal Balances	41,342	(41,342)	
Receivables From State Government	65,462	440	65,902
Receivables From Federal Government	218,743	8,496	227,239
Other Receivables	2,536		2,536
Inventories		3,800	3,800
Restricted Assets:			
Cash and Cash Equivalents	1,280,926		1,280,926
Unamortized Bond Issuance Costs	53,233		53,233
Capital Assets:			
Sites (Land) and Construction in Progress	1,618,036		1,618,036
Depreciable Buildings and Building Improvements and Machinery and Equipment	14,594,426	26,522	14,620,948
Total Assets	<u>18,253,789</u>	<u>87,777</u>	<u>18,341,566</u>
<b>LIABILITIES</b>			
Accrued Interest Payable	196,508		196,508
Interfund Payable	5,981		5,981
Accounts Payable	185,628		185,628
Payable to State Government	312		312
Unearned Revenue	60	1,814	1,874
Unamortized Bond Premium	27,964		27,964
Noncurrent Liabilities:			
Due Within One Year	505,000		505,000
Due Beyond One Year	12,088,574		12,088,574
Total Liabilities	<u>13,010,027</u>	<u>1,814</u>	<u>13,011,841</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	3,983,462	26,522	4,009,984
Restricted for:			
Debt Service	1		1
Capital Projects	1,149,247		1,149,247
Other Purposes	347,857		347,857
Unrestricted/(Deficit)	(236,805)	59,441	(177,364)
Total Net Position	<u>\$ 5,243,762</u>	<u>\$ 85,963</u>	<u>\$ 5,329,725</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities:</b>						
<b>Instruction:</b>						
Regular	\$ 5,062,747		\$ 508,165	\$ (4,554,582)		\$ (4,554,582)
Special Education	1,888,894		655,755	(1,233,139)		(1,233,139)
Other Special Instruction	204,001		22,990	(181,011)		(181,011)
School-Sponsored /Other Instruction	99,897		9,360	(90,537)		(90,537)
<b>Support Services:</b>						
Tuition	226,431		135,163	(91,268)		(91,268)
Student & Instruction Related Services	1,188,442		134,022	(1,054,420)		(1,054,420)
General Administrative Services	271,457		19,118	(252,339)		(252,339)
School Administrative Services	605,999		65,461	(540,538)		(540,538)
Central Services	261,568		27,273	(234,295)		(234,295)
Administration Information Technology	118,947		11,654	(107,293)		(107,293)
Plant Operations and Maintenance	1,171,531		64,990	(1,106,541)		(1,106,541)
Pupil Transportation	947,319		458,594	(488,725)		(488,725)
Interest on Long-Term Debt	480,475			(480,475)		(480,475)
Capital Outlay	39,348			(39,348)		(39,348)
Transfer of Funds to Charter Schools	113,915			(113,915)		(113,915)
<b>Total Governmental Activities</b>	<b>12,680,971</b>		<b>2,112,545</b>	<b>(10,568,426)</b>		<b>(10,568,426)</b>

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Business-Type Activities:						
Proprietary Funds	\$ 184,240	\$ 122,765	\$ 62,263		\$ 788	\$ 788
Total Business-Type Activities	<u>184,240</u>	<u>122,765</u>	<u>62,263</u>		<u>788</u>	<u>788</u>
Total Primary Government	<u>\$ 12,865,211</u>	<u>\$ 122,765</u>	<u>\$ 2,174,808</u>	<u>\$ (10,568,426)</u>	<u>788</u>	<u>\$ (10,567,638)</u>
General Revenue:						
Property Taxes, Levied for General Purposes, Net				8,708,232		8,708,232
Taxes Levied for Debt Service				894,436		894,436
Federal and State Aid not Restricted				1,175,632		1,175,632
Miscellaneous Income				7,090	41	7,131
Total General Revenue				<u>10,785,390</u>	<u>41</u>	<u>10,785,431</u>
Change in Net Position				216,964	829	217,793
Net Position - Beginning				<u>5,026,798</u>	<u>85,134</u>	<u>5,111,932</u>
Net Position - Ending				<u>\$ 5,243,762</u>	<u>\$ 85,963</u>	<u>\$ 5,329,725</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

FUND FINANCIAL STATEMENTS

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 211,251		\$ 167,833	\$ 1	\$ 379,085
Receivables From State Government	65,462				65,462
Receivables From Federal Government		\$ 218,743			218,743
Other Accounts Receivables	2,536				2,536
Interfund Receivables	256,465				256,465
Restricted Cash and Cash Equivalents:					
Emergency Reserve Account	51,870				51,870
Maintenance Reserve Account	295,987				295,987
Capital Reserve Account	933,069				933,069
<b>Total Assets</b>	<u>\$ 1,816,640</u>	<u>\$ 218,743</u>	<u>\$ 167,833</u>	<u>\$ 1</u>	<u>\$ 2,203,217</u>
<b>LIABILITIES AND FUND BALANCES:</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 182,380	\$ 3,248			\$ 185,628
Interfund Payable	5,981	215,123			221,104
Payable to State Government		312			312
Unearned Revenue		60			60
<b>Total Liabilities</b>	<u>188,361</u>	<u>218,743</u>			<u>407,104</u>
<b>Fund Balances:</b>					
<b>Restricted:</b>					
Capital Reserve Account	933,069				933,069
Emergency Reserve Account	51,870				51,870
Maintenance Reserve Account	295,987				295,987
Capital Projects Fund			\$ 216,178		216,178
Debt Service				\$ 1	1

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>LIABILITIES AND FUND BALANCES (Cont'd):</b>					
Fund Balances (Cont'd):					
Assigned for:					
Year End Encumbrances	\$ 195,587				\$ 195,587
Subsequent Year's Expenditures	76,000				76,000
Unassigned/(Deficit)	75,766		\$ (48,345)		27,421
Total Fund Balances	1,628,279		167,833	\$ 1	1,796,113
Total Liabilities and Fund Balances	\$ 1,816,640	\$ 218,743	\$ 167,833	\$ 1	\$ 2,203,217

Amounts Reported for Governmental Activities in the Statement of Net Position (A-1) are Different Because:

Total Fund Balances From Above	\$ 1,796,113
Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the Funds. The cost of the assets is \$24,108,572 and the accumulated depreciation is \$7,896,110.	16,212,462
Unamortized Refunding Bond Issuance Costs are reported as expenditures in the Governmental Funds. The cost is \$66,541 and the accumulated amortization is \$13,308.	53,233
An unamortized Refunding Bond Premium is reported as a revenue expenditures in the Governmental Funds. The cost is \$34,955 and the accumulated amortization is \$6,991.	(27,964)
Deferred Interest Costs are not Reported as Expenditures in the Governmental Funds in the Year of the Expenditure.	6,731
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.	(12,600,305)
Interest on Long-Term Debt is not accrued in the Governmental Funds, but rather is recognized as an expenditure when due.	(196,508)
Net Position of Governmental Activities	\$ 5,243,762

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUE:</b>					
<b>Local Sources:</b>					
Local Tax Levy	\$ 8,708,232			\$ 894,436	\$ 9,602,668
Interest Earned on Emergency Reserve	66				66
Interest Earned on Maintenance Reserve	248				248
Interest Earned on Capital Reserve	802				802
Miscellaneous	5,974				5,974
<b>Total - Local Sources</b>	<b>8,715,322</b>			<b>894,436</b>	<b>9,609,758</b>
State Sources	3,013,814	\$ 3,706		51,914	3,069,434
Federal Sources		218,743			218,743
<b>Total Revenue</b>	<b>11,729,136</b>	<b>222,449</b>		<b>946,350</b>	<b>12,897,935</b>
<b>EXPENDITURES:</b>					
<b>Current:</b>					
Regular Instruction	3,226,596	34,038			3,260,634
Special Education Instruction	1,259,847	75,540			1,335,387
Other Special Instruction	140,843				140,843
School-Sponsored/Other Instruction	73,135				73,135
<b>Support Services and Undistributed Costs:</b>					
Tuition	131,431	95,000			226,431
Student & Instruction Related Services	856,264	17,871			874,135
General Administrative Services	218,935				218,935
School Administrative Services	410,629				410,629
Central Services	186,641				186,641
Administration Information Technology	86,929				86,929
Plant Operations and Maintenance	974,591				974,591
Pupil Transportation	947,319				947,319

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
EXPENDITURES:					
Support Services and Undistributed Costs (Cont'd):					
Unallocated Benefits	\$ 2,780,670				\$ 2,780,670
Debt Service:					
Principal				\$ 485,000	485,000
Interest and Other Charges				476,769	476,769
Capital Outlay	39,348		\$ 109,525		148,873
Transfer of Funds to Charter Schools	113,915				113,915
Total Expenditures	<u>11,447,093</u>	<u>\$ 222,449</u>	<u>109,525</u>	<u>961,769</u>	<u>12,740,836</u>
Excess/(Deficit) of Revenues Over/(Under) Expenditures	<u>282,043</u>		<u>(109,525)</u>	<u>(15,419)</u>	<u>157,099</u>
Fund Balance - July 1	<u>1,346,236</u>		<u>277,358</u>	<u>15,420</u>	<u>1,639,014</u>
Fund Balance - June 30	<u>\$ 1,628,279</u>	<u>\$ - 0 -</u>	<u>\$ 167,833</u>	<u>\$ 1</u>	<u>\$ 1,796,113</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Total Net Change in Fund Balances - Governmental Funds (from B-2)		\$ 157,099
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 depreciation expense exceeded capital outlays in the period.		
	Depreciation expense	\$ (530,267)
	Capital Outlays - Construction in Progress	<u>109,525</u>
		(420,742)
In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).		
		(687)
The governmental funds report the effect of issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
		(13,308)
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. (+)		
		485,000
The governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
		6,991
The governmental funds report the effect of deferred bond interest when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities (-)		
		(1,683)
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. When the interest paid exceeds the accrued interest, the difference is an addition in the reconciliation (+)		
		<u>4,294</u>
		<u>\$ 216,964</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-4

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF NET POSITION  
JUNE 30, 2013

ASSETS:

## Current Assets:

Cash and Cash Equivalents	\$ 89,861
Accounts Receivable:	
State	440
Federal	8,496
Inventories	3,800
	<hr/>
Total Current Assets	102,597
	<hr/>

## Non-Current Assets:

Capital Assets	188,024
Less: Accumulated Depreciation	(161,502)
	<hr/>
Total Non-Current Assets	26,522
	<hr/>

Total Assets	129,119
	<hr/>

LIABILITIES:

## Current Liabilities:

Interfund Payable - General Fund	41,342
Unearned Revenue	1,814
	<hr/>
Total Current Liabilities	43,156
	<hr/>

NET POSITION:

Net Investment in Capital Assets	26,522
Unrestricted	59,441
	<hr/>
Total Net Position	\$ 85,963
	<hr/> <hr/>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-5

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF REVENUE, EXPENSES  
AND CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 95,987
Daily Sales - Non Reimbursable Programs	26,778
	<hr/>
Total Operating Revenue	122,765
	<hr/>
Operating Expenses:	
Cost of Sales	92,512
Salaries	55,255
Employee Benefits and Payroll Taxes	13,827
Management Fee	7,812
Supplies, Insurance & Other Costs	5,605
Depreciation Expense	9,229
	<hr/>
Total Operating Expenses	184,240
	<hr/>
Operating Loss	(61,475)
	<hr/>
Non-Operating Revenue:	
State Sources:	
State School Lunch Program	2,182
Federal Sources:	
National School Lunch Program	42,218
Food Distribution Program	17,863
Local Sources:	
Interest Income	41
	<hr/>
Total Non-Operating Revenue	62,304
	<hr/>
Change in Net Position	829
	<hr/>
Net Position - Beginning of Year	85,134
	<hr/>
Net Position - End of Year	\$ 85,963
	<hr/> <hr/>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-6

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 122,765
Payments to Suppliers	(3,934)
Payments to Food Service Vendor	(152,587)
	<hr/>
Net Cash Used for Operating Activities	(33,756)
Cash Flows from Noncapital Financing Activities:	
Cash Received from State and Federal Reimbursements	38,062
Settlement of Prior Year Interfund - General Fund	7,855
Interfund Advanced - General Fund	41,342
	<hr/>
Net Cash Provided by Noncapital Financing Activities	87,259
Cash Flows from Investing Activities:	
Investment Income	41
	<hr/>
Net Cash Flows Provided by Investing Activities	41
	<hr/>
Net Increase in Cash and Cash Equivalents	53,544
Cash and Cash Equivalents, July 1	36,317
	<hr/>
Cash and Cash Equivalents, June 30	\$ 89,861
	<hr/> <hr/>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (61,475)
Adjustment to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Federal Food Distribution Program	17,863
Depreciation	9,229
Changes in Assets and Liabilities:	
Decrease in Inventory	2,937
(Decrease) in Unearned Revenue	(2,310)
	<hr/>
Net Cash Used for Operating Activities	\$ (33,756)
	<hr/> <hr/>

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received U.S.D.A. donated commodities through the Food Distribution Program valued at \$15,553 and utilized commodities valued at \$17,863.

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-7

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2013

<u>ASSETS:</u>	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>
Cash and Cash Equivalents	\$ 67,667	\$ 123,843	\$ 2,997
Investments			2,281
Interfund Receivable	<u>5,981</u>	<u>10,528</u>	
Total Assets	<u>73,648</u>	<u>134,371</u>	<u>5,278</u>
 <u>LIABILITIES:</u>			
Liabilities:			
Payroll Deductions and Withholdings	25,489		
Due to Student Groups	37,631		
Interfund Payable	<u>10,528</u>		
Total Liabilities	<u>73,648</u>		
 <u>NET POSITION:</u>			
Held in Trust for Unemployment Claims Restricted for Scholarships		134,371	5,278
Total Net Position	<u>\$ -0-</u>	<u>\$ 134,371</u>	<u>\$ 5,278</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT

## Exhibit B-8

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Unemployment Compensation Trust	Private Purpose Scholarship Trust
Additions:		
Contributions:		
Plan Members	\$ 10,652	
Employer - Budget Appropriation	45,000	
Total Contributions	55,652	
Investment Earnings:		
Interest	92	\$ 11
Net Investment Earnings	92	11
Total Additions	55,744	11
Deductions:		
State of New Jersey Unemployment Claims	19,029	
Total Deductions	19,029	
Change in Net Position	36,715	11
Net Position—Beginning of the Year	97,656	5,267
Net Position—End of the Year	\$ 134,371	\$ 5,278

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (the "Board") of the Hardyston Township School District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government 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.

A. Reporting Entity:

The Board is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District.

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency and a resulting financial benefit or burden relationship, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources, and significances) should be included in the financial reporting entity. The combined financial statements include all funds of the District over which the Board exercises operating control. The operations of the District include an elementary school and a middle school located in the Township of Hardyston. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

District-Wide Financial Statements:

The statement of net position and the statement of activities present financial information about the District's governmental and business-type activities. These statements include the financial activities of the overall District in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenue and other nonexchange transactions. Business-type activities are financed in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenue for business-type activities and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements. Program revenue includes (a) 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. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue. The comparison of direct expenses with program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the District.

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation: (Cont'd)

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 governmental funds as major is important for public interest and to promote consistency among district financial reporting models.

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 and report all expendable financial resources not accounted for and reported in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the capital outlay subfund.

As required by NJDOE, the District includes budgeted capital outlay in this fund. GAAP, as it pertains to governmental entities, states 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 revenue. 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 expenses by board resolution.

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

Capital Projects Fund: The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (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, funds appropriated from the General Fund, and from aid provided by the state to offset the cost of approved capital projects.

Debt Service Fund: The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

The District reports the following Proprietary Fund:

Enterprise (Food Service) Fund: The Enterprise Fund accounts for all revenue 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 cost (i.e., expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation: (Cont'd)

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, the Unemployment Compensation Insurance Trust Fund, and the Private Purpose Scholarship Trust Fund.

C. Measurement Focus and Basis of Accounting

The district-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The District considers all revenue reported in the governmental funds to be available if the revenue is collected within sixty days after the end of the fiscal year. 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. 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.

It is the District's policy, that when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, to apply restricted resources first followed by unrestricted resources. Similarly, within unrestricted fund balance, it is the District's policy to apply committed resources first followed by assigned resources and then unassigned resources when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. Therefore, when program expenses are incurred, both restricted and unrestricted net position may be available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenue.

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budget for the fiscal year ended June 30, 2013 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary 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).

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Budgets/Budgetary Control: (Cont'd)

Formal budgetary integration into the accounting system is employed as a management control device during the 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 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 revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The General Fund budgetary revenue differs from GAAP revenue due to a difference in recognition of the last two state aid payments for the current year. Since the State is recording the last two state aid payments in the subsequent fiscal year, the District cannot recognize these payments on the GAAP financial statements.

The Capital Projects Fund budgetary revenue differs from GAAP revenue due to a difference in the recognition of SDA grants. Grants are recognized in full year the grants are awarded on the budgetary basis; but, are not recognized on the GAAP basis until they are expended and submitted for reimbursement.

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 11,719,154	\$ 222,775
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not:		
Current Year Encumbrances		(326)
Prior Year State Aid Payments, not Recognized for Budgetary Purposes, Recognized for GAAP Statements	199,235	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(189,253)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 11,729,136</u>	<u>\$ 222,449</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Budgets/Budgetary Control: (Cont'd)

	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 11,447,093	\$ 222,775
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not:		
Current Year Encumbrances		(326)
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 11,447,093	\$ 222,449
		Capital Projects Fund
Committed		\$ 15,622
Restricted		216,178
Fund Balance per Governmental Funds (Budgetary Basis)		231,800
Reconciliation to Governmental Funds Statements (GAAP):		
SDA Grant Receivable not Recognized on GAAP Basis		(63,967)
Fund Balance per Governmental Funds (GAAP)		\$ 167,833

E. Cash and Cash Equivalents and Investments:

Cash and cash equivalents include petty cash and cash in banks. Certificates of deposit with maturities of one year or less when purchased are stated at cost.

New Jersey school districts are limited as to the type of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts. Additionally, 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.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value of at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Government Units. If a public depository fails, the collateral it has pledged, plus the collateral of all the other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

F. Interfund Transactions:

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

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net position, except for amounts due between governmental and business-type activities, which are presented as internal balances.

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

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 restricted, committed, and/or assigned 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 unearned revenue 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.

I. Short-term Interfund Receivables/Payables:

Short-term interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year.

J. Inventories and Prepaid Expenses:

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund, are recorded as an expenditure during the year of purchase.

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2013.

K. Capital Assets:

During the year ended June 30, 1994, the District established a formal system of accounting for its capital assets. Capital assets acquired or constructed subsequent to June 30, 1994, are recorded at historical cost including ancillary charges necessary to place the asset into service. Capital assets acquired or constructed prior to the establishment of the formal system are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Land has been recorded at estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs is not capitalized. The District does not possess any infrastructure. Capital assets have been reviewed for impairment.

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

K. Capital Assets:

The capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) is \$2,000. The depreciation method is straight-line. The estimated useful lives of capital assets reported in the district-wide statements and proprietary funds are as follows:

	<u>Estimated Useful Life</u>
Buildings	50 years
Site Improvements	20 years
Furniture and Equipment	10 to 15 years
Computer and Related Technology	5 years
Vehicles	8 years

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

L. Long Term Liabilities:

In the government-wide and enterprise fund statements of net position, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or enterprise funds. Bond issuance costs, as well as applicable bond premium and discounts, are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements, governmental fund types recognize bond discounts, as well as bond issuance costs, as expenditures in the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

M. Accrued Salaries and Wages:

The District does not allow employees who provide services over the ten-month academic year the option to have their salaries evenly distributed during the entire twelve-month year, therefore, there are no accrued salaries and wages as of June 30, 2013.

N. Compensated Absences:

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

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

In the district-wide *Statement of Net Position*, 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.

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

O. Unearned Revenue:

Unearned revenue in the special revenue fund represents cash which has been received but not yet earned. See Note 1(D) regarding the special revenue fund.

P. Fund Balance Appropriated:

General Fund: Of the \$1,628,279 General Fund fund balance at June 30, 2013, \$933,069 is restricted in the capital reserve account; \$295,987 is restricted in the maintenance reserve account; \$51,870 is restricted in the emergency reserve account, \$195,587 is assigned for current year encumbrances, \$76,000 of assigned fund balance has been appropriated and included as revenue for the fiscal year ended June 30, 2013, and \$75,766 is unassigned which is \$189,253 less than the calculated maximum unassigned fund balance, on a GAAP basis, due to the final two state aid payments, which are not recognized until the fiscal year ended June 30, 2014.

Capital Projects Fund: The Capital Projects Fund balance at June 30, 2013 is \$167,833 of which \$216,178 is restricted and \$48,345 is a deficit in unassigned fund balance which is \$63,967 less on the GAAP basis due to the SDA Grant receivable, which is not recognized until grant funds are expended and submitted for reimbursement.

Debt Service Fund: The Debt Service Fund balance at June 30, 2013 is \$1.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2004, c.73 (S1701), the designation for Restricted Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict 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 year's budget. The District did not have excess surplus at June 30, 2013 or 2012.

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$189,253 as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district cannot recognize the last two state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the final two state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments.

Q. Deficit Net Position/Fund Balance:

The District has a deficit in unrestricted net position of \$236,805 in the governmental activities, which is due to accrued interest payable of \$196,508, \$371,305 of compensated absences payable and \$27,964 of an unamortized bond premium as well as a deficit in unassigned Capital Projects Fund fund balance of \$48,345 offset by \$53,233 of unamortized bond issuance costs, deferred interest on the refunding bonds of \$6,731 as well as \$75,766 of unassigned fund balance, \$195,587 of year end encumbrances, and \$76,000 of fund balance designated for subsequent year's expenditures in the General Fund.

There is also a deficit in unassigned Capital Projects Fund fund balance of \$48,345 which is primarily due to a \$63,967 SDA Grant receivable which is not recognized until the grant funds are expended and submitted for reimbursement.

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Q. Deficit Net Position/Fund Balance: (Cont'd):

These deficits do not indicate that the District is in financial difficulties and is a permitted practice under generally accepted accounting principles.

R. Net Position:

The District implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, during the current fiscal year. This statement defines net position as the residual of all other elements presented in a statement of financial position. It is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. This Statement provides guidance for reporting net position within a framework that includes deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities.

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District did not have any deferred inflows or outflows of resources at June 30, 2013.

Net position is displayed in three components - net investment in capital assets; restricted and unrestricted.

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also would be included in this component of net position.

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

S. Fund Balance Restrictions, Commitments and Assignments:

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined for a formal action of the District's highest level of decision-making authority. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts has been restricted, committed or assigned.

Fund balance restrictions have been established for capital, emergency and maintenance reserves and the Capital Projects and Debt Service Funds.

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has no committed resources at June 30, 2013 on the GAAP basis.

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

S. Fund Balance Restrictions, Commitments and Assignments: (Cont'd)

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for year-end encumbrances and funds designated for subsequent year's expenditures at June 30, 2013 in the General Fund.

T. Revenue - 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 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, interest and tuition.

U. Operating Revenue and Expenses:

Operating revenue 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.

V. Management Estimates:

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

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

Investments are stated at cost, which approximates market. The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

GASB Statement No. 40, *Governmental Accounting Standards Board Deposit and Investment Risk Disclosures*, requires disclosure of the level of custodial credit risk assumed by the District in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk - In accordance with its cash management plan, the District ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk - The District limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed below and on the following page.

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, and

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.

Investments:

New Jersey statutes permit the Board to purchase the following types of securities:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund; or

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

Investments: (Cont'd)

- (7) Agreements for the repurchase of fully collateralized securities if:
- (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
  - (b) the custody of collateral is transferred to a third party;
  - (c) the maturity of the agreement is not more than 30 days;
  - (d) the underlying securities are purchased through a public depository as defined in statute; and
  - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of June 30, 2013, cash and cash equivalents and investments of the District consisted of the following:

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents			Investments	Total
		Capital Reserve Account	Maintenance Reserve Account	Emergency Reserve Account		
Checking and Savings Accounts	\$ 661,772	\$ 933,069	\$ 295,987	\$ 51,870		\$ 1,942,698
New Jersey Cash Management Fund	1,681					1,681
Certificates of Deposit					\$ 2,281	2,281
	<u>\$ 663,453</u>	<u>\$ 933,069</u>	<u>\$ 295,987</u>	<u>\$ 51,870</u>	<u>\$ 2,281</u>	<u>\$ 1,946,660</u>

During the period ended June 30, 2013, the District did not hold any investments other than certificates of deposit. The carrying amount of the Board's cash and cash equivalents and investments at June 30, 2013, was \$1,946,660 and the bank balance was \$2,405,329. The \$1,681 with the New Jersey Cash Management Fund is uninsured and unregistered.

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Hardyston Township School District by inclusion of \$1 on July 1, 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 State Department of Education, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end 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. 6:23A-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT (Cont'd)

Beginning Balance, July 1, 2012	\$ 632,267
Increased by June 25, 2013 Board Resolution	300,000
Interest Earnings	<u>802</u>
Ending Balance, June 30, 2013	<u>\$ 933,069</u>

The June 30, 2013 balance in the capital reserve account does not exceed the balance in the LRFPP of local support costs of uncompleted capital projects at June 30, 2013.

NOTE 5. EMERGENCY RESERVE ACCOUNT

An emergency reserve account was established by the Hardyston Township School District in the amount of \$50,000 in June 2008 for the accumulation of funds for use as unanticipated general fund expenditures in subsequent fiscal years. The emergency reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

The emergency reserve is used to accumulate funds in accordance with N.J.S.A. 18A:7F-41c(1) to finance unanticipated general fund expenditures required for a thorough and efficient education. Unanticipated means reasonably unforeseeable and shall not include additional costs caused by poor planning. The maximum balance permitted at any time in this reserve is the greater of \$250,000 or 1% of the general fund budget not to exceed one million dollars. Deposits may be made to the emergency reserve account by board resolution at year end of any unanticipated revenue or unexpended line item appropriation or both. The State Department of Education has defined year end for the purpose of depositing surplus into reserve accounts as an amount approved by the district board of education between June 1<sup>st</sup> and June 30<sup>th</sup>. Withdrawals from the reserve require the approval of the Commissioner unless the withdrawal is necessary to meet an increase in total health care costs in excess of four percent.

The activity of the emergency reserve for the July 1, 2012 to June 30, 2013 fiscal year is as follows:

Beginning Balance, July 1, 2012	\$ 51,804
Interest Earnings	<u>66</u>
Ending Balance, June 30, 2013	<u>\$ 51,870</u>

NOTE 6. MAINTENANCE RESERVE ACCOUNT

A maintenance reserve account in the amount of \$146,500 was established by the Hardyston Township School District by Board resolution on June 23, 2009. The funds for the establishment of this reserve were withdrawn from unassigned general fund balance. These funds may be used for specific activities necessary for the purpose of keeping a school facility open and safe for use or in its original condition, and for keeping its constituent buildings systems fully and efficiently functional and for keeping their warranties valid but cannot be used for routine or capital maintenance. The purpose of the reserve is to provide funds for anticipated expenditures required to maintain a building.

Pursuant to N.J.A.C. 6A:26A-4.2 funds may be deposited into the maintenance reserve account at any time by board resolution to meet the required maintenance of the district by transferring unassigned general fund balance or by transferring excess, unassigned general fund balance that is anticipated to be deposited during the current

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

(Continued)

NOTE 6. MAINTENANCE RESERVE ACCOUNT (Cont'd)

year in the advertised recapitulation of balances of the subsequent year's budget that is certified for taxes. Funds may be withdrawn from the maintenance reserve account and appropriated into the required maintenance account lines at budget time or any time during the year by board resolution for use on required maintenance activities by school facility as reported in the comprehensive maintenance plan. Funds withdrawn from the maintenance reserve account are restricted to required maintenance appropriations and may not be transferred to any other line-item account. In any year that maintenance reserve account funds are withdrawn, unexpended required maintenance appropriations, up to the amount of maintenance reserve account funds withdrawn, shall be restored to the maintenance reserve account at year-end. At no time, shall the maintenance reserve account have a balance that exceeds four percent of the replacement cost of the current year of the district's school facilities. If the account exceeds this maximum amount at June 30, the excess shall be restricted in the subsequent year's budget. The maintenance reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

The activity of the maintenance reserve for the July 1, 2012 to June 30, 2013 fiscal year is as follows:

Beginning Balance, July 1, 2012	\$ 195,739
Add:	
Interest Earnings	248
Increased by June 25, 2013 Board Resolution	100,000
Ending Balance, June 30, 2013	\$ 295,987

NOTE 7. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2013 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets not being Depreciated:				
Sites (Land)	\$ 362,892			\$ 362,892
Construction in Progress	1,145,619	\$ 109,525		1,255,144
Total Capital Assets not Being Depreciated	1,508,511	109,525		1,618,036
Capital Assets Being Depreciated:				
Site Improvements	583,587			583,587
Buildings and Building Improvements	20,037,266			20,037,266
Machinery and Equipment	1,869,683			1,869,683
Total Capital Assets Being Depreciated	22,490,536			22,490,536
Governmental Activities Capital Assets	23,999,047	109,525		24,108,572
Less Accumulated Depreciation for:				
Site Improvements	(403,633)	(25,839)		(429,472)
Buildings and Building Improvements	(5,240,291)	(470,679)		(5,710,970)
Machinery and Equipment	(1,721,919)	(33,749)		(1,755,668)
Total Accumulated Depreciation	(7,365,843)	(530,267)		(7,896,110)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 16,633,204	\$ (420,742)	\$ -0-	\$ 16,212,462

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

(Continued)

NOTE 7. CAPITAL ASSETS (Cont'd)

Capital asset balances and activity for the year ended June 30, 2013 were as follows: (Cont'd)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 188,024			\$ 188,024
Less Accumulated Depreciation	<u>(152,273)</u>	<u>\$ (9,229)</u>		<u>(161,502)</u>
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 35,751</u>	<u>\$ (9,229)</u>	<u>\$ -0-</u>	<u>\$ 26,522</u>

The District has active capital projects for the Middle School roof and the replacement of floor tile and a stairway at the Elementary School.

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 486,785
School Administrative Services	14,317
Plant Operations and Maintenance	<u>29,165</u>
	<u>\$ 530,267</u>

NOTE 8. TRANSFERS TO CAPITAL OUTLAY

During the fiscal year ended June 30, 2013, the District did not transfer funds to the capital outlay accounts.

NOTE 9. OPERATING LEASES

The District entered into one lease for all of its copiers during the fiscal year ended June 30, 2011. Payments on this lease began in the fiscal year 2012 and will be payable over the next three years. Future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ 17,388
2015	17,388
2016	<u>17,388</u>
Total Future Minimum Lease Payments	<u>\$ 52,164</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

(Continued)

NOTE 10. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2013, the following changes occurred in liabilities reported in the district-wide financial statements:

	Balance June 30, 2012	Accrued	Retired/ Defeased	Balance June 30, 2013
Serial Bonds Payable	\$ 12,714,000		\$ 485,000	\$ 12,229,000
Less: Deferred Amount of Refunding	(8,414)		1,683	(6,731)
	12,705,586		486,683	12,222,269
Compensated Absences Payable	370,618	\$ 15,388	14,701	371,305
	<u>\$ 13,076,204</u>	<u>\$ 15,388</u>	<u>\$ 501,384</u>	<u>\$ 12,593,574</u>

A. Bonds Payable:

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.

On November 1, 2006, the District issued refunding school bonds of \$9,955,000 with interest rates ranging from 4.00% to 4.25% to advance refund \$9,475,000 school bonds from a March 15, 2001 issue with interest rates ranging from 4.875% to 5.000%. The bonds mature on August 1, 2007 through 2031 and August 1, 2016 is the first optional redemption date at 100% of par. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the school bonds are called. The advance refunding met the requirements of an in-substance debt defeasance and the school bonds were removed from the School's government-wide financial statements.

As a result of the advance refunding, the School reduced its total debt service requirement by \$445,329, which resulted in an economic gain (difference between present value of the debt service payments on the old and new debt) of \$560,030.

On November 22, 2011, the District issued refunding school bonds of \$1,790,000 with interest rates of 2.00% to advance refund \$1,750,000 school bonds from the March 15, 2001 issue with interest rates of 4.785% to 4.8%. The bonds mature on August 1, 2012 through 2016 and August 1, 2014 is the first optional redemption date at 100% of par. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the school bonds are called. The advance refunding met the requirements of an in-substance debt defeasance and the school bonds were removed from the School's government-wide financial statements.

As a result of the advance refunding, the School reduced its total debt service requirement by \$123,840, which resulted in an economic gain (difference between present value of the debt service payments on the old and new debt) of \$103,381.

On June 23, 2009, the District issued serial bonds in the amount of \$1,324,000 to finance the referendum project to repair the middle school roof. The bonds were issued with interest rates ranging from 2.00% to 3.75%. The bonds mature on August 1, 2010 through 2019.

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

(Continued)

NOTE 10. LONG-TERM LIABILITIES (Cont'd)

A. Bonds Payable (Cont'd):

The District had bonds outstanding as of June 30, 2013 as follows:

	<u>Interest Rates</u>	<u>Final Date of Maturity</u>	<u>Balance June 30, 2013</u>
Refunding Bonds of 2006	4.000% - 5.000%	08/01/31	\$ 9,795,000
Roof Project Bonds	2.250% - 3.750%	08/01/19	979,000
Refunding Bonds of 2011	2.000%	08/01/16	1,455,000
			<u>\$ 12,229,000</u>

Principal and interest due on serial bonds outstanding are as follows:

<u>Year</u>	<u>Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2014	\$ 505,000	\$ 466,800	\$ 971,800
2015	520,000	455,469	975,469
2016	540,000	443,219	983,219
2017	550,000	429,872	979,872
2018	590,000	409,288	999,288
2019-2023	2,919,000	1,677,813	4,596,813
2024-2028	3,315,000	1,061,163	4,376,163
2029-2032	3,290,000	287,725	3,577,725
	<u>\$ 12,229,000</u>	<u>\$ 5,231,347</u>	<u>\$ 17,460,347</u>

The Debt Service Fund will be used to liquidate serial bonds payable.

B. Bonds Authorized But Not Issued:

As of June 30, 2013, the Board has \$408,500 of bonds authorized but not issued.

C. Compensated Absences Payable:

The liability for compensated absences of the governmental fund types is recorded as a long-term liability. There is no current portion of the compensated absences balance of the governmental funds in the current year. The long-term liability balance of compensated absences is \$371,305.

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, 2013, no liability existed for compensated absences in the Food Service Fund.

The General Fund will be used to liquidate Compensated Absences Payable.

NOTE 11. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey. The TPAF and the PERS are sponsored and administered by the State of New Jersey. The TPAF 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 Board and the system's other non-contribution employers. The PERS is also considered a cost-sharing, multiple-employer plan. As a general rule, all full-time employees are eligible to join the TPAF or the PERS.

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

(Continued)

NOTE 11. PENSION PLANS (Cont'd)

Employees who are members of TPAF or PERS and retire at a specified age according to the relevant tier category for that employee are entitled to a retirement benefit based upon a formula which takes "final average salary" during years of creditable service. Vesting occurs after 8 to 10 years of service.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey regulation. Effective July 1, 2012, the employee contributions for PERS and TPAF increased from 6.5% to 6.64% of employees' annual compensation, as defined. Subsequent increases are being phased in over 7 years effective each July 1<sup>st</sup> to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018. Employers are required to contribute at an actuarially determined rate in the PERS and TPAF.

The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits, and post-retirement medical premiums. Under current statute, the District is a noncontributing employer of the TPAF.

District Contributions to PERS amounted to \$110,088, \$115,178 and \$102,826 for the fiscal years ended June 30, 2013, 2012 and 2011, respectively.

During the fiscal years ended June 30, 2013, 2012 and 2011 the State of New Jersey contributed \$316,337, \$149,442 and \$-0-, respectively, to the TPAF for normal pension benefits on-behalf of the District.

NOTE 12. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and 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, 2012, there were 97,661 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to Chapter 126, P.L. 1992, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a Board of Education or County College with 25 years of service. The State paid \$146.6 million toward Chapter 126 benefits for 16,618 eligible retired members in Fiscal Year 2012.

The State's on behalf Post Retirement Medical Contributions to TPAF for the District amounted to \$357,697, \$300,417, and \$317,779 for 2013, 2012 and 2011, respectively. These amounts have been included in the District-wide financial statements and the fund-based statements as revenues and expenditures in accordance with GASB Statement No. 24.

NOTE 13. 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. Health benefits are provided to the employees through the State of New Jersey Health Benefit Plan.

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

(Continued)

NOTE 13. RISK MANAGEMENT (Cont'd)

Property and Liability

The District maintains commercial insurance coverage for surety bonds. A complete schedule of insurance coverage can be found in the statistical section of this Comprehensive Annual Financial Report.

The Board is a member of the School Alliance Insurance Fund ("SAIF"). The SAIF provides its members with Workers' Compensation, Comprehensive General Liability and Automobile Liability, Property, Boiler and Machinery, and School Board Legal Liability Insurance. The SAIF is a risk-sharing pool that is both an insured and self-administered group of school districts established for the purpose of providing low-cost insurance coverage for their members in order to keep local property taxes at a minimum. Each member appoints an official to represent their respective district for the purpose of creating a governing body from which officers for the SAIF are elected.

As a member of SAIF, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of SAIF were to be exhausted, members would become responsible for their respective shares of the SAIF's liabilities.

SAIF can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body. In accordance with Statement No. 10 of the Governmental Accounting Standards Board, these distributions are used to reduce the amount recorded for membership expense in the year in which the distribution was declared.

The June 30, 2013 audit report is not available as of the date of this report. Selected summarized financial information for SAIF as of June 30, 2012 is as follows:

	<u>School Alliance Insurance Fund</u>
Total Assets	\$ 36,551,011
Net Position	\$ 12,224,220
Total Revenue	\$ 28,022,109
Total Expenses	\$ 28,300,068
Change in Net Position	\$ (277,959)
Members Dividends	\$ -0-

Financial Statements for SAIF are available at SAIF's Executive Director's Office:

Public Entity Group Administrative Services  
51 Everett Drive  
Suite B-40  
West Windsor, NJ 08550

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.

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

NOTE 13. RISK MANAGEMENT (Cont'd)

New Jersey Unemployment Compensation Insurance (Cont'd)

The following is a summary of the District's contributions, employee contributions and interest earnings, reimbursements to the State for benefits paid and the ending balance of the District's Unemployment Trust Fiduciary Fund for the current and previous two years:

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions and Interest</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2013	\$ 45,000	\$ 10,744	\$ 19,029	\$ 134,371
2012	-0-	10,869	19,628	97,656
2011	55,000	9,739	2,817	106,415

NOTE 14. INTERFUND RECEIVABLES AND PAYABLES

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 256,465	\$ 5,981
Special Revenue Fund		215,123
Food Service Fund		41,342
Fiduciary Funds	16,509	10,528
	<u>\$ 272,974</u>	<u>\$ 272,974</u>

The interfund between the General Fund and the Food Service Fund is an interfund advanced by the General Fund to the Food Service Fund. The interfund receivable in the General Fund due from the Fiduciary – Payroll Agency Fund is the net of employer payroll agency withholdings due from the General Fund less prior year and current year interest earnings in the Payroll accounts due to the General Fund. The interfund payable in the Fiduciary Fund due from the Payroll Agency Fund to the Unemployment Compensation Trust Fund is comprised of the current year employee unemployment contributions. The interfund receivable in the General Fund due from the Special Revenue Fund is the amount of the cash deficit in the Special Revenue Fund and is due to a timing lag in the reimbursement of federal grant funds from the State. The interfund receivable in the Fiduciary Funds is also comprised of a prior year interfund receivable due from the General Fund to the Student Activity Agency Fund in the amount of \$1,425.

NOTE 15. ECONOMIC DEPENDENCY

The Board of Education receives a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Board of Education's programs and activities.

NOTE 16. DEFERRED COMPENSATION

The Board offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Sections 403(b) and 457. The plans, which are administered by the entities listed on the next page, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency.

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

NOTE 16. DEFERRED COMPENSATION (Cont'd)

Vanguard  
Variable Annuity Life Insurance Company (V.A.L.I.C.)  
Equitable Life Assurance  
Lincoln Life Insurance Company - 403(b) and 457 Plans  
Seagoosa

NOTE 17. TAX CALENDAR

Property taxes are levied as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th, along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1. A ten-day grace period is usually granted before the taxes are considered delinquent and there is an imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the current and prior year may be placed in lien at a tax sale held after December 10.

Taxes are collected by the constituent municipality and are remitted to the local school district on a predetermined, agreed-upon schedule.

NOTE 18. ACCOUNTS PAYABLE

The following accounts payable balances existed as of June 30, 2013:

	<u>Governmental Funds</u>		
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Vendors	\$ 130,723	\$ 3,248	\$ 133,971
Accrued Salaries and Wages	51,657		51,657
	<u>\$ 182,380</u>	<u>\$ 3,248</u>	<u>\$ 185,628</u>

NOTE 19. CONTINGENT LIABILITIES

Grant Programs

The School District participates in state and federally assisted grant programs. The programs are subject to program compliance audits by grantors or their representatives. The School District is potentially liable for expenditures which may be disallowed pursuant to 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 District is periodically involved in various lawsuits. The District estimates that the potential claims against it resulting from any such litigation and not covered by insurance would not materially affect the financial position of the District.

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

NOTE 19. CONTINGENT LIABILITIES (Cont'd)

Encumbrances

At June 30, 2013, there were encumbrances as detailed below in the governmental funds:

<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>
<u>\$ 195,587</u>	<u>\$ 326</u>	<u>\$ 39,332</u>

On the District's Governmental Funds Balance Sheet as of June 30, 2013, \$-0- is assigned for encumbrances in the Special Revenue Fund, which is \$326 less than the actual encumbrances on a budgetary basis. On the GAAP basis, encumbrances are not recognized until paid and this non-recognition of encumbrances on a GAAP basis is also reflected as either a reduction in grants receivable or an increase in unearned revenue in the Special Revenue Fund.

Of the \$216,178 restricted Capital Projects Fund fund balance, \$31,495 is restricted for year-end encumbrances. There is also \$7,837 of year-end encumbrances in the \$48,345 deficit in unassigned Capital Projects Fund fund balance.

**BUDGETARY COMPARISON SCHEDULES**

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Local Sources:					
Local Tax Levy	\$ 8,708,232		\$ 8,708,232	\$ 8,708,232	
Interest Earned on Emergency Reserve				66	\$ 66
Interest Earned on Maintenance Reserve				248	248
Interest Earned on Capital Reserve	1,101		1,101	802	(299)
Unrestricted Miscellaneous	46,899		46,899	5,974	(40,925)
<b>Total - Local Sources</b>	<u>8,756,232</u>		<u>8,756,232</u>	<u>8,715,322</u>	<u>(40,910)</u>
State Sources:					
Transportation Aid	449,702		449,702	449,702	
Special Education Aid	380,920		380,920	380,920	
Security Aid	52,740		52,740	52,740	
Adjustment Aid	1,059,795		1,059,795	1,059,795	
Extraordinary Aid	32,824		32,824	40,163	7,339
Other State Aid				8,348	8,348
TPAF Pension Contributions (On-Behalf - Non-Budgeted)				316,337	316,337
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				357,697	357,697
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				338,130	338,130
<b>Total State Sources</b>	<u>1,975,981</u>		<u>1,975,981</u>	<u>3,003,832</u>	<u>1,027,851</u>
<b>TOTAL REVENUES</b>	<u>10,732,213</u>		<u>10,732,213</u>	<u>11,719,154</u>	<u>986,941</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 115,602	\$ (878)	\$ 114,724	\$ 114,724	
Grades 1-5 - Salaries of Teachers	1,685,630	(88,405)	1,597,225	1,595,833	\$ 1,392
Grades 6-8 - Salaries of Teachers	1,156,547	30,860	1,187,407	1,187,407	
Regular Programs - Home Instruction:					
Salaries of Teachers	4,000	4,805	8,805	6,705	2,100
Regular Programs - Undistributed Instruction:					
Other Purchased Services (400-500 series)	57,723	36,065	93,788	72,799	20,989
General Supplies	172,944	165,310	338,254	245,432	92,822
Textbooks	2,031	27,116	29,147	3,696	25,451
Other Objects	2,600	(2,600)			
Total Regular Programs - Instruction	<u>3,197,077</u>	<u>172,273</u>	<u>3,369,350</u>	<u>3,226,596</u>	<u>142,754</u>
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	180,419	(28,015)	152,404	152,404	
Other Salaries for Instruction	50,000	(18,295)	31,705	31,705	
General Supplies	7,253	12,476	19,729	19,729	
Total Learning and/or Language Disabilities	<u>237,672</u>	<u>(33,834)</u>	<u>203,838</u>	<u>203,838</u>	
Multiple Disabilities:					
Salaries of Teachers	76,355	53	76,408	75,617	791
Other Salaries for Instruction	156,332	1,631	157,963	157,963	
General Supplies	434	836	1,270	1,155	115
Total Multiple Disabilities	<u>233,121</u>	<u>2,520</u>	<u>235,641</u>	<u>234,735</u>	<u>906</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Resource Room/Resource Center:					
Salaries of Teachers	\$ 435,042	\$ 98,846	\$ 533,888	\$ 533,879	\$ 9
Other Salaries for Instruction	106,739	(10,602)	96,137	96,137	
General Supplies	3,571	1,151	4,722	4,121	601
<b>Total Resource Room/Resource Center</b>	<u>545,352</u>	<u>89,395</u>	<u>634,747</u>	<u>634,137</u>	<u>610</u>
Preschool Disabilities - Part Time:					
Salaries of Teachers	56,920	7,205	64,125	63,080	1,045
Other Salaries for Instruction	36,740	14,198	50,938	50,338	600
General Supplies	2,434	817	3,251	1,709	1,542
<b>Total Preschool Disabilities - Part Time</b>	<u>96,094</u>	<u>22,220</u>	<u>118,314</u>	<u>115,127</u>	<u>3,187</u>
Preschool Disabilities - Full Time:					
Salaries of Teachers	74,805	(8,595)	66,210	66,210	
Other Salaries for Instruction	12,500	(8,187)	4,313	4,313	
General Supplies	551	936	1,487	1,487	
<b>Total Preschool Disabilities - Full Time</b>	<u>87,856</u>	<u>(15,846)</u>	<u>72,010</u>	<u>72,010</u>	
<b>Total Special Education Instruction</b>	<u>1,200,095</u>	<u>64,455</u>	<u>1,264,550</u>	<u>1,259,847</u>	<u>4,703</u>
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	107,543	33,312	140,855	140,843	12
General Supplies	202	(202)			
<b>Total Basic Skills/Remedial - Instruction</b>	<u>107,745</u>	<u>33,110</u>	<u>140,855</u>	<u>140,843</u>	<u>12</u>
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	26,088	(2,000)	24,088	5,998	18,090
Purchased Services (300-500 series)	1,225		1,225	1,063	162
Supplies and Materials	6,333	(3,813)	2,520	2,495	25
<b>Total School-Sponsored Cocurricular Activities - Instruction</b>	<u>33,646</u>	<u>(5,813)</u>	<u>27,833</u>	<u>9,556</u>	<u>18,277</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	\$ 33,914	\$ 1,328	\$ 35,242	\$ 35,240	\$ 2
Supplies and Materials	1,983		1,983	1,622	361
<b>Total School-Sponsored Cocurricular Athletics - Instruction</b>	<b>35,897</b>	<b>1,328</b>	<b>37,225</b>	<b>36,862</b>	<b>363</b>
Other Instructional Programs - Instruction					
Salaries	33,024	(13,999)	19,025	16,101	2,924
Supplies and Materials	2,417	8,700	11,117	10,616	501
<b>Total Other Instructional Programs - Instruction</b>	<b>35,441</b>	<b>(5,299)</b>	<b>30,142</b>	<b>26,717</b>	<b>3,425</b>
<b>Total Instruction</b>	<b>4,609,901</b>	<b>260,054</b>	<b>4,869,955</b>	<b>4,700,421</b>	<b>169,534</b>
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Regular		11,256	11,256	8,256	3,000
Tuition to Other LEAs Within the State - Special	85,387	(29,721)	55,666	30,513	25,153
Tuition to Private Schools for the Disabled - Within the State	111,109		111,109	92,662	18,447
<b>Total Undistributed Expenditures - Instruction</b>	<b>196,496</b>	<b>(18,465)</b>	<b>178,031</b>	<b>131,431</b>	<b>46,600</b>
Health Services:					
Salaries	126,481	3,274	129,755	128,792	963
Purchased Professional and Technical Services	5,500		5,500	5,500	
Other Purchased Services (400-500 series)	860	(695)	165	165	
Supplies and Materials	8,678	(1,350)	7,328	7,261	67
<b>Total Health Services</b>	<b>141,519</b>	<b>1,229</b>	<b>142,748</b>	<b>141,718</b>	<b>1,030</b>
Speech, OT, PT and Related Services:					
Salaries	159,814	(198)	159,616	158,426	1,190
Purchased Professional - Educational Services	53,641	29,521	83,162	83,162	
Supplies and Materials	3,165	832	3,997	2,903	1,094
<b>Total Speech, OT, PT and Related Services</b>	<b>216,620</b>	<b>30,155</b>	<b>246,775</b>	<b>244,491</b>	<b>2,284</b>

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
<b>Guidance:</b>					
Salaries of Other Professional Staff	\$ 116,142	\$ (586)	\$ 115,556	\$ 113,556	\$ 2,000
Purchased Professional and Technical Services	3,105	(1,200)	1,905	1,641	264
Supplies and Materials	1,551	194	1,745	1,745	
<b>Total Guidance</b>	<u>120,798</u>	<u>(1,592)</u>	<u>119,206</u>	<u>116,942</u>	<u>2,264</u>
<b>Child Study Team:</b>					
Salaries of Other Professional Staff	210,823	(5,978)	204,845	196,494	8,351
Salaries of Secretarial and Clerical Assistants	41,087	1,276	42,363	41,572	791
Purchased Professional and Educational Services	8,045	3,397	11,442	10,960	482
Supplies and Materials	2,822	3,291	6,113	4,113	2,000
<b>Total Child Study Team</b>	<u>262,777</u>	<u>1,986</u>	<u>264,763</u>	<u>253,139</u>	<u>11,624</u>
<b>Educational Media Services/School Library:</b>					
Salaries	76,764	(4,015)	72,749	72,749	
Supplies and Materials	18,335	16,393	34,728	17,836	16,892
<b>Total Educational Media Services/School Library</b>	<u>95,099</u>	<u>12,378</u>	<u>107,477</u>	<u>90,585</u>	<u>16,892</u>
<b>Instructional Staff Training Services:</b>					
Purchased Professional and Technical Services	88		88		88
Other Purchased Services (400-500 series)	26,703	(2,679)	24,024	9,389	14,635
<b>Total Instructional Staff Training Services</b>	<u>26,791</u>	<u>(2,679)</u>	<u>24,112</u>	<u>9,389</u>	<u>14,723</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Support Services - General Administration:					
Salaries	\$ 117,081	\$ 43	\$ 117,124	\$ 117,124	
Legal Services	42,000	(18,972)	23,028	20,535	\$ 2,493
Audit Fees	21,650		21,650	18,870	2,780
Architectural/Engineering Services	4,500		4,500		4,500
Other Purchased Professional Services	2,520		2,520	1,486	1,034
Communications/Telephone	57,619		57,619	42,771	14,848
Misc. Purchased Services (400-500 series)	8,650		8,650	200	8,450
General Supplies	11,121	1,063	12,184	8,912	3,272
BOE In-house Training/Meeting Supplies	2,500		2,500	717	1,783
Miscellaneous Expenditures	3,775		3,775	2,557	1,218
BOE Membership Dues and Fees	6,900		6,900	5,763	1,137
<b>Total Support Services - General Administration</b>	<u>278,316</u>	<u>(17,866)</u>	<u>260,450</u>	<u>218,935</u>	<u>41,515</u>
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	260,994	2,812	263,806	263,806	
Salaries of Secretarial and Clerical Assistants	143,909	(371)	143,538	133,933	9,605
Other Salaries	3,000	300	3,300	3,300	
Supplies and Materials	5,723	13,790	19,513	8,911	10,602
Other Objects	3,425		3,425	679	2,746
<b>Total Support Services - School Administration</b>	<u>417,051</u>	<u>16,531</u>	<u>433,582</u>	<u>410,629</u>	<u>22,953</u>
Administration Information Technology:					
Salaries	70,000	1,400	71,400	71,400	
Purchased Professional Services	12,920	(500)	12,420		12,420
Purchased Technical Services	15,731	3,100	18,831	14,408	4,423
Other Purchased Services (400-500 series)	1,000	(238)	762		762
Supplies and Materials	7,950	(1,833)	6,117	1,121	4,996
<b>Total Administration Information Technology</b>	<u>107,601</u>	<u>1,929</u>	<u>109,530</u>	<u>86,929</u>	<u>22,601</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Central Services:					
Salaries	\$ 174,024	\$ 1,591	\$ 175,615	\$ 167,087	\$ 8,528
Purchased Professional Services	1,155		1,155	835	320
Purchased Technical Services	8,775	23,400	32,175	15,295	16,880
Miscellaneous Purchased Services (400-500 series)	2,669		2,669	577	2,092
Supplies and Materials	2,517		2,517	1,396	1,121
Miscellaneous Expenditures	1,456		1,456	1,451	5
<b>Total Central Services</b>	<b>190,596</b>	<b>24,991</b>	<b>215,587</b>	<b>186,641</b>	<b>28,946</b>
Required Maintenance of School Facilities:					
Cleaning, Repair and Maintenance Services	77,305	16,360	93,665	86,766	6,899
General Supplies	31,877	(8,548)	23,329	19,362	3,967
Other Objects	450		450		450
<b>Total Required Maintenance of School Facilities</b>	<b>109,632</b>	<b>7,812</b>	<b>117,444</b>	<b>106,128</b>	<b>11,316</b>
Custodial Services:					
Salaries	388,744	19,464	408,208	398,154	10,054
Purchased Professional and Technical Services	33,210		33,210	27,170	6,040
Cleaning, Repair and Maintenance Services	28,054	10,035	38,089	26,102	11,987
Other Purchased Property Services	70,495	(4,495)	66,000	56,465	9,535
Insurance	61,405	5,177	66,582	65,122	1,460
General Supplies	37,500	11,358	48,858	38,230	10,628
Energy (Natural Gas)	181,459	(35,371)	146,088	111,346	34,742
Energy (Electricity)	255,200	(78,140)	177,060	145,544	31,516
Other Objects	1,988		1,988	330	1,658
<b>Total Custodial Services</b>	<b>1,058,055</b>	<b>(71,972)</b>	<b>986,083</b>	<b>868,463</b>	<b>117,620</b>

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Student Transportation Services:					
Contracted Services:					
Between Home and School - Vendors	\$ 710,999	\$ (9,824)	\$ 701,175	\$ 700,689	\$ 486
Other Between Home and School - Vendors	11,450	230	11,680	11,680	
Between Home and School - Joint Agreements	48,125		48,125	48,125	
Special Education Students - Vendors	187,553		187,553	158,502	29,051
Aid in Lieu Payments - Nonpublic Schools	16,500	9,823	26,323	26,323	
Aid in Lieu Payments - Choice	8,840	(230)	8,610	2,000	6,610
<b>Total Student Transportation Services</b>	<b>983,467</b>	<b>(1)</b>	<b>983,466</b>	<b>947,319</b>	<b>36,147</b>
Unallocated Benefits					
Group Insurance	19,188	(6,780)	12,408	12,408	
Social Security Contributions	102,634	30,839	133,473	126,730	6,743
Other Retirement Contributions - PERS	131,689	(13,652)	118,037	110,088	7,949
Unemployment Compensation	20,000	25,000	45,000	45,000	
Workers Compensation	98,757	(7,089)	91,668	91,668	
Health Benefits	1,498,192	(94,532)	1,403,660	1,326,708	76,952
Tuition Reimbursement	25,800	(3,289)	22,511	10,697	11,814
Other Employee Benefits	26,900	18,307	45,207	45,207	
<b>Total Unallocated Benefits</b>	<b>1,923,160</b>	<b>(51,196)</b>	<b>1,871,964</b>	<b>1,768,506</b>	<b>103,458</b>
TPAF Pension Contributions (On-Behalf - Non-Budgeted)					
				316,337	(316,337)
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)					
				357,697	(357,697)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)					
				338,130	(338,130)
<b>Total Unallocated Benefits</b>				<b>1,012,164</b>	<b>(1,012,164)</b>
<b>Total Undistributed Expenses</b>	<b>6,127,978</b>	<b>(66,760)</b>	<b>6,061,218</b>	<b>6,593,409</b>	<b>(532,191)</b>
<b>TOTAL CURRENT EXPENSE</b>	<b>10,737,879</b>	<b>193,294</b>	<b>10,931,173</b>	<b>11,293,830</b>	<b>(362,657)</b>

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CAPITAL OUTLAY					
Equipment:					
School Sponsored and Other Instructional Programs	\$ 43,205	\$ (43,205)			
Undistributed Expenditures:					
Non-Instructional Equipment	142,152	(95,745)	\$ 46,407		\$ 46,407
Total Equipment	<u>185,357</u>	<u>(138,950)</u>	<u>46,407</u>		<u>46,407</u>
Facilities Acquisition and Construction Services:					
Debt Service Assessment on SDA Funding	39,348		39,348	\$ 39,348	
Total Facilities Acquisition and Construction Services	<u>39,348</u>		<u>39,348</u>	<u>39,348</u>	
TOTAL CAPITAL OUTLAY	<u>224,705</u>	<u>(138,950)</u>	<u>85,755</u>	<u>39,348</u>	<u>46,407</u>
Transfer of Funds to Charter Schools	<u>102,232</u>	<u>11,683</u>	<u>113,915</u>	<u>113,915</u>	
TOTAL EXPENDITURES	<u>11,064,816</u>	<u>66,027</u>	<u>11,130,843</u>	<u>11,447,093</u>	<u>(316,250)</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>(332,603)</u>	<u>(66,027)</u>	<u>(398,630)</u>	<u>272,061</u>	<u>670,691</u>
Other Financing Uses:					
Capital Reserve Fund - Transfer to Capital Projects Fund	(79,500)		(79,500)		79,500
Total Other Financing Uses	<u>(79,500)</u>		<u>(79,500)</u>		<u>79,500</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures and Other Financing Uses	<u>(412,103)</u>	<u>(66,027)</u>	<u>(478,130)</u>	<u>272,061</u>	<u>750,191</u>
Fund Balance, July 1	<u>1,545,471</u>		<u>1,545,471</u>	<u>1,545,471</u>	
Fund Balance, June 30	<u>\$ 1,133,368</u>	<u>\$ (66,027)</u>	<u>\$ 1,067,341</u>	<u>\$ 1,817,532</u>	<u>\$ 750,191</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED

Recapitulation:

Restricted:

Maintenance Reserve	\$ 295,987
Capital Reserve	933,069
Emergency Reserve	51,870

Assigned:

Year End Encumbrances	195,587
For Subsequent Year's Expenditures	76,000

Unassigned

265,019  
1,817,532

Reconciliation to Governmental Funds Statements (GAAP):

Last State Aid Payments not Recognized on GAAP Basis	(189,253)
Fund Balance per Governmental Funds (GAAP)	<u>\$ 1,628,279</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenue:					
State Sources	\$ 3,766	\$ 1,438	\$ 5,204	\$ 3,766	\$ (1,438)
Federal Sources	219,037	725	219,762	219,009	(753)
Total Revenue	<u>222,803</u>	<u>2,163</u>	<u>224,966</u>	<u>222,775</u>	<u>(2,191)</u>
Expenditures:					
Instruction:					
Salaries of Teachers	7,200	3,034	10,234	10,234	
Tuition	95,000		95,000	95,000	
Other Purchased Services			2,053		2,053
General Supplies	24,614	(2,406)	22,208	22,208	
Textbooks	1,479		1,479	1,479	
Total Instruction	<u>128,293</u>	<u>628</u>	<u>130,974</u>	<u>128,921</u>	<u>2,053</u>
Support Services:					
Salaries of Program Directors	7,000		7,000	7,000	
Purchased Professional and Educational Services	11,491	(10,891)	600	600	
Purchased Professional/Technical Services	76,019	1,410	77,429	77,291	138
Other Purchased Services		8,963	8,963	8,963	
Total Support Services	<u>94,510</u>	<u>(518)</u>	<u>93,992</u>	<u>93,854</u>	<u>138</u>
Total Expenditures	<u>\$ 222,803</u>	<u>\$ 110</u>	<u>\$ 224,966</u>	<u>\$ 222,775</u>	<u>\$ 2,191</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED

Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 11,719,154	\$ 222,775
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis Does Not:		
Current Year Encumbrances		(326)
Prior Year State Aid Payments Not Recognized for Budgetary Purposes, Recognized for GAAP Statements	199,235	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(189,253)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and and Changes in Fund Balances - Governmental Funds.	\$ 11,729,136	\$ 222,449
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 11,447,093	\$ 222,775
Differences - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes:		
Current Year Encumbrances		(326)
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 11,447,093	\$ 222,449

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the County office and are approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)l. All budget amendments/transfers must be made by School Board resolution. All budgetary 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).

Formal budgetary integration into the accounting system is employed as a management control device during the 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 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.

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED

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 revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The General Fund budgetary revenue differs from GAAP revenue due to a difference in recognition of the last two state aid payments for the current year. Since the State is recording the last two state aid payments in the subsequent fiscal year, the District cannot recognize these payments on the GAAP financial statements.

SCHOOL LEVEL SCHEDULES  
(NOT APPLICABLE)

SPECIAL REVENUE FUND

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>No Child Left Behind</u>		<u>IDEA Part B Preschool</u>	<u>IDEA Part B Basic</u>
	<u>Title I</u>	<u>Title II Part A</u>		
REVENUE:				
State Sources				
Federal Sources	\$ 31,649	\$ 16,820	\$ 4,462	\$ 166,078
Total Revenue	<u>31,649</u>	<u>16,820</u>	<u>4,462</u>	<u>166,078</u>
EXPENDITURES:				
Instruction:				
Salaries of Teachers	10,234			
Tuition				95,000
General Supplies	20,098			1,876
Textbooks				
Total Instruction	<u>30,332</u>			<u>96,876</u>
Support Services:				
Salaries of Program Directors				7,000
Purchased Professional and Educational Services	600			
Purchased Professional/Technical Services	717	7,857	4,462	62,202
Other Purchased Services		8,963		
Total Support Services	<u>1,317</u>	<u>16,820</u>	<u>4,462</u>	<u>69,202</u>
Total Expenditures	<u>\$ 31,649</u>	<u>\$ 16,820</u>	<u>\$ 4,462</u>	<u>\$ 166,078</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Nonpublic			Totals June 30, 2013
	Nursing	Technology	Textbooks	
REVENUE:				
State Sources	\$ 2,053	\$ 234	\$ 1,479	\$ 3,766
Federal Sources				219,009
Total Revenue	<u>2,053</u>	<u>234</u>	<u>1,479</u>	<u>222,775</u>
EXPENDITURES:				
Instruction:				
Salaries of Teachers				10,234
Tuition				95,000
General Supplies		234		22,208
Textbooks			1,479	1,479
Total Instruction		<u>234</u>	<u>1,479</u>	<u>128,921</u>
Support Services:				
Salaries of Program Directors				7,000
Purchased Professional and Educational Services				600
Purchased Professional/Technical Services	2,053			77,291
Other Purchased Services				8,963
Total Support Services	<u>2,053</u>			<u>93,854</u>
Total Expenditures	<u>\$ 2,053</u>	<u>\$ 234</u>	<u>\$ 1,479</u>	<u>\$ 222,775</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
PRESCHOOL EDUCATION AID SCHEDULE OF EXPENDITURES  
BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOT APPLICABLE

CAPITAL PROJECTS FUND

Exhibit F-1

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Expenditures:		
Other Purchased Professional and Technical Services	\$	8,052
Legal Services		1,009
Construction Services		<u>100,464</u>
 Total Expenditures		 <u>109,525</u>
 Deficit of Revenue and Other Financing Sources Under Expenditures		 (109,525)
 Fund Balance - Beginning Balance		 <u>341,325</u>
 Fund Balance - Ending Balance		 <u><u>\$ 231,800</u></u>
 <u>Recapitulation:</u>		
Committed:		
Year End Encumbrances	\$	7,837
Other Purposes		<u>7,785</u>
		\$ 15,622
Restricted:		
Year End Encumbrances		31,495
Other Purposes		<u>184,683</u>
		216,178
Fund Balance per Governmental Funds (Budgetary Basis)		<u>231,800</u>
 Reconciliation to Governmental Funds Statement (GAAP):		
SDA Grant not Recognized on GAAP Basis		<u>(63,967)</u>
 Fund Balance per Governmental Funds (GAAP)		 <u><u>\$ 167,833</u></u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS  
BUDGETARY BASIS  
CONSTRUCTION AND RENOVATIONS TO ELEMENTARY SCHOOL  
AND CONSTRUCTION OF A NEW MIDDLE SCHOOL  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
State Sources - EDA Grant	\$ 4,544,810		\$ 4,544,810	\$ 4,544,810
Bond Proceeds	13,532,000		13,532,000	13,532,000
Cancellation of Contracts Payable	59,758		59,758	59,758
Total Revenue and Other Financing Sources	<u>18,136,568</u>		<u>18,136,568</u>	<u>18,136,568</u>
Expenditures:				
Equipment	544,666		544,666	544,666
Other Purchased Professional and Technical Services	1,874,686		1,874,686	1,880,423
Construction Services	15,714,189		15,714,189	15,711,479
Total Expenditures	<u>18,133,541</u>		<u>18,133,541</u>	<u>18,136,568</u>
Excess of Revenue and Other Financing Sources Over Expenditures	<u>\$ 3,027</u>	<u>\$ -0-</u>	<u>\$ 3,027</u>	<u>\$ -0-</u>

**Additional Project Information:**

Project Numbers	G-5-0081 SP# 201373
Grant Date	07/01/01
Original Authorized Cost	\$ 16,730,000
Additional Authorized Cost	1,406,568
Revised Authorized Cost	<u>\$ 18,136,568</u>
Percentage Increase over Original Authorized Cost	8%
Percentage Completion	100%
Original Target Completion Date	07/01/03
Revised Target Completion Date	06/30/06

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS  
BUDGETARY BASIS  
RENOVATIONS TO MIDDLE SCHOOL ROOF  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
Bond Sale Proceeds	\$ 1,324,000		\$ 1,324,000	\$ 1,732,500
Total Revenue and Other Financing Sources	<u>1,324,000</u>		<u>1,324,000</u>	<u>1,732,500</u>
Expenditures:				
Other Purchased Professional and Technical Services	114,295	\$ 6,300	120,595	121,000
Legal Services	126,524	1,009	127,533	128,000
Construction Services	858,842	3,879	862,721	1,483,500
Total Expenditures	<u>1,099,661</u>	<u>11,188</u>	<u>1,110,849</u>	<u>1,732,500</u>
Excess of Revenue and Other Financing Sources Over Expenditures	<u>\$ 224,339</u>	<u>\$ (11,188)</u>	<u>\$ 213,151</u>	<u>\$ -0-</u>

**Additional Project Information:**

Bond Authorization Date	4/21/2009
Bonds Authorized	\$ 1,732,500
Bonds Issued	1,324,000
Original Authorized Cost	1,732,500
Additional Authorized Cost	-0-
Revised Authorized Cost	1,732,500
Percentage Increase over Original Authorized Cost	0%
Percentage Completion	64%
Original Target Completion Date	09/03/09
Revised Target Completion Date	05/30/14

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS  
BUDGETARY BASIS  
REPLACEMENT OF FLOOR TILE AND STAIRWAY AT HARDYSTON ELEMENTARY SCHOOL  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Prior Periods	Current Year	Total	Revised Authorized Cost
<b>Revenue and Other Financing Sources:</b>				
State Sources - SDA Grant	\$ 63,967		\$ 63,967	\$ 63,967
Transfer from Capital Reserve	95,950		95,950	95,950
Total Revenue and Other Financing Sources	<u>159,917</u>		<u>159,917</u>	<u>159,917</u>
<b>Expenditures:</b>				
Other Purchased Professional and Technical Services	1,118	\$ 1,752	2,870	2,900
Construction Services	44,840	96,585	141,425	157,017
Total Expenditures	<u>45,958</u>	<u>98,337</u>	<u>144,295</u>	<u>159,917</u>
Excess/(Deficit) of Revenue and Other Financing Sources Over/(Under) Expenditures	<u>\$ 113,959</u>	<u>\$ (98,337)</u>	<u>\$ 15,622</u>	<u>\$ -0-</u>

**Additional Project Information:**

Project Number	2030-050-10-1001
Grant Date	7/23/2010
Original Authorized Cost	\$ 159,917
Additional Authorized Cost	-0-
Revised Authorized Cost	159,917
Percentage Increase over Original Authorized Cost	0%
Percentage Completion	90%
Original Target Completion Date	08/09/10
Revised Target Completion Date	05/30/14

PROPRIETARY FUNDS

Exhibit G-1

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF NET POSITION  
JUNE 30, 2013

ASSETS:

Current Assets:	
Cash and Cash Equivalents	\$ 89,861
Accounts Receivable:	
State	440
Federal	8,496
Inventories	3,800
	<hr/>
Total Current Assets	102,597
	<hr/>
Non-Current Assets:	
Capital Assets	188,024
Less: Accumulated Depreciation	(161,502)
	<hr/>
Total Non-Current Assets	26,522
	<hr/>
Total Assets	129,119
	<hr/>

LIABILITIES:

Current Liabilities:	
Interfund Payable - General Fund	41,342
Unearned Revenue	1,814
	<hr/>
Total Current Liabilities	43,156
	<hr/>

NET POSITION:

Net Investment in Capital Assets	26,522
Unrestricted	59,441
	<hr/>
Total Net Position	\$ 85,963
	<hr/> <hr/>

Exhibit G-2

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF REVENUE, EXPENSES  
AND CHANGES IN FUND NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 95,987
Daily Sales - Non Reimbursable Programs	26,778
	<hr/>
Total Operating Revenue	122,765
	<hr/>
Operating Expenses:	
Cost of Sales	92,512
Salaries	55,255
Employee Benefits and Payroll Taxes	13,827
Management Fee	7,812
Supplies, Insurance & Other Costs	5,605
Depreciation Expense	9,229
	<hr/>
Total Operating Expenses	184,240
	<hr/>
Operating Loss	(61,475)
	<hr/>
Non-Operating Revenue:	
State Sources:	
State School Lunch Program	2,182
Federal Sources:	
National School Lunch Program	42,218
Food Distribution Program	17,863
Local Sources:	
Interest Income	41
	<hr/>
Total Non-Operating Revenue	62,304
	<hr/>
Change in Net Position	829
	<hr/>
Net Position - Beginning of Year	85,134
	<hr/>
Net Position - End of Year	\$ 85,963
	<hr/> <hr/>

Exhibit G-3

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 122,765
Payments to Suppliers	(3,934)
Payments to Food Service Vendor	(152,587)
	<hr/>
Net Cash Used for Operating Activities	(33,756)
Cash Flows from Noncapital Financing Activities:	
Cash Received from State and Federal Reimbursements	38,062
Settlement of Prior Year Interfund - General Fund	7,855
Interfund Advanced - General Fund	41,342
	<hr/>
Net Cash Provided by Noncapital Financing Activities	87,259
Cash Flows from Investing Activities:	
Investment Income	41
	<hr/>
Net Cash Flows Provided by Investing Activities:	41
Net Increase in Cash and Cash Equivalents	53,544
Cash and Cash Equivalents, July 1	36,317
	<hr/>
Cash and Cash Equivalents, June 30	\$ 89,861
	<hr/> <hr/>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (61,475)
Adjustment to Reconcile Operating Loss to Cash Net Used for Operating Activities:	
Federal Food Distribution Program	17,863
Depreciation	9,229
Changes in Assets and Liabilities:	
Decrease in Inventories	2,937
(Decrease) in Unearned Revenue	(2,310)
	<hr/>
Net Cash Used for Operating Activities	\$ (33,756)
	<hr/> <hr/>

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received U.S.D.A. donated commodities through the Food Distribution Program valued at \$15,553 and utilized commodities valued at \$17,863.

FIDUCIARY FUNDS

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2013

	<u>Agency Funds</u>		<u>Total Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>
	<u>Student Activities</u>	<u>Payroll Agency</u>			
<u>ASSETS:</u>					
Cash and Cash Equivalents	\$ 36,206	\$ 31,461	\$ 67,667	\$ 123,843	\$ 2,997
Investments					2,281
Interfund Receivable:					
General Fund	1,425	4,556	5,981		
Payroll Agency				10,528	
<b>Total Assets</b>	<u>37,631</u>	<u>36,017</u>	<u>73,648</u>	<u>134,371</u>	<u>5,278</u>
<u>LIABILITIES:</u>					
Liabilities:					
Accounts Payable - Vendors					
Payroll Deductions and Withholdings		25,489	25,489		
Due to Student Groups	37,631		37,631		
Interfund Payable:					
Unemployment Compensation Trust		10,528	10,528		
<b>Total Liabilities</b>	<u>37,631</u>	<u>36,017</u>	<u>73,648</u>		
<u>NET POSITION:</u>					
Held in Trust for Unemployment Claims				134,371	
Restricted for Scholarships					5,278
<b>Total Net Position</b>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 134,371</u>	<u>\$ 5,278</u>

Exhibit H-2

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>
Additions:		
Contributions:		
Plan Members	\$ 10,652	
Employer - Budget Appropriation	45,000	
Total Contributions	<u>55,652</u>	
Investment Earnings:		
Interest	92	\$ 11
Net Investment Earnings	<u>92</u>	<u>11</u>
Total Additions	<u>55,744</u>	<u>11</u>
Deductions:		
State of New Jersey Unemployment Claims	<u>19,029</u>	
Total Deductions	<u>19,029</u>	
Change in Net Position	36,715	11
Net Position—Beginning of the Year	<u>97,656</u>	<u>5,267</u>
Net Position—End of the Year	<u>\$ 134,371</u>	<u>\$ 5,278</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
<b><u>ASSETS:</u></b>				
Cash and Cash Equivalents	\$ 29,234	\$ 65,971	\$ 58,999	\$ 36,206
Interfund Receivable: General Fund	1,425			1,425
Total Assets	<u>\$ 30,659</u>	<u>\$ 65,971</u>	<u>\$ 58,999</u>	<u>\$ 37,631</u>
 <b><u>LIABILITIES:</u></b>				
Accounts Payable - Vendors	\$ 2,909		\$ 2,909	
Due to Student Groups	27,750	\$ 65,971	56,090	\$ 37,631
Total Liabilities	<u>\$ 30,659</u>	<u>\$ 65,971</u>	<u>\$ 58,999</u>	<u>\$ 37,631</u>

Exhibit H-4

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 14,271	\$ 7,012,345	\$ 6,995,155	\$ 31,461
Interfund Accounts Receivable		4,556		4,556
Total Assets	<u>\$ 14,271</u>	<u>\$ 7,016,901</u>	<u>\$ 6,995,155</u>	<u>\$ 36,017</u>
<u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	\$ 3,622	\$ 7,006,249	\$ 6,984,382	\$ 25,489
Interfund Payable - General Fund	174		174	
Interfund Payable - Unemployment Compensation Trust	<u>10,475</u>	<u>10,652</u>	<u>10,599</u>	<u>10,528</u>
Total Liabilities	<u>\$ 14,271</u>	<u>\$ 7,016,901</u>	<u>\$ 6,995,155</u>	<u>\$ 36,017</u>

LONG-TERM DEBT

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
LONG-TERM DEBT  
SCHEDULE OF SERIAL BONDS

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding June 30, 2013		Interest Rate	Balance July 1, 2012	Retired or Matured	Balance June 30, 2013
			Date	Amount				
Refunding Bonds of 2006	11/01/06	\$ 9,955,000	08/01/13	\$ 30,000	4.000%	\$ 9,825,000	\$ 30,000	\$ 9,795,000
			08/01/14	30,000	4.000%			
			08/01/15	35,000	4.000%			
			08/01/16	35,000	4.125%			
			08/01/17	445,000	5.000%			
			08/01/18	470,000	4.000%			
			08/01/19	500,000	4.000%			
			08/01/20	520,000	4.125%			
			08/01/21	550,000	4.125%			
			08/01/22	575,000	4.000%			
			08/01/23	600,000	4.000%			
			08/01/24	630,000	4.125%			
			08/01/25	660,000	4.125%			
			08/01/26	695,000	4.250%			
			08/01/27	730,000	4.250%			
			08/01/28	765,000	4.250%			
			08/01/29	805,000	4.250%			
			08/01/30	840,000	4.250%			
			08/01/31	880,000	4.250%			

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
LONG-TERM DEBT  
SCHEDULE OF SERIAL BONDS

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding June 30, 2013		Interest Rate	Balance July 1, 2012	Retired or Matured	Balance June 30, 2013
			Date	Amount				
Roof Project Bonds of 2009	06/23/09	\$ 1,324,000	08/01/13	\$ 125,000	2.250%	\$ 1,099,000	\$ 120,000	\$ 979,000
			08/01/14	130,000	2.500%			
			08/01/15	135,000	3.000%			
			08/01/16	140,000	3.500%			
			08/01/17	145,000	3.500%			
			08/01/18	150,000	3.750%			
			08/01/19	154,000	3.750%			
Refunding Bonds of 2011	11/22/11	1,790,000	8/1/2013	350,000	2.000%	1,790,000	335,000	1,455,000
			8/1/2014	360,000	2.000%			
			8/1/2015	370,000	2.000%			
			8/1/2016	375,000	2.000%			
						\$ 12,714,000	\$ 485,000	\$ 12,229,000

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
GENERAL LONG-TERM DEBT ACCOUNT GROUP  
STATEMENT OF OBLIGATIONS UNDER CAPITAL LEASES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOT APPLICABLE

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUE:					
Local Sources:					
Local Tax Levy	\$ 894,436		\$ 894,436	\$ 894,436	
State Sources:					
Debt Service Aid Type II	51,914		51,914	51,914	
Total Revenue	<u>946,350</u>		<u>946,350</u>	<u>946,350</u>	
EXPENDITURES:					
Regular Debt Service:					
Redemption of Principal	485,000		485,000	485,000	
Interest	476,769		476,769	476,769	
Total Regular Debt Service	<u>961,769</u>		<u>961,769</u>	<u>961,769</u>	
Total Expenditures	<u>961,769</u>		<u>961,769</u>	<u>961,769</u>	
Deficit of Revenue Under Expenditures	(15,419)		(15,419)	(15,419)	
Fund Balance, July 1	<u>15,420</u>		<u>15,420</u>	<u>15,420</u>	
Fund Balance, June 30	<u>\$ 1</u>	<u>\$ -0-</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ -0-</u>
<u>Recapitulation of Fund Balance at June 30, 2013:</u>					
Restricted				<u>\$ 1</u>	

STATISTICAL SECTION

**STATISTICAL SECTION**  
**(UNAUDITED)**

This part of the School's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the School's overall financial health.

**Contents**

	<b><u>Exhibit</u></b>
<p><b>Financial Trends</b></p> <p>These schedules contain trend information to help the reader understand how the School's financial performance and well-being have changed over time.</p>	J-1 thru J-5
<p><b>Revenue Capacity</b></p> <p>These schedules contain information to help the reader assess the factors affecting the School's ability to generate its property taxes.</p>	J-6 thru J-9
<p><b>Debt Capacity</b></p> <p>These schedules present information to help the reader assess the affordability of the School's current levels of outstanding debt and the School's ability to issue additional debt in the future.</p>	J-10 thru J-13
<p><b>Demographic and Economic Information</b></p> <p>These schedules offer demographic and economic indicators to help the reader understand the environment within which the School's financial activities take place and to help make comparisons over time and with other governments.</p>	J-14 thru J-15
<p><b>Operating Information</b></p> <p>These schedules contain information about the School's operations and resources to help the reader understand how the School's financial information relates to the services the School provides and the activities it performs.</p>	J-16 thru J-20

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year. The School implemented GASB Statement 34 in a previous fiscal year. Schedules presenting government-wide information include information beginning in the fiscal year ended June 30, 2005.

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
NET POSITION BY COMPONENT  
LAST NINE FISCAL YEARS  
UNAUDITED  
*(accrual basis of accounting)*

	Fiscal Year Ending June 30,								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Governmental Activities:</b>									
Net Investment in Capital Assets	\$ 6,732,071	\$ 5,912,662	\$ 5,250,670	\$ 4,934,340	\$ 4,373,642	\$ 4,187,266	\$ 4,124,726	\$ 3,919,204	\$ 3,983,462
Restricted	79,942	(131,052)	97,899	308,933	425,806	674,999	729,275	1,122,596	1,497,105
Unrestricted/(Deficit)	(262,686)	(325,765)	(119,994)	(560,344)	(601,834)	(518,097)	(283,524)	(15,002)	(236,805)
<b>Total Governmental Activities Net Position</b>	<b>\$ 6,549,327</b>	<b>\$ 5,455,845</b>	<b>\$ 5,228,575</b>	<b>\$ 4,682,929</b>	<b>\$ 4,197,614</b>	<b>\$ 4,344,168</b>	<b>\$ 4,570,477</b>	<b>\$ 5,026,798</b>	<b>\$ 5,243,762</b>
<b>Business-Type Activities</b>									
Net Investment in Capital Assets	\$ 76,271	\$ 68,195	\$ 60,119	\$ 52,498	\$ 44,418	\$ 36,343	\$ 44,982	\$ 35,751	\$ 26,522
Unrestricted/(Deficit)	(14,055)	(26,386)	(9,482)	(9,385)	2,158	27,635	39,775	49,383	59,441
<b>Total Business-Type Activities Net Position</b>	<b>\$ 62,216</b>	<b>\$ 41,809</b>	<b>\$ 50,637</b>	<b>\$ 43,113</b>	<b>\$ 46,576</b>	<b>\$ 63,978</b>	<b>\$ 84,757</b>	<b>\$ 85,134</b>	<b>\$ 85,963</b>
<b>District-Wide:</b>									
Net Investment in Capital Assets	\$ 6,808,342	\$ 5,980,857	\$ 5,310,789	\$ 4,986,838	\$ 4,418,060	\$ 4,223,609	\$ 4,169,708	\$ 3,954,955	\$ 4,009,984
Restricted	79,942	(131,052)	97,899	308,933	425,806	674,999	729,275	1,122,596	1,497,105
Unrestricted/(Deficit)	(276,741)	(352,151)	(129,476)	(569,729)	(599,676)	(490,462)	(243,749)	34,381	(177,364)
<b>Total District Net Position</b>	<b>\$ 6,611,543</b>	<b>\$ 5,497,654</b>	<b>\$ 5,279,212</b>	<b>\$ 4,726,042</b>	<b>\$ 4,244,190</b>	<b>\$ 4,408,146</b>	<b>\$ 4,655,234</b>	<b>\$ 5,111,932</b>	<b>\$ 5,329,725</b>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District Financial Reports

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
CHANGES IN NET POSITION  
LAST NINE FISCAL YEARS  
UNAUDITED  
*(accrual basis of accounting)*

	Fiscal Year Ending June 30,								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses:									
Governmental Activities:									
Instruction:									
Regular	\$ 3,946,723	\$ 4,995,644	\$ 4,653,200	\$ 5,118,249	\$ 4,954,610	\$ 4,979,851	\$ 4,922,141	\$ 4,815,408	\$ 5,062,747
Special Education	693,774	880,022	1,162,869	1,264,939	1,347,982	1,360,680	1,401,840	1,535,435	1,888,894
Other Special Education	138,259			134,539	149,618	132,602	145,387	147,089	204,001
School-Sponsored/ Other Instruction	189,370	318,777	215,568	142,395	367,944	118,279	137,640	144,783	99,897
Support Services:									
Tuition	173,987	316,817	398,539	231,851	286,683	189,738	220,569	221,772	226,431
Student & Instruction Related Services	957,540	922,179	992,440	1,090,128	888,933	1,129,446	1,172,610	1,386,063	1,188,442
General Administrative Services	490,188	419,175	452,611	362,808	298,522	294,210	305,839	295,780	271,457
School Administrative Services	661,127	723,591	745,926	568,356	542,605	611,590	567,277	603,753	605,999
Central Services				175,097	223,033	212,905	230,142	224,056	261,568
Administrative Information Technology				51,401	57,652	79,711	106,497	99,488	118,947
Plant Operations And Maintenance	1,100,051	1,152,855	1,137,275	1,383,356	1,411,395	1,236,811	1,305,786	1,228,762	1,171,531
Pupil Transportation	833,233	844,356	924,808	952,345	1,033,892	1,012,667	923,026	942,306	947,319
Capital Outlay					15,083		74,537	133,830	39,348
Interest On Long-Term Debt	630,830	626,311	379,582	641,812	541,907	567,490	550,407	476,290	480,475
Unallocated Depreciation	37,961								
Charter Schools	34,391	40,703	8,954	38,088	59,710	100,521	66,786	88,063	113,915
Total Governmental Activities Expenses	<u>9,887,434</u>	<u>11,240,430</u>	<u>11,071,772</u>	<u>12,155,364</u>	<u>12,179,569</u>	<u>12,026,501</u>	<u>12,130,484</u>	<u>12,342,878</u>	<u>12,680,971</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
CHANGES IN NET POSITION  
LAST NINE FISCAL YEARS  
UNAUDITED  
*(accrual basis of accounting)*

	Fiscal Year Ending June 30,								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses: (Cont'd)									
Business-Type Activities:									
Food Service	\$ 225,387	\$ 217,065	\$ 179,752	\$ 204,735	\$ 187,801	\$ 192,973	\$ 192,781	\$ 202,633	\$ 184,240
Total Business-Type Activities Expense	225,387	217,065	179,752	204,735	187,801	192,973	192,781	202,633	184,240
Total District Expenses	<u>\$ 10,112,821</u>	<u>\$ 11,457,495</u>	<u>\$ 11,251,524</u>	<u>\$ 12,360,099</u>	<u>\$ 12,367,370</u>	<u>\$ 12,219,474</u>	<u>\$ 12,323,265</u>	<u>\$ 12,545,511</u>	<u>\$ 12,865,211</u>
Program Revenues:									
Governmental Activities:									
Operating Grants and Contributions	\$ 218,967	\$ 2,104,443	\$ 2,259,456	\$ 1,643,743	\$ 1,585,016	\$ 1,757,971	\$ 1,903,554	\$ 1,928,474	\$ 2,112,545
Total Governmental Activities Program Revenues	218,967	2,104,443	2,259,456	1,643,743	1,585,016	1,757,971	1,903,554	1,928,474	2,112,545
Business-Type Activities:									
Charges for Services:									
Food Services	148,587	154,109	146,036	151,466	148,293	156,475	146,471	138,996	122,765
Operating Grants and Contributions	41,003	42,379	41,881	44,611	42,187	53,211	49,484	63,799	62,263
Total Business-Type Activities	189,590	196,488	187,917	196,077	190,480	209,686	195,955	202,795	185,028
Total District Program Revenues	<u>\$ 408,557</u>	<u>\$ 2,300,931</u>	<u>\$ 2,447,373</u>	<u>\$ 1,839,820</u>	<u>\$ 1,775,496</u>	<u>\$ 1,967,657</u>	<u>\$ 2,099,509</u>	<u>\$ 2,131,269</u>	<u>\$ 2,297,573</u>
Change in Net (Expense)/Revenue:									
Governmental Activities	\$ (9,668,467)	\$ (9,135,987)	\$ (8,812,316)	\$ (10,511,621)	\$ (10,594,553)	\$ (10,268,530)	\$ (10,226,930)	\$ (10,414,404)	\$ (10,568,426)
Business-Type Activities	(35,797)	(20,577)	8,165	(8,658)	2,679	16,713	3,174	162	788
Total District Net Expense	<u>\$ (9,704,264)</u>	<u>\$ (9,156,564)</u>	<u>\$ (8,804,151)</u>	<u>\$ (10,520,279)</u>	<u>\$ (10,591,874)</u>	<u>\$ (10,251,817)</u>	<u>\$ (10,223,756)</u>	<u>\$ (10,414,242)</u>	<u>\$ (10,567,638)</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
CHANGES IN NET POSITION  
LAST NINE FISCAL YEARS  
UNAUDITED  
*(accrual basis of accounting)*

	Fiscal Year Ending June 30,								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Revenues and Other Changes in Net Position									
Governmental Activities:									
Property Taxes Levied for General Purposes	\$ 6,062,796	\$ 6,255,659	\$ 7,012,747	\$ 7,450,449	\$ 7,746,477	\$ 8,056,336	\$ 8,370,081	\$ 8,537,483	\$ 8,708,232
Taxes Levied for Debt Services	838,590	204,839	456,660	686,316	821,269	823,964	937,435	924,128	894,436
Unrestricted Grants and Contributions	2,754,577	1,560,110	1,560,266	1,861,486	1,516,293	1,486,733	1,118,856	1,326,796	1,175,632
Investment Earnings	3,579	17,814	52,266	32,991					
Miscellaneous Income	6,320	2,739	3,846	14,241	25,199	48,051	26,867	107,318	7,090
Debt Service Contribution	58,437	1,321	(500,710)					(25,000)	
Total Governmental Activities	<u>9,724,299</u>	<u>8,042,482</u>	<u>8,585,075</u>	<u>10,045,483</u>	<u>10,109,238</u>	<u>10,415,084</u>	<u>10,453,239</u>	<u>10,870,725</u>	<u>10,785,390</u>
Business-Type Activities:									
Investment Earnings	68	170	663	1,134	784	689	317	215	41
Capital Assets Contribution							17,288		
Total Business-Type Activities	<u>68</u>	<u>170</u>	<u>663</u>	<u>1,134</u>	<u>784</u>	<u>689</u>	<u>17,605</u>	<u>215</u>	<u>41</u>
Total District-Wide	<u>\$ 9,724,367</u>	<u>\$ 8,042,652</u>	<u>\$ 8,585,738</u>	<u>\$ 10,046,617</u>	<u>\$ 10,110,022</u>	<u>\$ 10,415,773</u>	<u>\$ 10,470,844</u>	<u>\$ 10,870,940</u>	<u>\$ 10,785,431</u>
Change in Net Position:									
Governmental Activities	\$ 55,833	\$ (1,093,502)	\$ (227,240)	\$ (545,648)	\$ (485,315)	\$ 146,554	\$ 226,309	\$ 456,321	\$ 216,964
Business-Type Activities	(35,730)	(20,407)	8,828	(7,524)	3,463	17,402	20,779	377	829
Total District	<u>\$ 20,103</u>	<u>\$ (1,113,909)</u>	<u>\$ (218,412)</u>	<u>\$ (553,172)</u>	<u>\$ (481,852)</u>	<u>\$ 163,956</u>	<u>\$ 247,088</u>	<u>\$ 456,698</u>	<u>\$ 217,793</u>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.  
Source: School District Financial Reports

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
FUND BALANCES - GOVERNMENTAL FUNDS  
LAST NINE FISCAL YEARS  
UNAUDITED  
*(modified accrual basis of accounting)*

	Fiscal Year Ending June 30,								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund:									
Reserved	\$ 17,196	\$ 66,473	\$ 65,448	\$ 307,877	\$ 222,069	\$ 522,783			
Unreserved	345,317	67,529	240,467	143,996	51,584	114,293			
Restricted							\$ 567,261	\$ 879,810	\$ 1,280,926
Assigned							220,259	333,704	271,587
Unassigned							104,954	132,722	75,766
<b>Total General Fund</b>	<b>\$ 362,513</b>	<b>\$ 134,002</b>	<b>\$ 305,915</b>	<b>\$ 451,873</b>	<b>\$ 273,653</b>	<b>\$ 637,076</b>	<b>\$ 892,474</b>	<b>\$ 1,346,236</b>	<b>\$ 1,628,279</b>
All Other Governmental Funds:									
Unreserved, Reported In:									
Capital Projects Fund	\$ 48,048	\$ 49,369	\$ 46,659	\$ 3,027	\$ 203,736	\$ 175,461			
Debt Service Fund/(Deficit)	14,698	12,986	134,704	1	1	(23,245)			
Restricted							\$ 162,014	\$ 242,786	\$ 216,178
Committed							52,049	49,992	
Assigned									
Unassigned/(Deficit)									(48,345)
<b>Total All Other Governmental Funds</b>	<b>\$ 62,746</b>	<b>\$ 62,355</b>	<b>\$ 181,363</b>	<b>\$ 3,028</b>	<b>\$ 203,737</b>	<b>\$ 152,216</b>	<b>\$ 214,063</b>	<b>\$ 292,778</b>	<b>\$ 167,833</b>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District Financial Reports

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
LAST NINE FISCAL YEARS  
UNAUDITED  
*(modified accrual basis of accounting)*

	Fiscal Year Ending June 30,								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Revenues:</b>									
Tax Levy	\$ 6,901,386	\$ 7,086,809	\$ 7,848,959	\$ 8,136,765	\$ 8,567,746	\$ 8,880,300	\$ 9,307,516	\$ 9,461,611	\$ 9,602,668
Interest Earnings	3,579	17,814	52,266	32,991		1,965	2,492	4,611	1,116
Miscellaneous	6,320	2,739	3,846	14,241	25,199	46,086	24,375	102,707	5,974
State Sources	2,758,708	2,858,627	3,194,189	3,297,466	2,895,177	2,992,189	2,680,950	2,955,866	3,069,434
Federal Sources	214,836	179,616	245,951	207,764	206,132	252,515	341,460	299,404	218,743
<b>Total Revenue</b>	<b>9,884,829</b>	<b>10,145,605</b>	<b>11,345,211</b>	<b>11,689,227</b>	<b>11,694,254</b>	<b>12,173,055</b>	<b>12,356,793</b>	<b>12,824,199</b>	<b>12,897,935</b>
<b>Expenditures:</b>									
<b>Instruction:</b>									
Regular Instruction	2,872,633	2,817,865	3,069,113	3,148,645	3,243,321	3,262,396	3,224,289	3,137,309	3,260,634
Special Education Instruction	520,068	696,288	781,432	888,566	976,409	1,064,249	1,103,656	1,079,882	1,335,387
Other Special Instruction	103,504	245,283	177,178	94,935	109,361	95,325	104,698	103,080	140,843
School-Sponsored/Other Instruction	151,641			102,915	103,122	106,773	115,286	97,686	73,135
<b>Support Services:</b>									
Tuition	173,987	316,817	398,539	231,851	286,683	189,738	220,569	221,772	226,431
Student & Instruction Related Services	778,369	738,445	766,882	821,686	870,856	832,392	849,632	1,052,369	874,135
General Administrative Services	380,475	345,682	336,689	292,358	259,118	247,459	260,972	246,254	218,935
School Administrative Services	583,898	582,112	566,876	403,260	423,636	437,002	401,059	414,786	410,629
Central Services				175,097	166,187	155,312	171,626	158,210	186,641
Administrative Information Technology				51,401	53,097	65,178	85,865	78,998	86,929
Plant Operations And Maintenance	1,013,441	961,536	964,790	1,108,684	1,237,090	1,077,398	1,131,678	1,038,299	974,591
Student Transportation	833,233	844,336	924,808	952,345	1,033,892	1,012,667	923,026	942,306	947,319
Unallocated Benefits	1,605,180	1,837,338	2,280,887	2,359,391	2,102,773	2,286,647	2,263,482	2,597,826	2,780,670

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
LAST NINE FISCAL YEARS  
UNAUDITED  
*(modified accrual basis of accounting)*

	Fiscal Year Ending June 30,								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenditures:									
Capital Outlay	\$ 34,391	\$ 110,672	\$ 59,883	\$ 235,448	\$ 1,245,158	\$ 80,886	\$ 144,753	\$ 70,535	\$ 148,873
Charter Schools	115,498	40,703	8,954	38,088	59,710	100,521	66,786	88,063	113,915
Debt Service:									
Principal	200,000	210,000	225,000	260,000	275,000	290,000	415,000	435,000	485,000
Interest And Other Charges	638,590	628,750	490,549	559,964	547,324	557,210	557,171	504,347	476,769
Total Expenditures	<u>10,004,908</u>	<u>10,375,827</u>	<u>11,051,580</u>	<u>11,724,634</u>	<u>12,992,737</u>	<u>11,861,153</u>	<u>12,039,548</u>	<u>12,266,722</u>	<u>12,740,836</u>
Excess/(Deficiency) Of Revenues Over/(Under)									
Expenditures	<u>(120,079)</u>	<u>(230,222)</u>	<u>293,631</u>	<u>(35,407)</u>	<u>(1,298,483)</u>	<u>311,902</u>	<u>317,245</u>	<u>557,477</u>	<u>157,099</u>
Other Financing Sources/(Uses):									
Adjustment to Contracts Payable	58,437	1,321							
Capital Leases (Non-Budgeted)	37,961								
EDA Grant Canceled			(2,710)						
Long Term Debt Issued					1,324,000				
Bond Refunding, Net							(25,000)		
Transfers In	3,579	5,888	1,055		10				
Transfers Out	(3,579)	(5,888)	(1,055)		(10)				
Total Other Financing Sources/(Uses)	<u>96,398</u>	<u>1,321</u>	<u>(2,710)</u>		<u>1,324,000</u>			<u>(25,000)</u>	
Net Change In Fund Balances	<u>\$ (23,681)</u>	<u>\$ (228,901)</u>	<u>\$ 290,921</u>	<u>\$ (35,407)</u>	<u>\$ 25,517</u>	<u>\$ 311,902</u>	<u>\$ 317,245</u>	<u>\$ 532,477</u>	<u>\$ 157,099</u>
Debt Service As A Percentage Of Noncapital Expenditures	8.41%	8.17%	6.51%	7.14%	7.00%	7.19%	8.17%	7.70%	7.64%

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District Financial Reports

## Exhibit J-5

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE  
LAST TEN FISCAL YEARS  
UNAUDITED  
*(modified accrual basis of accounting)*

<u>Fiscal Year Ended June 30,</u>	<u>Interest on Investments</u>	<u>Tuition</u>	<u>Other</u>	<u>Total</u>
2004	\$ 26,275	\$ 37,122	\$ 3,881	\$ 67,278
2005	69,165	31,545	52,994	153,704
2006	56,182	27,744	5,916	89,842
2007	50,418	20,219	320	70,957
2008	29,568		3,435	33,003
2009	16,933		8,256	25,189
2010	18,890		29,161	48,051
2011	6,390	20,022	455	26,867
2012	4,611	63,244	34,837	102,692
2013	2,168		4,922	7,090

Source: Hardyston Township School District records

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY  
LAST NINE YEARS  
UNAUDITED

Year Ended December 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities <sup>a</sup>	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate <sup>b</sup>	Estimated Actual (County Equalized Value)
2004	\$ 31,767,700	\$ 424,391,400	\$ 8,464,000	\$ 1,282,900	\$ 51,661,200	\$ 9,969,700	\$ 9,688,000	\$ 537,224,900	\$ 1,858,088	\$ 539,082,988	\$ 51,267,400	1.23	\$ 751,921,729
2005	32,552,400	450,695,200	8,984,900	1,132,200	55,522,700	10,586,800	9,688,000	569,162,200	1,666,503	570,828,703	57,020,800	1.23	897,604,202
2006	31,296,700	483,356,600	8,984,900	1,133,700	55,277,100	11,519,000	9,688,000	601,256,000	1,428,498	602,684,498	57,148,900	1.23	1,174,136,953
2007	26,103,700	525,192,800	9,300,400	1,134,900	57,790,200	11,877,300	9,688,000	641,087,300	1,323,716	642,411,016	57,148,900	1.23	1,252,603,379
2008	23,323,200	593,257,700	9,690,600	1,111,700	57,547,000	13,844,300	9,688,000	708,462,500	1,315,605	709,778,105	57,576,600	1.17	1,375,538,963
2009	28,631,500	596,713,000	9,448,700	1,070,200	61,514,100	16,711,200	9,688,000	723,776,700	1,135,127	724,911,827	58,076,100	1.20	1,296,337,316
2010	* 47,367,900	916,046,400	15,985,100	1,277,300	115,094,600	46,989,500	17,013,600	1,159,774,400	2,595,898	1,162,370,298	121,692,000	0.78	1,233,284,136
2011	45,888,100	914,453,800	15,949,600	1,279,200	111,256,300	43,547,700	17,013,600	1,149,388,300	2,165,303	1,151,553,603	122,537,000	0.81	1,223,968,238
2012	45,246,200	916,366,400	15,348,800	1,281,700	110,953,000	43,062,300	17,013,600	1,149,272,000	2,303,546	1,151,575,546	123,886,900	0.83	1,209,212,158

\* - Revaluation was effective in this year.

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

b Tax rates are per \$100

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

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: Municipal Tax Assessor

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
DIRECT AND OVERLAPPING PROPERTY TAX RATES  
LAST TEN YEARS  
UNAUDITED  
(rate per \$100 of assessed value)

Year Ended December 31,	Hardyston Township School District			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Direct Rate			Township of Hardyston	Walkill Valley Regional High School	Sussex County	
	Basic Rate <sup>a</sup>	General Obligation Debt Service <sup>b</sup>	Total Direct				
2003	\$ 1.05	\$ 0.13	\$ 1.18	\$ 0.66	\$ 0.70	\$ 0.67	\$ 3.21
2004	1.11	0.12	1.23	0.62	0.71	0.67	3.23
2005	1.12	0.11	1.23	0.66	0.68	0.69	3.26
2006	1.12	0.11	1.23	0.68	0.67	0.76	3.34
2007	1.12	0.11	1.23	0.68	0.65	0.79	3.35
2008	1.07	0.10	1.17	0.77	0.58	0.76	3.28
2009	1.09	0.11	1.20	0.81	0.58	0.74	3.33
2010	* 0.71	0.07	0.78	0.54	0.37	0.46	2.15
2011	0.73	0.08	0.81	0.56	0.39	0.46	2.22
2012	0.75	0.08	0.83	0.57	0.41	0.49	2.30

\* - Revaluation was effective in this year.

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.

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 calculation.

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
PRINCIPAL PROPERTY TAXPAYERS,  
CURRENT YEAR AND NINE YEARS AGO  
UNAUDITED

Taxpayer	2012		Taxpayer	2003	
	Taxable Assessed Value	% of Total District Net Assessed Value		Taxable Assessed Value	% of Total District Net Assessed Value
Edgewater Assoc, LLC	\$ 17,013,600	1.48%	Edgewater Associates	\$ 10,263,400	
WT Spe, LLC	15,465,100	1.34%	Newark Watershed CDC	9,113,000	
Eastern Concrete Materials, Inc	8,808,700	0.76%	Crystal Springs Builders & Acquisition	8,047,600	
Grand Cascades Lodge at Crystal Springs	8,608,700	0.75%	Bally Bunion Golf Club USA	5,392,400	
Ballyoween LLC	8,301,500	0.72%	Black Bear Golf, Inc.	3,106,100	
Crystal Springs, LLC	6,790,700	0.59%	Beaver Lake Realty	2,189,100	
Shotland Bauer, LLC	6,716,800	0.58%	Blue Circle Raia, Inc.	2,004,500	
SMS Hardyston, LLC	6,407,000	0.56%	KAW, LLC/NSAP	1,970,700	
Beaver Run Shopping Center	6,097,200	0.53%	United Telephone Co. of NJ	1,722,321	
City of Newark Sewer & Water Supply	6,075,300	0.53%	Lake Gerard Co.	1,595,400	
<b>Total</b>	<b>\$ 90,284,600</b>	<b>7.84%</b>	<b>Total</b>	<b>\$ 45,404,521</b>	<b>N/A</b>

Note - A revaluation was effective in 2010.

N/A - Not Available

Source: Municipal Tax Assessor

Exhibit J-9

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST NINE FISCAL YEARS  
UNAUDITED

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Taxes Levied</u> <u>for the</u> <u>Fiscal Year</u>	<u>Collected within the Fiscal</u> <u>Year of the Levy<sup>a</sup></u>		<u>Collections in</u> <u>Subsequent</u> <u>Years</u>
		<u>Amount</u>	<u>Percentage</u> <u>of Levy</u>	
2005	\$ 6,901,386	\$ 6,901,386	100.00%	-0-
2006	7,086,809	7,086,809	100.00%	-0-
2007	7,848,959	7,848,959	100.00%	-0-
2008	8,136,765	8,136,765	100.00%	-0-
2009	8,567,746	8,567,746	100.00%	-0-
2010	8,880,300	8,880,300	100.00%	-0-
2011	9,307,516	9,307,516	100.00%	-0-
2012	9,461,611	9,461,611	100.00%	-0-
2013	9,602,668	9,602,668	100.00%	-0-

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

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

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

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST NINE FISCAL YEARS  
UNAUDITED

*(dollars in thousands, except per capita)*

Fiscal Year Ended June 30,	Governmental Activities			Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
	General Obligation Bonds	Capital Leases	Total District		
2005	\$ 12,962,000	\$ 290,572	\$ 13,252,572	4.34%	\$ 1,770
2006	12,752,000	227,438	12,979,438	3.93%	1,668
2007	13,025,000	162,988	13,187,988	3.56%	1,618
2008	12,765,000	95,271	12,860,271	3.20%	1,544
2009	13,814,000	32,431	13,846,431	3.34%	1,657
2010	13,524,000		13,524,000	3.44%	1,625
2011	13,109,000		13,109,000	3.33%	1,597
2012	12,714,000		12,714,000	3.13%	1,558
2013	12,229,000		12,229,000	3.04%	1,512

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

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

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District Financial Reports

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING  
LAST NINE FISCAL YEARS

UNAUDITED

*(dollars in thousands, except per capita)*

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value <sup>a</sup> of Property	Per Capita <sup>b</sup>
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2005	\$ 12,962,000	\$ -0-	\$ 12,962,000	2.40%	\$ 1,731
2006	12,752,000	-0-	12,752,000	2.23%	1,639
2007	13,025,000	-0-	13,025,000	2.16%	1,598
2008	12,765,000	-0-	12,765,000	1.99%	1,533
2009	13,814,000	-0-	13,814,000	1.95%	1,653
2010	13,524,000	-0-	13,524,000	1.87%	1,625
2011	13,109,000	-0-	13,109,000	1.13%	1,597
2012	12,714,000	-0-	12,714,000	1.10%	1,558
2013	12,229,000	-0-	12,229,000	1.06%	1,512

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

a See Exhibit J-6 for property tax data. This ratio is calculated using valuation data for the prior calendar year.

b See Exhibit J-14 for population data. This ratio is calculated using population for the prior calendar year.

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District Financial Reports

Exhibit J-12

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF DECEMBER 31, 2012  
UNAUDITED

<u>Governmental Unit</u>	<u>Debt</u> <u>Outstanding</u>	<u>Estimated</u> <u>Percentage</u> <u>Applicable <sup>a</sup></u>	<u>Estimated</u> <u>Share of</u> <u>Overlapping</u> <u>Debt</u>
Debt Repaid With Property Taxes:			
Hardyston Township	\$ 9,514,500	100.00%	\$ 9,514,500
Wallkill Valley Regional High School	12,054,737	53.55%	6,455,602
County of Sussex-Municipality's Share	78,366,014	6.158%	<u>4,825,434</u>
Subtotal, Overlapping Debt			20,795,536
Hardyston Township School District Direct Debt			<u>12,637,500</u>
Total Direct And Overlapping Debt			<u>\$ 33,433,036</u>

- a For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable equalized property values. Applicable percentages were estimated by determining the portion of Hardyston Township's equalized property value that is within the Sussex County's boundaries and dividing it by Sussex County's total equalized property value.

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 Township of Hardyston. This process recognizes that, when considering the District's ability to issue and repay long-term, 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 unit.

Sources: Assessed value data used to estimate applicable percentages provided by the Sussex County Board of Taxation; debt outstanding data provided by each governmental unit.

Exhibit J-13

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
LEGAL DEBT MARGIN INFORMATION  
LAST NINE FISCAL YEARS  
UNAUDITED

Legal Debt Margin Calculation for Fiscal Year 2012

Equalized valuation basis

2010	\$	1,230,529,867
2011		1,204,935,842
2012		1,179,466,338
	\$	<u>3,614,932,047</u>

Average Equalized Valuation of Taxable Property	\$	<u>1,204,977,349</u>
Debt Limit (3% of average equalization value) <sup>a</sup>	\$	36,149,320
Net Bonded School Debt as of June 30, 2013		<u>12,637,500</u>
Legal Debt Margin	\$	<u>23,511,820</u>

Fiscal Year

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Debt Limit	\$ 38,070,719	\$ 39,300,253	\$ 38,204,986	\$ 36,404,016	\$ 36,149,320
Total Net Debt Applicable to Limit	<u>13,814,000</u>	<u>13,524,000</u>	<u>2,011</u>	<u>12,714,000</u>	<u>12,637,500</u>
Legal Debt Margin	<u>\$ 24,256,719</u>	<u>\$ 25,776,253</u>	<u>\$ 38,202,975</u>	<u>\$ 23,690,016</u>	<u>\$ 23,511,820</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	36.29%	34.41%	0.01%	34.92%	34.96%

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Debt Limit	\$ 34,437,725	\$ 30,249,410	\$ 25,666,046	\$ 21,478,282
Total Net Debt Applicable to Limit	<u>12,765,000</u>	<u>13,025,000</u>	<u>12,752,000</u>	<u>12,962,000</u>
Legal Debt Margin	<u>\$ 21,672,725</u>	<u>\$ 17,224,410</u>	<u>\$ 12,914,046</u>	<u>\$ 8,516,282</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	37.07%	43.06%	49.68%	60.35%

<sup>a</sup> Limit set by NJSIA 18A:24-19 for a K through 12 district; other % limits would be applicable for other districts.

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: Equalized valuation bases were obtained from the Annual Report of the State of New Jersey, Department of Treasury, Division of Taxation

## Exhibit J-14

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS  
UNAUDITED

Year	Population <sup>a</sup>	Sussex County Per Capita Personal Income <sup>b</sup>	Personal Income <sup>c</sup>	Unemployment Rate <sup>d</sup>
2004	7,488	\$ 40,736	\$ 305,031,168	3.30%
2005	7,781	42,409	329,984,429	4.70%
2006	8,149	45,436	370,257,964	4.90%
2007	8,329	48,201	401,466,129	6.20%
2008	8,357	49,575	414,298,275	6.20%
2009	8,325	47,187	392,831,775	10.30%
2010	8,210	47,951	393,677,710	11.00%
2011	8,158	49,782	406,121,556	10.70%
2012	8,089	49,782 *	402,686,598	10.60%
2013	8,089 **	49,782 *	402,686,598 ***	N/A

\* - Latest Sussex County per capita personal income available (2011) was used for calculation purposes.

\*\* - Latest population data available (2012) was used for calculation purposes.

\*\*\* - Latest available population data (2012) and latest available Sussex County per capita personal income (2011) was used for calculation purposes.

N/A - Information not available

Source:

<sup>a</sup> Population information provided by the U.S. Bureau of the Census, Population Division

<sup>b</sup> Per capita personal income by municipality estimated based upon the 2000 Census published by the US Bureau of Economic Analysis.

<sup>c</sup> Personal income has been estimated based upon the municipal population and per capita personal income presented

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



HARDYSTON TOWNSHIP SCHOOL DISTRICT  
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM  
LAST EIGHT FISCAL YEARS  
UNAUDITED

<u>Function/Program</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Instruction:								
Regular	46.0	47.0	46.0	46.0	46.0	41.9	43.0	44.0
Special Education	13.5	13.5	14.5	14.5	14.5	12.0	14.3	31.5
Other Special Education	6.0	7.0	7.0	7.0	7.0	11.0	11.0	8.1
Other Education	4.0	4.0	4.0	4.0	4.0	4.0	4.0	0.5
Support Services:								
Student & Instruction Related Services	10.0	10.0	13.0	13.0	13.0	12.0	12.0	7.0
General Administrative Services	3.0	3.0	3.0	3.0	3.0	8.6	8.6	5.6
Central Services and Administrative Information Technology	3.0	3.0	3.0	3.0	3.0	3.0	3.0	5.0
Plant Operation and Maintenance	8.0	8.0	8.0	8.0	8.5	7.5	7.5	7.6
Total	<u>93.5</u>	<u>95.5</u>	<u>98.5</u>	<u>98.5</u>	<u>99.0</u>	<u>100.0</u>	<u>103.4</u>	<u>109.3</u>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: District Personnel Records

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
OPERATING STATISTICS  
LAST NINE FISCAL YEARS  
UNAUDITED

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	Middle				
2005	771	\$ 9,131,927	\$ 11,844	2.68%	67	12.8/ 1	11.6/ 1	739	738	-3.27%	95.50%
2006	771	9,426,405	12,226	3.22%	72	15.1/ 1	11.6/ 1	723	721	-2.17%	95.80%
2007	778	10,276,148	13,208	8.03%	73	15.1/ 1	10.8/1	722	692	-0.14%	95.90%
2008	776	10,669,222	13,749	4.09%	75	18.1/1	10.8/1	704	703	-2.49%	95.63%
2009	767	10,925,255	14,244	3.60%	75	10.1/1	10.5/1	755	721	7.24%	95.00%
2010	743	10,933,057	14,715	3.30%	74.5	10.1/1	10.5/1	743	703	-1.59%	95.00%
2011	740	10,922,624	14,760	0.31%	71	10.1/1	10.5/1	740	701	-0.40%	95.20%
2012	761	11,256,840	14,792	0.22%	73.8	10.1/1	10.5/1	745	710	0.68%	95.30%
2013	782	11,630,194	14,872	0.54%	70.9	11.1/1	10.0/1	768	724	3.09%	94.27%

Note: Enrollment based on annual October district count.

a Operating expenditures equal total expenditures less debt service and capital outlay.

b Teaching staff includes only full-time equivalents of certificated staff.

c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

d The cost per pupil calculated above is the sum of the operating expenditures divided by enrollment. This cost per pupil may be different from their cost per pupil calculations.

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006

Source: Hardyston Township School District records

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
SCHOOL BUILDING INFORMATION  
LAST NINE FISCAL YEARS

<u>District Building</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>2013</u>
<b>Hardyston Elementary School</b>									
Square Feet	65,150	65,150	65,150	65,150	65,150	65,150	65,150	65,150	65,150
Capacity (students)	565	565	565	565	565	565	565	565	565
Enrollment	513	400	321	329	495	479	497	426	453
<b>Hardystg Middle School</b>									
Square Feet	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000
Capacity (students)	424	424	424	424	424	424	424	424	424
Enrollment	265	323	402	374	272	264	244	319	329

Number of Schools at June 30, 2013

Elementary = 1

Middle School = 1

Note: Enrollment is based on the annual October district count.

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: Hardyston Township School District Facilities Office

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES  
LAST TEN FISCAL YEARS  
UNAUDITED

Undistributed Expenditures:  
 Required Maintenance for School Facilities  
 11-000-261-XXX

<u>School Facilities</u>	<u>Project #</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>2013</u>
Hardyston Elementary School	SP#201372	\$ 193,580	\$ 129,863	\$ 60,198	\$ 95,290	\$ 90,683	\$ 49,890	\$ 25,498	\$ 80,763	\$ 97,127	\$ 59,627
Hardyston Middle School	SP#201372	129,054	79,593	55,035	59,751	31,862	63,700	41,066	42,832	52,432	46,501
		<u>\$ 322,634</u>	<u>\$ 209,456</u>	<u>\$ 115,233</u>	<u>\$ 155,041</u>	<u>\$ 122,545</u>	<u>\$ 113,590</u>	<u>\$ 66,564</u>	<u>\$ 123,595</u>	<u>\$ 149,559</u>	<u>\$ 106,128</u>

\* School facilities as defined under EFCFA.  
 (N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3)

Source: Hardyston Township School District records

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
INSURANCE SCHEDULE  
JUNE 30, 2013  
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
School Alliance Insurance Fund:		
School Package Policy:		
Property - Blanket Building and Contents (Pooled Coverage)	\$ 250,000,000	\$ 1,000
Comprehensive General Liability - Aggregate	5,000,000	
Medical Expenses - Per Person	10,000	
Comprehensive Automotive Liability - Aggregate	5,000,000	
Comprehensive Crime Coverage	Included	
School Board Legal Liability	5,000,000	5,000
Worker's Compensation & Employer's Liability	5,000,000	
Selective Insurance Company:		
Umbrella Liability Policy	5,000,000	
Public Employee' Faithful Performance Blanket Position Bond	500,000	
Public Official Bond - Treasurer of School Monies	200,000	
Public Official Bond - Business Administrator/Board Secretary	200,000	
Student Accident	1,000,000	

SINGLE AUDIT SECTION



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 200 Valley Road, Suite 300  
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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

Independent Auditors' Report

The Honorable President and Members  
 of the Board of Education  
 Hardyston Township School District  
 County of Sussex, New Jersey

We have audited, in accordance with the 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 the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Hardyston Township School District, in the County of Sussex (the "District") as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 15, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The Honorable President and Members  
of the Board of Education  
Hardyston Township School District  
Page 2

### **Compliance and Other Matters**

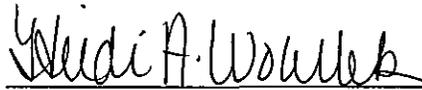
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

November 15, 2013  
Mount Arlington, New Jersey

NISIVOCCIA LLP



Heidi A. Wohlleb  
Licensed Public School Accountant #2140  
Certified Public Accountant



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Report on Compliance For Each Major State Program;  
 Report on Internal Control Over Compliance Required by OMB Circular A-133  
 and New Jersey OMB's Circular 04-04

Independent Auditors' Report

The Honorable President and Members  
 of the Board of Education  
 Hardyston Township School District  
 County of Sussex, New Jersey

**Report on Compliance for Each Major State Program**

We have audited the Board of Education of the Hardyston Township School District's (the "District's") compliance with the types of compliance requirements described in the the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the District's major state programs for the fiscal year ended June 30, 2013. The District's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major state programs based on our audit of the types of compliance requirements referred to above. 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; *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, OMB Circular A-133 and New Jersey OMB's Circular 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on Each Major State Program***

In our opinion, the District complied, in all material respects, with the types of compliance 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, 2013.

The Honorable President and Members  
of the Board of Education  
Hardyston Township School District  
Page 2

### Report on Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the District'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 and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *New Jersey State Aid/ Grant Compliance Supplement*, but not for the purpose of expressing our opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

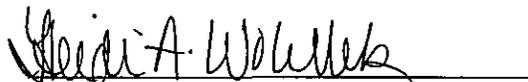
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results that the testing based on the requirements of OMB Circular A-133 or NJOMB 04-04. Accordingly, this report is not suitable for any other purpose.

November 15, 2013  
Mount Arlington, New Jersey

NISIVOCIA LLP



Heidi A. Wohlleb  
Licensed Public School Accountant #2140  
Certified Public Accountant

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass Through Grantor Program Title/ Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance June 30, 2012		Cash Received	Adjustments	Budgetary Expenditures	Balance June 30, 2013		
					Unearned Revenue/ (Accounts Receivable)	Due to Grantor				Accounts Receivable	Unearned Revenue	Due to Grantor
U.S. Department of Agriculture												
Passed-through State Department of Agriculture:												
Child Nutrition Cluster:												
Federal Food Distribution Program	10.550	N/A	7/1/12-6/30/13	\$ 15,553			\$ 15,553		\$ (13,739)		\$ 1,814	
Federal Food Distribution Program	10.550	N/A	7/1/11-6/30/12	14,753	\$ 4,124				(4,124)			
National School Lunch Program	10.555	N/A	7/1/12-6/30/13	42,218			33,722		(42,218)	\$ (8,496)		
National School Lunch Program	10.555	N/A	7/1/11-6/30/12	45,453	(2,465)		2,465					
Total U.S. Department of Agriculture					1,659		36,187		(60,081)	(8,496)	1,814	
Special Revenue Fund - Passed-through State Department of Education:												
No Child Left Behind Consolidated Grant:												
Title I	84.010A	NCLB-2030-13	9/1/12-8/31/13	31,649					(31,649)	(31,649)		
Title I	84.010A	NCLB-2030-12	9/1/11-8/31/12	28,801	(12,459)		12,459					
Title I - Carryover	84.010A	NCLB-2030-07	9/1/06-8/31/08	28,860		\$ 495		\$ (495)				
Title IIA	84.278A	NCLB-2030-13	9/1/12-8/31/13	16,820					(16,820)	(16,820)		
Title IIA	84.278A	NCLB-2030-12	9/1/11-8/31/12	18,700	(250)		250					
Special Education Cluster:												
I.D.E.A. Part B, Basic	84.027	IDEA-2030-13	9/1/12-8/31/13	166,078					(166,078)	(166,078)		
I.D.E.A. Part B, Basic	84.027	IDEA-2030-12	9/1/11-8/31/12	157,312	(9,745)		9,745					
I.D.E.A. Part B, Basic - Carryover	84.027	IDEA-2030-09	9/1/08-8/31/10	157,323		574		(574)				
I.D.E.A. Part B, Preschool	84.173	IDEA-2030-13	9/1/12-8/31/13	4,490					(4,462)	(4,462)		
Total Special Education Cluster					(9,745)	574	9,745	(574)	(170,540)	(170,540)		
Total Special Revenue Fund					(22,454)	1,069	22,454	(1,069)	(219,009)	(219,009)		
Total U.S. Department of Education					(22,454)	1,069	22,454	(1,069)	(219,009)	(219,009)		
Total Federal Financial Awards					\$ (20,795)	\$ 1,069	\$ 58,641	\$ (1,069)	\$ (279,090)	\$ (227,505)	\$ 1,814	\$ -0-

N/A - Not Available/Applicable

SEE ACCOMPANYING NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance June 30, 2012		Cash Received	Budgetary Expenditures	Refunded to Grantor	Balance June 30, 2013		MEMO	
				(Accounts Receivable)	Due to Grantor				GAAP (Accounts Receivable)	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
NJ Department of Education:												
General Fund:												
Transportation Aid	13-495-034-5120-014	7/1/12 - 6/30/13	\$ 449,702			\$ 405,904	\$ (449,702)				\$ (43,798)	\$ 449,702
Transportation Aid	12-495-034-5120-014	7/1/11 - 6/30/12	451,702	\$ (44,343)		44,343						451,702
Special Education Aid	13-495-034-5120-011	7/1/12 - 6/30/13	380,920			343,820	(380,920)				(37,100)	380,920
Special Education Aid	12-495-034-5120-011	7/1/11 - 6/30/12	360,144	(35,355)		35,355						360,144
Security Aid	13-495-034-5120-084	7/1/12 - 6/30/13	52,740			47,603	(52,740)				(5,137)	52,740
Security Aid	12-495-034-5120-084	7/1/11 - 6/30/12	52,422	(5,146)		5,146						52,422
Adjustment Aid	13-495-034-5120-085	7/1/12 - 6/30/13	1,059,795			956,577	(1,059,795)				(103,218)	1,059,795
Adjustment Aid	12-495-034-5120-085	7/1/11 - 6/30/12	1,165,248	(114,391)		114,391						1,165,248
Extraordinary Aid	13-100-034-5120-473	7/1/12 - 6/30/13	40,163				(40,163)		\$ (40,163)		(40,163)	40,163
Extraordinary Aid	12-100-034-5120-473	7/1/11 - 6/30/12	98,851	(98,851)		98,851						98,851
Non-Public Transportation Aid	13-495-034-5120-014	7/1/12 - 6/30/13	8,348				(8,348)		(8,348)		(8,348)	8,348
Non-Public Transportation Aid	12-495-034-5120-014	7/1/11 - 6/30/12	7,247	(7,247)		7,247						7,247
Reimbursed TPAF Social Security Contributions	13-495-034-5095-002	7/1/12 - 6/30/13	338,130			321,179	(338,130)		(16,951)		(16,951)	338,130
Reimbursed TPAF Social Security Contributions	12-495-034-5095-002	7/1/11 - 6/30/12	329,623	(22,490)		22,490						329,623
<b>Total General Fund State Aid</b>				<b>(327,823)</b>		<b>2,402,906</b>	<b>(2,329,798)</b>		<b>(65,462)</b>		<b>(254,715)</b>	<b>4,795,035</b>
Special Revenue Fund:												
Nonpublic Textbook Aid	13-100-034-5120-064	7/1/12 - 6/30/13	1,479			1,479	(1,479)					1,479
Nonpublic Nursing Services	13-100-034-5120-070	7/1/12 - 6/30/13	2,053			2,053	(2,053)					2,053
Nonpublic Technology Initiative	13-100-034-5120-373	7/1/12 - 6/30/13	546			546	(234)			\$ 312		234
Nonpublic Handicapped Services: Supplementary Instruction	12-100-034-5120-066	7/1/11 - 6/30/12	702		\$ 312			\$ 312				390
<b>Total Special Revenue Fund</b>					<b>312</b>	<b>4,078</b>	<b>(3,766)</b>	<b>312</b>		<b>312</b>		<b>5,363</b>
<b>Total NJ Department of Education</b>				<b>(327,823)</b>	<b>312</b>	<b>2,406,984</b>	<b>(2,333,564)</b>	<b>312</b>	<b>(65,462)</b>	<b>312</b>	<b>(254,715)</b>	<b>4,800,398</b>
Capital Projects Fund:												
School Development Authority: Replace Floor Tile/Stairway Project - Elementary School	2030-050-10-1001	7/23/10-6/30/13	63,967	(63,967)								(63,967)
<b>Total Capital Projects Fund</b>				<b>(63,967)</b>								<b>(63,967)</b>
Debt Service Fund:												
Debt Service Aid - State Support	13-495-034-5120-017	7/1/12 - 6/30/13	51,914			51,914	(51,914)					51,914
<b>Total Debt Service Fund</b>						<b>51,914</b>	<b>(51,914)</b>					<b>51,914</b>
Enterprise Fund:												
State School Lunch Program	13-100-010-3350-023	7/1/12 - 6/30/13	2,182			1,742	(2,182)		(440)		(440)	2,182
State School Lunch Program	12-100-010-3350-023	7/1/11 - 6/30/12	2,561	(133)		133						2,561
<b>Total Enterprise Fund</b>				<b>(133)</b>		<b>1,875</b>	<b>(2,182)</b>		<b>(440)</b>		<b>(440)</b>	<b>4,743</b>
<b>Total State Awards</b>				<b>\$ (391,923)</b>	<b>\$ 312</b>	<b>\$ 2,460,773</b>	<b>\$ (2,387,660)</b>	<b>\$ 312</b>	<b>\$ (65,902)</b>	<b>\$ 312</b>	<b>\$ (319,122)</b>	<b>\$ 4,857,055</b>

SEE ACCOMPANYING NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
NOTES TO SCHEDULES OF THE EXPENDITURE OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state grant activity of the Board of Education, Hardyston Township School District under programs of the federal and state governments for the fiscal year ended June 30, 2013. The information in these schedules is presented in accordance with the Federal Office of Management and Budget (OMB), *Audits of States and Local Governments and Non-Profit Organizations* and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net assets or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported 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 these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements. Such expenditures are recognized following the cost principles contained in federal OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governmental Units*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through identifying numbers are presented where available.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$9,982 for the general fund and \$(326) 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. Additionally, the schedule of expenditures of state awards does not include the on-behalf TPAF Pension Contributions and Post Retirement Contributions revenue of \$316,337 and \$357,697, respectively:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 3,013,814	\$ 3,013,814
Special Revenue Fund	\$ 218,743	3,706	222,449
Debt Service Fund		51,914	51,914
Enterprise Fund - Food Service	60,081	2,182	62,263
Total Awards	<u>\$ 278,824</u>	<u>\$ 3,071,616</u>	<u>\$ 3,350,440</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
NOTES TO SCHEDULES OF THE EXPENDITURE OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

(Continued)

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the year ended June 30, 2013. Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively.

NOTE 6. NJ SCHOOLS DEVELOPMENT AUTHORITY (NJSDA) GRANT

In the prior year, the District was awarded a grant of \$63,967 from the New Jersey Schools Development Authority (NJSDA) under the Educational Facilities Construction and Financing Act. As of June 30, 2012, the District had not drawn down any grant funds. In the Capital Projects Fund, the District realized the full amount of the grant funds as revenue on a budgetary basis in the prior year when the grant was awarded and will realize the grant funds as revenue on a GAAP basis when the grant funds are expended and submitted for reimbursement.

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' 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*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over major state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance Required by OMB Circular A-133 and New Jersey OMB's Circular 04-04*.
- The auditor's report on compliance for the major state programs for the District expresses an unmodified opinion on all major state programs.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey OMB's Circular 04-04 or Section 510(a) of Federal OMB Circular A-133.
- The District was not subject to the single audit provisions of Federal OMB Circular A-133 for fiscal year end June 30, 2013 as federal grant expenditures were less than the single audit threshold of \$500,000 identified in the Circular.
- The District's programs tested as major state programs for the current fiscal year consisted of the following state aid:

	<u>Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
State:				
State Aid - Public:				
Adjustment Aid	13-495-034-5120-085	7/1/12-6/30/13	\$ 1,059,795	\$ 1,059,795
Special Education Aid	13-495-034-5120-011	7/1/12-6/30/13	380,920	380,920
Security Aid	13-495-034-5120-084	7/1/12-6/30/13	52,740	52,740

- The threshold used for distinguishing between Type A and Type B state programs was \$300,000.
- The District was determined to be a "low-risk" auditee for state programs under the provisions of section 530 of the federal Circular.

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

- The audit did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards.

Findings and Questioned Costs for Federal Awards:

- Not Applicable since federal expenditures were below the single audit threshold.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in section 510(a) of the federal Circular and New Jersey OMB's Circular 04-04.

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Status of Prior Year Findings:

There were no findings or questioned costs for the fiscal year ended June 30, 2012.