

HARDYSTON TOWNSHIP SCHOOL DISTRICT

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

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2015**

**Comprehensive Annual
Financial Report**

of the

HARDYSTON TOWNSHIP SCHOOL DISTRICT

Hardyston, New Jersey

For the Fiscal Year Ended June 30, 2015

Prepared by

**Hardyston Township School District
Business Office**

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INTRODUCTORY SECTION

Hardyston School District

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Hamburg, NJ 07419
(973) 823-7000 FAX (973) 823-7010
www.htps.org

Richard R. Corbett
Chief School Administrator/Middle School Principal

James R. Sekelsky
Business Administrator/Board Secretary

John Brennan
Elementary School Principal

Robert Demeter
Middle School Vice-Principal

December 14, 2015

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

Dear Board Members:

The comprehensive annual financial report of the Hardyston Township School District ("the District") for the fiscal year ended June 30, 2015, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Hardyston Township Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

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

The District is subject to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and New Jersey's OMB Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditor's report on the internal control system and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES: Hardyston Township School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board ("GASB") in codification section 2100. All funds of the District are included in this report. The Hardyston Township Board of Education and all its schools constitute the District's reporting entity.

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

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

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

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

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

During the 2014-2015 school year, the two schools in the Hardyston Township School District provided education for 750 students in grades pre-kindergarten through grade eight with a staff of 78 professionals and a support staff of 31.5. Students in grades nine through twelve have the option of attending Wallkill Valley Regional High School, Pope John XXIII Regional High School or Sussex County Technical School.

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

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

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

The Honorable President and Members
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Hardyston Township School District
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The Township's ratables have begun to reach a plateau and ratable growth has become flat.

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

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

The District replaced the middle school roof during the summer of 2009. The Board addressed the middle school windows in the front of the building and finalized a favorable legal settlement in September of 2012. Both the middle and elementary schools have improved technology, networking software, and band-width improvements which were completed in August of 2012. The legal settlement balance will be budgeted over several years to offset the tax liability for the bond repayment.

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

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

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

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

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

The Honorable President and Members
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An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as fund balance restrictions, commitments, and/or assignments at June 30, 2015.

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

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

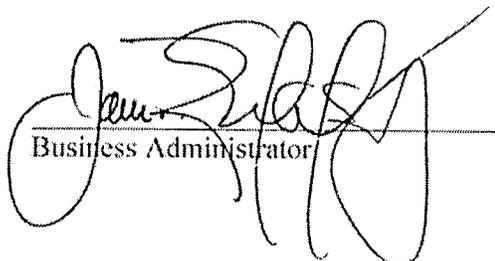
8) RISK MANAGEMENT: The Board carries various forms of insurance, including, but not limited to, general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds.

9) OTHER INFORMATION: Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related OMB Circular A-133 and New Jersey's OMB Circulars 04-04 and 15-08. The auditors' report on the basic financial statements and specific required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit and *Government Auditing Standards* are included in the single audit section of this report.

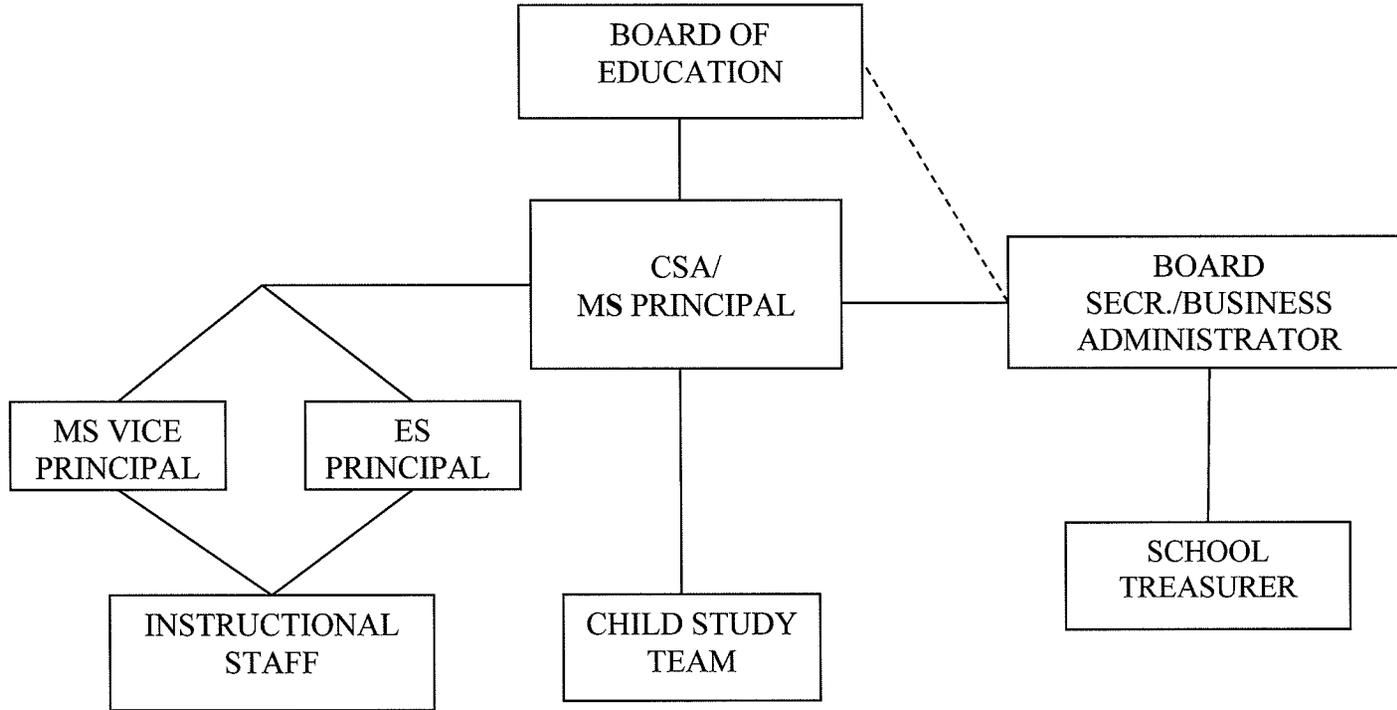
10) ACKNOWLEDGEMENTS: We would like to express our appreciation to the members of the Hardyston Township School District for their concern in providing fiscal accountability to the citizens and taxpayers of the District and thereby contributing their full support to the development and maintenance of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

Respectfully submitted,


Superintendent


Business Administrator

HARDYSTON TOWNSHIP SCHOOL DISTRICT



**HARDYSTON TOWNSHIP SCHOOL DISTRICT
 ROSTER OF OFFICIALS
 JUNE 30, 2015**

<u>Members of the Board of Education</u>		<u>Term Expires</u>
Dorothy Beltramine	President	2015
Ed Blahut	Vice President	2017
Donna Carey		2016
Nick Demsak		2017
Phil Giordano		2017
Ron Hoffman		2015
Brian Kaminski		2016
Martin O'Shea		2015
David VanGinneken		2015
<u>Other Officers</u>	<u>Title</u>	
Richard R. Corbett	Superintendent of Schools	
James R. Sekelsky	Business Administrator/Board Secretary	
Grant Rome	Treasurer of School Moneys	
Joe Roselle	Attorney	

HARDYSTON TOWNSHIP SCHOOL DISTRICT
Consultants and Advisors

Audit Firm

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

Attorney

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

Bond Counsel

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

Architect

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

Official Depositories

Sussex Bank
399 Route 23
Franklin, New Jersey 07416

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

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

FINANCIAL SECTION



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

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

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Hardyston Township School District (the "District") in the County of Sussex, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Hardyston Township School District, in the County of Sussex, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 20 to the basic financial statements, the District implemented Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment to GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* during the fiscal year ended June 30, 2015. Our opinions are not modified with respect to this matter. The implementation resulted in the restatement of certain balances on the Statement of Net Position and the ending balance for Net Position for the Governmental Activities as of June 30, 2014 as detailed in Note 20 to the basic financial statements.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal and state awards, as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey’s OMB Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary schedules such as the combining and individual non-major fund financial statements and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the

The Honorable President and Members
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basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

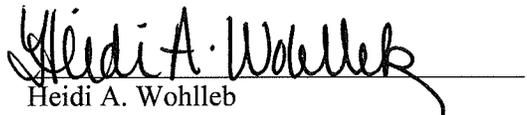
The accompanying other information such as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

December 14, 2015
Mount Arlington, New Jersey

NISIVOCCIA LLP


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

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

**Hardyston Township School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

This section of the Hardyston Township School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2015. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

Financial Highlights

- The District's financial status remains strong and financially stable.
- Overall revenue was \$14.73 million.
- Overall expenses were \$14.47 million.
- The District's outstanding long-term debt decreased due to the pay down of \$520,000 of outstanding bonds and a decrease in the net pension liability of \$525,821, offset by a net increase of \$3,347 in compensated absences payable.

Overview of the Financial Statements

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

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

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

Figure A-1

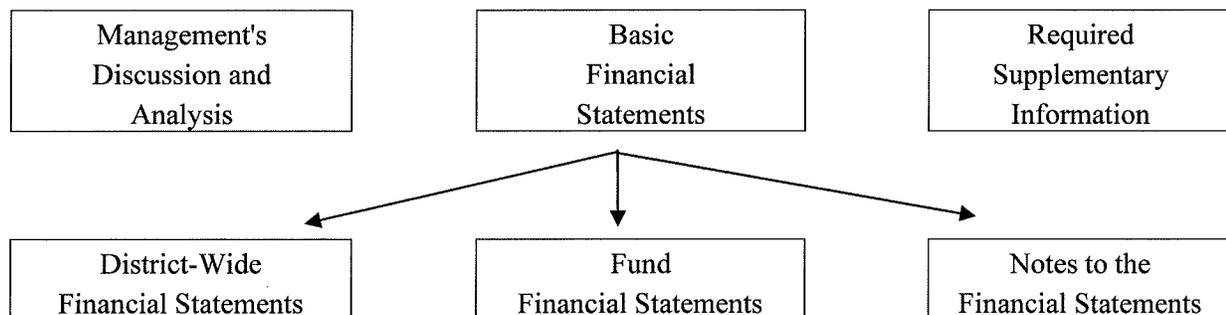


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents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

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

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

District-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

Financial Analysis of the District as a Whole

Net Position. The District's combined net position increased by \$262,623. Net position from governmental activities increased by \$291,049, and net position from business-type activities decreased by \$28,426. Net investment in capital assets increased by \$47,518, restricted net position decreased by \$42,356, and unrestricted net position increased by \$257,461.

Figure A-3
Condensed Statement of Net Position

	Government Activities		Business-Type Activities		Total School District		Percentage
	2014/2015	2013/2014*	2014/2015	2013/2014	2014/2015	2013/2014*	Change 2014/2015
Assets:							
Current and Other Assets	\$ 2,952,332	\$ 2,596,235	\$ 57,423	\$ 79,835	\$ 3,009,755	\$ 2,676,070	12.47%
Capital Assets, Net	15,076,986	15,540,367	33,277	42,378	15,110,263	15,582,745	-3.03%
Total Assets	18,029,318	18,136,602	90,700	122,213	18,120,018	18,258,815	-0.76%
Deferred Outflows of Resources	67,679	5,048			67,679	5,048	1241%
Liabilities:							
Long-Term Debt Outstanding	13,633,749	14,676,223			13,633,749	14,676,223	-7.10%
Other Liabilities	449,638	273,005	2,046	5,133	451,684	278,138	62.40%
Total Liabilities	14,083,387	14,949,228	2,046	5,133	14,085,433	14,954,361	-5.81%
Deferred Inflows of Resources	530,139				530,139		100%
Net Position:							
Net Investment in Capital							
Assets	3,872,986	3,816,367	33,277	42,378	3,906,263	3,858,745	1.23%
Restricted	2,087,835	2,130,191			2,087,835	2,130,191	-1.99%
Unrestricted/(Deficit)	(2,477,350)	(2,754,136)	55,377	74,702	(2,421,973)	(2,679,434)	9.61%
Total Net Position	\$ 3,483,471	\$ 3,192,422	\$ 88,654	\$ 117,080	\$ 3,572,125	\$ 3,309,502	7.94%

* Restated

Changes in Net Position. The District's combined net position was \$3,572,125 on June 30, 2015, \$262,623 or 7.94% greater than it was the year before. (See Figure A-3). The net position of the business-type activities decreased by \$28,426 and the net position of the governmental activities increased by \$291,049 (See Figure A-4). The increase in net investment in capital assets is due to asset additions of \$101,141 and current year maturities of serial bonds of \$520,000 offset by current year depreciation expense of \$573,623. The decrease in restricted net position is due primarily to a decrease in the capital reserve of \$40,202, offset by an increase in the maintenance reserve of \$873. The increase in unrestricted net position of \$257,461 is due to an increase in fund balance designated for subsequent year's expenditures of \$30,000, an increase of \$186,772 in the capital projects fund, a decrease in net pension liability of \$525,821, a decrease in unamortized bond premium of \$6,991, an increase in deferred outflows of \$64,314 related to the change in assumptions in pensions, a decrease in accrued interest of \$4,854, an increase of year end encumbrances of \$3,045, offset by a decrease in business-type activities unrestricted fund balance of \$19,325, a decrease in unassigned fund balance of \$9,842, an increase in deferred inflows related to investment gains in pensions of \$121,887 and in change of proportions related to pensions of \$408,252, a decrease in deferred interest of \$1,683, and an increase in compensated absences of \$3,347.

Figure A-4
Change in Net Position from Operating Results

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total School District</u>		<u>Percentage</u>
	<u>2014/2015</u>	<u>2013/2014</u>	<u>2014/2015</u>	<u>2013/2014</u>	<u>2014/2015</u>	<u>2013/2014</u>	<u>Change</u>
Revenue:							
Program Revenue:							
Charges for Services			\$ 120,263	\$ 131,729	\$ 120,263	\$ 131,729	-8.70%
Operating Grants & Contributions	\$ 3,165,618	\$ 1,923,696	51,493	53,974	3,217,111	1,977,670	62.67%
General Revenue:							
Property Taxes	9,978,402	9,800,781			9,978,402	9,800,781	1.81%
Federal and State Aid Unrestricted	1,352,102	1,259,557			1,352,102	1,259,557	7.35%
Other	62,642	15,118	114	89	62,756	15,207	312.68%
Total Revenue	<u>14,558,764</u>	<u>12,999,152</u>	<u>171,870</u>	<u>185,792</u>	<u>14,730,634</u>	<u>13,184,944</u>	11.72%
Expenses:							
Instruction	8,346,663	7,222,747			8,346,663	7,222,747	15.56%
Pupil and Instruction Services	1,761,630	1,511,566			1,761,630	1,511,566	16.54%
Administrative and Business	1,332,686	1,165,135			1,332,686	1,165,135	14.38%
Maintenance and Operations	1,331,324	1,229,766			1,331,324	1,229,766	8.26%
Transportation	887,322	850,425			887,322	850,425	4.34%
Other	608,090	679,732	200,296	179,860	808,386	859,592	-5.96%
Total Expenses	<u>14,267,715</u>	<u>12,659,371</u>	<u>200,296</u>	<u>179,860</u>	<u>14,468,011</u>	<u>12,839,231</u>	12.69%
Increase in Net Position	<u>\$ 291,049</u>	<u>\$ 339,781</u>	<u>\$ (28,426)</u>	<u>\$ 5,932</u>	<u>\$ 262,623</u>	<u>\$ 345,713</u>	<u>-24.03%</u>

Revenue Sources. The District's total revenue for the 2014/2015 school year was \$14,730,634, (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$9,978,402 of the total, or 67.74 percent. (See Figure A-5). Approximately 31.02 percent came from state and federal aid and the remainder from charges for services and other.

Figure A-5
Sources of School District Revenue - Fiscal Year 2015

	<u>Amount</u>	<u>Percentage</u>
Sources of Income:		
Federal and State Aid Unrestricted	\$ 1,352,102	9.18%
Property Taxes	9,978,402	67.74%
Federal and State Categorical Grants	3,217,111	21.84%
Charges for Services	120,263	0.81%
Other	62,756	0.43%
	<u>\$ 14,730,634</u>	<u>100.00%</u>

The total cost of all programs and services was \$14,468,011. The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students (76.00 percent). (See Figure A-6). The District's administrative and maintenance and operations activities accounted for 18.41 percent of total costs. It is important to remember that \$573,623 in depreciation is included in expenses for the year.

Figure A-6
Sources of School District Expenses - Fiscal Year 2015

Expense Category:	<u>Amount</u>	<u>Percentage</u>
Instruction	\$ 8,346,663	57.22%
Pupil and Instruction Services	1,761,630	12.15%
Administrative and Business	1,332,686	9.15%
Maintenance and Operations	1,331,324	9.33%
Transportation	887,322	6.36%
Other	808,386	5.79%
	<u>\$ 14,468,011</u>	<u>100.00%</u>

Governmental Activities

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

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

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

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

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

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

Figure A-7
Net Cost of Governmental Activities

	Total Costs of Services		Net Cost of Services	
	2014/2015	2013/2014	2014/2015	2013/2014
Instruction	\$ 8,346,663	\$ 7,222,747	\$ 6,366,147	\$ 6,128,026
Pupil and Instruction Services	1,761,630	1,511,566	1,387,615	1,293,353
Administrative and Business	1,332,686	1,165,135	1,108,916	1,070,078
Maintenance and Operations	1,331,324	1,229,766	1,211,249	1,181,107
Transportation	887,322	850,425	420,080	383,379
Other	608,090	679,732	608,090	679,732
	<u>\$ 14,267,715</u>	<u>\$ 12,659,371</u>	<u>\$ 11,102,097</u>	<u>\$ 10,735,675</u>

- The cost of all governmental activities this year was \$14.27 million.
- The federal and state governments subsidized certain programs with grants and contributions totaling \$4.52 million.
- Approximately \$9.98 million of the District's costs were financed by District taxpayers.
- The remainder of the funding came from miscellaneous revenue and investment earnings.

Business-Type Activities

Net position from the District's business-type activity decreased by \$28,426 due primarily to a decrease in revenue from the prior year of \$13,922, or 7.49 percent caused by a decline in student participation and an increase in food service expenses over the prior year of \$20,436, or 11.36 percent due in large part to a reimbursement of expenses paid by the General Fund (Refer to Figure A-4).

Financial Analysis of the District's Funds

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

General Fund Budgetary Highlights

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

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

Capital Asset and Debt Administration

At year-end, the District had \$15,076,986 in capital assets as shown in Figure A-8. There were capital additions of \$101,141, offset by depreciation expense of \$573,623. (More detailed information about the District's capital assets is presented in Note 7 to the financial statements.)

Figure A-8
Capital Assets (Net of Depreciation)

	Government Activities		Business-Type Activities		Total School District		Percentage
	2014/2015	2013/2014	2014/2015	2013/2014	2014/2015	2013/2014	Change
Land	\$ 362,892	\$ 362,892			\$ 362,892	\$ 362,892	0.00%
Construction in Progress	948,727	925,169			948,727	925,169	2.55%
Site Improvements	127,844	154,422			127,844	154,422	-17.21%
Buildings and							
Building Improvements	13,365,746	13,834,754			13,365,746	13,834,754	-3.39%
Machinery and Equipment	271,777	263,130	\$ 33,277	\$ 42,378	305,054	305,508	-0.15%
	<u>\$ 15,076,986</u>	<u>\$ 15,540,367</u>	<u>\$ 33,277</u>	<u>\$ 42,378</u>	<u>\$ 15,110,263</u>	<u>\$ 15,582,745</u>	<u>-3.03%</u>

Long-term Debt

At year-end, the District had \$11,204,000 in general obligation bonds outstanding as shown in Figure A-9. (More detailed information about the District's long-term liabilities is presented in Note 10 to the financial statements.)

Figure A-9
Outstanding Long-Term Debt

	Total School District		Percentage
	2014/2015	2013/2014*	Change
General Obligation Bonds (Financed with Property Taxes)	\$ 11,204,000	\$ 11,724,000	-4.44%
Net Pension Liability	2,045,274	2,571,095	-20.45%
Compensated Absences	384,475	381,128	0.88%
	<u>\$ 13,633,749</u>	<u>\$ 14,676,223</u>	<u>-7.10%</u>

* Restated

- The District continued to pay down its debt, retiring \$520,000 of outstanding bonds.
- Compensated absences payable increased by a net amount of \$3,347.
- The Net Pension Liability decreased by \$525,821.

Factors Bearing on the District's Future

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

- There is concern financially due to the fact that the State has not increased the level of aid provided to the District overall during the last several years. In addition, the allowable increase in the tax levy has been reduced from 4% to 2%. Prices for energy, transportation, and out-of-district tuitions have historically increased more than 2% per year. The Board of Education will have to plan long term to avoid significant changes to the current educational programs.
- The District has established and continues to contribute to the capital reserve in order to address short-term required maintenance and long term facilities planning.

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

Exhibit A-1

HARDYSTON TOWNSHIP SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 1,305,897	\$ 77,276	\$ 1,383,173
Receivables From State Government	52,269	588	52,857
Receivables From Federal Government	224	11,949	12,173
Interfund Receivable	27,348		27,348
Internal Balances	37,507	(37,507)	
Inventories		5,117	5,117
Restricted Assets:			
Cash and Cash Equivalents	1,529,087		1,529,087
Capital Assets:			
Sites (Land) and Construction in Progress	1,311,619		1,311,619
Depreciable Buildings and Building Improvements and Machinery and Equipment	13,765,367	33,277	13,798,644
Total Assets	18,029,318	90,700	18,120,018
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Interest	3,365		3,365
Changes in Assumptions - Pensions	64,314		64,314
TOTAL DEFERRED OUTFLOWS OF RESOURCES	67,679		67,679
LIABILITIES			
Accrued Interest Payable	187,065		187,065
Interfund Payable	40,746		40,746
Accounts Payable	207,817		207,817
Payable to Federal Government	28		28
Unearned Revenue		2,046	2,046
Unamortized Bond Premium	13,982		13,982
Noncurrent Liabilities:			
Due Within One Year	540,000		540,000
Due Beyond One Year	13,093,749		13,093,749
Total Liabilities	14,083,387	2,046	14,085,433
DEFERRED INFLOWS OF RESOURCES			
Investment Gains - Pensions	121,887		121,887
Changes in Proportions - Pensions	408,252		408,252
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 530,139		\$ 530,139
NET POSITION/(DEFICIT)			
Net Investment in Capital Assets	3,872,986	33,277	3,906,263
Restricted for:			
Capital Projects	1,672,624		1,672,624
Other Purposes	415,211		415,211
Unrestricted/(Deficit)	(2,477,350)	55,377	(2,421,973)
Total Net Position	\$ 3,483,471	\$ 88,654	\$ 3,572,125

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

HARDYSTON TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities:						
Instruction:						
Regular	\$ 5,990,597		\$ 1,041,234	\$ (4,949,363)		\$ (4,949,363)
Special Education	2,030,787		875,646	(1,155,141)		(1,155,141)
Other Special Instruction	185,646		36,194	(149,452)		(149,452)
School-Sponsored /Other Instruction	139,633		27,442	(112,191)		(112,191)
Support Services:						
Tuition	194,424		88,458	(105,966)		(105,966)
Student & Instruction Related Services	1,567,206		285,557	(1,281,649)		(1,281,649)
General Administrative Services	352,127		39,847	(312,280)		(312,280)
School Administrative Services	644,837		123,052	(521,785)		(521,785)
Central Services	322,977		60,871	(262,106)		(262,106)
Administration Information Technology	12,745			(12,745)		(12,745)
Plant Operations and Maintenance	1,331,324		120,075	(1,211,249)		(1,211,249)
Pupil Transportation	887,322		467,242	(420,080)		(420,080)
Interest on Long-Term Debt	444,619			(444,619)		(444,619)
Capital Outlay	9,638			(9,638)		(9,638)
Transfer of Funds to Charter Schools	153,833			(153,833)		(153,833)
Total Governmental Activities	14,267,715		3,165,618	(11,102,097)		(11,102,097)

HARDYSTON TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Business-Type Activities:						
Proprietary Funds	\$ 200,296	\$ 120,263	\$ 51,493		\$ (28,540)	\$ (28,540)
Total Business-Type Activities	<u>200,296</u>	<u>120,263</u>	<u>51,493</u>		<u>(28,540)</u>	<u>(28,540)</u>
Total Primary Government	<u>\$ 14,468,011</u>	<u>\$ 120,263</u>	<u>\$ 3,217,111</u>	<u>\$ (11,102,097)</u>	<u>(28,540)</u>	<u>(11,130,637)</u>
General Revenue:						
Property Taxes, Levied for General Purposes, Net				9,060,045		9,060,045
Taxes Levied for Debt Service				918,357		918,357
Federal and State Aid not Restricted				1,352,102		1,352,102
Miscellaneous Income				62,642	114	62,756
Total General Revenue				<u>11,393,146</u>	<u>114</u>	<u>11,393,260</u>
Change in Net Position				291,049	(28,426)	262,623
Net Position - Beginning - Restated				<u>3,192,422</u>	<u>117,080</u>	<u>3,309,502</u>
Net Position - Ending				<u>\$ 3,483,471</u>	<u>\$ 88,654</u>	<u>\$ 3,572,125</u>

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

FUND FINANCIAL STATEMENTS

HARDYSTON TOWNSHIP SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
ASSETS:				
Cash and Cash Equivalents	\$ 810,232	\$ 884	\$ 494,781	\$ 1,305,897
Receivables From State Government	52,269			52,269
Receivables From Federal Government		224		224
Interfund Receivables	64,855		186,772	251,627
Restricted Cash and Cash Equivalents:				
Emergency Reserve Account	51,926			51,926
Maintenance Reserve Account	363,285			363,285
Capital Reserve Account	1,113,876			1,113,876
Total Assets	\$ 2,456,443	\$ 1,108	\$ 681,553	\$ 3,139,104
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	\$ 206,737	\$ 1,080		\$ 207,817
Interfund Payable	227,518			227,518
Payable to Federal Government		28		28
Total Liabilities	434,255	1,108		435,363
Fund Balances:				
Restricted:				
Capital Reserve Account	1,113,876			1,113,876
Emergency Reserve Account	51,926			51,926
Maintenance Reserve Account	363,285			363,285
Capital Projects Fund			\$ 558,748	558,748
Committed:				
Capital Projects Fund			122,805	122,805
Assigned for:				
Year End Encumbrances	344,412			344,412
Subsequent Year's Expenditures	96,000			96,000

HARDYSTON TOWNSHIP SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
LIABILITIES AND FUND BALANCES (Cont'd):				
Fund Balances (Cont'd):				
Unassigned	\$ 52,689			\$ 52,689
Total Fund Balances	2,022,188		\$ 681,553	2,703,741
Total Liabilities and Fund Balances	\$ 2,456,443	\$ 1,108	\$ 681,553	\$ 3,139,104

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

Total Fund Balances From Above	\$ 2,703,741
Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the Funds. The cost of the assets is \$23,899,522 and the accumulated depreciation is \$8,822,536.	15,076,986
An unamortized Refunding Bond Premium is reported as a revenue expenditures in the Governmental Funds. The cost is \$34,955 and the accumulated amortization is \$20,973.	(13,982)
Deferred Interest Costs are not Reported as Expenditures in the Governmental Funds in the Year of the Expenditure.	3,365
The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.	(2,045,274)
Certain Amounts Related to the Net Pension Liability are Deferred and Amortized in the Statement of Activities and are not Reported in the Governmental Funds.	
Changes in Assumptions - Pensions	64,314
Investments in Gains - Pensions	(121,887)
Changes in Proportions - Pensions	(408,252)
Long-Term Liabilities, including Bonds Payable, are not due and payable in the current period and therefore are not reported as liabilities in the Funds.	(11,588,475)
Interest on Long-Term Debt is not accrued in the Governmental Funds, but rather is recognized as an expenditure when due.	(187,065)
Net Position of Governmental Activities	\$ 3,483,471

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

HARDYSTON TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUE:					
Local Sources:					
Local Tax Levy	\$ 9,060,045			\$ 918,357	\$ 9,978,402
Interest Earned on Maintenance Reserve	873				873
Interest Earned on Capital Reserve	1,918				1,918
Miscellaneous	59,851				59,851
Total - Local Sources	9,122,687			918,357	10,041,044
State Sources	3,167,979			53,397	3,221,376
Federal Sources		\$ 218,118			218,118
Total Revenue	12,290,666	218,118		971,754	13,480,538
EXPENDITURES:					
Current:					
Regular Instruction	3,499,363	36,389			3,535,752
Special Education Instruction	1,219,617	75,407			1,295,024
Other Special Instruction	116,231				116,231
School-Sponsored/Other Instruction	95,890				95,890
Support Services and Undistributed Costs:					
Tuition	105,966	88,458			194,424
Student & Instruction Related Services	1,032,910	17,864			1,050,774
General Administrative Services	275,704				275,704
School Administrative Services	396,807				396,807
Central Services	206,233				206,233
Administration Information Technology	12,745				12,745
Plant Operations and Maintenance	1,069,746				1,069,746
Pupil Transportation	887,322				887,322

HARDYSTON TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
EXPENDITURES:					
Support Services and Undistributed Costs (Cont'd):					
Unallocated Benefits	\$ 2,936,874				\$ 2,936,874
Debt Service:					
Principal				\$ 520,000	520,000
Interest and Other Charges				454,781	454,781
Capital Outlay	87,221		\$ 23,558		110,779
Transfer of Funds to Charter Schools	153,833				153,833
Total Expenditures	<u>12,096,462</u>	<u>\$ 218,118</u>	<u>23,558</u>	<u>974,781</u>	<u>13,312,919</u>
Excess/(Deficit) of Revenues Over/(Under) Expenditures	194,204		(23,558)	(3,027)	167,619
Other Financing Sources/(Uses):					
Transfers In/(Out)	(210,330)		207,303	3,027	
Total Other Financing Sources/(Uses)	<u>(210,330)</u>		<u>207,303</u>	<u>3,027</u>	
Excess/(Deficit) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(16,126)		183,745		167,619
Fund Balance - July 1	<u>2,038,314</u>		<u>497,808</u>		<u>2,536,122</u>
Fund Balance - June 30	<u>\$ 2,022,188</u>	<u>\$ - 0 -</u>	<u>\$ 681,553</u>	<u>\$ - 0 -</u>	<u>\$ 2,703,741</u>

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

HARDYSTON TOWNSHIP SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Total Net Change in Fund Balances - Governmental Funds (from B-2)	\$	167,619
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 differ from depreciation expense in the current period.		
	Depreciation expense	\$ (564,522)
	Capital Outlays	<u>101,141</u>
		(463,381)
In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).		
		(3,347)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities. (+)		
		520,000
The governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. (+)		
		6,991
The governmental funds report the effect of deferred bond interest when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities (-)		
		(1,683)
The net pension liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the Governmental Funds:		
		525,821
Changes in Net Pension Liability		
Deferred Outflows:		
		64,314
Changes in Assumptions		
Deferred Inflows:		
		(121,887)
Net Difference between projected and actual investment earnings on Pension Plan Investments		
		(408,252)
Changes in Proportions		
In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. When the interest paid exceeds the accrued interest, the difference is an addition in the reconciliation (+)		
		<u>4,854</u>
	<u>\$</u>	<u>291,049</u>

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

Exhibit B-4

HARDYSTON TOWNSHIP SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET POSITION
JUNE 30, 2015

ASSETS:

Current Assets:

Cash and Cash Equivalents	\$ 77,276
Accounts Receivable:	
State	588
Federal	11,949
Inventories	5,117
	<hr/>
Total Current Assets	94,930

Non-Current Assets:

Capital Assets	221,299
Less: Accumulated Depreciation	(188,022)
	<hr/>
Total Non-Current Assets	33,277

Total Assets	<hr/> 128,207 <hr/>
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LIABILITIES:

Current Liabilities:

Interfund Payable - General Fund	37,507
Unearned Revenue	2,046
	<hr/>
Total Current Liabilities	39,553

NET POSITION:

Net Investment in Capital Assets	33,277
Unrestricted	55,377
	<hr/>
Total Net Position	\$ 88,654

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

Exhibit B-5

HARDYSTON TOWNSHIP SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 96,294
Daily Sales - Non Reimbursable Programs	<u>23,969</u>
Total Operating Revenue	<u>120,263</u>
Operating Expenses:	
Cost of Sales	83,094
Salaries, Benefits, and Payroll Taxes	75,395
Management Fee	7,812
Supplies, Insurance & Other Costs	24,894
Depreciation Expense	<u>9,101</u>
Total Operating Expenses	<u>200,296</u>
Operating Loss	<u>(80,033)</u>
Non-Operating Revenue:	
State Sources:	
State School Lunch Program	1,898
Federal Sources:	
National School Lunch Program	33,954
Food Distribution Program	15,641
Local Sources:	
Interest Income	<u>114</u>
Total Non-Operating Revenue	<u>51,607</u>
Change in Net Position	(28,426)
Net Position - Beginning of Year	<u>117,080</u>
Net Position - End of Year	<u><u>\$ 88,654</u></u>

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

Exhibit B-6

HARDYSTON TOWNSHIP SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 120,263
Payments to Employees	(74,411)
Payments to Suppliers	(984)
Payments to Food Service Vendor	<u>(65,964)</u>
Net Cash Used for Operating Activities	<u>(21,096)</u>
Cash Flows from Noncapital Financing Activities:	
Cash Received from State and Federal Reimbursements	<u>27,274</u>
Net Cash Provided by Noncapital Financing Activities	<u>27,274</u>
Cash Flows from Investing Activities:	
Investment Income	<u>114</u>
Net Cash Flows Provided by Investing Activities	<u>114</u>
Net Increase in Cash and Cash Equivalents	6,292
Cash and Cash Equivalents, July 1	<u>70,984</u>
Cash and Cash Equivalents, June 30	<u><u>\$ 77,276</u></u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (80,033)
Adjustment to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Federal Food Distribution Program	15,641
Depreciation	9,101
Changes in Assets and Liabilities:	
Decrease in Interfund Receivable	8,061
(Increase) in Inventories	(225)
Increase in Interfund Payable	37,507
(Decrease) in Accounts Payable	(11,291)
Increase in Unearned Revenue	<u>143</u>
Net Cash Used for Operating Activities	<u><u>\$ (21,096)</u></u>

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received U.S.D.A. donated commodities through the Food Distribution Program valued at \$15,784 and utilized commodities valued at \$15,641.

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

Exhibit B-7

HARDYSTON TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2015

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>	<u>Private Purpose Scholarship Trust</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 165,326	\$ 77,789	\$ 4,288	\$ 3,002
Investments				2,292
Interfund Receivable	746	72,236		
Total Assets	<u>166,072</u>	<u>150,025</u>	<u>4,288</u>	<u>5,294</u>
<u>LIABILITIES:</u>				
Liabilities:				
Payroll Deductions and Withholdings	67,511			
Due to Student Groups	38,977			
Interfund Payable:				
General Fund	27,348			
Unemployment Compensation Trust	32,236			
Total Liabilities	<u>166,072</u>			
<u>NET POSITION:</u>				
Held in Trust for Unemployment Claims		150,025		
Flexible Spending Claims			4,288	
Restricted for Scholarships				5,294
Total Net Position	<u>\$ -0-</u>	<u>\$ 150,025</u>	<u>\$ 4,288</u>	<u>\$ 5,294</u>

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

Exhibit B-8

HARDYSTON TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Trust
Additions:			
Contributions:			
Plan Members	\$ 10,758	\$ 5,969	
Employer - Budget Appropriation	40,000		
Total Contributions	50,758	5,969	
Investment Earnings:			
Interest	85		\$ 8
Net Investment Earnings	85		8
Total Additions	50,843	5,969	8
Deductions:			
State of New Jersey Unemployment Claims	10,131		
Flexible Spending Claims		2,866	
Total Deductions	10,131	2,866	
Change in Net Position	40,712	3,103	8
Net Position—Beginning of the Year	109,313	1,185	5,286
Net Position—End of the Year	\$ 150,025	\$ 4,288	\$ 5,294

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

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

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

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

District-Wide Financial Statements:

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

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

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

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

B. Basis of Presentation: (Cont'd)

Fund Financial Statements:

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

The District reports the following governmental funds:

General Fund: The General Fund is the general operating fund of the District and is used to account for and report all expendable financial resources not accounted for and reported in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the capital outlay subfund.

As required by NJDOE, the District includes budgeted capital outlay in this fund. GAAP, as it pertains to governmental entities, states that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenue. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current expenses by board resolution.

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

Capital Projects Fund: The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election, funds appropriated from the General Fund, and from aid provided by the state to offset the cost of approved capital projects.

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

The District reports the following Proprietary Fund:

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

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

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

B. Basis of Presentation: (Cont'd)

Additionally, the District reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the District on behalf of others and include the Student Activities Fund, Payroll Agency Fund, the Unemployment Compensation Insurance Trust Fund, the Private Purpose Scholarship Trust Fund and the Flexible Spending Trust Fund.

C. Measurement Focus and Basis of Accounting

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The District considers all revenue reported in the governmental funds to be available if the revenue is collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budget for the fiscal year ended June 30, 2015 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

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

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

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

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

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

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 12,300,780	\$ 218,118
Differences - Budget to GAAP:		
Prior Year State Aid Payments, not Recognized for Budgetary Purposes, Recognized for GAAP Statements	199,668	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(209,782)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 12,290,666</u>	<u>\$ 218,118</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

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

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

	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 12,096,462	\$ 218,118
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 12,096,462	\$ 218,118
	Capital Projects Fund	
	Revenue	Fund Balance
Revenue and Other Financing Sources/Fund Balance per Governmental Funds (Budgetary Basis)	\$ 350,550	\$ 885,740
Reconciliation to Governmental Funds Statements (GAAP):		
SDA Grant Revenue/Receivable not Recognized on GAAP Basis	(140,220)	(204,187)
Revenue/Fund Balance per Governmental Funds (Budgetary Basis)	\$ 210,330	\$ 681,553

E. Cash and Cash Equivalents and Investments:

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

New Jersey school districts are limited as to the type of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts. Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

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

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

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

F. Interfund Transactions:

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

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

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

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

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

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2015.

K. Capital Assets:

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

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

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

K. Capital Assets:

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

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

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

L. Long Term Liabilities:

In the government-wide and enterprise fund statements of net position, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or enterprise funds. Bond premium and discounts, are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

M. Accrued Salaries and Wages:

The District does not allow employees who provide services over the ten-month academic year the option to have their salaries evenly distributed during the entire twelve-month year, therefore, there are no accrued salaries and wages as of June 30, 2015.

N. Compensated Absences:

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

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

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

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

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

O. Unearned Revenue:

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

P. Fund Balance Appropriated:

General Fund: Of the \$2,022,188 General Fund fund balance at June 30, 2015, \$1,113,876 is restricted in the capital reserve account; \$363,285 is restricted in the maintenance reserve account; \$51,926 is restricted in the emergency reserve account, \$344,412 is assigned for current year encumbrances, \$96,000 of assigned fund balance has been appropriated and included as revenue for the fiscal year ended June 30, 2016, and \$52,689 is unassigned which is \$209,782 less than the calculated maximum unassigned fund balance, on a GAAP basis, due to the final two state aid payments, which are not recognized until the fiscal year ended June 30, 2016.

Capital Projects Fund: The Capital Projects Fund balance at June 30, 2015 is \$681,553 of which \$558,748 is restricted and \$122,805 is committed for SDA approved projects, which is \$204,187 less on the GAAP basis due to the SDA Grant receivable, which is not recognized until grant funds are expended and submitted for reimbursement.

Debt Service Fund: The Debt Service Fund balance at June 30, 2015 is \$-0-.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2004, c.73 (S1701), the designation for Restricted Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District did not have excess surplus at June 30, 2015.

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$209,782 as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district cannot recognize the last two state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the final two state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments.

Q. Deficit Net Position:

The District has a deficit in unrestricted net position of \$2,477,350 in the governmental activities, which is due to accrued interest payable of \$187,065, \$384,475 of compensated absences payable, \$2,045,274 of net pension liability, \$13,982 of an unamortized bond premium, unamortized deferred inflows related to investment gains in pensions of \$121,887, and unamortized deferred inflows related to change in proportions of \$408,252, offset by unassigned Capital Projects Fund fund balance of \$122,805, deferred interest on the refunding bonds of \$3,365, as well as \$52,689 of unassigned fund balance, \$344,412 of year end encumbrances, \$96,000 of fund balance designated for subsequent year's expenditures in the General Fund and \$64,314 of deferred outflows related to change in assumptions in pensions. This deficit does not indicate that the District is in financial difficulties and is a permitted practice under generally accepted accounting principles.

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

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

R. Net Position:

Net Position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had a deferred outflow of resources at June 30, 2015 for the deferred amount on refunding and changes in assumptions in pensions.

The District had deferred inflows of resources at June 30, 2015 for net difference between projected and actual investment earnings on pension plan investments and for the changes in proportions in pensions.

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

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

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

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

S. Fund Balance Restrictions, Commitments and Assignments:

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

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

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has committed resources in the Capital Projects Fund at June 30, 2015.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for year-end encumbrances and funds designated for subsequent year's expenditures at June 30, 2015 in the General Fund.

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

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

T. Revenue - Exchange and Nonexchange Transactions:

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

U. Operating Revenue and Expenses:

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

V. Management Estimates:

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

W. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State of New Jersey Public Employees' Retirement System (PERS) and the State of New Jersey Teachers' Pension and Annuity Fund (TPAF) and additions to/deductions from the PERS's and TPAF's net position have been determined on the same basis as they are reported by the PERS and the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension Plan investments are reported at fair value.

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

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

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

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

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

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

Deposits:

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

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

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

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

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

Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

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

- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund; or
- (7) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in statute; and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of June 30, 2015, cash and cash equivalents and investments of the District consisted of the following:

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents			Investments	Total
		Capital Reserve Account	Maintenance Reserve Account	Emergency Reserve Account		
Checking and Savings Accounts	\$ 1,631,895	\$ 1,113,876	\$ 363,285	\$ 51,926		\$ 3,160,982
New Jersey Cash Management Fund	1,683					1,683
Certificates of Deposit					\$ 2,292	2,292
	<u>\$ 1,633,578</u>	<u>\$ 1,113,876</u>	<u>\$ 363,285</u>	<u>\$ 51,926</u>	<u>\$ 2,292</u>	<u>\$ 3,164,957</u>

During the period ended June 30, 2015, the District did not hold any investments other than certificates of deposit. The carrying amount of the Board's cash and cash equivalents and investments at June 30, 2015, was \$3,164,957 and the bank balance was \$3,738,636. The \$1,683 with the New Jersey Cash Management Fund is uninsured and unregistered.

NOTE 4. CAPITAL RESERVE ACCOUNT

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

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT (Cont'd)

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the State Department of Education, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

Beginning Balance, July 1, 2014	\$ 1,154,078
Increased by June 9, 2015 Board Resolution	168,210
Interest Earnings	1,918
Decreased by Board Resolution- SDA project	<u>(210,330)</u>
Ending Balance, June 30, 2015	<u><u>\$ 1,113,876</u></u>

The June 30, 2015 balance in the capital reserve account does not exceed the balance in the LRFP of local support costs of uncompleted capital projects at June 30, 2015.

NOTE 5. EMERGENCY RESERVE ACCOUNT

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

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

The activity of the emergency reserve for the July 1, 2014 to June 30, 2015 fiscal year is as follows:

Beginning Balance, July 1, 2014	\$ 51,926
Ending Balance, June 30, 2015	<u><u>\$ 51,926</u></u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
 (Continued)

NOTE 6. MAINTENANCE RESERVE ACCOUNT

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

Pursuant to N.J.A.C. 6A:26A-4.2 funds may be deposited into the maintenance reserve account at any time by board resolution to meet the required maintenance of the district by transferring unassigned general fund balance or by transferring excess, unassigned general fund balance that is anticipated to be deposited during the current year in the advertised recapitulation of balances of the subsequent year's budget that is certified for taxes. Funds may be withdrawn from the maintenance reserve account and appropriated into the required maintenance account lines at budget time or any time during the year by board resolution for use on required maintenance activities by school facility as reported in the comprehensive maintenance plan. Funds withdrawn from the maintenance reserve account are restricted to required maintenance appropriations and may not be transferred to any other line-item account. In any year that maintenance reserve account funds are withdrawn, unexpended required maintenance appropriations, up to the amount of maintenance reserve account funds withdrawn, shall be restored to the maintenance reserve account at year-end. At no time, shall the maintenance reserve account have a balance that exceeds four percent of the replacement cost of the current year of the district's school facilities. If the account exceeds this maximum amount at June 30, the excess shall be restricted in the subsequent year's budget. The maintenance reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

The activity of the maintenance reserve for the July 1, 2014 to June 30, 2015 fiscal year is as follows:

Beginning Balance, July 1, 2014	\$ 362,412
Interest Earnings	<u>873</u>
Ending Balance, June 30, 2015	<u><u>\$ 363,285</u></u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 7. CAPITAL ASSETS

Capital asset balances and activity for the fiscal year ended June 30, 2015 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets not being Depreciated:				
Sites (Land)	\$ 362,892			\$ 362,892
Construction in Progress	925,169	\$ 23,558		948,727
Total Capital Assets not Being Depreciated	<u>1,288,061</u>	<u>23,558</u>		<u>1,311,619</u>
Capital Assets Being Depreciated:				
Site Improvements	604,002			604,002
Buildings and Building Improvements	19,972,876			19,972,876
Machinery and Equipment	1,933,442	77,583		2,011,025
Total Capital Assets Being Depreciated	<u>22,510,320</u>	<u>77,583</u>		<u>22,587,903</u>
Governmental Activities Capital Assets	<u>23,798,381</u>	<u>101,141</u>		<u>23,899,522</u>
Less Accumulated Depreciation for:				
Site Improvements	(449,580)	(26,578)		(476,158)
Buildings and Building Improvements	(6,138,122)	(469,008)		(6,607,130)
Machinery and Equipment	(1,670,312)	(68,936)		(1,739,248)
Total Accumulated Depreciation	<u>(8,258,014)</u>	<u>(564,522)</u>		<u>(8,822,536)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 15,540,367</u>	<u>\$ (463,381)</u>	<u>\$ -0-</u>	<u>\$ 15,076,986</u>

Capital asset balances and activity for the fiscal year ended June 30, 2015 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 221,299			\$ 221,299
Less Accumulated Depreciation	(178,921)	\$ (9,101)		(188,022)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 42,378</u>	<u>\$ (9,101)</u>	<u>\$ -0-</u>	<u>\$ 33,277</u>

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 518,231
School Administrative Services	15,242
Plant Operations and Maintenance	<u>31,049</u>
	<u>\$ 564,522</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 8. TRANSFERS TO CAPITAL OUTLAY

During the fiscal year ended June 30, 2015, the District did transfer \$71,480 into the capital outlay accounts, however the transfers were for equipment, which do not require approval from the County Superintendent.

NOTE 9. OPERATING LEASES

The District entered into one lease for all of its copiers during the fiscal year ended June 30, 2013. Payments on this lease began in the fiscal year 2013 and will be payable over the next few years. Future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2015	\$ 9,048
2016	18,096
2017	18,096
2018	<u>13,572</u>
Total Future Minimum Lease Payments	<u>\$ 58,812</u>

NOTE 10. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2015, the following changes occurred in liabilities reported in the district-wide financial statements:

	(Restated) Balance June 30, 2014	<u>Accrued</u>	<u>Retired</u>	Balance June 30, 2015
Serial Bonds Payable	\$ 11,724,000		\$ 520,000	\$ 11,204,000
Net Pension Liability	2,571,095		525,821	2,045,274
Compensated Absences Payable	381,128	\$ 28,667	25,320	384,475
	<u>\$ 14,676,223</u>	<u>\$ 28,667</u>	<u>\$ 1,071,141</u>	<u>\$ 13,633,749</u>

A. Bonds Payable:

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

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

As a result of the advance refunding, the School reduced its total debt service requirement by \$445,329, which resulted in an economic gain (difference between present value of the debt service payments on the old and new debt) of \$560,030. On November 22, 2011, the District issued refunding school bonds of \$1,790,000 with interest

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

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

rates of 2.00% to advance refund \$1,750,000 school bonds from the March 15, 2001 issue with interest rates of 4.785% to 4.8%.

The bonds mature on August 1, 2012 through 2016 and August 1, 2014 was the first optional redemption date at 100% of par. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the school bonds are called. The advance refunding met the requirements of an in-substance debt defeasance and the school bonds were removed from the School's government-wide financial statements.

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

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

The District had bonds outstanding as of June 30, 2015 as follows:

	<u>Interest Rates</u>	<u>Final Date of Maturity</u>	<u>Balance June 30, 2015</u>
Refunding Bonds of 2006	4.000% - 5.000%	08/01/31	\$ 9,735,000
Roof Project Bonds of 2009	3.000% - 3.750%	08/01/19	724,000
Refunding Bonds of 2011	2.000%	08/01/16	745,000
			<u>\$ 11,204,000</u>

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

<u>Fiscal Year</u>	<u>Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2016	\$ 540,000	\$ 443,219	\$ 983,219
2017	550,000	429,872	979,872
2018	590,000	409,288	999,288
2019	620,000	383,413	1,003,413
2020	654,000	358,313	1,012,313
2021-2025	2,875,000	1,442,294	4,317,294
2026-2030	3,655,000	768,731	4,423,731
2031-2032	1,720,000	73,950	1,793,950
	<u>\$ 11,204,000</u>	<u>\$ 4,309,078</u>	<u>\$ 15,513,078</u>

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

B. Bonds Authorized But Not Issued:

As of June 30, 2015, the Board has \$408,500 of bonds authorized but not issued.

C. Compensated Absences Payable:

The liability for compensated absences of the governmental fund types is recorded as a long-term liability. The liability balance of compensated absences is \$384,475 and there is no current portion.

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(Continued)

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

C. Compensated Absences Payable (Cont'd):

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, 2015, no liability existed for compensated absences in the Food Service Fund.

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

D. Net Pension Liability:

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2015 is \$0- and the long-term portion is \$2,045,274. See Note 11 for further information on the PERS.

NOTE 11. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey; or the Defined Contribution Retirement Program (DCRP).

A. Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 11. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd):

Contributions

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$90,056 for fiscal year 2015.

The employee contribution rate was 6.92% effective July 1, 2014. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported a liability of \$2,045,274 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2014, the District's proportion was 0.011%, which was a decrease of 0.003% from its proportion measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the District recognized pension expense of \$30,107. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	\$ 64,314	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		\$ 121,887
Changes in Proportion		408,252
	<u>\$ 64,314</u>	<u>\$ 530,139</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 11. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd):

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd):

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts including changes in proportion) related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Total</u>
2015	\$ (18,649)
2016	(18,649)
2017	(18,649)
2018	(18,649)
2019	11,821
Thereafter	5,202
	<u>\$ (57,573)</u>

Actuarial Assumptions

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	3.01%
Salary Increases:	
2012-2021	2.15 – 4.40% based on age
Thereafter	3.15 – 5.40% based on age
Investment Rate of Return	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA.

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2014 are summarized in the following table:

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(Continued)

NOTE 11. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd):

Long Term Expected Rate of Return (Cont'd):

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	6.00%	0.80%
Core Bonds	1.00%	2.49%
Intermediate-Term Bonds	11.20%	2.26%
Mortgages	2.50%	2.17%
High Yield Bonds	5.50%	4.82%
Inflation-Indexed Bonds	2.50%	3.51%
Broad U.S. Equities	25.90%	8.22%
Developed Foreign Equities	12.70%	8.12%
Emerging Market Equities	6.50%	9.91%
Private Equity	8.25%	13.02%
Hedge Funds/Absolute Return	12.25%	4.92%
Real Estate (Property)	3.20%	5.80%
Commodities	2.50%	5.35%

Discount Rate

The discount rate used to measure the total pension liability was 5.39% as of June 30, 2014. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9% and a municipal bond rate of 4.29% as of June 30, 2014 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2014 calculated using the discount rate as disclosed below, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Fiscal Year Ended June 30, 2014		
	1% Decrease (4.39%)	Current Discount Rate (5.39%)	1% Increase (6.39%)
District's proportionate share of the Net Pension Liability	\$ 2,573,025	\$ 2,045,274	\$ 1,602,098

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 11. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd):

Pension plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

The State of New Jersey, Teachers' Pension and Annuity Fund (TPAF), is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, by which the State of New Jersey (the State) is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF is administered by the State of New Jersey Division of Pensions and Benefits (the Division). For additional information about the TPAF, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. 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. The following represents the membership tiers for TPAF:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2014, the State's pension contribution was less than the actuarially determined amount.

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the District. This note discloses the portion of

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(Continued)

NOTE 11. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Contributions (Cont'd):

the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2015, the State of New Jersey contributed \$250,874 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$1,329,100.

The employee contribution rate was 6.92% effective July 1, 2014. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the State's proportionate share of the net pension liability associated with the District was \$24,700,152. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2014, the District's proportion was 0.046%, which was a decrease of .003% from its proportion measured as of June 30, 2013.

District's Proportionate Share of the Net Pension Liability	\$ -0-
State's Proportionate Share of the Net Pension Liability Associated with the District	<u>24,700,152</u>
Total	<u><u>\$ 24,700,152</u></u>

For the fiscal year ended June 30, 2014, the State recognized pension expense on behalf of the District in the amount of \$1,329,100 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2015 financial statements.

The State reported collective deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ 2,306,623,861	
Difference Between Expected and Actual Experience		\$ 21,969,019
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		<u>1,741,236,574</u>
	<u><u>\$ 2,306,623,861</u></u>	<u><u>\$ 1,763,205,593</u></u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 11. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

The \$2,306,623,861 reported as deferred outflows of resources related to pensions resulting from changes in assumptions will be amortized over a period of 8.5 years. The \$21,969,019 reported as reported as deferred outflows of resources related to pensions resulting from differences between expected and actual experience will be amortized over a period of 8.5 years. The \$1,741,236,574 reported as a deferred inflow of resources resulting from the difference between projected and actual investment earnings on pension plan investments will be amortized over 5 years.

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Total</u>
2016	\$ (130,688,498)
2017	(130,688,498)
2018	(130,688,498)
2019	(130,688,496)
2020	304,620,646
Thereafter	<u>761,551,612</u>
	<u>\$ 543,418,268</u>

Actuarial Assumptions

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.90%

Mortality rates were based on the RP-2000 Health Annuitant Mortality Tables for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 11. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Long Term Expected Rate of Return (Cont'd)

and Benefits, the Board of Trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2014 is summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	6.00%	0.50%
Core Fixed Income	0.00%	2.19%
Core Bonds	1.00%	1.38%
Short-Term Bonds	0.00%	1.00%
Intermediate-Term Bonds	11.20%	2.60%
Long-Term Bonds	0.00%	3.23%
Mortgages	2.50%	2.84%
High Yield Bonds	5.50%	4.15%
Non-U.S. Fixed Income	0.00%	1.41%
Inflation-Indexed Bonds	2.50%	1.30%
Broad U.S. Equities	25.90%	5.88%
Large CAP U.S. Equities	0.00%	5.62%
Mid CAP U.S. Equities	0.00%	6.39%
Small CAP U.S. Equities	0.00%	7.39%
Developed Foreign Equities	12.70%	6.05%
Emerging Market Equities	6.50%	8.90%
Private Equity	8.25%	9.15%
Hedge Funds/Absolute Return	12.25%	3.85%
Real Estate (Property)	3.20%	4.43%
Real Estate (REITS)	0.00%	5.58%
Commodities	2.50%	3.60%
Long Credit Bonds	0.00%	3.74%

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 4.68% as of June 30, 2014. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9% and a municipal bond rate of 4.29% as of June 30, 2014 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the average of the last five years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(Continued)

NOTE 11. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd):

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the State as of June 30, 2014 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Fiscal Year Ended June 30, 2014		
	1% Decrease (3.68%)	Current Discount Rate (4.68%)	1% Increase (5.68%)
Total Net Pension Liability	\$ 64,722,984,539	\$ 53,813,067,539	\$ 44,738,870,539

Pension Plan Fiduciary Net Position - TPAF

Detailed information about the TPAF's fiduciary net position is available in the separately issued TPAF financial statements.

C. Defined Contribution Retirement Program (DCRP)

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or TPAF, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

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

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

For DCRP, the District recognized pension expense of \$6,935 for the fiscal year ended June 30, 2015. Employee contributions to DCRP amounted to \$4,057 for the fiscal year ended June 30, 2015.

NOTE 12. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. Chapter 103 of Public Law amended the law to eliminate the funding of post-retirement medical benefits through 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, 2014, there were 103,432 retirees receiving post-retirement medical benefits, and the State contributed \$1.04 billion on their behalf. The cost of these benefits is funded through contributions by the

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 12. POST-RETIREMENT BENEFITS (Cont'd):

State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a prefunding 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 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 \$165.8 million toward Chapter 126 benefits for 18,122 eligible retired members in Fiscal Year 2014.

The State's on behalf Post Retirement Medical Contributions to TPAF for the District amounted to \$398,263, \$320,556, and \$357,697 for 2015, 2014 and 2013, respectively. These amounts have been included in the District-wide financial statements and the fund-based statements as revenues and expenditures in accordance with GASB Statement No. 24.

NOTE 13. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. Health benefits are provided to the employees through the State of New Jersey Health Benefit Plan.

Property and Liability

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

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

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

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

The June 30, 2015 audit report is not available as of the date of this report. Selected summarized financial information for SAIF as of June 30, 2014 is as follows:

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 13. RISK MANAGEMENT (Cont'd)

	<u>School Alliance Insurance Fund</u>
Total Assets	\$ 33,508,569
Net Position	\$ 5,114,269
Total Revenue	\$ 34,091,773
Total Expenses	\$ 37,253,827
Change in Net Position	\$ (3,162,054)
Members Dividends	\$ -0-

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

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

New Jersey Unemployment Compensation Insurance

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State.

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions and Interest</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2015	\$ 40,000	\$ 10,843	\$ 10,131	\$ 150,025
2014		11,055	36,114	109,313
2013	45,000	10,745	19,029	134,372

NOTE 14. INTERFUND RECEIVABLES AND PAYABLES

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 64,855	\$ 227,518
Capital Projects Fund	186,772	
Food Service Fund		37,507
Fiduciary Funds	72,982	59,584
	<u>\$ 324,609</u>	<u>\$ 324,609</u>

The interfund between the General Fund and the Food Service Fund is an interfund receivable in the General Fund due to expenses paid by the General Fund on behalf of the Food Service Fund as well as an interfund advanced. The interfund receivable in the General Fund due from the Fiduciary – Payroll Agency Fund is the employee health benefit contributions due to the General Fund. The interfund payable in the Fiduciary Fund due from the Payroll

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(Continued)

NOTE 14. INTERFUND RECEIVABLES AND PAYABLES (Cont'd)

Agency Fund to the Unemployment Compensation Trust Fund is comprised of the current and prior year employee unemployment contributions. The interfund receivable in the Fiduciary Funds is also comprised of the current year's district contributions to the Unemployment Compensation Trust Fund and a refund of \$746 collected in the General Fund on behalf of the Student Activity Agency Fund. Lastly, the interfund receivable in the Capital Projects Fund of \$186,772 due from the General Fund is for the local share of the retaining wall SDA project of \$210,330, net of \$23,558 of Capital Project Fund expenditures paid by the General Fund.

NOTE 15. ECONOMIC DEPENDENCY

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

NOTE 16. DEFERRED COMPENSATION

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

Vanguard

Variable Annuity Life Insurance Company (V.A.L.I.C.)

Equitable Life Assurance

Lincoln Life Insurance Company - 403(b) and 457 Plans

Seagoosa

NOTE 17. TAX CALENDAR

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

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

NOTE 18. ACCOUNTS PAYABLE

The following accounts payable balances existed as of June 30, 2015:

	Governmental Funds	
	Special Revenue Fund	Total Governmental Funds
Vendors	\$ 206,737	\$ 1,080
		\$ 207,817

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 19. CONTINGENT LIABILITIES

Grant Programs

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

Litigation

The District is periodically involved in various lawsuits including special education matters. The District estimates that the potential claims against it resulting from any such litigation and not covered by insurance would not materially affect the financial position of the District.

Encumbrances

At June 30, 2015, there were encumbrances as detailed below in the governmental funds:

General Fund	Total Governmental Funds
<u>\$ 344,412</u>	<u>\$ 344,412</u>

Arbitrage - Outstanding Bonds

The District has bond issues outstanding. The District should explore the need for an arbitrage calculation. This calculation will determine whether or not the District is subject to arbitrage payable to the federal government. If a liability does exist, it would be required to be raised by the District in the budget year the liability is payable.

NOTE 20. PRIOR YEAR RESTATEMENT

The District also made a prior year adjustment in the District Wide Financial Statements to record the net pension liability as of June 30, 2014 as a result of implementing Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment to GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

	Balance 6/30/14 as Previously Reported	Retroactive Adjustments	Balance 6/30/15 as Restated
Governmental Activities:			
Non Current Liabilities:			
Due Beyond One Year	\$ 12,105,128	\$ 2,571,095	\$ 14,676,223
Total Liabilities	12,378,133	2,571,095	14,949,228
Net Position:			
Unrestricted/(Deficit)	(183,041)	(2,571,095)	(2,754,136)
Total Net Position	5,763,517	(2,571,095)	3,192,422

SCHEDULES OF REQUIRED
SUPPLEMENTARY INFORMATION

HARDYSTON TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TWO FISCAL YEARS
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2014</u>	<u>2015</u>
District's proportion of the net pension liability	0.0134527867%	0.0109240145%
District's proportionate share of the net pension liability	\$ 2,571,095	\$ 2,045,274
District's covered employee payroll	\$ 627,707	\$ 648,516
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	409.60%	315.38%
Plan fiduciary net position as a percentage of the total pension liability	48.72%	52.08%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

HARDYSTON TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TWO FISCAL YEARS
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$ 101,364	\$ 90,056
Contributions in relation to the contractually required contribution	<u>(101,364)</u>	<u>(90,056)</u>
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered employee payroll	\$ 627,707	\$ 648,516
Contributions as a percentage of covered employee payroll	16.15%	13.89%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

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HARDYSTON TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS' PENSION AND ANNUITY FUND
LAST TWO FISCAL YEARS
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2014</u>	<u>2015</u>
State's proportion of the net pension liability attributable to the District	0.0489569778%	0.0462145106%
State's proportionate share of the net pension liability attributable to the District	\$ 24,742,472	\$ 24,700,152
District's covered employee payroll	\$ 4,760,119	\$ 4,660,108
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	519.79%	530.03%
Plan fiduciary net position as a percentage of the total pension liability	33.76%	33.64%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 5.55% as of June 30, 2013 to 5.39% as of June 30, 2014 in accordance with Paragraph 44 of GASB Statement No. 67.

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.95% as of June 30, 2013 to 4.68% as of June 30, 2014 in accordance with Paragraph 44 of GASB Statement No. 67.

BUDGETARY COMPARISON SCHEDULES

HARDYSTON TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 9,060,045		\$ 9,060,045	\$ 9,060,045	
Interest Earned on Maintenance Reserve				873	\$ 873
Interest Earned on Capital Reserve	1,101		1,101	1,918	817
Unrestricted Miscellaneous	16,500		16,500	59,851	43,351
Total - Local Sources	<u>9,077,646</u>		<u>9,077,646</u>	<u>9,122,687</u>	<u>45,041</u>
State Sources:					
School Choice Aid	77,286		77,286	77,286	
Transportation Aid	455,021		455,021	455,021	
Special Education Aid	395,120		395,120	395,120	
Security Aid	53,906		53,906	53,906	
Adjustment Aid	1,162,080		1,162,080	1,162,080	
PARCC Readiness Aid	7,540		7,540	7,540	
Per Pupil Growth Aid	7,540		7,540	7,540	
Extraordinary Aid	39,000		39,000	23,130	(15,870)
Nonpublic Transportation Aid				12,471	12,471
TPAF Pension Contributions (On-Behalf - Non-Budgeted)				250,874	250,874
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				398,263	398,263
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				334,862	334,862
Total State Sources	<u>2,197,493</u>		<u>2,197,493</u>	<u>3,178,093</u>	<u>980,600</u>
TOTAL REVENUES	<u>11,275,139</u>		<u>11,275,139</u>	<u>12,300,780</u>	<u>1,025,641</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 226,149	\$ (6,183)	\$ 219,966	\$ 219,966	
Grades 1-5 - Salaries of Teachers	1,752,835	(3,095)	1,749,740	1,749,740	
Grades 6-8 - Salaries of Teachers	1,170,766	38,986	1,209,752	1,209,752	
Regular Programs - Home Instruction:					
Other Salaries for Instruction	5,513	(2,933)	2,580	2,580	
Regular Programs - Undistributed Instruction:					
Other Purchased Services (400-500 series)	63,035	(4,939)	58,096	57,498	\$ 598
General Supplies	285,146	39,672	324,818	239,679	85,139
Textbooks	54,751	17,653	72,404	20,148	52,256
Other Objects	2,448	(2,448)			
Total Regular Programs - Instruction	<u>3,560,643</u>	<u>76,713</u>	<u>3,637,356</u>	<u>3,499,363</u>	<u>137,993</u>
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	137,366	(1,542)	135,824	135,824	
Other Salaries for Instruction	68,337	(33,884)	34,453	34,453	
General Supplies	1,704	2,326	4,030	3,941	89
Total Learning and/or Language Disabilities	<u>207,407</u>	<u>(33,100)</u>	<u>174,307</u>	<u>174,218</u>	<u>89</u>
Multiple Disabilities:					
Salaries of Teachers	136,957	223	137,180	137,180	
Other Salaries for Instruction	137,298	(50,915)	86,383	86,383	
General Supplies	2,208	(1,120)	1,088	1,088	
Total Multiple Disabilities	<u>276,463</u>	<u>(51,812)</u>	<u>224,651</u>	<u>224,651</u>	

HARDYSTON TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Resource Room/Resource Center:					
Salaries of Teachers	\$ 497,169	\$ 2,671	\$ 499,840	\$ 499,840	
Other Salaries for Instruction	125,272	19,189	144,461	144,461	
General Supplies	3,605	(1,768)	1,837	1,837	
Total Resource Room/Resource Center	<u>626,046</u>	<u>20,092</u>	<u>646,138</u>	<u>646,138</u>	
Preschool Disabilities - Part Time:					
Salaries of Teachers	60,086	353	60,439	60,439	
Other Salaries for Instruction	49,061	2,699	51,760	51,760	
General Supplies	839	81	920	920	
Total Preschool Disabilities - Part Time	<u>109,986</u>	<u>3,133</u>	<u>113,119</u>	<u>113,119</u>	
Preschool Disabilities - Full Time:					
Salaries of Teachers	55,587	(2,243)	53,344	53,344	
Other Salaries for Instruction	13,286	(6,644)	6,642	6,642	
General Supplies	3,832	(2,327)	1,505	1,505	
Total Preschool Disabilities - Full Time	<u>72,705</u>	<u>(11,214)</u>	<u>61,491</u>	<u>61,491</u>	
Total Special Education Instruction	<u>1,292,607</u>	<u>(72,901)</u>	<u>1,219,706</u>	<u>1,219,617</u>	<u>\$ 89</u>
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	131,214	(16,601)	114,613	114,613	
Other Salaries for Instruction	9,360	(9,360)			
General Supplies	1,215	403	1,618	1,618	
Total Basic Skills/Remedial - Instruction	<u>141,789</u>	<u>(25,558)</u>	<u>116,231</u>	<u>116,231</u>	
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	26,175		26,175	26,175	
Purchased Services (300-500 series)	900	(632)	268	268	
Supplies and Materials	5,555	(2,285)	3,270	3,270	
Total School-Sponsored Cocurricular Activities - Instruction	<u>32,630</u>	<u>(2,917)</u>	<u>29,713</u>	<u>29,713</u>	

HARDYSTON TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	\$ 36,977	\$ (2,374)	\$ 34,603	\$ 34,603	
Supplies and Materials	3,727	1,517	5,244	5,244	
Total School-Sponsored Cocurricular Athletics - Instruction	<u>40,704</u>	<u>(857)</u>	<u>39,847</u>	<u>39,847</u>	
Other Instructional Programs - Instruction					
Salaries	30,305	(4,182)	26,123	26,123	
Supplies and Materials	2,061	(1,854)	207	207	
Total Other Instructional Programs - Instruction	<u>32,366</u>	<u>(6,036)</u>	<u>26,330</u>	<u>26,330</u>	
Total Instruction	<u>5,100,739</u>	<u>(31,556)</u>	<u>5,069,183</u>	<u>4,931,101</u>	<u>\$ 138,082</u>
Undistributed Expenditures:					
Instuction:					
Tuition to Other LEAs Within the State - Special	139,038	(33,326)	105,712	89,494	16,218
Tuition to Private Schools for the Disabled - Within the State	17,000		17,000	16,472	528
Total Undistributed Expenditures - Instruction	<u>156,038</u>	<u>(33,326)</u>	<u>122,712</u>	<u>105,966</u>	<u>16,746</u>
Health Services:					
Salaries	135,441	12,455	147,896	146,921	975
Purchased Professional and Technical Services	6,000		6,000	6,000	
Other Purchased Services (400-500 series)	385		385	125	260
Supplies and Materials	8,085	4,686	12,771	8,192	4,579
Total Health Services	<u>149,911</u>	<u>17,141</u>	<u>167,052</u>	<u>161,238</u>	<u>5,814</u>
Speech, OT, PT and Related Services:					
Salaries	162,942	573	163,515	163,515	
Purchased Professional - Educational Services	104,467	6,306	110,773	110,773	
Supplies and Materials	3,546		3,546	3,327	219
Total Speech, OT, PT and Related Services	<u>270,955</u>	<u>6,879</u>	<u>277,834</u>	<u>277,615</u>	<u>219</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Guidance:					
Salaries of Other Professional Staff	\$ 121,992	\$ 3,687	\$ 125,679	\$ 125,679	
Purchased Professional and Technical Services	6,000	2,334	8,334	6,444	\$ 1,890
Supplies and Materials	1,783		1,783	1,381	402
Total Guidance	<u>129,775</u>	<u>6,021</u>	<u>135,796</u>	<u>133,504</u>	<u>2,292</u>
Child Study Team:					
Salaries of Other Professional Staff	215,032	11,023	226,055	226,055	
Salaries of Secretarial and Clerical Assistants	42,567	1,193	43,760	43,760	
Purchased Professional and Educational Services	20,350	(13,016)	7,334	7,334	
Supplies and Materials	7,151	20,315	27,466	12,723	14,743
Total Child Study Team	<u>285,100</u>	<u>19,515</u>	<u>304,615</u>	<u>289,872</u>	<u>14,743</u>
Educational Media Services/School Library:					
Salaries	80,143	(11,805)	68,338	67,483	855
Salaries of Technology Coordinators	74,460		74,460	74,285	175
Supplies and Materials	34,446	(9,197)	25,249	22,194	3,055
Total Educational Media Services/School Library	<u>189,049</u>	<u>(21,002)</u>	<u>168,047</u>	<u>163,962</u>	<u>4,085</u>
Instructional Staff Training Services:					
Purchased Professional and Technical Services	200	370	570		570
Other Purchased Services (400-500 series)	11,058	751	11,809	6,719	5,090
Total Instructional Staff Training Services	<u>11,258</u>	<u>1,121</u>	<u>12,379</u>	<u>6,719</u>	<u>5,660</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Support Services - General Administration:					
Salaries	\$ 126,553	\$ (368)	\$ 126,185	\$ 126,185	
Legal Services	34,840	4,313	39,153	39,153	
Audit Fees	22,300	(2,000)	20,300	20,300	
Architectural/Engineering Services	3,570	(1,199)	2,371	1,129	\$ 1,242
Communications/Telephone	68,977	(20,118)	48,859	48,413	446
BOE Other Purchased Services	2,620	(870)	1,750	1,750	
Misc. Purchased Services (400-500 series)	8,150	(906)	7,244	7,244	
General Supplies	12,420	(3,532)	8,888	8,826	62
BOE In-house Training/Meeting Supplies	2,500	(1,719)	781	781	
Judgements Against the School District		12,275	12,275	12,275	
Miscellaneous Expenditures	4,150	(265)	3,885	3,885	
BOE Membership Dues and Fees	6,900	(1,137)	5,763	5,763	
Total Support Services - General Administration	<u>292,980</u>	<u>(15,526)</u>	<u>277,454</u>	<u>275,704</u>	<u>1,750</u>
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	270,475	(1,250)	269,225	268,671	554
Salaries of Secretarial and Clerical Assistants	119,871	1,251	121,122	120,995	127
Other Salaries	6,000		6,000	4,155	1,845
Supplies and Materials	9,930	(6,152)	3,778	992	2,786
Other Objects	3,425		3,425	1,994	1,431
Total Support Services - School Administration	<u>409,701</u>	<u>(6,151)</u>	<u>403,550</u>	<u>396,807</u>	<u>6,743</u>
Administration Information Technology:					
Purchased Professional Services	7,250	(4,292)	2,958		2,958
Purchased Technical Services	12,690	1,208	13,898	11,099	2,799
Supplies and Materials	1,453	193	1,646	1,646	
Total Administration Information Technology	<u>21,393</u>	<u>(2,891)</u>	<u>18,502</u>	<u>12,745</u>	<u>5,757</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Central Services:					
Salaries	\$ 188,397	\$ 9,537	\$ 197,934	\$ 192,760	\$ 5,174
Purchased Professional Services	750		750	415	335
Purchased Technical Services	15,360	(2,115)	13,245	10,545	2,700
Miscellaneous Purchased Services (400-500 series)	2,774	(2,017)	757	757	
Supplies and Materials	2,675	(1,927)	748	297	451
Miscellaneous Expenditures	1,400	59	1,459	1,459	
Total Central Services	<u>211,356</u>	<u>3,537</u>	<u>214,893</u>	<u>206,233</u>	<u>8,660</u>
Required Maintenance of School Facilities:					
Cleaning, Repair and Maintenance Services	120,328	64,953	185,281	150,057	35,224
General Supplies	70,587	378	70,965	61,389	9,576
Other Objects	225		225		225
Total Required Maintenance of School Facilities	<u>191,140</u>	<u>65,331</u>	<u>256,471</u>	<u>211,446</u>	<u>45,025</u>
Custodial Services:					
Salaries	396,291	(16,052)	380,239	380,239	
Purchased Professional and Technical Services	27,990	(5,535)	22,455	13,224	9,231
Cleaning, Repair and Maintenance Services	31,155		31,155	20,050	11,105
Other Purchased Property Services	78,711		78,711	65,679	13,032
Insurance	81,705		81,705	74,088	7,617
General Supplies	61,243	28,968	90,211	64,547	25,664
Energy (Natural Gas)	163,455	(44,271)	119,184	73,175	46,009
Energy (Electricity)	231,204	(52,435)	178,769	165,047	13,722
Other Objects	1,988		1,988	1,905	83
Total Custodial Services	<u>1,073,742</u>	<u>(89,325)</u>	<u>984,417</u>	<u>857,954</u>	<u>126,463</u>
Security:					
Purchased Professional and Technical Services	15,000	(9,928)	5,072		5,072
Cleaning, Repair, and Maintenance Services	2,550	(59)	2,491	346	2,145
Total Security Costs	<u>17,550</u>	<u>(9,987)</u>	<u>7,563</u>	<u>346</u>	<u>7,217</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Student Transportation Services:					
Contracted Services:					
Between Home and School - Vendors	\$ 646,767	\$ (2,380)	\$ 644,387	\$ 637,374	\$ 7,013
Other Between Home and School - Vendors	12,430	2,016	14,446	10,793	3,653
Between Home and School - Joint Agreements	49,299	(8,103)	41,196	41,196	
Special Education Students - Vendors	168,980	(55)	168,925	167,462	1,463
Aid in Lieu Payments - Nonpublic Schools	21,216		21,216	21,216	
Aid in Lieu Payments - Choice Schools	13,260	(2,653)	10,607	9,281	1,326
Total Student Transportation Services	<u>911,952</u>	<u>(11,175)</u>	<u>900,777</u>	<u>887,322</u>	<u>13,455</u>
Unallocated Benefits					
Group Insurance	20,400	(5,778)	14,622	14,622	
Social Security Contributions	136,000	1,317	137,317	136,658	659
Other Retirement Contributions - PERS	127,398	(27,040)	100,358	100,358	
Other Retirement Contributions - Regular		6,935	6,935	6,935	
Unemployment Compensation	10,000	30,000	40,000	40,000	
Workers Compensation	103,131	(2,249)	100,882	100,882	
Health Benefits	1,574,478	(126,124)	1,448,354	1,421,170	27,184
Tuition Reimbursement	18,000	(1,205)	16,795	15,855	940
Other Employee Benefits	46,748	69,647	116,395	116,395	
Total Unallocated Benefits	<u>2,036,155</u>	<u>(54,497)</u>	<u>1,981,658</u>	<u>1,952,875</u>	<u>28,783</u>
TPAF Pension Contributions (On-Behalf - Non-Budgeted)					
				250,874	(250,874)
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)					
				398,263	(398,263)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)					
				334,862	(334,862)
Total Unallocated Benefits				<u>983,999</u>	<u>(983,999)</u>
Total Undistributed Expenses	<u>6,358,055</u>	<u>(124,335)</u>	<u>6,233,720</u>	<u>6,924,307</u>	<u>(690,587)</u>
TOTAL CURRENT EXPENSE	<u>11,458,794</u>	<u>(155,891)</u>	<u>11,302,903</u>	<u>11,855,408</u>	<u>(552,505)</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CAPITAL OUTLAY					
Equipment:					
School Sponsored and Other Instructional Programs	\$ 15,300	\$ 6,426	\$ 21,726		\$ 21,726
Non Instructional Program Equipment	19,033	65,054	84,087	\$ 26,548	57,539
Total Equipment	<u>34,333</u>	<u>71,480</u>	<u>105,813</u>	<u>26,548</u>	<u>79,265</u>
Facilities Acquisition and Construction Services:					
Construction Services	176,990	(118,807)	58,183		58,183
Debt Service Assessment on SDA Funding	60,673		60,673	60,673	
Total Facilities Acquisition and Construction Services	<u>237,663</u>	<u>(118,807)</u>	<u>118,856</u>	<u>60,673</u>	<u>58,183</u>
Interest Deposit to Capital Reserve					
TOTAL CAPITAL OUTLAY	<u>271,996</u>	<u>(47,327)</u>	<u>224,669</u>	<u>87,221</u>	<u>137,448</u>
Transfer of Funds to Charter Schools	<u>127,605</u>	<u>26,228</u>	<u>153,833</u>	<u>153,833</u>	
TOTAL EXPENDITURES	<u>11,858,395</u>	<u>(176,990)</u>	<u>11,681,405</u>	<u>12,096,462</u>	<u>(415,057)</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>(583,256)</u>	<u>176,990</u>	<u>(406,266)</u>	<u>204,318</u>	<u>610,584</u>
Other Financing Uses:					
Capital Reserve Fund - Transfer to Capital Projects Fund	(368,010)	(176,990)	(545,000)	(210,330)	334,670
Total Other Financing Uses	<u>(368,010)</u>	<u>(176,990)</u>	<u>(545,000)</u>	<u>(210,330)</u>	<u>334,670</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures and Other Financing Uses	<u>(951,266)</u>		<u>(951,266)</u>	<u>(6,012)</u>	<u>945,254</u>
Fund Balance, July 1	<u>2,237,982</u>		<u>2,237,982</u>	<u>2,237,982</u>	
Fund Balance, June 30	<u>\$ 1,286,716</u>	<u>\$ -0-</u>	<u>\$ 1,286,716</u>	<u>\$ 2,231,970</u>	<u>\$ 945,254</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

Recapitulation:

Restricted:

Maintenance Reserve	\$ 363,285
Capital Reserve	1,113,876
Emergency Reserve	51,926

Assigned:

Year End Encumbrances	344,412
For Subsequent Year's Expenditures	96,000

Unassigned

262,471
2,231,970

Reconciliation to Governmental Funds Statements (GAAP):

Last State Aid Payments not Recognized on GAAP Basis	<u>(209,782)</u>
Fund Balance per Governmental Funds (GAAP)	<u>\$ 2,022,188</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenue:					
State Sources					
Federal Sources	\$ 231,251	\$ -0-	\$ 231,251	\$ 218,118	\$ (13,133)
Total Revenue	<u>231,251</u>		<u>231,251</u>	<u>218,118</u>	<u>(13,133)</u>
Expenditures:					
Instruction:					
Salaries of Teachers	7,200		7,200	7,200	
Tuition	88,458		88,458	88,458	
General Supplies	29,245		29,245	29,245	
Total Instruction	<u>124,903</u>		<u>124,903</u>	<u>124,903</u>	
Support Services:					
Salaries of Program Directors	17,650		17,650	16,262	1,388
Purchased Professional/Technical Services	87,431		87,431	76,953	10,478
Other Purchased Services	1,267		1,267		1,267
Total Support Services	<u>106,348</u>		<u>106,348</u>	<u>93,215</u>	<u>13,133</u>
Total Expenditures	<u>\$ 231,251</u>	<u>\$ - 0 -</u>	<u>\$ 231,251</u>	<u>\$ 218,118</u>	<u>\$ 13,133</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 12,300,780	\$ 218,118
Differences - Budget to GAAP:		
Prior Year State Aid Payments Not Recognized for Budgetary Purposes, Recognized for GAAP Statements	199,668	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(209,782)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 12,290,666	\$ 218,118
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 12,096,462	\$ 218,118
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 12,096,462	\$ 218,118

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

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

HARDYSTON TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

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

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

**SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)**

SPECIAL REVENUE FUND

HARDYSTON TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>No Child Left Behind</u>		<u>IDEA Part B Preschool</u>	<u>IDEA Part B Basic</u>
	<u>Title I</u>	<u>Title II Part A</u>		
REVENUE:				
Federal Sources	\$ 40,182	\$ 11,777	\$ 4,036	\$ 159,829
Total Revenue	<u>40,182</u>	<u>11,777</u>	<u>4,036</u>	<u>159,829</u>
EXPENDITURES:				
Instruction:				
Salaries of Teachers	7,200			
Tuition				88,458
General Supplies	<u>29,152</u>	<u>37</u>	<u>28</u>	<u>28</u>
Total Instruction	<u>36,352</u>	<u>37</u>	<u>28</u>	<u>88,486</u>
Support Services:				
Salaries of Program Directors		9,262		7,000
Purchased Professional/Technical Services	<u>3,830</u>	<u>2,478</u>	<u>4,008</u>	<u>64,343</u>
Total Support Services	<u>3,830</u>	<u>11,740</u>	<u>4,008</u>	<u>71,343</u>
Total Expenditures	<u>\$ 40,182</u>	<u>\$ 11,777</u>	<u>\$ 4,036</u>	<u>\$ 159,829</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Race to the Top</u>	<u>Totals June 30, 2015</u>
REVENUE:		
Federal Sources	\$ 2,294	\$ 218,118
Total Revenue	<u>2,294</u>	<u>218,118</u>
EXPENDITURES:		
Instruction:		
Salaries of Teachers		7,200
Tuition		88,458
General Supplies		<u>29,245</u>
Total Instruction		<u>124,903</u>
Support Services:		
Salaries of Program Directors		16,262
Purchased Professional/Technical Services	2,294	<u>76,953</u>
Total Support Services	<u>2,294</u>	<u>93,215</u>
Total Expenditures	<u>\$ 2,294</u>	<u>\$ 218,118</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
PRESCHOOL EDUCATION AID SCHEDULE OF EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOT APPLICABLE

CAPITAL PROJECTS FUND

Exhibit F-1

HARDYSTON TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Revenues and Other Financing Sources:	
State Sources - SDA Grant	\$ 140,220
Transfer from Capital Reserve	210,330
Total Revenues and Other Financing Sources	<u>350,550</u>
Expenditures and Other Financing Uses:	
Construction Services	\$ 23,558
Transfer to Debt Service Fund	3,027
Total Expenditures and Other Financing Uses	<u>26,585</u>
Excess of Revenue and Other Financing Sources Over Other Financing Uses	323,965
Fund Balance - Beginning Balance	<u>561,775</u>
Fund Balance - Ending Balance	<u><u>\$ 885,740</u></u>
<u>Recapitulation:</u>	
Committed:	
Other Purposes	\$ 326,992
Restricted:	
Other Purposes	<u>558,748</u>
Fund Balance per Governmental Funds (Budgetary Basis)	885,740
Reconciliation to Governmental Funds Statement (GAAP):	
SDA Grant not Recognized on GAAP Basis	<u>(204,187)</u>
Fund Balance per Governmental Funds (GAAP)	<u><u>\$ 681,553</u></u>
<u>Recapitulation of Fund Balances per Governmental Funds (GAAP):</u>	
Restricted	\$ 558,748
Committed	122,805
	<u><u>\$ 681,553</u></u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
CONSTRUCTION AND RENOVATIONS TO ELEMENTARY SCHOOL
AND CONSTRUCTION OF A NEW MIDDLE SCHOOL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

Additional Project Information:

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

HARDYSTON TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
RENOVATIONS TO MIDDLE SCHOOL ROOF
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
Bond Sale Proceeds	\$ 1,324,000		\$ 1,324,000	\$ 1,732,500
Total Revenue and Other Financing Sources	1,324,000		1,324,000	1,732,500
Expenditures:				
Other Purchased Professional and Technical Services	120,595		120,595	154,844
Legal Services	130,201		130,201	133,833
Construction Services	514,456		514,456	1,443,823
Total Expenditures	765,252		765,252	1,732,500
Excess of Revenue and Other Financing Sources Over Expenditures	\$ 558,748	\$ -0-	\$ 558,748	\$ -0-

Additional Project Information:

Bond Authorization Date	4/21/2009
Bonds Authorized	\$ 1,732,500
Bonds Issued	1,324,000
Original Authorized Cost	1,732,500
Additional Authorized Cost	-0-
Revised Authorized Cost	1,732,500
Percentage Increase over Original Authorized Cost	0%
Percentage Completion	100%
Original Target Completion Date	09/03/09
Revised Target Completion Date	05/30/16

HARDYSTON TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
REPLACEMENT OF FLOOR TILE AND STAIRWAY AT HARDYSTON ELEMENTARY SCHOOL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 63,967		\$ 63,967	\$ 63,967
Transfer from Capital Reserve	95,950		95,950	95,950
Total Revenue and Other Financing Sources	159,917		159,917	159,917
Expenditures:				
Other Purchased Professional and Technical Services	2,870		2,870	2,900
Construction Services	157,047		157,047	157,017
Total Expenditures	159,917		159,917	159,917
Excess of Revenue and Other Financing Sources Over Expenditures				
	\$ -0-	\$ -0-	\$ -0-	\$ -0-

Additional Project Information:

Project Number	2030-050-10-1001
Grant Date	7/23/2010
Original Authorized Cost	\$ 159,917
Additional Authorized Cost	-0-
Revised Authorized Cost	159,917
Percentage Increase over Original Authorized Cost	0%
Percentage Completion	100%
Original Target Completion Date	08/09/10
Revised Target Completion Date	05/30/14

HARDYSTON TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
HARDYSTON TOWNSHIP MIDDLE SCHOOL- RETAINING WALL REPAIRS
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
State Sources - SDA Grant		\$ 140,220	\$ 140,220	\$ 140,220
Transfer from Capital Reserve		210,330	210,330	210,330
Total Revenue and Other Financing Sources		350,550	350,550	350,550
Expenditures:				
Other Purchased Professional and Technical Services				65,050
Construction Services		\$ 23,558	23,558	285,500
Total Expenditures		23,558	23,558	350,550
Excess of Revenue and Other Financing Sources Over Expenditures	\$ -0-	\$ 326,992	\$ 326,992	\$ -0-

Additional Project Information:

Project Number	2030-030-14-1002
Grant Date	5/2/2014
Original Authorized Cost	\$ 350,550
Additional Authorized Cost	-0-
Revised Authorized Cost	-0-
Revised Authorized Cost	0%
Percentage Completion	7%
Original Target Completion Date	05/30/16
Revised Target Completion Date	Not Applicable

PROPRIETARY FUNDS

Exhibit G-1

HARDYSTON TOWNSHIP SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET POSITION
JUNE 30, 2015

ASSETS:

Current Assets:

Cash and Cash Equivalents	\$ 77,276
Accounts Receivable:	
State	588
Federal	11,949
Inventories	5,117

Total Current Assets

94,930

Non-Current Assets:

Capital Assets	221,299
Less: Accumulated Depreciation	(188,022)

Total Non-Current Assets

33,277

Total Assets

128,207

LIABILITIES:

Current Liabilities:

Interfund Payable - General Fund	37,507
Unearned Revenue	2,046

Total Current Liabilities

39,553

NET POSITION:

Net Investment in Capital Assets	33,277
Unrestricted	55,377
Total Net Position	\$ 88,654

Exhibit G-2

HARDYSTON TOWNSHIP SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 96,294
Daily Sales - Non Reimbursable Programs	23,969
	<hr/>
Total Operating Revenue	120,263
	<hr/>
Operating Expenses:	
Cost of Sales	83,094
Salaries, Benefits and Payroll Taxes	75,395
Management Fee	7,812
Supplies, Insurance & Other Costs	24,894
Depreciation Expense	9,101
	<hr/>
Total Operating Expenses	200,296
	<hr/>
Operating Loss	(80,033)
	<hr/>
Non-Operating Revenue:	
State Sources:	
State School Lunch Program	1,898
Federal Sources:	
National School Lunch Program	33,954
Food Distribution Program	15,641
Local Sources:	
Interest Income	114
	<hr/>
Total Non-Operating Revenue	51,607
	<hr/>
Change in Net Position	(28,426)
	<hr/>
Net Position - Beginning of Year	117,080
	<hr/>
Net Position - End of Year	\$ 88,654
	<hr/> <hr/>

Exhibit G-3

HARDYSTON TOWNSHIP SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 120,263
Payments to Employees	(74,411)
Payment to Suppliers	(984)
Payments to Food Service Vendor	(65,964)
	<hr/>
Net Cash Used for Operating Activities	(21,096)
	<hr/>
Cash Flows from Noncapital Financing Activities:	
Cash Received for State and Federal Reimbursements	27,274
	<hr/>
Net Cash Provided by Noncapital Financing Activities	27,274
	<hr/>
Cash Flows from Investing Activities:	
Investment Income	114
	<hr/>
Net Cash Flows Provided by Investing Activities:	114
	<hr/>
Net Increase in Cash and Cash Equivalents	6,292
Cash and Cash Equivalents, July 1	70,984
	<hr/>
Cash and Cash Equivalents, June 30	\$ 77,276
	<hr/> <hr/>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (80,033)
Adjustment to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Federal Food Distribution Program	15,641
Depreciation	9,101
Changes in Assets and Liabilities:	
Decrease in Interfund Receivable	8,061
(Increase) in Inventories	(225)
Increase in Interfund Payable	37,507
(Decrease) in Accounts Payable	(11,291)
Increase in Unearned Revenue	143
	<hr/>
Net Cash Used for Operating Activities	\$ (21,096)
	<hr/> <hr/>

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received U.S.D.A. donated commodities through the Food Distribution Program valued at \$15,784 and utilized commodities valued at \$15,641.

FIDUCIARY FUNDS

HARDYSTON TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2015

	<u>Agency Funds</u>		<u>Total Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>	<u>Flexible Spending Trust</u>
	<u>Student Activities</u>	<u>Payroll Agency</u>				
<u>ASSETS:</u>						
Cash and Cash Equivalents	\$ 38,231	\$ 127,095	\$ 165,326	\$ 77,789	\$ 3,002	\$ 4,288
Interfund Receivable:					2,292	
General Fund	746		746	40,000		
Payroll Agency				32,236		
Total Assets	<u>38,977</u>	<u>127,095</u>	<u>166,072</u>	<u>150,025</u>	<u>5,294</u>	<u>4,288</u>
<u>LIABILITIES:</u>						
Liabilities:						
Payroll Deductions and Withholdings		67,511	67,511			
Due to Student Groups	38,977		38,977			
Interfund Payable:						
General Fund		27,348	27,348			
Unemployment Compensation Trust		32,236	32,236			
Total Liabilities	<u>38,977</u>	<u>127,095</u>	<u>166,072</u>			
<u>NET POSITION:</u>						
Held in Trust for Unemployment Claims				150,025		
Restricted for Scholarships					5,294	
Restricted for Flexible Spending Claims						4,288
Total Net Position	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 150,025</u>	<u>\$ 5,294</u>	<u>\$ 4,288</u>

Exhibit H-2

HARDYSTON TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Unemployment Compensation Trust	Private Purpose Scholarship Trust	Flexible Spending Trust
Additions:			
Contributions:			
Plan Members	\$ 10,758		\$ 5,969
Employer - Budget Appropriation	40,000		
Total Contributions	<u>50,758</u>		<u>5,969</u>
Investment Earnings:			
Interest	85	\$ 8	
Net Investment Earnings	<u>85</u>	<u>8</u>	
Total Additions	<u>50,843</u>	<u>8</u>	<u>5,969</u>
Deductions:			
State of New Jersey Unemployment Claims	10,131		
Flexible Spending Claims			2,866
Total Deductions	<u>10,131</u>		<u>2,866</u>
Change in Net Position	40,712	8	3,103
Net Position—Beginning of the Year	<u>109,313</u>	<u>5,286</u>	<u>1,185</u>
Net Position—End of the Year	<u>\$ 150,025</u>	<u>\$ 5,294</u>	<u>\$ 4,288</u>

Exhibit H-3

HARDYSTON TOWNSHIP SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 37,056	\$ 68,527	\$ 67,352	\$ 38,231
Interfund Receivable:				
General Fund	1,425	746	1,425	746
Total Assets	<u>\$ 38,481</u>	<u>\$ 69,273</u>	<u>\$ 68,777</u>	<u>\$ 38,977</u>
 <u>LIABILITIES:</u>				
Due to Student Groups	\$ 38,481	\$ 69,273	\$ 68,777	\$ 38,977
Total Liabilities	<u>\$ 38,481</u>	<u>\$ 69,273</u>	<u>\$ 68,777</u>	<u>\$ 38,977</u>

Exhibit H-4

HARDYSTON TOWNSHIP SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 116,720	\$ 10,874,031	\$ 10,863,656	\$ 127,095
Total Assets	<u>\$ 116,720</u>	<u>\$ 10,874,031</u>	<u>\$ 10,863,656</u>	<u>\$ 127,095</u>
 <u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	\$ 64,416	\$ 10,835,925	\$ 10,832,830	\$ 67,511
Interfund Payable - General Fund	30,826	27,348	30,826	27,348
Interfund Payable - Unemployment Compensation Trust	21,478	10,758		32,236
Total Liabilities	<u>\$ 116,720</u>	<u>\$ 10,874,031</u>	<u>\$ 10,863,656</u>	<u>\$ 127,095</u>

LONG-TERM DEBT

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

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding June 30, 2015		Interest Rate	Balance July 1, 2014	Retired or Matured	Balance June 30, 2015
			Date	Amount				
Refunding Bonds of 2006	11/01/06	\$ 9,955,000	08/01/15	\$ 35,000	4.000%	\$ 9,765,000	\$ 30,000	\$ 9,735,000
			08/01/16	35,000	4.125%			
			08/01/17	445,000	5.000%			
			08/01/18	470,000	4.000%			
			08/01/19	500,000	4.000%			
			08/01/20	520,000	4.125%			
			08/01/21	550,000	4.125%			
			08/01/22	575,000	4.000%			
			08/01/23	600,000	4.000%			
			08/01/24	630,000	4.125%			
			08/01/25	660,000	4.125%			
			08/01/26	695,000	4.250%			
			08/01/27	730,000	4.250%			
			08/01/28	765,000	4.250%			
			08/01/29	805,000	4.250%			
			08/01/30	840,000	4.250%			
			08/01/31	880,000	4.250%			

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

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance July 1, 2014	Retired or Matured	Balance June 30, 2015
			Date	Amount				
Roof Project Bonds of 2009	06/23/09	\$ 1,324,000	08/01/15	\$ 135,000	3.000%	\$ 854,000	\$ 130,000	\$ 724,000
			08/01/16	140,000	3.500%			
			08/01/17	145,000	3.500%			
			08/01/18	150,000	3.750%			
			08/01/19	154,000	3.750%			
Refunding Bonds of 2011	11/22/11	1,790,000	08/01/15	370,000	2.000%	1,105,000	360,000	745,000
			08/01/16	375,000	2.000%			
						<u>\$ 11,724,000</u>	<u>\$ 520,000</u>	<u>\$ 11,204,000</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT
GENERAL LONG-TERM DEBT ACCOUNT GROUP
STATEMENT OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOT APPLICABLE

HARDYSTON TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUE:					
Local Sources:					
Local Tax Levy	\$ 918,357		\$ 918,357	\$ 918,357	
State Sources:					
Debt Service Aid Type II	53,397		53,397	53,397	
Total Revenue	<u>971,754</u>		<u>971,754</u>	<u>971,754</u>	
EXPENDITURES:					
Regular Debt Service:					
Redemption of Principal	520,000		520,000	520,000	
Interest	454,781		454,781	454,781	
Total Regular Debt Service	<u>974,781</u>		<u>974,781</u>	<u>974,781</u>	
Total Expenditures	<u>974,781</u>		<u>974,781</u>	<u>974,781</u>	
Deficit of Revenue Under Expenditures	<u>(3,027)</u>		<u>(3,027)</u>	<u>(3,027)</u>	
Other Financing Sources:					
Transfer from Capital Projects Fund	3,027		3,027	3,027	
Total Other Financing Sources	<u>3,027</u>		<u>3,027</u>	<u>3,027</u>	
Excess of Revenues and Other Financing Sources Over Expenditures					
Fund Balance, July 1	<u>-0-</u>		<u>-0-</u>	<u>-0-</u>	
Fund Balance, June 30	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

STATISTICAL SECTION

STATISTICAL SECTION
(UNAUDITED)

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

Contents

Exhibit

Financial Trends

These schedules contain trend information to help the reader understand how the School's financial performance and well-being have changed over time.

J-1 thru J-5

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the School's ability to generate its property taxes.

J-6 thru J-9

Debt Capacity

These schedules present information to help the reader assess the affordability of the School's current levels of outstanding debt and the School's ability to issue additional debt in the future.

J-10 thru J-13

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the School's financial activities take place and to help make comparisons over time and with other governments.

J-14 thru J-15

Operating Information

These schedules contain information about the School's operations and resources to help the reader understand how the School's financial information relates to the services the School provides and the activities it performs.

J-16 thru J-20

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

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

June 30,

	2006	2007	2008	2009	2010	2011	2012	2013	2014 *	2015
Governmental Activities:										
Net Investment in Capital Assets	\$ 5,912,662	\$ 5,250,670	\$ 4,934,340	\$ 4,373,642	\$ 4,187,266	\$ 4,124,726	\$ 3,919,204	\$ 4,216,669	\$ 3,816,367	\$ 3,872,986
Restricted/(Deficit)	(131,052)	97,899	308,933	425,806	674,999	729,275	1,122,596	1,497,105	2,130,191	2,087,835
Unrestricted/(Deficit)	(325,765)	(119,994)	(560,344)	(601,834)	(518,097)	(283,524)	(15,002)	(290,038)	(2,754,136)	(2,477,350)
Total Governmental Activities Net Position	\$ 5,455,845	\$ 5,228,575	\$ 4,682,929	\$ 4,197,614	\$ 4,344,168	\$ 4,570,477	\$ 5,026,798	\$ 5,423,736	\$ 3,192,422	\$ 3,483,471
Business-Type Activities										
Net Investment in Capital Assets	\$ 68,195	\$ 60,119	\$ 52,498	\$ 44,418	\$ 36,343	\$ 44,982	\$ 35,751	\$ 51,707	\$ 42,378	\$ 33,277
Unrestricted/(Deficit)	(26,386)	(9,482)	(9,385)	2,158	27,635	39,775	49,383	59,441	74,702	55,377
Total Business-Type Activities Net Position	\$ 41,809	\$ 50,637	\$ 43,113	\$ 46,576	\$ 63,978	\$ 84,757	\$ 85,134	\$ 111,148	\$ 117,080	\$ 88,654
District-Wide:										
Net Investment in Capital Assets	\$ 5,980,857	\$ 5,310,789	\$ 4,986,838	\$ 4,418,060	\$ 4,223,609	\$ 4,169,708	\$ 3,954,955	\$ 4,268,376	\$ 3,858,745	\$ 3,906,263
Restricted/(Deficit)	(131,052)	97,899	308,933	425,806	674,999	729,275	1,122,596	1,497,105	2,130,191	2,087,835
Unrestricted/(Deficit)	(352,151)	(129,476)	(569,729)	(599,676)	(490,462)	(243,749)	34,381	(230,597)	(2,679,434)	(2,421,973)
Total District Net Position	\$ 5,497,654	\$ 5,279,212	\$ 4,726,042	\$ 4,244,190	\$ 4,408,146	\$ 4,655,234	\$ 5,111,932	\$ 5,534,884	\$ 3,309,502	\$ 3,572,125

* Restated

Source: School District Financial Reports

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

Fiscal Year Ended June 30,

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses:										
Governmental Activities:										
Instruction:										
Regular	\$ 4,995,644	\$ 4,653,200	\$ 5,118,249	\$ 4,954,610	\$ 4,979,851	\$ 4,922,141	\$ 4,815,408	\$ 5,062,747	\$ 5,045,341	\$ 5,990,597
Special Education	880,022	1,162,869	1,264,939	1,347,982	1,360,680	1,401,840	1,535,435	1,888,894	1,849,151	2,030,787
Other Special Education			134,539	149,618	132,602	145,387	147,089	204,001	218,314	185,646
School-Sponsored/ Other Instruction	318,777	215,568	142,395	367,944	118,279	137,640	144,783	99,897	109,941	139,633
Support Services:										
Tuition	316,817	398,539	231,851	286,683	189,738	220,569	221,772	226,431	160,891	194,424
Student & Instruction Related Services	922,179	992,440	1,090,128	888,933	1,129,446	1,172,610	1,386,063	1,188,442	1,350,675	1,567,206
General Administrative Services	419,175	452,611	362,808	298,522	294,210	305,839	295,780	271,457	292,001	352,127
School Administrative Services	723,591	745,926	568,356	542,605	611,590	567,277	603,753	605,999	584,360	644,837
Central Services			175,097	223,033	212,905	230,142	224,056	261,568	278,632	322,977
Administrative Information Technology			51,401	57,652	79,711	106,497	99,488	118,947	10,142	12,745
Plant Operations And Maintenance	1,152,855	1,137,275	1,383,356	1,411,395	1,236,811	1,305,786	1,228,762	1,171,531	1,229,766	1,331,324
Pupil Transportation	844,356	924,808	952,345	1,033,892	1,012,667	923,026	942,306	947,319	850,425	887,322
Capital Outlay				15,083		74,537	133,830	39,348	88,193	9,638
Interest On Long-Term Debt	626,311	379,582	641,812	541,907	567,490	550,407	476,290	480,475	456,216	444,619
Unallocated Depreciation										
Charter Schools	40,703	8,954	38,088	59,710	100,521	66,786	88,063	113,915	135,323	153,833
Total Governmental Activities Expenses	11,240,430	11,071,772	12,155,364	12,179,569	12,026,501	12,130,484	12,342,878	12,680,971	12,659,371	14,267,715

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

	Fiscal Year Ended June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses: (Cont'd)										
Business-Type Activities:										
Food Service	\$ 217,065	\$ 179,752	\$ 204,735	\$ 187,801	\$ 192,973	\$ 192,781	\$ 202,633	\$ 184,240	\$ 179,860	\$ 200,296
Total Business-Type Activities Expense	217,065	179,752	204,735	187,801	192,973	192,781	202,633	184,240	179,860	200,296
Total District Expenses	\$ 11,457,495	\$ 11,251,524	\$ 12,360,099	\$ 12,367,370	\$ 12,219,474	\$ 12,323,265	\$ 12,545,511	\$ 12,865,211	\$ 12,839,231	\$ 200,296
Program Revenues:										
Governmental Activities:										
Operating Grants and Contributions	\$ 2,104,443	\$ 2,259,456	\$ 1,643,743	\$ 1,585,016	\$ 1,757,971	\$ 1,903,554	\$ 1,928,474	\$ 2,112,545	\$ 1,923,696	\$ 3,165,618
Total Governmental Activities Program Revenues	2,104,443	2,259,456	1,643,743	1,585,016	1,757,971	1,903,554	1,928,474	2,112,545	1,923,696	3,165,618
Business-Type Activities:										
Charges for Services:										
Food Services	154,109	146,036	151,466	148,293	156,475	146,471	138,996	122,765	131,729	120,263
Operating Grants and Contributions	42,379	41,881	44,611	42,187	53,211	49,484	63,799	62,263	53,974	51,493
Total Business-Type Activities	196,488	187,917	196,077	190,480	209,686	195,955	202,795	185,028	185,703	171,756
Total District Program Revenues	\$ 2,300,931	\$ 2,447,373	\$ 1,839,820	\$ 1,775,496	\$ 1,967,657	\$ 2,099,509	\$ 2,131,269	\$ 2,297,573	\$ 2,109,399	\$ 3,337,374
Change in Net (Expense)/Revenue:										
Governmental Activities	\$ (9,135,987)	\$ (8,812,316)	\$ (10,511,621)	\$ (10,594,553)	\$ (10,268,530)	\$ (10,226,930)	\$ (10,414,404)	\$ (10,568,426)	\$ (10,735,675)	\$ (11,102,097)
Business-Type Activities	(20,577)	8,165	(8,658)	2,679	16,713	3,174	162	788	5,843	(28,540)
Total District Net Expense	\$ (9,156,564)	\$ (8,804,151)	\$ (10,520,279)	\$ (10,591,874)	\$ (10,251,817)	\$ (10,223,756)	\$ (10,414,242)	\$ (10,567,638)	\$ (10,729,832)	\$ (11,130,637)

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

	Fiscal Year Ended June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes Levied for General Purposes	\$ 6,255,659	\$ 7,012,747	\$ 7,450,449	\$ 7,746,477	\$ 8,056,336	\$ 8,370,081	\$ 8,537,483	\$ 8,708,232	\$ 8,882,397	\$ 9,060,045
Taxes Levied for Debt Services	204,839	456,660	686,316	821,269	823,964	937,435	924,128	894,436	918,384	918,357
Unrestricted Grants and Contributions	1,560,110	1,560,266	1,861,486	1,516,293	1,486,733	1,118,856	1,326,796	1,175,632	1,259,557	1,352,102
Investment Earnings	17,814	52,266	32,991							
Miscellaneous Income	2,739	3,846	14,241	25,199	48,051	26,867	107,318	7,090	15,118	62,642
Debt Service Contribution	1,321	(500,710)					(25,000)			
Total Governmental Activities	<u>8,042,482</u>	<u>8,585,075</u>	<u>10,045,483</u>	<u>10,109,238</u>	<u>10,415,084</u>	<u>10,453,239</u>	<u>10,870,725</u>	<u>10,785,390</u>	<u>11,075,456</u>	<u>11,393,146</u>
Business-Type Activities:										
Investment Earnings	170	663	1,134	784	689	317	215	41	89	114
Capital Assets Contribution						17,288				
Total Business-Type Activities	<u>170</u>	<u>663</u>	<u>1,134</u>	<u>784</u>	<u>689</u>	<u>17,605</u>	<u>215</u>	<u>41</u>	<u>89</u>	<u>114</u>
Total District-Wide	<u>\$ 8,042,652</u>	<u>\$ 8,585,738</u>	<u>\$ 10,046,617</u>	<u>\$ 10,110,022</u>	<u>\$ 10,415,773</u>	<u>\$ 10,470,844</u>	<u>\$ 10,870,940</u>	<u>\$ 10,785,431</u>	<u>\$ 11,075,545</u>	<u>\$ 11,393,260</u>
Change in Net Position:										
Governmental Activities	\$ (1,093,502)	\$ (227,240)	\$ (545,648)	\$ (485,315)	\$ 146,554	\$ 226,309	\$ 456,321	\$ 216,964	\$ 339,781	\$ 291,049
Business-Type Activities	(20,407)	8,828	(7,524)	3,463	17,402	20,779	377	829	5,932	(28,426)
Total District	<u>\$ (1,113,909)</u>	<u>\$ (218,412)</u>	<u>\$ (553,172)</u>	<u>\$ (481,852)</u>	<u>\$ 163,956</u>	<u>\$ 247,088</u>	<u>\$ 456,698</u>	<u>\$ 217,793</u>	<u>\$ 345,713</u>	<u>\$ 262,623</u>

Source: School District Financial Reports

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

	June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund:										
Reserved	\$ 66,473	\$ 65,448	\$ 307,877	\$ 222,069	\$ 522,783					
Unreserved	67,529	240,467	143,996	51,584	114,293					
Restricted						\$ 567,261	\$ 879,810	\$ 1,280,926	\$ 1,568,416	\$ 1,529,087
Assigned						220,259	333,704	271,587	407,367	440,412
Unassigned						104,954	132,722	75,766	62,531	52,689
Total General Fund	<u>\$ 134,002</u>	<u>\$ 305,915</u>	<u>\$ 451,873</u>	<u>\$ 273,653</u>	<u>\$ 637,076</u>	<u>\$ 892,474</u>	<u>\$ 1,346,236</u>	<u>\$ 1,628,279</u>	<u>\$ 2,038,314</u>	<u>\$ 2,022,188</u>
All Other Governmental Funds:										
Unreserved, Reported In:										
Capital Projects Fund	\$ 49,369	\$ 46,659	\$ 3,027	\$ 203,736	\$ 175,461					
Debt Service Fund/(Deficit)	12,986	134,704	1	1	(23,245)					
Restricted						\$ 162,014	\$ 242,786	\$ 216,178	\$ 561,775	\$ 558,748
Committed						52,049	49,992			122,805
Unassigned/(Deficit)								(48,345)	(63,967)	
Total All Other Governmental Funds	<u>\$ 62,355</u>	<u>\$ 181,363</u>	<u>\$ 3,028</u>	<u>\$ 203,737</u>	<u>\$ 152,216</u>	<u>\$ 214,063</u>	<u>\$ 292,778</u>	<u>\$ 167,833</u>	<u>\$ 497,808</u>	<u>\$ 681,553</u>

Source: School District Financial Reports

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

	Fiscal Year Ended June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues:										
Tax Levy	\$ 7,086,809	\$ 7,848,959	\$ 8,136,765	\$ 8,567,746	\$ 8,880,300	\$ 9,307,516	\$ 9,461,611	\$ 9,602,668	\$ 9,800,781	\$ 9,978,402
Interest Earnings	17,814	52,266	32,991		1,965	2,492	4,611	1,116	1,385	2,791
Miscellaneous	2,739	3,846	14,241	25,199	46,086	24,375	102,707	5,974	13,733	59,851
State Sources	2,858,627	3,194,189	3,297,466	2,895,177	2,992,189	2,680,950	2,955,866	3,069,434	2,997,342	3,221,376
Federal Sources	179,616	245,951	207,764	206,132	252,515	341,460	299,404	218,743	185,911	218,118
Total Revenue	10,145,605	11,345,211	11,689,227	11,694,254	12,173,055	12,356,793	12,824,199	12,897,935	12,999,152	13,480,538
Expenditures:										
Instruction:										
Regular Instruction	2,817,865	3,069,113	3,148,645	3,243,321	3,262,396	3,224,289	3,137,309	3,260,634	3,264,733	3,535,752
Special Education Instruction	696,288	781,432	888,566	976,409	1,064,249	1,103,656	1,079,882	1,335,387	1,346,318	1,295,024
Other Special Instruction	245,283	177,178	94,935	109,361	95,325	104,698	103,080	140,843	155,185	116,231
School-Sponsored/Other Instruction			102,915	103,122	106,773	115,286	97,686	73,135	79,445	95,890
Support Services:										
Tuition	316,817	398,539	231,851	286,683	189,738	220,569	221,772	226,431	160,891	194,424
Student & Instruction Related Services	738,445	766,882	821,686	870,856	832,392	849,632	1,052,369	874,135	999,044	1,050,774
General Administrative Services	345,682	336,689	292,358	259,118	247,459	260,972	246,254	218,935	241,098	275,704
School Administrative Services	582,112	566,876	403,260	423,636	437,002	401,059	414,786	410,629	406,226	396,807
Central Services			175,097	166,187	155,312	171,626	158,210	186,641	201,305	206,233
Administrative Information Technology			51,401	53,097	65,178	85,865	78,998	86,929	10,142	12,745
Plant Operations And Maintenance	961,536	964,790	1,108,684	1,237,090	1,077,398	1,131,678	1,038,299	974,591	1,046,019	1,069,746
Student Transportation	844,336	924,808	952,345	1,033,892	1,012,667	923,026	942,306	947,319	850,425	887,322
Unallocated Benefits	1,837,338	2,280,887	2,359,391	2,102,773	2,286,647	2,263,482	2,597,826	2,780,670	2,633,658	2,936,874

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

	Fiscal Year Ended June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenditures:										
Capital Outlay	\$ 110,672	\$ 59,883	\$ 235,448	\$ 1,245,158	\$ 80,886	\$ 144,753	\$ 70,535	\$ 148,873	\$ (241,782)	\$ 110,779
Charter Schools	40,703	8,954	38,088	59,710	100,521	66,786	88,063	113,915	135,323	153,833
Debt Service:										
Principal	210,000	225,000	260,000	275,000	290,000	415,000	435,000	485,000	505,000	520,000
Interest And Other Charges	628,750	490,549	559,964	547,324	557,210	557,171	504,347	476,769	466,113	454,781
Total Expenditures	10,375,827	11,051,580	11,724,634	12,992,737	11,861,153	12,039,548	12,266,722	12,740,836	12,259,143	13,312,919
Excess/(Deficiency) Of Revenues Over/(Under) Expenditures	(230,222)	293,631	(35,407)	(1,298,483)	311,902	317,245	557,477	157,099	740,009	167,619
Other Financing Sources/(Uses):										
Adjustment to Contracts Payable	1,321									
Capital Leases (Non-Budgeted)										
EDA Grant Canceled		(2,710)								
Long Term Debt Issued				1,324,000						
Bond Refunding, Net							(25,000)			
Transfers In	5,888	1,055		10						
Transfers Out	(5,888)	(1,055)		(10)						
Total Other Financing Sources/(Uses)	1,321	(2,710)		1,324,000			(25,000)			
Net Change In Fund Balances	\$ (228,901)	\$ 290,921	\$ (35,407)	\$ 25,517	\$ 311,902	\$ 317,245	\$ 532,477	\$ 157,099	\$ 740,009	\$ 167,619
Debt Service As A Percentage Of Noncapital Expenditures	8.17%	6.51%	7.14%	7.00%	7.19%	8.17%	7.70%	7.64%	7.77%	7.38%

Source: School District Financial Reports

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

<u>Fiscal Year Ended June 30,</u>	<u>Interest on Investments</u>	<u>Tuition</u>	<u>Prior Year Reimbursement</u>	<u>Other</u>	<u>Total</u>
2006	\$ 56,182	\$ 27,744		\$ 5,916	\$ 89,842
2007	50,418	20,219		320	70,957
2008	29,568			3,435	33,003
2009	16,933			8,256	25,189
2010	18,890			29,161	48,051
2011	6,390	20,022		455	26,867
2012	4,611	63,244		34,837	102,692
2013	2,168			4,922	7,090
2014	1,385			13,733	15,118
2015	2,791		\$ 23,297	36,379	62,467

Source: Hardyston Township School District records

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

Year Ended December 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities ^a	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2005	\$ 32,552,400	\$ 450,695,200	\$ 8,984,900	\$ 1,132,200	\$ 55,522,700	\$ 10,586,800	\$ 9,688,000	\$ 569,162,200	\$ 1,666,503	\$ 570,828,703	\$ 57,020,800	\$ 1.23	\$ 897,604,202
2006	31,296,700	483,356,600	8,984,900	1,133,700	55,277,100	11,519,000	9,688,000	601,256,000	1,428,498	602,684,498	57,148,900	1.23	1,174,136,953
2007	26,103,700	525,192,800	9,300,400	1,134,900	57,790,200	11,877,300	9,688,000	641,087,300	1,323,716	642,411,016	57,148,900	1.23	1,252,603,379
2008	23,323,200	593,257,700	9,690,600	1,111,700	57,547,000	13,844,300	9,688,000	708,462,500	1,315,605	709,778,105	57,576,600	1.17	1,375,538,963
2009	28,631,500	596,713,000	9,448,700	1,070,200	61,514,100	16,711,200	9,688,000	723,776,700	1,135,127	724,911,827	58,076,100	1.20	1,296,337,316
2010	* 47,367,900	916,046,400	15,985,100	1,277,300	115,094,600	46,989,500	17,013,600	1,159,774,400	2,595,898	1,162,370,298	121,692,000	0.78	1,233,284,136
2011	45,888,100	914,453,800	15,949,600	1,279,200	111,256,300	43,547,700	17,013,600	1,149,388,300	2,165,303	1,151,553,603	122,537,000	0.81	1,223,968,238
2012	45,246,200	916,366,400	15,348,800	1,281,700	110,953,000	43,062,300	17,013,600	1,149,272,000	2,303,546	1,151,575,546	123,886,900	0.83	1,209,212,158
2013	44,953,900	920,224,100	16,501,900	1,282,800	111,807,300	41,908,600	17,013,600	1,153,692,200	2,239,471	1,155,931,671	124,109,800	0.85	1,188,256,592
2014	37,337,300	851,140,900	13,851,200	1,286,800	111,774,500	41,987,200	17,000,000	1,074,377,900	2,229,373	1,076,607,273	124,187,200	0.93	1,136,483,623

* - Revaluation was effective in this year.

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

b Tax rates are per \$100

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

Reassessment occurs when ordered by the County Board of Taxation

Source: Municipal Tax Assessor

Exhibit J-7

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

Year Ended December 31,	Hardyston Township School District			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Direct Rate			Township of Hardyston	Walkill Valley Regional High School	Sussex County	
	Basic Rate ^a	Obligation Debt Service ^b	Total Direct				
2005	\$ 1.12	\$ 0.11	\$ 1.23	\$ 0.66	\$ 0.68	\$ 0.69	\$ 3.26
2006	1.12	0.11	1.23	0.68	0.67	0.76	3.34
2007	1.12	0.11	1.23	0.68	0.65	0.79	3.35
2008	1.07	0.10	1.17	0.77	0.58	0.76	3.28
2009	1.09	0.11	1.20	0.81	0.58	0.74	3.33
2010	* 0.71	0.07	0.78	0.54	0.37	0.46	2.15
2011	0.73	0.08	0.81	0.56	0.39	0.46	2.22
2012	0.75	0.08	0.83	0.57	0.41	0.49	2.30
2013	0.77	0.08	0.85	0.61	0.41	0.51	2.37
2014	0.84	0.09	0.93	0.66	0.44	0.55	2.58

* - Revaluation was effective in this year.

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

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

Note: NJSA 18A:7F-5d limits the amount that the district can submit for a general fund tax levy . The levy when added to other components of the district's net budget may not exceed the prebudget year net budget by more than the spending growth limitation calculation.

Source: Municipal Tax Collector and School Business Administrator

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

Taxpayer	2014		Taxpayer	2005	
	Taxable Assessed Value	% of Total District Net Assessed Value		Taxable Assessed Value	% of Total District Net Assessed Value
Edgewater Assoc, LLC	\$ 17,000,000	1.47%	INFORMATION NOT AVAILABLE		
WT Spe, LLC	15,193,800	1.31%			
Eastern Concrete Materials, Inc.	8,774,100	0.76%			
Grand Cascades Lodge at Crystal Springs	8,668,700	0.75%			
Ballyoween Spe, LLC	8,280,500	0.72%			
Shotland Bauer, LLC	7,097,900	0.61%			
Crystal Springs Spe, LLC	6,781,500	0.59%			
City of Newark (c/o NWCDC)	6,075,300	0.53%			
Black Bear Spe, LLC	5,126,300	0.44%			
North Church Gravel, Inc	5,094,400	0.44%			
Total	\$ 88,092,500	7.62%			

Source: Municipal Tax Assessor

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

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Taxes Levied</u> <u>for the</u> <u>Fiscal Year</u>	<u>Collected within the Fiscal</u> <u>Year of the Levy ^a</u>		<u>Collections in</u> <u>Subsequent</u> <u>Years</u>
		<u>Amount</u>	<u>Percentage</u> <u>of Levy</u>	
2006	\$ 7,086,809	\$ 7,086,809	100.00%	-0-
2007	7,848,959	7,848,959	100.00%	-0-
2008	8,136,765	8,136,765	100.00%	-0-
2009	8,567,746	8,567,746	100.00%	-0-
2010	8,880,300	8,880,300	100.00%	-0-
2011	9,307,516	9,307,516	100.00%	-0-
2012	9,461,611	9,461,611	100.00%	-0-
2013	9,602,668	9,602,668	100.00%	-0-
2014	9,800,781	9,800,781	100.00%	-0-
2015	9,978,402	9,978,402	100.00%	-0-

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

Source: School District Financial Reports

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

(dollars in thousands, except per capita)

Fiscal Year Ended June 30,	Governmental Activities		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Capital Leases			
2006	\$ 12,752,000	\$ 227,438	\$ 12,979,438	3.84%	\$ 1,668
2007	13,025,000	162,988	13,187,988	3.50%	1,618
2008	12,765,000	95,271	12,860,271	3.16%	1,544
2009	13,814,000	32,431	13,846,431	3.33%	1,657
2010	13,524,000		13,524,000	3.35%	1,625
2011	13,109,000		13,109,000	3.26%	1,597
2012	12,714,000		12,714,000	3.08%	1,558
2013	12,229,000		12,229,000	2.90%	1,512
2014	11,724,000		11,724,000	2.74%	1,452
2015	11,204,000		11,204,000	2.64%	1,396

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

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

Source: School District Financial Reports

Exhibit J-11

HARDYSTON TOWNSHIP SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
UNAUDITED
(dollars in thousands, except per capita)

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General		Net General		
	Obligation	Deductions	Bonded Debt		
	Bonds		Outstanding		
2006	\$ 12,752,000	\$ -0-	\$ 12,752,000	2.23%	\$ 1,639
2007	13,025,000	-0-	13,025,000	2.16%	1,598
2008	12,765,000	-0-	12,765,000	1.99%	1,533
2009	13,814,000	-0-	13,814,000	1.95%	1,653
2010	13,524,000	-0-	13,524,000	1.87%	1,625
2011	13,109,000	-0-	13,109,000	1.13%	1,597
2012	12,714,000	-0-	12,714,000	1.10%	1,558
2013	12,229,000	-0-	12,229,000	1.06%	1,512
2014	11,724,000	-0-	11,724,000	1.01%	1,452
2015	11,204,000	-0-	11,204,000	1.04%	1,396

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

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

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

Source: School District Financial Reports

Exhibit J-12

HARDYSTON TOWNSHIP SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2014
UNAUDITED

<u>Governmental Unit</u>	<u>Debt</u> <u>Outstanding</u>	<u>Estimated</u> <u>Percentage</u> <u>Applicable^a</u>	<u>Estimated</u> <u>Share of</u> <u>Overlapping</u> <u>Debt</u>
Debt Repaid With Property Taxes:			
Hardyston Township	\$ 10,547,500	100.00%	\$ 10,547,500
Wallkill Valley Regional High School	3,775,000	56.48%	2,132,290
County of Sussex-Municipality's Share	68,100,067	6.57%	<u>4,476,551</u>
Subtotal, Overlapping Debt			17,156,341
Hardyston Township School District Direct Debt			<u>11,612,500</u>
Total Direct And Overlapping Debt			<u><u>\$ 28,768,841</u></u>

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

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

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

Exhibit J-13

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

Legal Debt Margin Calculation for Fiscal Year 2015

	Equalized valuation basis	
	2012	1,179,466,338
	2013	1,183,152,702
	2014	1,171,836,243
		\$ 3,534,455,283
Average Equalized Valuation of Taxable Property		\$ 1,178,151,761
Debt Limit (3% of average equalization value) ^a		\$ 35,344,553
Net Bonded School Debt as of June 30, 2015		11,612,500
Legal Debt Margin		\$ 23,732,053

	Fiscal Year				
	2011	2012	2013	2014	2015
Debt Limit	\$ 39,303,924	\$ 37,297,731	\$ 36,149,320	\$ 35,675,549	\$ 35,344,553
Total Net Debt Applicable to Limit	13,109,000	12,714,000	12,637,500	12,132,500	11,612,500
Legal Debt Margin	\$ 26,194,924	\$ 24,583,731	\$ 23,511,820	\$ 23,543,049	\$ 23,732,053
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	33.35%	34.09%	34.96%	34.01%	32.86%

	Fiscal Year				
	2010	2009	2008	2007	2006
Debt Limit	\$ 39,300,253	\$ 38,070,719	\$ 34,437,725	\$ 30,249,410	\$ 25,666,046
Total Net Debt Applicable to Limit	13,524,000	13,814,000	12,765,000	13,025,000	12,752,000
Legal Debt Margin	\$ 25,776,253	\$ 24,256,719	\$ 21,672,725	\$ 17,224,410	\$ 12,914,046
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	34.41%	36.29%	37.07%	43.06%	49.68%

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

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

Exhibit J-14

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

Year	Population ^a	Sussex County Per Capita Personal Income ^b	Personal Income ^c	Unemployment Rate ^d
2006	8,149	\$ 46,222	\$ 376,663,078	4.90%
2007	8,329	48,913	407,396,377	6.20%
2008	8,357	49,743	415,702,251	6.20%
2009	8,325	48,515	403,887,375	10.30%
2010	8,210	48,930	401,715,300	11.00%
2011	8,158	50,650	413,202,700	10.70%
2012	8,089	52,105	421,477,345	10.60%
2013	8,074	52,958	427,582,892	6.20%
2014	8,023	52,958 *	424,882,034 ***	6.20%
2015	8,023 **	52,958 *	424,882,034 ***	N/A

* - Latest Sussex County per capita personal income available (2013) was used for calculation purposes.

** - Latest population data available (2014) was used for calculation purposes.

*** - Latest available population data (2014) and latest available Sussex County per capita personal income (2013) was used for calculation purposes.

N/A - Information not available

Source:

^a Population information provided by the U.S. Bureau of the Census, Population Division

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

^c Personal income has been estimated based upon the municipal population and per capita personal income presented

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

Exhibit J-15

HARDYSTON TOWNSHIP SCHOOL DISTRICT
PRINCIPAL EMPLOYERS - COUNTY OF SUSSEX,
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

<u>Employer</u>	<u>2014</u>	
	<u>Employees</u>	<u>Percentage of Total Employment</u>
Crystal Springs Golf and Spa Resort	2,000	2.66%
Newton Memorial Hospital	1,200	1.59%
Selective Insurance	900	1.20%
County of Sussex	830	1.10%
Mountain Creek Resort	800	1.06%
Ames Rubber Corp	445	0.59%
Shop Rite Supermarkets (Ronetco)	301	0.40%
Andover Subacute and Rehab Center	300	0.40%
Sussex County Community College	300	0.40%
SCARC, Inc.	287	0.38%
	<u>7,363</u>	<u>9.78%</u>

<u>Employer</u>	<u>2005</u>	
	<u>Employees</u>	<u>Percentage of Total Employment</u>
Selective Insurance	954	2.44%
Andover Subacute and Rehab Center	900	2.30%
County of Sussex	800	2.04%
Newton Memorial Hospital	800	2.04%
Ronetco Supermarkets	757	1.93%
Vernon Township Board of Education	629	1.61%
FO Phoenix Inc.	600	1.53%
Mountain Creek Resort	450	1.15%
Hopatcong Board of Education	380	0.97%
Walmart	300	0.77%
	<u>6,570</u>	<u>16.78%</u>

Source: County of Sussex

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

<u>Function/Program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Instruction:									
Regular	47.0	46.0	46.0	46.0	41.9	43.0	44.0	43.6	43.6
Special Education	13.5	14.5	14.5	14.5	12.0	14.3	31.5	31.9	31.9
Other Special Education	7.0	7.0	7.0	7.0	11.0	11.0	8.1	8.1	8.1
Other Education	4.0	4.0	4.0	4.0	4.0	4.0	0.5	0.5	0.5
Support Services:									
Student & Instruction Related Services	10.0	13.0	13.0	13.0	12.0	12.0	7.0	7.0	7.0
General Administrative Services	3.0	3.0	3.0	3.0	8.6	8.6	5.6	5.6	5.6
Central Services and Administrative Information Technology	3.0	3.0	3.0	3.0	3.0	3.0	5.0	5.0	5.0
Plant Operation and Maintenance	8.0	8.0	8.0	8.5	7.5	7.5	7.6	7.6	8.1
Total	<u>95.5</u>	<u>98.5</u>	<u>98.5</u>	<u>99.0</u>	<u>100.0</u>	<u>103.4</u>	<u>109.3</u>	<u>109.3</u>	<u>109.8</u>

This schedule does not contain ten years of information as the information for the fiscal year 2006 is not available.

Source: District Personnel Records

HARDYSTON TOWNSHIP SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle				
2006	771	\$ 9,426,405	\$ 12,226	3.22%	72	15.1/ 1	11.6/ 1	723	721	-2.17%	95.80%
2007	778	10,276,148	13,208	8.03%	73	15.1/ 1	10.8/1	722	692	-0.14%	95.90%
2008	776	10,669,222	13,749	4.09%	75	18.1/1	10.8/1	704	703	-2.49%	95.63%
2009	767	10,925,255	14,244	3.60%	75	10.1/1	10.5/1	755	721	7.24%	95.00%
2010	743	10,933,057	14,715	3.30%	74.5	10.1/1	10.5/1	743	703	-1.59%	95.00%
2011	740	10,922,624	14,760	0.31%	71	10.1/1	10.5/1	740	701	-0.40%	95.20%
2012	761	11,256,840	14,792	0.22%	73.8	10.1/1	10.5/1	745	710	0.68%	95.30%
2013	782	11,630,194	14,872	0.54%	70.9	11.1/1	10.0/1	768	724	3.09%	94.27%
2014	756	11,529,812	15,251	2.55%	70.2	12.2/1	9.0/1	751	713	-2.21%	94.94%
2015	750	12,227,359	16,303	6.90%	70.2	12.2/1	9.0/1	746	711	-0.67%	95.31%

Note: Enrollment based on annual October district count.

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

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

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

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

Source: Hardyston Township School District records

HARDYSTON TOWNSHIP SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS

<u>District Building</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Hardyston Elementary School										
Square Feet	65,150	65,150	65,150	65,150	65,150	65,150	65,150	65,150	65,150	65,150
Capacity (students)	565	565	565	565	565	565	565	565	565	565
Enrollment	400	321	329	495	479	497	426	453	436	433
Hardyston Middle School										
Square Feet	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000
Capacity (students)	424	424	424	424	424	424	424	424	424	424
Enrollment	323	402	374	272	264	244	319	329	320	317

Number of Schools at June 30, 2015

 Elementary = 1

 Middle School = 1

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

Source: Hardyston Township School District Facilities Office

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

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

<u>School Facilities</u>	<u>Project #</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Hardyston Elementary School	SP#201372	\$ 60,198	\$ 95,290	\$ 90,683	\$ 49,890	\$ 25,498	\$ 80,763	\$ 97,127	\$ 59,627	\$ 64,115	\$ 98,132
Hardyston Middle School	SP#201372	55,035	59,751	31,862	63,700	41,066	42,832	52,432	46,501	62,441	113,314
		<u>\$ 115,233</u>	<u>\$ 155,041</u>	<u>\$ 122,545</u>	<u>\$ 113,590</u>	<u>\$ 66,564</u>	<u>\$ 123,595</u>	<u>\$ 149,559</u>	<u>\$ 106,128</u>	<u>\$ 126,556</u>	<u>\$ 211,446</u>

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

Source: Hardyston Township School District records

HARDYSTON TOWNSHIP SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2015
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
School Alliance Insurance Fund:		
School Package Policy:		
Property - Blanket Building and Contents (Pooled Coverage)	\$ 250,000,000	\$ 2,500
Comprehensive General Liability - Aggregate	5,000,000	
Medical Expenses - Per Person	10,000	
Comprehensive Automotive Liability - Aggregate	5,000,000	
Comprehensive Crime Coverage	Included	
School Board Legal Liability	5,000,000	5,000
Worker's Compensation & Employer's Liability	5,000,000	
Selective Insurance Company:		
Umbrella Liability Policy	5,000,000	
Public Employee' Faithful Performance Blanket Position Bond	500,000	1,000
Public Official Bond - Treasurer of School Monies	200,000	
Public Official Bond - Business Administrator/Board Secretary	200,000	
Student Accident	1,000,000	

SINGLE AUDIT SECTION



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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Hardyston Township School District, in the County of Sussex (the "District") as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 14, 2015.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

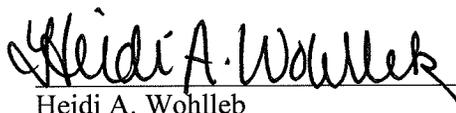
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

Purpose of this Report

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

December 14, 2015
Mount Arlington, New Jersey

NISIVOCCIA LLP


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



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Report on Compliance For Each Major State Program;
 Report on Internal Control Over Compliance Required by OMB Circular A-133
 and New Jersey's OMB Circulars 04-04 and 15-08

Independent Auditors' Report

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

Report on Compliance for Each Major State Program

We have audited the Board of Education of the Hardyston Township School District's (the "District's") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on each of the District's major state programs for the fiscal year ended June 30, 2015. The District's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey's OMB Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, OMB Circular A-133 and New Jersey's OMB Circulars 04-04 and 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2015.

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

Report on Internal Control Over Compliance

Management of the District 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 OMB Circular A-133 or NJOMB 04-04 and 15-08, 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 District's internal control over compliance.

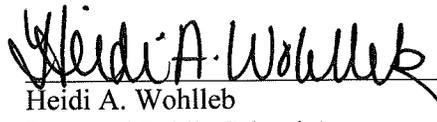
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 or NJOMB 04-04 and 15-08. Accordingly, this report is not suitable for any other purpose.

December 14, 2015
Mount Arlington, New Jersey

NISIVOCCIA LLP


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

HARDYSTON TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass Through Grantor Program Title/ Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance June 30, 2014		Cash Received	Prior Year Adjustments	Budgetary Expenditures	Balance June 30, 2015		
					Unearned Revenue/ (Accounts Receivable)	Due to Grantor				Accounts Receivable	Unearned Revenue	Due to Grantor
U.S. Department of Agriculture												
Passed-through State Department of Agriculture:												
Child Nutrition Cluster:												
Federal Food Distribution Program	10.550	N/A	7/1/14-6/30/15	\$ 15,784			\$ 15,784		\$ (13,738)		\$ 2,046	
Federal Food Distribution Program	10.550	N/A	7/1/13-6/30/14	9,638	\$ 1,903				(1,903)			
National School Lunch Program	10.555	N/A	7/1/14-6/30/15	33,954			22,005		(33,954)	\$ (11,949)		
National School Lunch Program	10.555	N/A	7/1/13-6/30/14	42,046	(3,758)		3,758					
Total U.S. Department of Agriculture					(1,855)		41,547		(49,595)	(11,949)	2,046	
Special Revenue Fund - Passed-through State Department of Education:												
No Child Left Behind Consolidated Grant:												
Title I	84.010A	NCLB-2030-15	7/1/14-6/30/15	40,182			40,182		(40,182)			
Title I	84.010A	NCLB-2030-14	7/1/13-6/30/14	32,996	(8,355)		8,972	\$ (617)				
Title IIA	84.278A	NCLB-2030-15	7/1/14-6/30/15	27,204			11,553		(11,777)	(224)		
Title IIA	84.278A	NCLB-2030-14	7/1/13-6/30/14	16,772			5,481	(5,481)				
Special Education Cluster:												
I.D.E.A. Part B, Basic	84.027	IDEA-2030-15	7/1/14-6/30/15	159,829			159,829		(159,829)			
I.D.E.A. Part B, Basic	84.027	IDEA-2030-14	7/1/13-6/30/14	155,486	(155,486)		155,486					
I.D.E.A. Part B, Preschool	84.173	IDEA-2030-15	7/1/14-6/30/15	4,036			4,036		(4,036)			
I.D.E.A. Part B, Preschool	84.173	IDEA-2030-14	7/1/13-6/30/14	4,071	(4,071)		4,071					
I.D.E.A. Part B, Preschool	84.173	IDEA-2030-13	9/1/12-8/31/13	4,490	28							\$ 28
Total Special Education Cluster					(159,529)		323,422		(163,865)			28
Race to the Top	84.395	N/A	9/1/11-11/30/15	2,294			2,294		(2,294)			
Total Special Revenue Fund					(167,884)		391,904	(6,098)	(218,118)	(224)		28
Total U.S. Department of Education					(167,884)		391,904	(6,098)	(218,118)	(224)		28
Total Federal Financial Awards					\$ (169,739)	\$ -0-	\$ 433,451	\$ (6,098)	\$ (267,713)	\$ (12,173)	\$ 2,046	\$ 28

N/A - Not Available/Applicable

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

HARDYSTON TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance June 30, 2014		Cash Received	Budgetary Expenditures	Refunded to Grantor	Balance June 30, 2015		MEMO	
				(Accounts Receivable)	Due to Grantor				GAAP (Accounts Receivable)	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
NJ Department of Education:												
General Fund:												
Transportation Aid	15-495-034-5120-014	7/1/14 - 6/30/15	\$ 455,021			\$ 410,798	\$ (455,021)				\$ (44,223)	\$ 455,021
Transportation Aid	14-495-034-5120-014	7/1/13 - 6/30/14	455,021	\$ (43,973)		43,973						455,021
Special Education Aid	15-495-034-5120-011	7/1/14 - 6/30/15	395,120			356,719	(395,120)				(38,401)	395,120
Special Education Aid	14-495-034-5120-011	7/1/13 - 6/30/14	395,120	(38,184)		38,184						395,120
Security Aid	15-495-034-5120-084	7/1/14 - 6/30/15	53,906			48,667	(53,906)				(5,239)	53,906
Security Aid	14-495-034-5120-084	7/1/13 - 6/30/14	53,906	(5,209)		5,209						53,906
Adjustment Aid	15-495-034-5120-085	7/1/14 - 6/30/15	1,162,080			1,049,138	(1,162,080)				(112,942)	1,162,080
Adjustment Aid	14-495-034-5120-085	7/1/13 - 6/30/14	1,162,080	(112,302)		112,302						1,162,080
School Choice	15-495-034-5120-068	7/1/14-6/30/15	77,286			69,775	(77,286)				(7,511)	77,286
PARCC Readiness Act	15-495-034-5120-098	7/1/14-6/30/15	7,540			6,807	(7,540)				(733)	7,540
Per Pupil Growth Aid	15-495-034-5120-097	7/1/14-6/30/15	7,540			6,807	(7,540)				(733)	7,540
Extraordinary Aid	15-100-034-5120-473	7/1/14 - 6/30/15	23,130				(23,130)		\$ (23,130)		(23,130)	23,130
Extraordinary Aid	14-100-034-5120-473	7/1/13 - 6/30/14	13,842	(13,842)		13,842						13,842
Non-Public Transportation Aid	15-495-034-5120-014	7/1/14 - 6/30/15	12,471				(12,471)		(12,471)		(12,471)	12,471
Non-Public Transportation Aid	14-495-034-5120-014	7/1/13 - 6/30/14	12,199	(12,199)		12,199						12,199
Reimbursed TPAF Social Security Contributions	15-495-034-5095-002	7/1/14 - 6/30/15	334,862			318,194	(334,862)		(16,668)		(16,668)	334,862
Reimbursed TPAF Social Security Contributions	14-495-034-5095-002	7/1/13 - 6/30/14	345,142	(17,197)		17,197						345,142
Total General Fund State Aid				(242,906)		2,509,811	(2,528,956)		(52,269)		(262,051)	4,966,266
Special Revenue Fund:												
Nonpublic Textbook Aid	14-100-034-5120-064	7/1/13 - 6/30/14	878		\$ 676			\$ 676				202
Nonpublic Technology Initiative	14-100-034-5120-373	7/1/13 - 6/30/14	320		160			160				160
Total Special Revenue Fund					836			836				362
Capital Projects Fund:												
School Development Authority:												
Replace Floor Tile/Stairway Project - Elementary School	2030-050-10-1001	7/23/10-6/30/15	63,967	(63,967)							(63,967)	
Repairing Retaining Walls Project - Middle School	2030-030-14-1002	5/2/14-6/30/16	140,220								(140,220)	
Total Capital Projects Fund				(63,967)							(204,187)	
Debt Service Fund:												
Debt Service Aid - State Support	15-495-034-5120-017	7/1/14- 6/30/15	53,397			53,397	(53,397)					53,397
Total Debt Service Fund						53,397	(53,397)					53,397
Enterprise Fund:												
State School Lunch Program	15-100-010-3350-023	7/1/14 - 6/30/15	1,898			1,310	(1,898)		(588)		(588)	1,898
State School Lunch Program	14-100-010-3350-023	7/1/13 - 6/30/14	2,379	(201)		201						2,379
Total Enterprise Fund				(201)		1,511	(1,898)		(588)		(588)	4,277
Total State Awards				\$ (307,074)	\$ 836	\$ 2,564,719	\$ (2,584,251)	\$ 836	\$ (52,857)	\$ -0-	\$ (466,826)	\$ 5,024,302

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

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO SCHEDULES OF THE EXPENDITURE OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state grant activity of the Board of Education, Hardyston Township School District under programs of the federal and state governments for the fiscal year ended June 30, 2015. The information in these schedules is presented in accordance with the Federal Office of Management and Budget (OMB), *Audits of States, Local Governments and Non-Profit Organizations* and New Jersey's OMB Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the budgetary basis of accounting with the exception of programs recorded in the Food Service Fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements. Such expenditures are recognized following the cost principles contained in federal OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governmental Units*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through identifying numbers are presented where available.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$10,114) for the general fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Additionally, the schedule of expenditures of state awards does not include the on-behalf TPAF Pension Contributions and Post Retirement Contributions revenue of \$250,874 and \$398,263, respectively:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 3,167,979	\$ 3,167,979
Special Revenue Fund	\$ 218,118		218,118
Debt Service Fund		53,397	53,397
Enterprise Fund - Food Service	49,595	1,898	51,493
Total Awards	<u>\$ 267,713</u>	<u>\$ 3,223,274</u>	<u>\$ 3,490,987</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO SCHEDULES OF THE EXPENDITURE OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2015. Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively.

NOTE 6. NJ SCHOOLS DEVELOPMENT AUTHORITY (NJSDA) GRANT

In a prior year, the District was awarded grants totaling \$204,187 from the New Jersey Schools Development Authority (NJSDA) under the Educational Facilities Construction and Financing Act. As of June 30, 2015, the District had not drawn down these grant funds. In the Capital Projects Fund, the District realized the full amount of the grant funds as revenue on a budgetary basis when the grants were awarded and will realize the grant funds as revenue on a GAAP basis when the grant funds are expended and submitted for reimbursement.

HARDYSTON TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over major state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance Required by OMB Circular A-133 and New Jersey's OMB Circulars 04-04 and 15-08*.
- The auditors' report on compliance for the major state programs for the District expresses an unmodified opinion on all major state programs.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circulars 04-04 and 15-08 or Section 510(a) of Federal OMB Circular A-133.
- The District was not subject to the single audit provisions of Federal OMB Circular A-133 for fiscal year end June 30, 2015 as federal grant expenditures were less than the single audit threshold of \$500,000 identified in the Circular.
- The District's programs tested as major state programs for the current fiscal year consisted of the following state aid:

	<u>Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
State:				
State Aid - Public:				
Adjustment Aid	15-495-034-5120-085	7/1/14-6/30/15	\$ 1,162,080	\$ 1,162,080
Special Education Aid	15-495-034-5120-011	7/1/14-6/30/15	395,120	395,120
Security Aid	15-495-034-5120-084	7/1/14-6/30/15	53,906	53,906
School Choice Aid	15-495-034-5120-068	7/1/14-6/30/15	77,286	77,286
PARCC Readiness Aid	15-495-034-5120-098	7/1/14-6/30/15	7,540	7,540
Per Pupil Growth Aid	15-495-034-5120-097	7/1/14-6/30/15	7,540	7,540
Transportation Aid	15-495-034-5120-014	7/1/14-6/30/15	455,021	455,021
Reimbursed TPAF				
Social Security Contributions	15-495-034-5095-002	7/1/14-6/30/15	342,570	342,570

- The threshold used for distinguishing between Type A and Type B state programs was \$300,000.
- The District was determined to be a "low-risk" auditee for state programs.

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

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

HARDYSTON TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Summary of Auditors' Results: (Cont'd)

Findings and Questioned Costs for Federal Awards:

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

Findings and Questioned Costs for State Awards:

- The audit did not disclose any finding or questioned costs for state awards as defined in section 510(a) of the federal circular or NJOMB 04-04 and 15-08.

HARDYSTON TOWNSHIP SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Status of Prior Year Findings:

There were no findings or questioned costs for the fiscal year ended June 30, 2014.