SCHOOL DISTRICT

OF

HARMONY TOWNSHIP

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

Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2014

Comprehensive Annual

Financial Report

of the

Harmony Township School District
Board of Education
Phillipsburg, New Jersey
For the Fiscal Year Ending June 30, 2014

Prepared by
Harmony Township School District
Board of Education
Finance Department

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Introductory Section

Harmony Township School
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Phone: (908) 859-1001
Fax: (908) 859-2277
www.harmonytownshipschool.org

Mr. Chris Carrubba
Chief School Administrator

Alicia M. Schauer
Business Administrator

August 28, 2014

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

Dear Board Members:

The Comprehensive Annual Financial Report of the Harmony Township School District for the fiscal year ended June 30, 2014 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the general purpose financial statements and schedules, as well as the auditors' report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual audit in conformity with the provisions of the Single Audit Act of 2007 and the U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments", and the state Treasury Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments". Information related to this single audit, including the auditors' report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, is included in the single audit section of this report.

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

Services for grade levels 9 through 12 are provided by Belvidere High School on a sending/receiving relationship basis for resident students. The District provides a full range of educational services appropriate to grade levels K through 8. These include regular, as well as special education for handicapped youngsters. The District completed the 2013-2014 fiscal year with a resident enrollment of 265 students, which is fewer students than the previous year's enrollment. The following details the changes in the student enrollment of the District over the last ten years.

Fiscal Year	Average Daily Enrollment Student Enrollment	Percent Change
2011-12	283	- 3.4%
2010-11	293	- 2.0%
2009-10	298	- 5.9%
2008-09	316	1.5%
2007-08	312	1.0%
2006-07	309	- 1.28%
2005-06	313	---
2004-05	313	+ 0.97%
2003-04	310	- 2.5%
2002-03	318	No change
2001-02	317	+13.21%

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

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

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

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

3) MAJOR INITIATIVES: In the 2013-2014 school year, the Harmony Township School started various capital projects, which included a repaving and sealing of the parking lot, lighting replacement and alarm system upgrades.

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

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

A practical five-year program of building maintenance and improvement has been accepted and

implemented by the Board of Education to insure the stability of the facility and to protect the community investment in the school property.

The Harmony Township School District receives only limited state aid aid. Overall, and in spite of this limited government support, the district has been able to offer students a broad program of studies. Approximately 91% of the costs of education are borne by the Township taxpayers. While the local tax rate is the lowest in the county, it presents an obstacle to positive school-community relationships. Reallocation of funds at the state level, while highly unlikely, would help the district immeasurably, and relieve the property owners' tax burden.

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

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line-item basis. Open encumbrances at year-end are either canceled or are included as reappropriation of the fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2014.

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

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

8) DEBT ADMINISTRATION: The district is debt free.

9) CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 2. The District adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Government Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

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

11) OTHER INFORMATION:

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

12) ACKNOWLEDGMENTS:

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

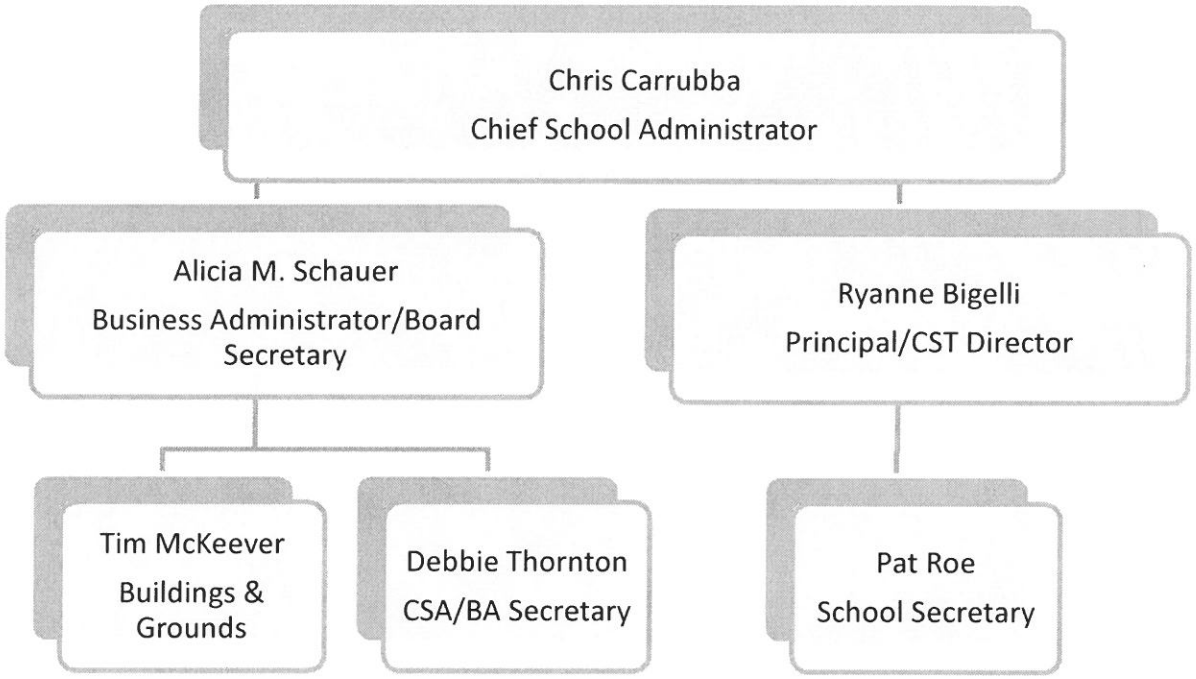
Respectfully Submitted,

Mr. Chris Carrubba
Chief School Administrator

Mrs. Alicia M. Schauer
School Business Administrator

Harmony Township School

2013/2014



HARMONY TOWNSHIP SCHOOL DISTRICT

BOARD OF EDUCATION

ROSTER OF OFFICIALS

JUNE 30, 2014

Members of the Board of Education	**Term Expires**
Laura Murphy, President	2015
Angyne Schock-Smith, Vice-President	2015
Paul Williams	2016
Keith Metz	2016
Tadgh LaBar	2015
Heather Weidlick	2014
Denise Carney	2014
Denise Ryczek	2014
Ken Koch	2014

Other Officials

Chris Carrubba, ***Chief School Administrator***

Alicia M Schauer, ***School Business Administrator/Board Secretary***

Randy Wilson, ***Treasurer***

HARMONY TOWNSHIP SCHOOL DISTRICT

BOARD OF EDUCATION

CONSULTANTS AND ADVISORS

Architect

Gianforcaro Engineers & Architects
555 Main Street, Suite One
Chester, New Jersey 07930

Audit Firm

Ardito & Co., LLP
1110 Harrison Street, Suite C
Frenchtown, New Jersey 08825

Attorney

Courter, Kolbert, & Cohen
1001 Route 517
Hackettstown, New Jersey 07840

Official Depository

PNC Bank
101 Mansfield Street
Belvidere, New Jersey 07823

Financial Section

Independent Auditor's Report

ARDITO & CO., LLP

1110 Harrison Street, Suite C
Frenchtown, New Jersey 08825-1192
908-996-4711 Fax: 908-996-4688
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Anthony Ardito, CPA, RMA, CMFO, PSA
Douglas R. Williams, CPA, RMA, PSA

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the government activities, the business-type activities, each major fund and the aggregate remaining fund information of the Harmony Township School District Board of Education, as of and for the year ended June 30, 2014, 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.

Auditor's 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 and the standards applicable to financial audits contained in ***Government Auditing Standards,*** issued by the Comptroller General of the United States, and audit requirements as prescribed by the 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 of 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.

-Continued-

In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Harmony Township School District Board of Education, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity 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 and budgetary comparison information on pages 8 through 8.7 and 38 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Harmony Township School District Board of Education's basic financial statements. The introductory section, combining and individual fund financial statements, long-term debt schedules, statistical section, and schedule of state financial assistance, as required by New Jersey OMB's Circular 04-04, ***Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid***, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

-Continued-

The combining and individual fund financial statement information, long-term debt schedules, and the schedule of state financial assistance, as required by New Jersey OMB's Circular 04-04, ***Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid***, 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 combining and individual fund financial statement information, long-term debt schedules, and schedule of state financial assistance, as required by New Jersey OMB's Circular 04-04, ***Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid***, are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with ***Government Auditing Standards***, we have also issued our report dated September 30, 2014, on our consideration of the Harmony Township School District Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the District's internal control over financial reporting and compliance.

Ardito & Co., LLP

ARDITO & CO., LLP
September 30, 2014

Anthony Ardito

Licensed Public School Accountant No. 2369

Required Supplementary Information - Part I

Management's Discussion and Analysis

The discussion and analysis of Harmony Township School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2014 are as follows:

- In total, net position increased $439,339 which represents a 7.8 percent increase from 2013.
- General revenues accounted for $5,963,395 in revenue or 86.9 percent of all revenues. Program specific revenues in the form of charges for services, operating grants were $959,526 or 13.1 per cent of total revenues of $6,922,921.
- Total assets of governmental activities increased by $472,065, as cash and cash equivalents increased by $664,403, receivables decreased by $105,240, and capital assets decreased by $88,014.
- The School District had $6,483,582 in expenses; only $959,526 of these expenses were offset by program specific charges for services, grants or contributions. General Revenues (primarily property taxes) of $5,963,395 were adequate to provide for these programs.
- Among major funds, the General Fund had $6,779,226 in revenues and $6,188,265 in expenditures. The General Fund's surplus balance increased $704,261 over 2013, after a $113,300 transfer of capital reserve to fund capital projects. The overall increase in surplus of $704,261 compares favorably to a budgeted decrease (use of surplus) of $112,106.

Using this Generally Accepted Accounting Principals Report (GAAP)

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

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

- Governmental activities--All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.

- Business-type Activity--This service is provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 11. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Special Revenue Fund, Capital Projects Fund and Debt Service Fund.

Governmental Funds

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

The School District as a Whole

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

Table 1 provides a summary of the School District's net position for 2014 compared to 2013.

Table 1
Net Position

	2014	2013
Assets		
Current and Other Assets	$1,903,668	$ 1,343,589
Capital Assets	4,243,994	4,332,008
Total Assets	6,147,662	5,675,597
Liabilities		
Long-Term Liabilities	35,180	35,180
Other Liabilities	71,946	42,051
Total Liabilities	107,126	77,231
Net Position		
Invested in Capital Assets, Net of Debt	4,243,994	4,332,008
Restricted	1,404,844	736,922
Unrestricted	388,867	529,436
Total Net Position	$ 6,037,705	$ 5,598,366

Total assets increased $472,065. Cash and cash equivalents increased by $664,403, receivables decreased by $105,240, and capital assets decreased by $88,014. Cash increased due to significant underspending of the budget and collection of prior year accounts receivable. Capital assets decreased due to depreciation expense, net of additions.

Table 2 shows the changes in net position from fiscal year 2013.

Table 2
Changes in Net Position

	2014	2013
Revenues		
Program Revenues:		
Charges for Services	$ 82,968	$ 102,253
Operating Grants and Contributions	876,558	975,981
General Revenues:		
Property Taxes	6,018,532	5,838,218
State Aid for Capital Projects	(68,139)	-
Investment Earnings	875	1,212
Other	12,127	31,846
Total Revenues	6,922,921	6,949,510
Program Expenses		
Instruction	2,845,210	2,863,368
Support Services:		
Tuition	1,496,904	1,751,201
Pupils and Instructional Staff	772,388	771,704
General Administration, School Administration, Busines	500,410	509,929
Operations and Maintenance of Facilities	497,328	546,377
Pupil Transportation	275,610	315,051
Business-Type Activities	85,072	78,166
Interest and Fiscal Charges	10,660	10,282
Total Expenses	6,483,582	6,846,078
Increase in Net Position	$ 439,339	$ 103,432

Governmental Activities

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. Property taxes made up 86.1 percent of revenues for governmental activities for the Harmony Township School District for the fiscal year 2014.

Instruction comprises 43.9 percent of district expenses. Support services expenses make up 54.6 percent of the expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services compared to 2013. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3

	Total Cost of Services 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013
Instruction	$ 2,845,210	$2,408,163	$ 2,863,368	$ 2,369,797
Support Services:				
Tuition	1,496,904	1,328,130	1,751,201	1,541,948
Pupils and Instructional Staff	772,388	649,084	771,704	639,423
General Administration, School Administration, Business Admin.Serv.	500,410	443,990	509,929	448,997
Operation and Maintenance of Facilities	497,328	441,255	546,377	481,090
Pupil Transportation	275,610	244,535	315,051	277,405
Business-Type Activities	85,072	(1,761)	78,166	(1,098)
Interest and Depreciation	10,660	10,660	10,282	10,282
Total Expenses	$ 6,483,582	$ 5,524,056	$ 6,846,078	$ 5,767,844

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

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

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

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

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

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

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

The dependence upon tax revenues is apparent. Over 84.6 percent of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 87.7 percent. The community, as a whole, is the primary support for the Harmony Township School District.

The School District's Funds

Information about the School District's major funds starts on page 11 (Balance Sheet/Exhibit B-1) . These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of $6,836,088 and expenditures of $6,313,266. The net change in fund balance for the year was most significant in the Current Fund, an increase of $704,261 due to significant cost savings and unspending of the budget.

General Fund Budgeting Highlights

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

During the course of the fiscal 2014 year, the School District amended its General Fund budget as needed. The School District uses program based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management.

For the General Fund, budget basis revenue and other financing sources, excluding TPAF on-behalf amount, was $6,423,247, $24,225 over original budgeted estimates of $6,399,022. This difference was due primarily to additional revenues of $24,225 from extraordinary aid and miscellaneous receipts.

The General fund revenues and other financing sources/uses of the School District exceeded expenditures by $701,391, compared to a budgeted deficiency (i.e. budgeted use of surplus) of $112,106. This was achieved due to additional revenues as noted above, as well as significant expense savings in the instruction, support, administration, maintenance, and benefits areas.

Capital Assets

At the end of the fiscal year 2014, the School District had $4,243,994 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal 2014 balances compared to 2013.

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

	2014	2013
Land	$ 2,500,000	$ 2,500,000
Buildings and Improvements	1,726,166	1,803,558
Machinery and Equipment	17,828	28,450
Totals	$ 4,243,994	$ 4,332,008

Overall capital assets decreased $88,014 from fiscal year 2013 to fiscal year 2014, net of depreciation expense.

$3,968 in capital equipment was purchased during fiscal year 2014.

Debt Administration

At June 30, 2014, the School District had $35,180 as outstanding debt for compensated absences. The district has no other long term liabilities.

At June 30, 2014, the School District's overall legal debt margin was $16,616,542 and the unvoted debt margin was the same at $16,616,542.

For the Future

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

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

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

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information contact the School Business Administrator/ Board Secretary at Harmony Township School District, 2551 Belvidere Road, Phillipsburg, NJ, 08865.

Basic Financial Statements

DISTRICT-WIDE FINANCIAL STATEMENTS

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

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET POSITION
JUNE 30, 2014

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and Cash Equivalents	$ 603,483	$ 12,842	$ 616,325
Receivables from Other Governments	304,073	1,041	305,114
Interfund Receivables			
Inventory		3,045	3,045
Restricted Assets:			
Capital and Maint. Reserve Account - Cash	979,184		979,184
Capital Assets, Net (Note 6):	4,243,675	319	4,243,994
Total Assets	6,130,415	17,247	6,147,662
LIABILITIES			
Accounts Payable	55,585	2,831	56,839
Interfund Payables			
Unearned Revenue	15,107	1,254	15,107
Noncurrent Liabilities (Note 7):			
Due Beyond One Year	35,180		35,180
Total Liabilities	105,872	4,085	107,126
NET POSITION			
Invested in Capital Assets, Net of Related Debt	4,243,675	319	4,243,994
Restricted for:			
Other Purposes	1,404,844		1,404,844
Unrestricted	376,024	12,843	388,867
Total Net Position	$ 6,024,543	$ 13,162	$ 6,037,705

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

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit A-2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

		PROGRAM REVENUES			NET(EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Functions/Programs							
Governmental Activities:							
Instruction:							
Regular	$ 2,316,079	$ 27,470	$ 349,918		$ (1,938,691)		$ (1,938,691)
Special Education	441,872		49,821		(392,051)		(392,051)
Other Special Instruction	87,259		9,838		(77,421)		(77,421)
Support Services:							
Tuition	1,496,904		168,774		(1,328,130)		(1,328,130)
Student & Instruction Related Serv.	772,388		123,304		(649,084)		(649,084)
School Administrative Services	167,829		18,922		(148,907)		(148,907)
General and Business Admin. Serv.	332,581		37,498		(295,083)		(295,083)
Plant Operations and Maintenance	497,328		56,073		(441,255)		(441,255)
Pupil Transportation	275,610		31,075		(244,535)		(244,535)
Other Charges	1,739				(1,739)		(1,739)
Unallocated Depreciation	8,921				(8,921)		(8,921)
Total Governmental Activities	6,398,510	27,470	845,223		(5,525,817)		(5,525,817)
Business-Type Activities:							
Food Service	85,072	55,498	31,335			$ 1,761	1,761
Total Business-Type Activities	85,072	55,498	31,335			1,761	1,761
Total Primary Government	$ 6,483,582	$82,968	$876,558		($5,525,817)	$1,761	$ (5,524,056)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes,Net					$ 6,018,532		$ 6,018,532
Investment Earnings					875		875
State Aid for Capital Asset Projects					(68,139)		(68,139)
Miscellaneous Income					12,127		12,127
Total General Revenues, Special Items, Extraor. Items and Transfers					5,963,395	-	5,963,395
Change in Net Position					437,578	1,761	439,339
Net Position—Beginning (as restated)					5,586,965	11,401	5,598,366
Net Position—Ending					**$ 6,024,543**	**$ 13,162**	**$ 6,037,705**

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

FUND FINANCIAL STATEMENTS

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

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit B-1

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and Cash Equivalents	$ 1,582,667			$ 1,582,667
Interfund Receivable	161,467			161,467
Receivables from Other Governments	12,353	$ 102,901	$ 188,819	304,073
TOTAL ASSETS	$ 1,756,487	$ 102,901	$ 188,819	$ 2,048,207
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund Payable		$ 81,496	$ 79,971	$ 161,467
Accounts Payable	49,287	6,298		55,585
Deferred Revenue		15,107		15,107
Total Liabilities	49,287	102,901	79,971	232,159
Fund Balances:				
Restricted for:				
Capital Reserve Account	429,184			429,184
Maintenance Reserve	550,000			550,000
Excess Surplus	244,818			244,818
Excess Surplus - Designated for Subsequent Year's Expenditures	158,842			158,842
Assigned to:				
Year-End Encumbrances	72,140			72,140
Designated for Subsequent Year's Expenditures	22,000			22,000
Capital Projects Fund			108,848	108,848
Unassigned:				
General Fund	230,216			230,216
Total Fund Balances	1,707,200		108,848	1,816,048
TOTAL LIABILITIES AND FUND BALANCES	$ 1,756,487	$ 102,901	$ 188,819	$ 2,048,207

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is $6,558,160 and the accumulated depreciation is $2,314,485 (Note 6).	$4,243,675
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported as liabilties in the funds (see Note 7).	(35,180)
Net Position of governmental activities	$6,024,543

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

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit B-2

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
REVENUES				
Local sources:				
Local Tax Levy	$ 6,018,532			$ 6,018,532
Tuition	27,470			27,470
Interest on Capital Reserve Account	10			10
Miscellaneous	12,992			12,992
Total - Local Sources	6,059,004			6,059,004
State Sources	720,222		$ (68,139)	652,083
Federal Sources		$ 125,001		125,001
Total Revenues	6,779,226	125,001	(68,139)	6,836,088
EXPENDITURES				
Current:				
Regular Instruction	1,573,633	88,783		1,662,416
Special Education Instruction	332,482			332,482
Other Special Instruction	65,657			65,657
Support services and undistributed costs:				
Tuition	1,496,904			1,496,904
Student and Instruction Related Services	544,957	36,218		581,175
School Administrative Services	118,856			118,856
Other Administrative Services	250,247			250,247
Plant Operations and Maintenance	374,209			374,209
Pupil Transportation	275,610			275,610
Unallocated Benefits	1,127,164			1,127,164
Transfer to Charter School	15,414			15,414
Debt Service:				
Principal				
Interest and Other Charges				
Capital Outlay	13,132		-	13,132
Total Expenditures	6,188,265	125,001		6,313,266
Excess (Deficiency) of Revenues Over Expenditures	590,961		(68,139)	522,822
OTHER FINANCING SOURCES (USES)				
Transfers from Capital Fund	113,300		(113,300)	
Total Other Financing Sources and Uses	113,300		(113,300)	
Net Change in Fund Balances	704,261		(181,439)	522,822
Fund Balance—July 1	1,002,939		290,287	1,293,226
Fund Balance—June 30	$ 1,707,200		$ 108,848	$ 1,816,048

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

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit B-3

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

Total Net Change in Fund Balances - Governmental Funds (from B-2)		$ 522,822
Amounts reported for governmental activities in the statement of activities (A-2) are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.		
Depreciation Expense	$ (89,212)	
Capital Outlays	3,968	(85,244)
In the statement of activities, compensated absences in the statement of activities is accrued, regardless of when due. In the governmental funds, the amounts are expensed and reported when due. This is the amount by which current year's amount of accrual exceeds the prior year's amount.		-
Change in Net Position of Governmental Activities		$ 437,578

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

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit B-4

STATEMENT OF PROPRIETARY NET POSITION
PROPRIETARY FUNDS

JUNE 30, 2014

	Business-Type Activities - Enterprise Funds	
	Food Service	**Totals**
ASSETS		
Current assets:		
Cash and Cash Equivalents	$ 12,842	$ 12,842
Accounts Receivable	1,041	1,041
Inventories	3,045	3,045
Total Current Assets	16,928	16,928
Noncurrent Assets:		
Furniture, Machinery and Equipment	27,153	27,153
Less Accumulated Depreciation	(26,834)	(26,834)
Total Noncurrent Assets	319	319
Total Assets	**17,247**	**17,247**
LIABILITIES		
Current liabilities:		
Accounts Payable	2,831	2,831
Deferred Revenue	1,254	1,254
Total Current Liabilities	4,085	4,085
Total Liabilities	**4,085**	**4,085**
NET POSITION		
Invested in Capital Assets Net of Related Debt	319	319
Unrestricted	12,843	12,843
Total Net Position	**$ 13,162**	**$ 13,162**

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit B-5

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Business-type Activities - Enterprise Fund	
	Food Service	**Total Enterprise**
Operating Revenues:		
Charges for Services:		
Daily Sales - Reimbursable/Non-Reimb. Programs	$ 47,986	$ 47,986
Daily Sales - Non-Reimb. Programs	7,512	7,512
Total Operating Revenues	55,498	55,498
Operating Expenses:		
Cost of Sales	43,639	43,639
Salaries	22,716	22,716
Employee Benefits	5,914	5,914
Supplies	2,627	2,627
Other Purchased Professional Services	7,406	7,406
Depreciation	2,770	2,770
Total Operating Expenses	85,072	85,072
Operating Income (Loss)	(29,574)	(29,574)
Nonoperating Revenues (Expenses):		
State Sources:		
State School Lunch Program	957	957
Federal Sources:		
National School Lunch Program	20,794	20,794
Food Distribution Program	9,286	9,286
Special Milk Program	298	298
Total Nonoperating Revenues (Expenses)	31,335	31,335
Income (Loss) Before Contributions and Transfers	1,761	1,761
Change in Net Position	1,761	1,761
Total Net Position—Beginning	11,401	11,401
Total Net Position—Ending	$ 13,162	$ 13,162

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

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit B-6

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended June 30, 2014

	Business-Type Activities - Enterprise Funds	
	Food Service	**Total Enterprise**
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	$ 55,499	$ 55,499
Payments to Employees	(22,716)	(22,716)
Payments for Employee Benefits	(5,914)	(5,914)
Payments to Suppliers	(42,254)	(42,254)
Net Cash Provided by (used for) Operating Activities	(15,385)	(15,385)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Sources	944	944
Federal Sources	21,368	21,368
Operating Subsidies Transfers from Other Funds		
Net Cash Provided by (used for) Non-Capital Financing Activities	22,312	22,312
Net Increase (Decrease) in Cash and Cash Equivalents	6,927	6,927
Balances—Beginning of Year	5,915	5,915
Balances—End of Year	$ 12,842	$ 12,842
Reconciliation of Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:		
Operating Income (Loss)	$ (29,574)	$ (29,574)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:		
Depreciation and Net Amortization	2,770	2,770
Federal Commodities	9,286	9,286
(Increase) Decrease in Accounts Receivable	217	217
(Increase) Decrease in Inventories	(915)	(915)
Increase (Decrease) in Accounts Payable	2,831	2,831
Total Adjustments	14,189	14,189
Net Cash Provided by (used for) Operating Activities	$ (15,385)	$ (15,385)

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

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit B-7

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

JUNE 30, 2014

	Unemployment Compensation Trust	Agency Fund
ASSETS		
Cash and Cash Equivalents	$ 146,090	$ 20,261
Total Assets	$ 146,090	$ 20,261
LIABILITIES		
Accounts Payable		$ 936
Payroll Deductions		13,937
Payable to Student Groups		5,388
Total Liabilities		$ 20,261
NET POSITION		
Held in Trust for Unemployment Claims & Other Purposes	$ 146,090	

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

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit B-8

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

For the Year Ended June 30, 2014

	Unemployment Compensation Trust
ADDITIONS	
Contributions:	
Employer	$ 55,000
Total Contributions	55,000
Investment Earnings:	
Interest	9
Net Investment Earnings	9
Total Additions	**55,009**
DEDUCTIONS	
Unemployment Claims	7,137
Total Deductions	**7,137**
Change in Net Position	47,872
Net Position—Beginning of the Year	98,218
Net Position—End of the Year	**$ 146,090**

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

Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

In addition, the School District has implemented GASB Statement No.37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus, Statement No.38, Certain Financial Statement Note Disclosures, Statement No.40, Deposit and Investment Risk Disclosures, an amendment of GASB Statement No.3, and Statement 44, Economic Condition Reporting: The Statistical Section (GASB 44), an amendment of NCGA Statement 1, Governmental Accounting and Financial Reporting Principles is found in the Introduction, a revised statistical section in the Outline of the CAFR, GASB Statement No. 45, Other Post-retirement Employee Benefits, GASB No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and GASB No. 63 and 65, Deferred Outflows and Inflows and Net Position, and Items Previously Reported as Assets and Liablities. The implementation of these statements had no effect on equity balances as previously reported for the fiscal year ended June 30, 2013.

A. Reporting Entity:

The Harmony Township School District is a Type II district located in the County of Warren, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The board is comprised of nine members elected to three-year terms. The purpose of the district is to educate students in grades K-8. The Harmony Township School District had an approximate enrollment at June 30, 2014, of 265 students.

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, Basis of Accounting:

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

Basis of Presentation

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

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

GOVERNMENTAL FUNDS

The District reports the following governmental funds:

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

GOVERNMENTAL FUNDS (Continued)

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

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

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

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

PROPRIETARY FUNDS

The District reports the following proprietary fund:

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Additionally, the District reports the following fund type:

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

Basis of Accounting

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

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgets/Budgetary Control:

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

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

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

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

D. Encumbrance Accounting:

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity:

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

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

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

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

Allowance for Uncollectible Accounts:
No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

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

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

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

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

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

Deferred Revenue:
Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, have been recorded as deferred revenue. Grants and entitlement received before the eligible requirements are met are also recorded as deferred revenue.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

Net Position:

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

Fund Balance Reserves:

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

Revenues—Exchange and Nonexchange Transactions

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

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

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

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

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

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

NOTE 2: CASH AND CASH EQUIVALENTS

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

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

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

NOTE 2: CASH AND CASH EQUIVALENTS (Continued):

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

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

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the district's accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the municipality would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollarteralized or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At June 30, 2014, all of the district's deposits were collateralized by securities held in its name and, accordingly, not exposed to custodial credit risk. The district does not have a policy for custodial credit risk.

As of June 30, 2014, cash and cash equivalents and investments of the District consisted of the following:

	Cash and Cash Equivalents(A-1)	Cash and Cash Equivalents(B-7)	Total
Checking Accounts	$1,579,625	$166,351	$1,745,976
	$1,579,625	$166,351	$1,745,976

The carrying amount of the Board’s cash and cash equivalents at June 30, 2014, was $1,745,976 and the bank balance was $1,828,498. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes. Of these bank balances, $250,000 was covered by federal depository insurances and $1,578,498 was covered by collateral pool.

Investments

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

In order to maximize liquidity, the district utilizes the New Jersey Cash Management Fund ("NJCMF") as its sole investments. The NJCMF is administered by the New Jersey Department of Treasury. It invests pooled monies from various State and non-State agencies in primarily short-term investments. These investments include: U.S. Treasuries, short-term Commercial Paper, U.S. Agency Bonds, Corporate Bonds, and Certificates of Deposit. Agencies that participate in the NJCMF typically earn returns that mirror short-term investment rates. Monies can be freely added or withdrawn from the NJCMF on a daily basis without penalty. At June 30, 2014, the district's balance was $ 15,884.

NOTE 2: CASH AND CASH EQUIVALENTS (Continued):

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

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

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

NOTE 3: RECEIVABLES

Receivables at June 30, 2014, consisted of intergovernmental amounts. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	Governmental Fund Financial Statements	Government-Wide Financial Statements
State Aid	$ 201,172	$ 201,218
Federal Aid	102,901	103,896
Gross Receivable	304,073	305,114
Less: Allow. for Uncollectibles		
Total Receivables, Net	$ 304,073	$ 305,114

NOTE 4: INVENTORY

Inventory in the Food Service Fund at June 30, 2014, consisted of the following:

Food	$ 3,045
	$ 3,045

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

NOTE 5: DEFERRED BOND ISSUANCE COSTS

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

NOTE 6: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 2,500,000			$ 2,500,000
Total Capital Assets Not Being Depreciated	2,500,000	-	-	2,500,000
Capital Assets Being Depreciated:				
Land Improvements	94,200			94,200
Buildings and Building Improvements	3,716,051			3,716,051
Machinery and Equipment	243,941	$ 3,968		247,909
Total at Historical Cost	4,054,192	3,968	-	4,058,160
Less Accumulated Depreciation for:				
Land Improvements	(13,612)	(4,605)		(18,217)
Building and Improvements	(1,993,081)	(72,787)		(2,065,868)
Equipment	(218,580)	(11,820)		(230,400)
Total Accumulated Depreciation	(2,225,273)	(89,212)	-	(2,314,485)
Total Capital Assets Being Depreciated, net of Accumulated Depreciation	1,828,919	(85,244)	-	1,743,675
Government Activity Capital Assets, Net	**$ 4,328,919**	**$ (85,244)**	**$ -**	**$ 4,243,675**

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

Depreciation expense was charged to functions as follows:

Regular Instruction	$ 80,291
Unallocated	8,921
Total	$ 89,212

NOTE 7: LONG-TERM OBLIGATIONS

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

A. Long-Term Obligation Activity:

Changes in long-term obligations for the year ended June 30, 2014, are as follows:

	Balance 7/1/2013	Increases	Decreases	Balance 6/30/2014	Amounts Due Within One Year
Governmental Activities:					
Other Liabilities:					
Compensated Absences Payable	$35,180			$35,180	-
Total	$35,180	-	-	$35,180	-

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

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

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

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

For the year ended June 30, 2014, it is not necessary for the Board to establish a liability for arbitrage rebate.

As of June 30, 2014, the District had no authorized but not issued bonds.

NOTE 8: PENSION PLANS

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

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

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

Vesting and Benefit Provisions – The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:66 for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 55 and are generally determined to be 1/55 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years).
Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

NOTE 8: PENSION PLANS (Continued)

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

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

Three-Year Trend Information for PERS

Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2014	$38,558	100 %	-0-
6/30/2013	$37,512	100 %	-0-
6/30/2012	$39,952	100 %	-0-

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

Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2014	-0-	100 %	-0-
6/30/2013	-0-	100 %	-0-
6/30/2012	-0-	100 %	-0-

During the fiscal year ended June 30, 2014, the State of New Jersey did contribute $200,756 to the TPAF for post-retirement benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District $152,353 during the year ended June 30, 2014, for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has been included in the District-wide financial statements, and the fund-based statements and schedules as revenues and expenditures in accordance with GASB Statement No.24.

NOTE 9: POST-RETIREMENT BENEFITS

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2013, there were 100,134 retirees receiving post-retirement medical benefits, and the State contributed $1.07 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid 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 $173.8 million toward Chapter 126 benefits for 17,356 eligible retired members in Fiscal Year 2013.

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

NOTE 10: DEFERRED COMPENSATION

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

Equitable
Legg Mason
Roth IRA

NOTE 11: COMPENSATED ABSENCES

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

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

NOTE 11: COMPENSATED ABSENCES-(Continued)

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

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2014, no liability existed for compensated absences in the proprietary fund types.

NOTE 12: RISK MANAGEMENT

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

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

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

Fiscal Year	District Contributions	Employee Contributions	Amount Reimbursed	Ending Balance
2013-2014	$9		- $7,137	$146,090
2012-2013	$3	$10,183	$26,369	$98,218
2011-2012	$20	$7,705	$20,739	$65,401

NOTE 13: CONTINGENT LIABILITIES

GRANT PROGRAMS

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

LITIGATION

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

NOTE 14: FUND BALANCE APPROPRIATED

General Fund (Exhibit B-1) - Of the $1,707,200 General Fund fund balance at June 30, 2014, $72,140 is reserved for encumbrances; $429,184 has been reserved in the Capital Reserve Account; $550,000 has been reserved in the Maintenance Reserve Account; $403,660 is reserved as excess surplus in accordance with N.J.S.A.18A:7F-7 ($158,842 of the total reserve for excess surplus has been appropriated and included as anticipated revenue for the year ending June 30, 2015); $22,000 has been appropriated and included as anticipated revenue for the year ending June 30, 2015; and $230,216 is unreserved and undesignated.

NOTE 15: CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Harmony Township School District Board of Education by inclusion of $110,000 in the 89-90 capital outlay budget, for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

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

The activity of the capital reserve for the July 1, 2013 to June 30, 2014 fiscal year is as follows:

Beginning Balance, July 1, 2013	$115,874
Interest Earnings	10
Deposits (PL 2007 c.62 (A1)) - June Resolution	200,000
Deposits - Return of unspent local share from Capital Fund	230,300
Use of Capital Reserve to Liquidate Capital Project Deficit	(117,000)
Ending Balance, June 30, 2014	$429,184

The June 30, 2014 LRFP balance of local support costs of uncompleted capital projects at June 30, 2014 is $429,184.

NOTE 16: CALCULATION OF EXCESS SURPLUS

The designation for Reserved Fund Balance – Excess Surplus is a required calculation pursuant to N.J.S.A. 18A:7F-7, as amended. New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2014 is $244,818.

NOTE 17: TUITION ADJUSTMENTS

A comparison of tenative tuition charges and actual certified tuition charges was made by the receiving district (Belvidere School District) for fiscal year 2011-2012 and certified by the state department. The resulting 2011-2012 tuition adjustment refund, in accordance with N.J.A.C 6a:23-3.1(f)3, was due in fiscal year 2013-2014, and was received as a credit to offset 2013-2014 tutition billings.

NOTE 18: INTERFUND BALANCES

	Interfund Receivable	Interfund Payable
General Fund	$ 161,467	
Capital Projects Fund		$ 79,971
Special Revenue Fund		81,496
Total	$ 161,467	$ 161,467

The special revenue fund owes the current fund for cash advances in anticipation of federal grants not yet collected. The capital projects fund owes the current fund for cash advances in anticipation of state SDA grants not yet collected.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

Fiscal Year Ended June 30, 2014

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
Local Sources:					
Local Tax Levy	$ 6,018,532		$ 6,018,532	$ 6,018,532	
Tuition	20,000		20,000	27,470	$ 7,470
Interest on Capital Reserve Account	100		100	10	(90)
Miscellaneous	8,500		8,500	12,992	4,492
Total - Local Sources	6,047,132		6,047,132	6,059,004	11,872
State Sources:					
Transportation Aid	103,351		103,351	103,351	
Special Education Aid	217,130		217,130	217,130	
Security Aid	31,409		31,409	31,409	
Other State Aid				12,353	12,353
TPAF Pension and PRM (On-Behalf - Non-Budgeted)				200,756	200,756
TPAF Social Security (Reimbursed - Non-Budgeted)				152,353	152,353
Total State Sources	351,890		351,890	717,352	365,462
TOTAL REVENUES	**6,399,022**		**6,399,022**	**6,776,356**	**377,334**

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

Fiscal Year Ended June 30, 2014

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction					
Pre-Kindergarten - Salaries of Teachers	64,000		64,000	63,430	570
Kindergarten - Salaries of Teachers	69,500	77,720	147,220	147,220	
Grades 1-5 - Salaries of Teachers	738,000	25,680	763,680	748,201	15,479
Grades 6-8 - Salaries of Teachers	556,800	(135,732)	421,068	405,022	16,046
Regular Programs - Home Instruction:					
Salaries of Teachers	3,000	2,800	5,800	5,657	143
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction		41,807	41,807	41,806	1
Purchased Technical Services	30,000	6,000	36,000	24,112	11,888
Other Purchased Services (400-500 series)	56,000		56,000	30,220	25,780
General Supplies	150,000	(20,875)	129,125	92,456	36,669
Textbooks	35,000		35,000	13,718	21,282
Other Objects	6,263		6,263	1,791	4,472
TOTAL REGULAR PROGRAMS - INSTRUCTION	**1,708,563**	**(2,600)**	**1,705,963**	**1,573,633**	**132,330**
SPECIAL EDUCATION - INSTRUCTION					
Resource Room/Resource Center:					
Salaries of Teachers	310,200	(21,000)	289,200	251,181	38,019
Other Salaries for Instruction	103,500	(9,000)	94,500	78,289	16,211
General Supplies	5,000		5,000	3,012	1,988
Total Resource Room/Resource Center	418,700	(30,000)	388,700	332,482	56,218
TOTAL SPECIAL EDUCATION - INSTRUCTION	**418,700**	**(30,000)**	**388,700**	**332,482**	**56,218**

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

Fiscal Year Ended June 30, 2014

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	51,480	(638)	50,842	38,210	12,632
Other Salaries for Instruction		7,938	7,938	7,938	
General Supplies	3,000	200	3,200	3,149	51
Total Basic Skills/Remedial - Instruction	54,480	7,500	61,980	49,297	12,683
School Sponsored Co/Extra Curricular Activties-Instruction:					
Salaries	28,000		28,000	15,459	12,541
Supplies and Materials	500	500	1,000	901	99
Other Objects					
Total School Sponsored Cocurricular Activties-Instruc.	28,500	500	29,000	16,360	12,640
Before/After School Programs:					
Salaries	5,000	10,139	15,139	15,138	1
Supplies and Materials	2,500	(1,139)	1,361		1,361
Total Before/After School Programs	7,500	9,000	16,500	15,138	1,362
Summer School:					
Salaries	5,000	6,560	11,560	11,558	2
Supplies and Materials	2,500		2,500	2,430	70
Total Summer School	7,500	6,560	14,060	13,988	72
TOTAL INSTRUCTION	**2,225,243**	**(9,040)**	**2,216,203**	**2,000,898**	**215,305**
UNDISTRIBUTED EXPENDITURES					
Instruction:					
Tuition to Other LEAs Within the State-Regular	1,364,001	(26,911)	1,337,090	1,336,601	489
Tuition to Other LEAs Within the State-Special	52,000	46,525	98,525	98,287	238
Tuition to County Voc. District - Regular	21,468		21,468	21,466	2
Tuition to County Voc. District - Special	20,550		20,550	20,550	
Tuition to CSSD & Regional Day Schools		20,000	20,000	20,000	
Tuition to Private Schools for the Disabled-Within State	50,000	(50,000)			
Total Instruction	1,508,019	(10,386)	1,497,633	1,496,904	729

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

Fiscal Year Ended June 30, 2014

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
Health Services:					
Salaries	83,750	581	84,331	83,931	400
Purchased Professional and Technical Services	3,000	1,119	4,119	469	3,650
Supplies and Materials	1,500	800	2,300	1,533	767
Total Health Services	88,250	2,500	90,750	85,933	4,817
Other Supp. Services Students-Related Services:					
Salaries	59,700		59,700	59,680	20
Purchased Professional - Educational Services	50,000	14,350	64,350	39,799	24,551
Supplies and Materials	1,500		1,500	508	992
Total Other Supp. Services Students-Related Services	111,200	14,350	125,550	99,987	25,563
Other Supp. Services Students-Extra.Serv.:					
Salaries	84,500	15,000	99,500	97,401	2,099
Total Other Supp. Services Students-Extra.Serv.	84,500	15,000	99,500	97,401	2,099
Other Supp. Services Students-Regular:					
Salaries of Other Professional Staff	13,000	(11,500)	1,500		1,500
Purchased Professional - Educational Services	5,100	4,700	9,800	9,662	138
Supplies and Materials	250		250	114	136
Total Other Supp. ServicesStudents-Regular	18,350	(6,800)	11,550	9,776	1,774
Other Supp. Services Students-Special:					
Salaries of Other Professional Staff	39,000	31,926	70,926	70,926	
Salaries of Secretarial and Clerical Assistants	24,900	(16,936)	7,964	7,085	879
Purchased Professional - Educational Services	70,000		70,000	37,773	32,227
Other Purchased Professional and Technical Services	7,000		7,000		7,000
Misc. Purchased Services (400-500 series O/than Resid.Costs)	900		900		900
Supplies and Materials	2,200	200	2,400	2,264	136
Total Other Supp. ServicesStudents-Special	144,000	15,190	159,190	118,048	41,142

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

Fiscal Year Ended June 30, 2014

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
Improvement of Instruction Services:					
Salaries of Other Professional Staff	3,000	3,165	6,165	6,129	36
Other Purchased Professional and Technical Services	3,000		3,000	2,887	113
Total Improvement of Instruction Services	6,000	3,165	9,165	9,016	149
Educational Media Services/School Library:					
Salaries	83,350		83,350	82,835	515
Supplies and Materials	6,500	500	7,000	6,834	166
Other Objects	5,000	(500)	4,500	3,211	1,289
Total Educational Media Services/School Library	94,850		94,850	92,880	1,970
Instructional Staff Training Services:					
Purchased Professional - Educational Services	5,000		5,000	750	4,250
Other Purchased Services (400-500 series)	7,500		7,500	1,992	5,508
Supplies and Materials		600	600	48	552
Total Instructional Staff Training Services	12,500	600	13,100	2,790	10,310
Supp. Services - General Administration:					
Salaries	48,000	(18,980)	29,020	25,851	3,169
Legal Services	5,500	(2,000)	3,500	1,209	2,291
Audit Fees	14,000	(1,016)	12,984	12,984	
Other Purchased Professional Services	4,000	40	4,040	4,040	
Communications/Telephone	5,500	1,026	6,526	6,524	2
Other Purchased Services (400-500 series)	72,900	(3,000)	69,900	67,337	2,563
General Supplies	6,000	(1,000)	5,000	4,277	723
Miscellaneous Expenditures	4,500	(3,602)	898		898
BOE Membership Dues and Fees	7,000	(835)	6,165	5,237	928
Total Supp. Services - General Administration	167,400	(29,367)	138,033	127,459	10,574

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

Fiscal Year Ended June 30, 2014

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
Support Services - School Administration:					
Salaries of Principals	86,600		86,600	86,528	72
Salaries of Secretarial and Clerical Assistants	35,700	(7,000)	28,700	28,571	129
Purchased Professional and Technical Services	5,000	(3,000)	2,000		2,000
Other Purchased Services (400-500 series)		500	500	164	336
Supplies and Materials	2,500		2,500	2,259	241
Other Objects		1,335	1,335	1,334	1
Total Support Services - School Administration	129,800	(8,165)	121,635	118,856	2,779
Central Services:					
Salaries	70,000	50,400	120,400	98,056	22,344
Purchased Professional Services	9,500	8,800	18,300	17,965	335
Misc. Purchased Services (400-500 series)		2,150	2,150	519	1,631
Supplies and Materials	3,500	(1,470)	2,030	1,910	120
Miscellaneous Expenditures	1,000		1,000	820	180
Total Central Services	84,000	59,880	143,880	119,270	24,610
Administrative Information Tech.:					
Salaries		2,000	2,000		2,000
Purchased Technical Services		3,840	3,840	3,170	670
Supplies and Materials	6,000	(3,650)	2,350	348	2,002
Total Administrative Information Tech.	6,000	2,190	8,190	3,518	4,672
Required Maintenance for School Facilities:					
Salaries	53,000	(62)	52,938	49,835	3,103
Cleaning, Repair and Maintenance Services	88,000	(16,625)	71,375	67,494	3,881
General Supplies	31,500	(9,500)	22,000	13,832	8,168
Total Required Maintenance for School Facilities	172,500	(26,187)	146,313	131,161	15,152
Other Operations and Maintenance of Plant:					
Salaries	88,900	62	88,962	88,961	1
Cleaning, Repair and Maintenance Services	17,000	(10,000)	7,000	308	6,692
Insurance	30,300		30,300	24,908	5,392
Miscellaneous Purchased Services	9,500		9,500	153	9,347
General Supplies	19,500		19,500	12,434	7,066
Energy (Electricity)	80,000	(28,500)	51,500	38,008	13,492
Energy (Oil)	75,000	(3,500)	71,500	64,267	7,233
Total Other Operations and Maintenance of Plant	320,200	(41,938)	278,262	229,039	49,223

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

Fiscal Year Ended June 30, 2014

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
Care and Upkeep of Grounds:					
Purchased Professional and Technical Services		3,750	3,750		3,750
Cleaning, Repair and Maintenance Services		82,490	82,490	10,350	72,140
General Supplies		5,000	5,000		5,000
Total Care and Upkeep of Grounds		91,240	91,240	10,350	80,890
Security:					
Cleaning, Repair and Maintenance Services		3,000	3,000	1,474	1,526
General Supplies		2,000	2,000	1,720	280
Other Objects		500	500	465	35
Total Security		5,500	5,500	3,659	1,841
Student Transportation Services					
Salaries of Non-Instructional Aides		3,000	3,000	2,125	875
Management Fee	1,750		1,750	1,187	563
Contracted Services - Aid in Lieu of Payments-Nonpublic Sch.	7,500	4,024	11,524	8,840	2,684
Contracted Services (Bet. Home and School)-Vendors	231,000	(5,224)	225,776	225,339	437
Contrac.Serv.(Other than Bet.Home and School)-Vendors	1,250		1,250	873	377
Contr Serv (Regular Students) - ESCs & CTSA	21,500		21,500	12,989	8,511
Contr Serv (Sp. Ed. Students) - ESCs & CTSA	21,000	10,000	31,000	24,257	6,743
Total Student Transportation Services	284,000	11,800	295,800	275,610	20,190
UNALLOCATED BENEFITS					
Social Security Contributions	52,000		52,000	48,862	3,138
Other Retirement Contributions - PERS	40,000	(1,400)	38,600	38,558	42
Other Retirement Contributions - Regular	2,500	1,000	3,500	1,485	2,015
Unemployment Compensation	50,000	5,000	55,000	55,000	
Workmen's Compensation	26,500		26,500	21,965	4,535
Health Benefits	775,000	(80,900)	694,100	598,097	96,003
Tuition Reimbursement	12,000	840	12,840	9,449	3,391
Other Employee Benefits	29,000	(16,410)	12,590	639	11,951
TOTAL UNALLOCATED BENEFITS	987,000	(91,870)	895,130	774,055	121,075

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

Fiscal Year Ended June 30, 2014

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
On-behalf TPAF pension and PMR Contrib. (non-budgeted)				200,756	(200,756)
Reimbursed TPAF Social Security Contrib. (non-budgeted)				152,353	(152,353)
TOTAL ON-BEHALF CONTRIBUTIONS				353,109	(353,109)
TOTAL PERSONAL SERVICES-EMPLOYEE BENEFITS	987,000	(91,870)	895,130	1,127,164	(232,034)
TOTAL UNDISTRIBUTED EXPENDITURES	**4,218,569**	**6,702**	**4,225,271**	**4,158,821**	**66,450**
TOTAL GENERAL CURRENT EXPENSE	**6,443,812**	**(2,338)**	**6,441,474**	**6,159,719**	**281,755**
Equipment:					
Undistributed Expenditures-Instruction	11,900		11,900	3,968	7,932
Undist. Expend. - Required Maint. For School Fac.	20,900	(299)	20,601		20,601
Total Equipment	32,800	(299)	32,501	3,968	28,533
Facilities Acquisition and Construction Services					
Construction Services	20,000		20,000	7,425	12,575
Assessment for Debt Service on SDA Funding	1,440	299	1,739	1,739	
Total Facilities Acquisition and Construction Services	21,440	299	21,739	9,164	12,575
TOTAL CAPITAL OUTLAY	**54,240**		**54,240**	**13,132**	**41,108**
Transfer of Funds to Charter Schools	13,076	2,338	15,414	15,414	
TOTAL EXPENDITURES	**6,511,128**		**6,511,128**	**6,188,265**	**322,863**
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	(112,106)		(112,106)	588,091	700,197
Other Financing Sources:					
Operating Transfer In/(Out):					
Transfer from Capital Projects Fund		113,300	113,300	113,300	
Total Other Financing Sources:		113,300	113,300	113,300	

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

Fiscal Year Ended June 30, 2014

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	(112,106)	113,300	1,194	701,391	700,197
Fund Balance, July 1	1,037,946		1,037,946	1,037,946	
Fund Balance, June 30	$ 925,840	$ 113,300	$ 1,039,140	$ 1,739,337	$ 700,197

Recapitulation:	
Restricted for:	
Capital Reserve	$ 429,184
Maintenance Reserve	550,000
Excess Surplus	244,818
Excess Surplus - Designated for Subseq. Year's Expenditures	158,842
Assigned to:	
Year-End Encumbrances	72,140
Designated for Subsequent Year's Expenditures	22,000
Unassigned:	
Unrestricted Fund Balance	262,353
Fund Balance per Governmental Funds(Budgetary Basis)	1,739,337
Reconciliation to Governmental Funds Statement(GAAP Basis):	
Last State Aid Payment not recognized on GAAP basis	(32,137)
Fund Balance per Governmental Funds(GAAP Basis)	$ 1,707,200

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-2

BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND

For the Fiscal Year Ended June 30, 2014

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
Federal Sources	$ 84,343	$ 55,765	$ 140,108	$ 125,001	$ (15,107)
Total Revenues	**84,343**	**55,765**	**140,108**	**125,001**	**(15,107)**
EXPENDITURES:					
Instruction					
Salaries of Teachers	17,809	16,286	34,095	32,900	1,195
Tuition	66,534	(6,534)	60,000	55,357	4,643
General Supplies		1,968	1,968	526	1,442
Total Instruction	84,343	11,720	96,063	88,783	7,280
Support Services					
Personal Services - Employee Bene.		7,302	7,302	6,271	1,031
Purchased Profess. - Education Services		25,471	25,471	25,471	
Other Purchased Serv. (400-500 Series)		10,072	10,072	4,476	5,596
Supplies and Materials		1,200	1,200		1,200
Total Support Services		44,045	44,045	36,218	7,827
Total Expenditures	84,343	55,765	140,108	125,001	15,107
Total Outflows	**$ 84,343**	**$ 55,765**	**$ 140,108**	**$ 125,001**	**$ 15,107**
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)					

Fund Balance per Governmental Funds(Budgetary Basis)	None
Reconciliation to Governmental Funds Statement(GAAP Basis):	
Last State Aid Payment not recognized on GAAP basis	None
Fund Balance per Governmental Funds(GAAP Basis)	None

Exhibit C-3

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended June 30, 2014

Explanation of Differences between Budgetary Inflows and Outflows and

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule (Exhibits C-1 and C-2, respectively)	$ 6,776,356	$ 125,001
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Prior Year Encumbrances	N/A	
Current Year Encumbrances	N/A	
Adjustment for: Prior year Final State Aid Payment excluded in State Source Revenues that is considered a revenue for GAAP reporting purposes	35,007	
Adjustment for: Final State Aid Payment included in State Source Revenues that is not considered a revenue for GAAP reporting purposes	(32,137)	N/A
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds. (Exhibit B-2)	$ 6,779,226	$ 125,001
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedules (Exhibits C-1 and C-2, respectively)	$ 6,188,265	$ 125,001
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.		
Prior Year Encumbrances	N/A	
Current Year Encumbrances	N/A	
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.	N/A	N/A
Net transfers (outflows) to general fund		
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (Exhibit B-2)	$ 6,188,265	$ 125,001

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND
DETAIL STATEMENTS

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

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit E-1

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

For the Fiscal Year Ended June 30, 2014

	Title I	Title I I Part A	IDEA Basic	IDEA Preschool	REAP	Totals
REVENUES						
Federal Sources	$ 14,813	$ 4,476	$ 78,208	$ 2,620	$ 24,884	$ 125,001
TOTAL REVENUES	**14,813**	**4,476**	**78,208**	**2,620**	**24,884**	**125,001**
EXPENDITURES:						
Instruction:						
Salaries of Teachers	12,000				20,900	32,900
Tuition			55,357			55,357
General Supplies	526					526
Total Instruction	12,526	-	55,357	-	20,900	88,783
Support Services:						
Personal Services - Employee Bene.	2,287				3,984	6,271
Purchased Profess. - Education Services			22,851	2,620		25,471
Other Purchased Serv. (400-500 Series)		4,476				4,476
Total Support Services	2,287	4,476	22,851	2,620	3,984	36,218
TOTAL EXPENDITURES	**14,813**	**4,476**	**78,208**	**2,620**	**24,884**	**125,001**
Total Outflows	**14,813**	**4,476**	**78,208**	**2,620**	**24,884**	**125,001**
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)						

CAPITAL PROJECTS FUND
DETAIL STATEMENTS

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

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit F-1

CAPITAL PROJECTS FUND
SUMMARY STATEMENT OF PROJECT EXPENDITURES

For the Fiscal Year Ended June 30, 2014

		Original	Revised	Expenditures to Date		Unexpended
	Date	Appropriations	Appropriations	Prior Years	Current Year	Balance June 30, 2014
Convert Walk-in Freezer to Refrigerator/New Freezer	9/24/2009					
- State Share		$ 31,825	$ 31,825	$ 31,825		-
- Board of Education		47,738	86,234	86,234		-
Upgrades to Domestic Water Service	9/29/2009					
- State Share		25,100	22,177	22,177		
- Board of Education		37,650	40,872	32,530		$ 8,342
Replace Phone System	9/29/2009					
- State Share		11,460	11,199	11,199		
- Board of Education		17,190	17,190	16,889	-	301
Partial Roof Replacement (1955 and 1968 wings)	9/29/2009					
- State Share		210,750	145,795	145,795		-
- Board of Education		316,125	318,694	218,489	-	100,205
Lighting Retrofit Project	6/6/2011	98,000	55,000	55,000	-	-
Roofing Replacement Project	6/6/2011	224,000	36,700	36,700	-	-
HVAC/Plumbing Projects	6/6/2011	68,000	185,000	185,000	-	-
Totals		$ 1,087,838	$ 950,686	$ 841,838	-	$ 108,848

Fund Balance, June 30, 2014 $ 108,848

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit F-2

CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGETARY BASIS

For the Fiscal Year Ended June 30, 2014

Revenues and Other Financing Sources	
State Sources - SDA Grant	$ (68,139)
Transfer to capital reserve	(230,300)
Transfer from capital reserve	117,000
Total Revenues	(181,439)
Expenditures and Other Financing Uses	
Construction Services	-
Purchased Professional Services	-
Infrastructure	-
Total Expenditures	-
Excess(deficiency) of revenues over(under) expenditures	(181,439)
Fund Balance - Beginning	290,287
Fund Balance - Ending	$ 108,848

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit F-2a

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

From Inception and for the Fiscal Year Ended June 30, 2014

	Prior Periods	Current Year	Totals	Revised Authorized Costs
Revenues and Other Financing Sources				
State Sources - SDA Grant	$ 25,100	$ (2,923)	$ 22,177	$ 22,177
Transfer from capital outlay	40,872		40,872	40,872
Total Revenues	65,972	(2,923)	63,049	63,049
Expenditures and Other Financing Sources				
Purchased Professional Services	$ 6,222		$ 6,222	$ 6,222
Construction Services	48,485		48,485	56,827
Total Expenditures	48,485	-	54,707	63,049
Excess(deficiency) of revenues over(under) expenditures			$ 8,342	
Project Fund Balance, 6/30/14			$ 8,342	

Additional project information:

Project Number	SP#2400-030-09-0ZJS
Grant Date	9/29/2009
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	$62,750
Additional Authorized Cost	$3,222
Revised Authorized Cost	$65,972
Percentage Increase over Original Authorized Cost	N/A
Percentage Completion	87%
Original Target Completion Date	6/30/2010
Revised Target Completion Date	9/30/2011

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit F-2b

CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND PROJECT STATUS-BUDGETARY BASIS
REPLACE PHONE SYSTEM

From Inception and for the Fiscal Year Ended June 30, 2014

	Prior Periods	Current Year	Totals	Revised Authorized Costs
Revenues and Other Financing Sources				
State Sources - SDA Grant	$ 11,460	$ (261)	$ 11,199	$ 11,199
Transfer from capital outlay	17,190		17,190	17,190
Total Revenues	28,650	(261)	28,389	28,389
Expenditures and Other Financing Sources				
Infrastructure	$ 28,088		$ 28,088	$ 28,389
Total Expenditures	28,088	-	28,088	28,389
Excess(deficiency) of revenues over(under) expenditures			$ 301	
Project Fund Balance, 6/30/14			$ 301	

Additional project information:

Project Number	SP#2040-030-09-0ZJV
Grant Date	9/29/2009
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	$28,650
Additional Authorized Cost	N/A
Revised Authorized Cost	$28,650
Percentage Increase over Original Authorized Cost	N/A
Percentage Completion	99%
Original Target Completion Date	6/30/2010
Revised Target Completion Date	9/30/2011

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit F-2c

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

From Inception and for the Fiscal Year Ended June 30, 2014

	Prior Periods	Current Year	Totals	Revised Authorized Costs
Revenues and Other Financing Sources				
State Sources - SDA Grant	$ 210,750	$ (64,955)	$ 145,795	$ 145,795
Transfer from capital outlay	318,694		318,694	318,694
Total Revenues	529,444	(64,955)	464,489	464,489
Expenditures and Other Financing Sources				
Purchased Professional Services	$ 24,169		$ 24,169	$ 24,169
Construction Services	340,115		340,115	440,320
Total Expenditures	364,284	-	364,284	464,489
Excess(deficiency) of revenues over(under) expenditures			$ 100,205	
Project Fund Balance, 6/30/14			$ 100,205	

Additional project information:

Project Number	SP#2040-30-09-0ZJT
Grant Date	9/29/2009
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	$526,875
Additional Authorized Cost	$2,569
Revised Authorized Cost	$529,444
Percentage Increase over Original Authorized Cost	N/A
Percentage Completion	78%
Original Target Completion Date	9/30/2010
Revised Target Completion Date	9/30/2011

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit F-2d

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

From Inception and for the Fiscal Year Ended June 30, 2014

	Prior Periods	Current Year	Totals	Revised Authorized Costs
Revenues and Other Financing Sources				
Transfer from capital reserve	$ 98,000	$ (43,000)	$ 55,000	$ 55,000
Total Revenues	98,000	(43,000)	55,000	55,000
Expenditures and Other Financing Sources				
Construction Services	$ 55,000		$ 55,000	$ 55,000
Total Expenditures	55,000	-	55,000	55,000
Excess(deficiency) of revenues over(under) expenditures			$ -	
		Project Fund Balance, 6/30/14	$ -	

Additional project information:

Project Number	N/A
Grant Date	N/A
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	$98,000
Additional Authorized Cost	-$43,000
Revised Authorized Cost	$55,000
Percentage Increase over Original Authorized Cost	N/A
Percentage Completion	100%
Original Target Completion Date	6/30/2011
Revised Target Completion Date	6/30/2012

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit F-2e

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

From Inception and for the Fiscal Year Ended June 30, 2014

	Prior Periods	Current Year	Totals	Revised Authorized Costs
Revenues and Other Financing Sources				
Transfer from capital reserve	$ 224,000	$ (187,300)	$ 36,700	$ 36,700
Total Revenues	224,000	(187,300)	36,700	36,700
Expenditures and Other Financing Sources				
Construction Services	$ 36,700		$ 36,700	$ 36,700
Total Expenditures	36,700	-	36,700	36,700
Excess(deficiency) of revenues over(under) expenditures			$ -	
		Project Fund Balance, 6/30/14	$ -	

Additional project information:

Project Number	N/A
Grant Date	N/A
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	$224,000
Additional Authorized Cost	-$187,300
Revised Authorized Cost	$36,700
Percentage Increase over Original Authorized Cost	N/A
Percentage Completion	100%
Original Target Completion Date	6/30/2011
Revised Target Completion Date	6/30/2012

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit F-2f

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

From Inception and for the Fiscal Year Ended June 30, 2014

	Prior Periods	Current Year	Totals	Revised Authorized Costs
Revenues and Other Financing Sources				
Transfer from capital reserve	$ 68,000	$ 117,000	$ 185,000	$ 185,000
Total Revenues	68,000	117,000	185,000	185,000
Expenditures and Other Financing Sources				
Construction Services	$ 185,000		$ 185,000	$ 185,000
Total Expenditures	185,000	-	185,000	185,000
Excess(deficiency) of revenues over(under) expenditures			$ -	
		Project Fund Balance, 6/30/14	$ -	

Additional project information:

Project Number	N/A
Grant Date	N/A
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	$68,000
Additional Authorized Cost	$117,000
Revised Authorized Cost	$185,000
Percentage Increase over Original Authorized Cost	N/A
Percentage Completion	100%
Original Target Completion Date	6/30/2011
Revised Target Completion Date	6/30/2012

PROPRIETARY FUND
DETAIL STATEMENTS

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

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

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

FIDUCIARY FUND
DETAIL STATEMENTS

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

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

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

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

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit H-1

COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2014

	UNEMPLOYMENT COMPENSATION INSURANCE TRUST	AGENCY FUNDS STUDENT ACTIVITY	AGENCY FUNDS PAYROLL AGENCY	TOTALS
ASSETS:				
Cash and Cash Equivalents	$ 146,090	$ 5,388	$ 14,873	$ 166,351
TOTAL ASSETS	$ 146,090	$ 5,388	$ 14,873	$ 166,351
LIABILITIES:				
Liabilities:				
Payroll Deductions and Withholdings			$ 13,937	$ 13,937
Accounts Payable			936	936
Payable to Student Groups		$ 5,388		5,388
Total Liabilities		5,388	14,873	20,261
NET POSITION				
Held in Trust for Unemployment Claims and Other Purposes	$ 146,090			146,090
TOTAL LIABILITIES AND NET POSITION	$ 146,090	$ 5,388	$ 14,873	$ 166,351

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit H-2

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEARS ENDED JUNE 30, 2014

	UNEMPLOYMENT COMPENSATION INSURANCE TRUST	TOTALS
ADDITIONS		
Contributions:		
Employer	$ 55,000	$ 55,000
Total Contributions	55,000	55,000
Investment Earnings:		
Interest	9	9
Net Investment Earnings	9	9
Total Additions	55,009	55,009
DEDUCTIONS		
Unemployment Claims	7,137	7,137
Total Deductions	7,137	7,137
Change in Net Position	47,872	47,872
Net Position—Beginning of the Year	98,218	98,218
Net Position—End of the Year	$ 146,090	$ 146,090

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit H-3

SCHEDULE OF RECEIPTS AND DISBURSEMENTS
STUDENT ACTIVITY AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

ACTIVITY	BALANCE JULY 1, 2013	CASH RECEIPTS	CASH DISBURSEMENTS	BALANCE JUNE 30, 2014
Student Council	$ 832	$ 12,516	$ 8,162	$ 5,186
Eighth Grade Account	763	24,616	25,177	202
Total	**$ 1,595**	**$ 37,132**	**$ 33,339**	**$ 5,388**

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit H-4

SCHEDULE OF RECEIPTS AND DISBURSEMENTS
PAYROLL AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	BALANCE JULY 1, 2013	ADDITIONS	DELETIONS	BALANCE JUNE 30, 2014
ASSETS:				
Cash and Cash Equivalents	$ 4,688	$ 2,887,724	$ 2,877,539	$ 14,873
Total Assets	$ 4,688	$ 2,887,724	$ 2,877,539	$ 14,873
LIABILITIES:				
Payroll Deductions and Withholdings	$ 1,188	$ 1,260,752	$ 1,248,003	$ 13,937
Accounts Payable	3,500	936	3,500	936
Salaries and Wages	-	1,626,036	1,626,036	-
Total Liabilities	$ 4,688	$ 2,887,724	$ 2,877,539	$ 14,873

LONG-TERM DEBT SCHEDULES

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

N/A

Harmony Township School District
Statistical Section

Contents **Page**

Financial Trends (J-1 thru J-5) 63-68
These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.

Revenue Capacity (J-6 thru J-9) 69-72
These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.

Debt Capacity (J-10 thru J-13) 73-76
These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the district's ability to issue additional debt in the future.

Demographic and Economic Information (J-14 and J-15) 77-78
These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.

Operating Information (J-16 thru J-20) 79-83
These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.

Sources:

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

Harmony Township School District
Net Position by Component,
Last Ten Fiscal Years

Exhibit J-1

(accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Invested in capital assets, net of related debt	$ 3,358,190	$ 3,651,384	$ 3,808,654	$ 3,855,067	$ 4,014,771	$ 4,457,217	$ 4,942,459	$ 5,147,100	$ 4,328,919	$ 4,243,675
Restricted	1,360,133	1,466,043	1,397,226	1,088,126	1,084,638	620,072	596,598	561,678	736,922	1,404,844
Unrestricted	80,573	(55,611)	28,613	163,452	157,485	666,091	391,170	530,757	521,124	376,024
Total governmental activities net position	$ 4,798,896	$ 5,061,816	$ 5,234,493	$ 5,106,645	$ 5,256,894	$ 5,743,380	$ 5,930,227	$ 6,239,535	$ 5,586,965	$ 6,024,543
Business-type activities										
Invested in capital assets, net of related debt	$ 6,846	$ 4,858	$ 11,396	$ 10,582	$ 9,769	$ 9,199	$ 8,630	$ 5,859	$ 3,089	$ 319
Restricted										-
Unrestricted	17,793	19,239	11,620	9,300	15,441	11,316	24,316	4,443	8,312	12,843
Total business-type activities net position	$ 24,639	$ 24,097	$ 23,016	$ 19,882	$ 25,210	$ 20,515	$ 32,946	$ 10,302	$ 11,401	$ 13,162
District-wide										
Invested in capital assets, net of related debt	$ 3,365,036	$ 3,656,242	$ 3,820,050	$ 3,865,649	$ 4,024,540	$ 4,466,416	$ 4,951,089	$ 5,152,959	$ 4,332,008	$ 4,243,994
Restricted	1,360,133	1,466,043	1,397,226	1,088,126	1,084,638	620,072	596,598	561,678	736,922	1,404,844
Unrestricted	98,366	(36,372)	40,233	172,752	172,926	677,407	415,486	535,200	529,436	388,867
Total district net position	$ 4,823,535	$ 5,085,913	$ 5,257,509	$ 5,126,527	$ 5,282,104	$ 5,763,895	$ 5,963,173	$ 6,249,837	$ 5,598,366	$ 6,037,705

Source: CAFR Scehdule A-1

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

Exhibit J-2

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities										
Instruction										
Regular	$ 1,882,904	$ 1,893,021	$ 2,046,049	$ 2,055,382	$ 2,007,810	$ 2,243,834	$ 1,959,353	$ 2,716,954	$ 2,305,998	$ 2,316,079
Special education	584,854	595,104	617,521	683,944	771,767	608,539	647,341	551,929	433,002	441,872
Other special education	67,816	89,431	86,767	108,336	41,144	30,901	90,620	54,593	124,368	87,259
Support Services:										
Tuition	1,156,607	1,174,077	1,377,338	1,636,253	1,746,299	1,936,385	1,974,145	1,786,158	1,751,201	1,496,904
Student & instruction related services	656,257	710,902	752,641	708,504	699,860	735,037	711,401	702,306	771,704	772,388
School administrative services	85,798	113,182	129,953	175,901	137,500	43,427	119,425	151,474	166,450	167,829
General and business administrative services	403,189	395,038	394,769	415,532	383,422	414,889	314,014	284,148	343,479	332,581
Plant operations and maintenance	492,681	640,052	514,688	591,569	482,761	412,787	526,054	494,828	546,377	497,328
Pupil transportation	325,808	381,357	357,810	332,754	326,366	329,726	299,775	338,333	315,051	275,610
Interest on debt and other fiscal charges	82,749	79,026	67,147	54,503	41,380	28,166	13,909	-	1,440	1,739
Unallocated depreciation	11,354	9,514	9,514	9,030	9,030	9,030	10,796	10,796	8,842	8,921
Total governmental activities expenses	5,750,017	6,080,704	6,354,197	6,771,708	6,647,339	6,792,721	6,666,833	7,091,519	6,767,912	6,398,510
Business-type activities:										
Food service	87,128	91,208	92,399	93,370	93,822	92,231	74,217	84,489	78,166	85,072
Child Care					8,783	24,960	21,624	-	-	-
Total business-type activities expense	87,128	91,208	92,399	93,370	102,605	117,191	95,841	84,489	78,166	85,072
Total district expenses	$ 5,837,145	$ 6,171,912	$ 6,446,596	$ 6,865,078	$ 6,749,944	$ 6,909,912	$ 6,762,674	$ 7,176,008	$ 6,846,078	$ 6,483,582
Program Revenues										
Governmental activities:										
Charges for services:										
Tuition	$ 18,863	$ 25,424	$ 21,600	$ 113,054	$ 81,763	$ 109,235	$ 66,393	$ 36,493	$ 48,488	$ 27,470
Operating grants and contributions	970,027	1,005,900	1,171,256	1,199,289	1,002,614	1,074,561	751,556	901,072	950,482	845,223
Capital grants and contributions										-
Total governmental activities program revenues	988,890	1,031,324	1,192,856	1,312,343	1,084,377	1,183,796	817,949	937,565	998,970	872,693
Business-type activities:										
Charges for services										
Food service	71,550	71,338	68,357	68,453	69,454	61,917	47,383	48,438	53,765	55,498
Child Care					14,342	21,944	35,689	1,803	-	-
Operating grants and contributions	17,426	18,682	22,961	21,783	23,529	26,997	25,186	30,012	25,499	31,335
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business type activities program revenues	88,976	90,020	91,318	90,236	107,325	110,858	108,258	80,253	79,264	86,833
Total district program revenues	$ 1,077,866	$ 1,121,344	$ 1,284,174	$ 1,402,579	$ 1,191,702	$ 1,294,654	$ 926,207	$ 1,017,818	$ 1,078,234	$ 959,526
Net (Expense)/Revenue										
Governmental activities	$ (4,761,127)	$ (5,049,380)	$ (5,161,341)	$ (5,459,365)	$ (5,562,962)	$ (5,608,925)	$ (5,848,884)	$ (6,153,954)	$ (5,768,942)	$ (5,525,817)
Business-type activities	1,848	(1,188)	(1,081)	(3,134)	4,720	(6,333)	12,417	(4,236)	1,098	1,761
Total district-wide net expense	$ (4,759,279)	$ (5,050,568)	$ (5,162,422)	$ (5,462,499)	$ (5,558,242)	$ (5,615,258)	$ (5,836,467)	$ (6,158,190)	$ (5,767,844)	$ (5,524,056)

Continued

Harmony Township School District **Exhibit J-2**

Changes in Net Position, Last Ten Fiscal Years

(accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes levied for general purposes, net	$ 4,564,581	$ 4,690,000	$ 4,928,250	$ 5,174,000	$ 5,380,960	$ 5,503,600	$ 5,723,744	$ 5,723,744	$ 5,838,218	$ 6,018,532
Taxes levied for debt service	302,298	305,010	308,198	305,598	292,472	299,347	304,173	304,173	-	-
Investment earnings	26,144	60,210	77,578	58,625	31,342	7,641	2,010	2,010	1,212	875
Federal and state aid for capital asset projects	27,000	234,428	-	(93,418)		279,135	-	-		(68,139)
Miscellaneous income	39,695	22,652	19,992	19,215	8,437	5,688	5,804	5,804	31,845	12,127
Transfers										
Total governmental activities	4,959,718	5,312,300	5,334,018	5,464,020	5,713,211	6,095,411	6,035,731	6,035,731	5,871,275	5,963,395
Business-type activities:										
Miscellaneous income	136	596	-	-	608	1,638	14	14	1	0
Transfers										
Total business-type activities	136	596	-	-	608	1,638	14	14	1	-
Total district-wide	$ 4,959,854	$ 5,312,896	$ 5,334,018	$ 5,464,020	$ 5,713,819	$ 6,097,049	$ 6,035,745	$ 6,035,745	$ 5,871,276	$ 5,963,395
Change in Net Position										
Governmental activities	$ 198,591	$ 262,920	$ 172,677	$ 4,655	$ 150,249	$ 486,486	$ 186,847	$ (118,223)	$ 102,333	$ 437,578
Business-type activities	1,984	(592)	(1,081)	(3,134)	5,328	(4,695)	12,431	(4,222)	1,099	1,761
Total district	$ 200,575	$ 262,328	$ 171,596	$ 1,521	$ 155,577	$ 481,791	$ 199,278	$ (122,445)	$ 103,432	$ 439,339

Source: CAFR Schedule A-2

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

Exhibit J-3

	Fiscal Year Ending June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Reserved	$ 970,444	$ 798,306	$ 656,376	$ 870,010	$ 883,034	$ 537,235	$ 605,062	$ 622,076	$ 736,922	$ 1,476,984
Unreserved	524,354	400,958	539,595	439,151	429,574	376,739	311,649	275,182	266,017	230,216
Total general fund	$ 1,494,798	$ 1,199,264	$ 1,195,971	$ 1,309,161	$ 1,312,608	$ 913,974	$ 916,711	$ 897,258	$ 1,002,939	$ 1,707,200
All Other Governmental Funds										
Reserved						$ 145,608				
Unreserved, reported in:										
Special revenue fund										
Capital projects fund	$ 500	$ 404,838	$ 289,305			295,885	$ 139,097	$ 252,397	$ 290,287	$ 108,848
Debt service fund			1	$ 2	$ 1	-	-	-	-	-
Total all other governmental funds	$ 500	$ 404,838	$ 289,306	$ 2	$ 1	$ 441,493	$ 139,097	$ 252,397	$ 290,287	$ 108,848

Source: CAFR Schedule B-1

Harmony Township School District **Exhibit J-4**
Changes in Fund Balances, Governmental Funds,
Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Tax levy	$ 4,866,879	$ 4,995,010	$ 5,236,448	$ 5,479,598	$ 5,673,432	$ 5,802,947	$ 6,027,917	$ 5,838,218	$ 5,838,218	$ 6,018,532
Tuition charges	18,863	25,424	21,600	113,054	81,763	109,235	66,393	36,493	48,488	27,470
Interest earnings	14,034	25,325	29,971	24,318	10,145	2,165	522	60	9	10
Miscellaneous	51,805	57,537	67,599	53,522	29,634	11,164	7,292	84,984	33,048	12,992
State sources	848,227	1,105,063	1,018,903	968,727	864,326	1,091,168	593,465	719,944	807,476	652,083
Federal sources	148,800	135,265	152,353	137,144	138,288	262,528	158,091	181,128	143,006	125,001
Total revenue	5,948,608	6,343,624	6,526,874	6,776,363	6,797,588	7,279,207	6,853,680	6,860,827	6,870,245	6,836,088
Expenditures										
Instruction										
Regular Instruction	1,343,226	1,382,754	1,425,105	1,437,366	1,476,551	1,646,355	1,410,274	1,539,162	1,638,716	1,662,416
Special education instruction	448,963	461,611	455,957	505,337	600,042	468,675	498,035	418,016	322,647	332,482
Other special instruction	52,059	69,370	64,066	80,045	31,989	23,799	69,719	41,347	92,672	65,657
Other instruction										
Support Services:										
Tuition	1,156,607	1,174,077	1,377,338	1,636,253	1,746,299	1,936,385	1,974,145	1,786,158	1,751,201	1,496,904
Student & instruction related services	503,775	551,434	555,725	523,483	544,135	566,099	547,320	531,907	575,028	581,175
School administrative services	65,863	87,793	95,953	129,966	106,905	33,446	91,880	114,722	124,029	118,856
Other administrative services	309,508	306,424	291,484	307,019	298,107	319,533	241,588	215,206	255,940	250,247
Plant operations and maintenance	378,206	340,038	380,028	437,085	375,342	317,914	404,722	374,769	407,128	374,209
Pupil transportation	325,808	381,357	357,810	332,754	326,366	329,726	299,775	338,333	315,051	275,610
Unallocated employee benefits	973,015	993,220	1,183,581	1,238,360	992,695	1,031,827	1,007,507	1,082,319	1,216,479	1,127,164
Charter Schools	3,224	-	-	-	-	-	-	-	1,203	15,414
Special Revenue										
Capital Outlay	13,941	181,732	150,455	19,212	3,238	263,242	304,201	325,041	26,580	13,132
Debt service:										
Principal	215,000	225,000	240,000	250,000	250,000	270,000	289,000	-	-	-
Interest and other charges	91,298	80,010	68,197	55,597	42,473	29,348	15,173	-	-	-
Total expenditures	5,880,493	6,234,820	6,645,699	6,952,477	6,794,142	7,236,349	7,153,339	6,766,980	6,726,674	6,313,266
Excess (Deficiency) of revenues over (under) expenditures	68,115	108,804	(118,825)	(176,114)	3,446	42,858	(299,659)	93,847	143,571	522,822
Other Financing Sources (uses)										
Temporary note redeemed										
Proceeds from borrowing										
Proceeds from refunding										
Capital leases										
Transfers in		351,642	500	195,887		425,100				
Transfers out		(351,642)	(500)	(195,887)		(425,000)				-
Total other financing sources (uses)	-	-	-	-	-	100	-	-	-	-
Net change in fund balances	$ 68,115	$ 108,804	$ (118,825)	$ (176,114)	$ 3,446	$ 42,958	$ (299,659)	$ 93,847	$ 143,571	$ 522,822
Debt service as a percentage of noncapital expenditures	5.2%	5.0%	4.7%	4.4%	4.3%	4.3%	4.4%	0.0%	0.0%	0.0%

Source: CAFR Schedule B-2

HARMONY TOWNSHIP SCHOOL DISTRICT

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

Exhibit J-5

Fiscal Year Ended June 30,	Interest on Investments	Refund Prior Year Expenditures	Rentals	Interest Earned on Capital Reserve Funds	Tuition	Miscellaneous	Total
2005	$ 12,110		$ 28,413	$ 14,034	$ 18,863	$ 11,282	$ 84,702
2006	34,885	$ 537	10,609	25,325	25,424	11,506	108,286
2007	47,607	5,611	10,609	29,971	21,600	3,772	119,170
2008	34,307	46	10,930	24,318	113,054	8,239	190,894
2009	21,197			10,145	81,763	8,437	121,542
2010	5,476	1,152		2,165	109,235	4,536	122,564
2011	1,488	460		522	66,393	5,344	74,207
2012	654			60	36,493	84,330	121,537
2013	1,203			9	48,488	31,845	81,545
2014	875	12,701		10	27,470	584	41,640

SOURCE: District Records

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

Exhibit J-6

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Less: Tax-Exempt Property	Public Utilities **a**	Net Valuation Taxable	Total Direct School Tax Rate **b**	Estimated Actual (County Equalized Value)
2005	$14,259,100	$185,406,400	$25,715,000	$3,909,500	$19,959,100	$269,837,600	$180,900	$541,508,119	$21,279,100	$961,419	$520,229,019	$0.937	$522,707,956
2006	13,092,600	188,724,800	25,605,800	3,893,500	20,036,800	269,837,600	180,900	545,911,886	23,646,500	893,386	522,265,386	0.957	569,214,678
2007	12,629,800	192,858,000	26,670,700	3,808,800	20,036,800	241,476,100	180,900	522,188,952	23,881,300	646,552	498,307,652	1.051	690,215,362
2008	10,508,700	196,800,400	26,401,200	3,774,200	19,910,400	234,455,400	-	518,123,225	25,597,300	675,625	492,525,925	1.113	683,126,223
2009	9,986,000	196,694,100	26,529,400	3,774,300	19,910,400	234,455,400	-	519,252,107	27,218,600	683,907	492,033,507	1.153	712,702,789
2010	10,832,800	196,288,100	25,749,800	3,876,300	19,984,100	232,683,000	-	519,874,140	29,685,800	774,240	490,188,340	1.184	667,437,299
2011	11,123,700	195,832,400	26,368,800	3,855,200	19,984,100	232,683,000	-	519,871,432	29,239,500	784,732	490,631,932	1.229	670,179,617
2012	8,629,700	196,425,100	26,281,300	3,995,600	19,984,100	224,926,600	-	515,107,771	34,213,900	651,471	480,893,871	1.214	642,054,276
2013	8,221,300	198,307,000	26,909,600	3,950,500	20,532,200	225,382,300	-	517,203,411	33,207,600	692,911	483,995,811	1.206	595,129,101
2014	7,888,900	198,578,500	25,904,700	3,906,300	19,073,300	225,096,500	-	514,989,516	33,867,100	674,216	481,122,416	1.251	553,971,122

Source: District records Tax list summary & Municipal Tax Assessor

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

Reassessment occurs when ordered by the County Board of Taxatior

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

b Tax rates are per $100

Harmony Township School District **Exhibit J-7**
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

(rate per $100 of assessed value)

	Harmony Township Board of Education			Overlapping Rates			
Fiscal Year Ended June 30,	Basic Rate [a]	General Obligation Debt Service [b]	Total Direct	Harmony Township	Library	Warren County	Total Direct and Overlapping Tax Rate
2005	$0.875	$0.062	$0.937	$0.191	$0.054	$0.618	$1.800
2006	$0.895	$0.062	$0.957	$0.190	$0.057	$0.646	$1.850
2007	$0.989	$0.062	$1.051	$0.210	$0.071	$0.768	$2.100
2008	$1.051	$0.062	$1.113	$0.208	$0.074	$0.775	$2.170
2009	$1.094	$0.059	$1.153	$0.209	$0.076	$0.805	$2.243
2010	$1.123	$0.061	$1.184	$0.210	$0.071	$0.757	$2.222
2011	$1.167	$0.062	$1.229	$0.235	$0.066	$0.771	$2.301
2012	$1.214	$0.000	$1.214	$0.293	$0.065	$0.785	$2.357
2013	$1.206	$0.000	$1.206	$0.296	$0.058	$0.776	$2.336
2014	$1.251	$0.000	$1.251	$0.302	$0.058	$0.735	$2.346

Source: District Records and Municipal Tax Collector

Note: NJSA 18A:7F-5d limits the amount that the district can submit for a general fund tax levy . The levy when added to other components of the district's net budget may not exceed the prebudget year net budget by more than the spending growth limitation calculated as follows: the prebudget year net budget increased by the cost of living or 2.5 percent, whichever is greater, plus any spending growth adjustments.

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

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

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

Exhibit J-8

	2012			2003		
Taxpayer	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Merrill Creek Reservoir	$221,059,508	1	45.95%	$ 150,770,000	1	42.87%
Transcontinental Gas Pipeline Corp.	8,398,400	2	1.75%			
Anchor Concrete Products	3,403,800	3	0.71%			
Signature Estates LLC	2,008,500	4	0.42%			
Harkers Hollow Golf Club	2,000,000	7	0.42%	3,156,600	2	0.90%
Shumack/Tully Rcyclg	1,124,300	8	0.22%			
A Paradise Farm	1,063,400	7	0.22%			
Deep Pool Holding, Inc.	1,030,900	8	0.19%			
Individual Taxpayer #1	899,900	9	0.19%	728,700	6	0.20%
Harmony Sand & Gravel	824,100	10	0.17%			
Hydropress, Inc.				3,145,000	3	0.89%
Gill Properties				1,030,900	4	0.29%
Warren County Farmer's Fair				900,100	5	0.26%
Individual Taxpayer #2				701,400	7	0.18%
Individual Taxpayer #3				647,700	8	0.18%
APS Mgmt				642,200	9	0.16%
Individual Taxpayer #4				578,200	10	0.16%
Total	$ 241,812,808		50.05%	$ 160,432,700		46.09%

Source: District CAFR & Municipal Tax Assessor

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

Exhibit J-9

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2005	$4,564,581	$4,564,581	100.00%	-
2006	$4,690,000	$4,690,000	100.00%	-
2007	$4,928,250	$4,928,250	100.00%	-
2008	$5,174,000	$5,174,000	100.00%	-
2009	$5,830,960	$5,830,960	100.00%	-
2010	$5,503,600	$5,503,600	100.00%	-
2011	$5,723,744	$5,723,744	100.00%	-
2012	$5,838,218	$5,838,218	100.00%	-
2013	$5,838,218	$5,838,218	100.00%	-
2014	$6,018,532	$6,018,532	100.00%	-

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

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

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

Exhibit J-10

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities			
	General Obligation Bonds [b]	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District	Percentage of Personal Income [a]	Per Capita [a]
2005	$ 1,524,000	-0-	-0-	-0-	-0-	$ 1,524,000	1.44%	$548
2006	$ 1,299,000	-0-	-0-	-0-	-0-	$ 1,299,000	1.15%	$467
2007	$ 1,059,000	-0-	-0-	-0-	-0-	$ 1,059,000	0.88%	$375
2008	$ 809,000	-0-	-0-	-0-	-0-	$ 809,000	0.65%	$287
2009	$ 559,000	-0-	-0-	-0-	-0-	$ 559,000	0.45%	$199
2010	$ 289,000	-0-	-0-	-0-	-0-	$ 289,000	0.23%	$103
2011	-0-	-0-	-0-	-0-	-0-	-0-	0.00%	$0
2012	-0-	-0-	-0-	-0-	-0-	-0-	0.00%	$0
2013	-0-	-0-	-0-	-0-	-0-	-0-	0.00%	$0
2014	-0-	-0-	-0-	-0-	-0-	-0-	0.00%	$0

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

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

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

b Includes Early Retirement Incentive Plan (ERIP) refunding

Harmony Township School District **Exhibit J-11**
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year Ended June 30,	General Bonded Debt Outstanding: General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value [a] of Property	Per Capita [b]
2005	$ 1,524,000	-0-	$ 1,524,000	0.29%	$548
2006	$ 1,299,000	-0-	$ 1,299,000	0.25%	$467
2007	$ 1,059,000	-0-	$ 1,059,000	0.21%	$375
2008	$ 809,000	-0-	$ 809,000	0.16%	$287
2009	$ 559,000	-0-	$ 559,000	0.11%	$199
2010	$ 289,000	-0-	$ 289,000	0.06%	$103
2011	-0-	-0-	-0-	0.00%	$0
2012	-0-	-0-	-0-	0.00%	$0
2013	-0-	-0-	-0-	0.00%	$0
2014	-0-	-0-	-0-	0.00%	$0

Note: Details regarding the district's outstanding debt can be found in the notes to the financial statements.
a See Exhibit NJ J-6 for property tax data.
b Population data can be found in Exhibit NJ J-14.

R Revised
* Current data unavailable

Harmony Township School District
Ratios of Overlapping Governmental Activities Debt
As of June 30, 2014

Exhibit J-12

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable [a]	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Township of Harmony	$ 5,737,519	100.000%	$ 5,737,519
Other debt			
Warren County	6,500,000	4.897%	318,311
Subtotal, overlapping debt			6,055,830
Harmony Township School District Direct Debt			-
Total direct and overlapping debt			$ 6,055,830

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

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

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

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

Exhibit J-13

Legal Debt Margin Calculation for Fiscal Year 2014

		Equalized valuation basis
	2011	$ 587,308,793
	2012	553,421,390
	2013	520,923,994
	[A]	$ 1,661,654,177
Average equalized valuation of taxable property	**[A/3]**	$ 553,884,726
Debt limit (3 % of average equalization value)	**[B]**	16,616,542
Net bonded school debt	**[C]**	-
Legal debt margin	**[B-C]**	$ 16,616,542

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt limit	$15,477,812	$17,989,115	$19,679,698	$21,141,834	$20,608,708	$20,394,926	$19,811,842	$19,030,682	$17,913,441	$ 16,616,542
Total net debt applicable to limit	1,524,000	1,299,000	1,059,000	809,000	559,000	289,000	-	-	-	-
Legal debt margin	$13,953,812	$16,690,115	$18,620,698	$20,332,834	$20,049,708	$20,105,926	$19,811,842	$19,030,682	$17,913,441	$16,616,542
Total net debt applicable to the limit as a percentage of debt limit	9.85%	7.22%	5.38%	3.83%	2.71%	1.42%	0.00%	0.00%	0.00%	0.00%

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

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

Harmony Township School District **Exhibit J-14**
Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Population [a]	Personal Income (thousands of dollars) [b]	Per Capita Personal Income [c]	Unemployment Rate [d]
2005	2,781	$ 105,944,976	$38,096 R	2.2%
2006	2,783	$ 112,884,046	$40,562 R	2.4%
2007	2,823	$ 120,878,037	$42,819 R	2.2%
2008	2,815	$ 124,082,385	$44,079 R	2.9%
2009	2,816	$ 123,509,760	$43,860 R	5.3%
2010	2,810	$ 123,634,380	$43,998 R	5.5%
2011	2,667	$ 122,711,337	$46,011 R	5.0%
2012	2,659	$ 126,488,630	$47,570 R	4.9%
2013	2,625	$ 124,871,250	$47,570 *	6.8%
2014	2,601	$ 123,729,570	$47,570 *	*

Source:
[a] Population information provided by the NJ Dept of Labor and Workforce Development
[b] Personal Income provided by US Dept of Commerce
[c] Per Capita provided by US Dept of Commerce
[d] Unemployment data provided by the NJ Dept of Labor and Workforce Development

P =Projected
R =Revised
* Current data unavailable

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

Exhibit J-15

	2014			2005		
Employer	**Employees**	**Rank (Optional)**	**Percentage of Total Employment**	**Employees**	**Rank (Optional)**	**Percentage of Total Employment**
Harmony Township Board of Education	52	2				0.00%
Harmony Sand and Gravel	29	3				0.00%
Phillipsburg Marble	27	4				0.00%
Presbyterian Reform Publishing	18	5				0.00%
Township of Harmony	12	6				0.00%
Harmony Spirits	11	7				0.00%
Taylor Rental	9	8				0.00%
		9				0.00%
		10				0.00%
						0.00%
						0.00%
						0.00%
	158		0.00%			0.00%

Source:

Harmony Township School District **Exhibit J-16**
Full-time Equivalent District Employees by Function/Program,
Last Ten Fiscal Years

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Instruction										
Regular	23.4	23.4	23.4	23.4	28.9	28.8	28.0	22.5	22.5	22.0
Special education	7.0	7.0	7.0	7.0	7.0	7.0	7.0	13.4	14.1	8.0
Support Services:										
Student & instruction related services	8.0	8.0	8.0	11.0	9.0	9.0	4.0	4.0	5.1	2.0
General adminsitrative services	2.0	2.0	2.0	2.0	2.0	2.0	1.5	1.0	1.5	2.0
School administrative services	1.0	1.0	1.0	1.0	2.0	2.0	2.0	2.5	2.0	3.0
Business adminsitrative services	1.0	1.0	1.0	1.0	1.0	1.0	0.0	1.0	1.0	1.0
Plant operations and maintenance	4.0	4.0	4.0	3.6	3.4	3.0	3.0	2.0	3.0	2.0
Total	46.4	46.4	46.4	49.0	53.3	52.8	45.5	46.4	49.2	40.0

Source: District Personnel Records

Harmony Township School District
Operating Statistics
Last Ten Fiscal Years

Exhibit J-17

Fiscal Year	Enrollment	Operating Expenditures [a]	Cost Per Pupil	Percentage Change	Teaching Staff [b]	Pupil/Teacher Ratio Elementary	Average Daily Enrollment (ADE) [c]	Average Daily Attendance (ADA) [c]	% Change in Average Daily Enrollment	Student Attendance Percentage
2005	312	$5,560,254	17,821	9.93%	38	1:9	312.4	299.8	0.94%	95.97%
2006	307	$5,748,078	18,723	5.06%	35	1:9	313.0	300.9	0.19%	96.13%
2007	309	$6,187,047	20,023	6.94%	35	1:9	308.8	296.7	-1.34%	96.08%
2008	316	$6,187,047	19,579	-2.22%	31	1:10	311.5	299.0	0.87%	95.99%
2009	329	$6,498,431	19,752	0.88%	30	1:11	316.2	303.7	1.51%	96.05%
2010	298	$6,673,759	22,395	13.38%	31	1:9.6	297.5	284.2	-5.91%	95.53%
2011	293	$6,544,965	22,338	-0.26%	28	1:10.5	293.5	280.3	-1.34%	95.50%
2012	283	$6,441,939	22,763	1.90%	26	1:10.9	283.6	272.6	-3.37%	96.12%
2013	269	$6,700,094	24,907	9.42%	27	1:10	262.6	260.4	-7.40%	99.16%
2014	265	$6,300,134	23,774	-4.55%	32	1:8.3	264.1	253.4	0.59%	95.94%

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

Note: Enrollment based on annual October district count.

a Operating expenditures equal total expenditures less debt service and capital outlay; Schedule J-4
b Teaching staff includes only full-time equivalents of certificated staff.
c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS)

Harmony Township School District
School Building Information
Last Ten Fiscal Years

Exhibit J-18

District Building	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Elementary										
Elementary (1956)										
Square Feet	44,298	44,298	44,298	44,298	44,298	44,298	44,298	44,298	44,298	44,298
Capacity (students)	435	435	435	435	435	435	435	435	435	435
Enrollment	312	307	309	316	329	298	293	283	269	265

Number of Schools at June 30, 2014

Elementary = 1

Source: District records, ASSA

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

HARMONY TOWNSHIP SCHOOL DISTRICT

GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
Last Ten Fiscal Years Ending June 30, 2014

Exhibit J-19

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

School Facilities	Project #	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Total
Harmony School	N/A	$ 135,450	$ 111,200	$ 118,087	$ 106,186	$ 84,598	$ 102,463	$ 116,720	$ 116,497	$ 146,517	$ 131,161	$ 1,168,879
Total School Facilities		135,450	111,200	118,087	106,186	84,598	102,463	116,720	116,497	146,517	131,161	1,168,879
Other Facilities												
Grand Total		**$ 135,450**	**$ 111,200**	**$ 118,087**	**$ 106,186**	**$ 84,598**	**$ 102,463**	**$ 116,720**	**$ 116,497**	**$ 146,517**	**$ 131,161**	**$1,168,879**

HARMONY TOWNSHIP SCHOOL DISTRICT

INSURANCE SCHEDULE
JUNE 30, 2014
UNAUDITED

Exhibit J-20

POLICY TYPE	COVERAGE	DEDUCTIBLE
SCHOOL PACKAGE POLICY - NJSBAIG		
Property-Blanket Building and Contents-Blanket	$350,000,000	$1,000
Comprehensive General Liability	11,000,000	
Comprehensive Automobile Liability	11,000,000	
Comprehensive Crime Coverage	100,000	1,000
Worker's Compensation (NJSBAIG)	2,000,000	
Electronic Data Processing	327,713	1,000
Equipment	100,000,000	1,000
SCHOOL BOARD LEGAL LIABILITY - NJSBAIG		
Directors and Officers Policy	11,000,000	5,000
PUBLIC EMPLOYEES' FAITHFUL PERFORMANCE BLANKET POSITION BOND - Ohio Casualty		
Treasurer	170,000	
Business Administrator	35,000	

SOURCE: District Records

Single Audit Section

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Anthony Ardito, CPA, RMA, CMFO, PSA
Douglas R. Williams, CPA, RMA, PSA

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Harmony Township School District Board of Education in the County of Warren, State of New Jersey, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Harmony Township School District Board of Education's basic financial statements, and have issued our report thereon dated September 30, 2014.

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 entity'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.

-Continued-

Our consideration of 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.

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*** or audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

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 results of that testing, and for New Jersey Department of Education use, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ardito & Co., LLP

ARDITO & CO., LLP
September 30, 2014

Licensed Public School Accountant No.2369

ARDITO & CO., LLP

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Anthony Ardito, CPA, RMA, CMFO, PSA
Douglas R. Williams, CPA, RMA, PSA

Report on Compliance For Each Major Program and Report on Internal Control Over Compliance Required by New Jersey OMB Circular 04-04

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

We have audited the Harmony Township School District Board of Education's compliance with the types of compliance requirements described in the New Jersey OMB Circular 04-04 ***State Aid/Grant Compliance Supplement*** that could have a direct and material effect on each of the District's major state programs for the year ended June 30, 2014. The Harmony Township School District Board of Education's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's 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; the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; and New Jersey OMB's Circular 04-04, ***Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid***. Those standards and New Jersey OMB Circular 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether 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.

-Continued-

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 Harmony Township School District Board of Education 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 year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the Harmony Township School District Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with New Jersey OMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Harmony Township School District Board of Education's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. 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 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 of that testing based on the requirements of New Jersey OMB Circular 04-04, and for New Jersey Department of Education use. Accordingly, this report is not suitable for any other purpose.

Ardito & Co., LLP

ARDITO & CO., LLP
September 30, 2014

Anthony Ardito

Licensed Public School Accountant No.2369

HARMONY TOWNSHIP SCHOOL DISTRICT

K-4

Schedule of Expenditures of State Financial Assistance
for the Fiscal Year ended June 30, 2014

Schedule B

STATE GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE 6/30/2013	CARRY-OVER AMOUNT	CASH RECEIVED	BUDGET. EXPEND.	ADJUST.	REPAYMENT OF PRIOR YEARS' BALANCES	BALANCE AT JUNE 30, 2014 (ACCTS. RECEIV.)	INTERFUND PAYABLE/ DEFER. REVENUE	DUE TO GRANTOR	MEMO BUDGETARY RECEIVABLE	MEMO CUMULATIVE TOTAL EXPEND.
State Department of Education														
General Fund:														
Transportation Aid	14-495-034-5120-014	7/1/14-6/30/14	$ 103,351			$ 103,351	$ (103,351)						$ 9,439	$ 103,351
Special Education Aid	14-495-034-5120-089	7/1/14-6/30/14	217,130			217,130	(217,130)						19,830	217,130
Security Aid	14-495-034-5120-084	7/1/14-6/30/14	31,409			31,409	(31,409)						2,868	31,409
Non-Public Transportation Aid	14-100-034-5120-068	7/1/14-6/30/14	2,873				(2,873)			$ (2,873)				2,873
Non-Public Transportation Aid	13-100-034-5120-068	7/1/12-6/30/13	911	$ (911)		911								-
Extra-ordinary Aid	14-495-034-5120-044	7/1/14-6/30/14	9,480			-	(9,480)			(9,480)				9,480
Extra-ordinary Aid	13-495-034-5120-044	7/1/12-6/30/13	50,113	(50,113)		50,113								
On-behalf TPAF Pension Contrib.	14-495-034-5095-001	7/1/14-6/30/14	200,756			200,756	(200,756)							200,756
Reimbursed TPAF Soc.Secur.Contrib.	14-495-034-5095-002	7/1/14-6/30/14	152,353	(7,253)		159,606	(152,353)			-				152,353
Total General Fund				(58,277)		763,276	(717,352)			(12,353)			32,137	717,352
Capital Projects Fund:														
SDA Grant - Walk-In Freezer	SP#2040-030-09-0ZYV	7/1/09-6/30/10	31,825	(31,825)						(31,825)	-			31,825
SDA Grant - Domestic Water Service	SP#2040-030-09-0ZJS	7/1/09-6/30/10	22,177	(25,100)		22,177		$ 2,923			-			25,100
SDA Grant - Replace Phone System	SP#2040-030-09-0ZJV	7/1/09-6/30/10	11,199	(11,460)				261		(11,199)	-			11,460
SDA Grant - Roof Replacement	SP#2040-030-09-0ZJT	7/1/09-6/30/10	145,795	(210,750)				64,955		(145,795)	-			210,750
Total Capital Projects Fund				(279,135)	-	22,177	-	68,139	-	(188,819)	-	-	-	279,135
State Department of Agriculture:														
Enterprise Fund:														
Nat.School Lunch Prog.(State Share)	14-100-010-3350-023	7/1/14-6/30/14	957			911	(957)			(46)				957
Nat.School Lunch Prog.(State Share)	13-100-010-3350-023	7/1/12-6/30/13	903	(59)		59								-
Total Enterprise Fund				(59)	-	970	(957)	-	-	(46)	-	-	-	957
Total State Financial Assistance				**$ (337,471)**	**-**	**$ 786,423**	**$ (718,309)**	**$ 68,139**	**-**	**$ (201,218)**	**-**	**-**	**$ 32,137**	**$ 997,444**

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

NOTES TO THE SCHEDULES OF STATE FINANCIAL ASSISTANCE
JUNE 30, 2014

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

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

NOTE 3. RELATIONSHIP TO GENERAL PURPOSE FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is $2,870 for the general fund and -0- for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented on the following page:

NOTES TO THE SCHEDULES OF STATE FINANCIAL ASSISTANCE
JUNE 30, 2014

NOTE 3. (Continued)

	Federal	State	Total
General Fund	-	$ 720,222	$ 720,222
Special Revenue Fund	$ 125,001	-	125,001
Capital Projects Fund		(68,139)	(68,139)
Food Service Fund	30,378	957	31,335
Total Financial Assistance	$ 155,379	$ 653,040	$ 808,419

NOTE 4. RELATIONSHIP TO STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the district for the year ended June 30, 2014. TPAF Social Security Contributions represents the amount reimbursed by the state for employer's share of social security contributions for TPAF members for the year ended June 30, 2014.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Part I - Summary of Auditor's Results

Financial Statement Section

A) Type of auditor's report issued: Unmodified

B) Internal control over financial reporting:
1) Material weakness(es) identified? ___Yes_x_No
2) Were significant deficiencies identified that were not considered to be material weaknesses? ___Yes _x_None Reported

C) Noncompliance material to financial statements noted? ___Yes_x_No

Federal Awards Section **N/A**

D) Dollar threshold used to determine Type A programs: N/A

E) Auditee qualified as low-risk auditee? ___Yes ___No

F) Type of auditor's report on compliance for major programs: N/A

G) Internal Control over compliance:
1) Material weakness(es) identified? ___Yes___No
2) Were significant deficiencies identified that were not considered to be material weaknesses? ___Yes___No

H) Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133(Section .510(a))? ___Yes___No

I) Identification of major programs:

CFDA NUMBER(S)	NAME OF FEDERAL PROGRAM OR CLUSTER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Part I - Summary of Auditor's Results

State Financial Assistance Section

J) Dollar threshold used to determine Type A programs: $300,000

K) Auditee qualified as low-risk auditee? (1) _x_yes__no

L) Type of auditor's report on compliance for major programs: Unmodified

M) Internal Control over compliance:
1) Material weakness(es) identified? ___yes_x_no
2) Were significant deficiencies identified that were not considered to be material weaknesses? ___yes_x_none reported

N) Any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular 04-04? _x__yes___no

O) Identification of major programs:

GMIS Number(s)	**Name of State Program**
14-495-034-5120-089	Special Education Aid
14-495-034-5095-002	Reimbursed TPAF Soc. Sec.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Section II-Financial Statement Findings

There are no are significant deficiencies, or other matters that are required to be reported in accordance with Government Auditing Standards.

Section III - State Financial Assistance Findings and Questioned Costs

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

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT FOR THE FISCAL YEAR ENDED JUNE 30, 2014

In accordance with government auditing standards, our procedures included a review of all prior year recommendations. Finding 2013-1 and 2013-2 have been corrected in 2014.