

**HARDYSTON TOWNSHIP SCHOOL DISTRICT**

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

**Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2016**

**Comprehensive Annual  
Financial Report**

**of the**

**HARDYSTON TOWNSHIP SCHOOL DISTRICT**

**Hardyston, New Jersey**

**For the Fiscal Year Ended June 30, 2016**

**Prepared by**

**Hardyston Township School District  
Business Office**

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INTRODUCTORY SECTION

# Hardyston School District

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

Michael Ryder  
Chief School Administrator/Middle School Principal

James R. Sekelsky  
Business Administrator/Board Secretary

Jennifer Cimaglia  
Elementary School Principal

Robert J. Demeter  
Middle School Vice-Principal

November 14, 2016

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, 2016, 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 required to undergo an annual single audit in conformity with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey’s OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors’ reports on internal control and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, 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.

The middle school houses grades 5 through 8, making the elementary facility a pre-k through fourth building. The elementary school is located on State Highway Route 23, in the Borough of Franklin, NJ.

During the 2015-2016 school year, the two schools in the Hardyston Township School District provided education for 720 students in grades pre-kindergarten through grade eight with a staff of 78 professionals and a support staff of 32.5. Students in grades nine through twelve have the option of attending Walkkill 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. The District runs a Full-Day Kindergarten and an integrated preschool program with the parents of participating Pre-K general education 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.

Students in grades five through 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 focus 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. The District also has a number of classroom aides who work closely with classified students in accordance with their individual instructional plans.

The District, in partnership with the county of Sussex, is participating in a County Solar Initiative – this is in the form of a Power Purchase Agreement for the board of education. Both the middle and elementary schools have improved technology, networking software, and band-width. A legal settlement balance (middle school roof) will be budgeted over several years to offset the tax liability for the bond repayment.

The District refunded its existing debt in May 2016, generating a gross budgetary savings of \$1,507,912 over the life of the refunding bonds. The net present value savings was \$1,264,732, 13.08% of the refunded bonds.

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 a vote of the Board of Education. 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.

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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, 2016.

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.

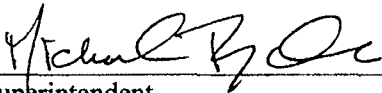
8) RISK MANAGEMENT: The Board carries various forms of insurance, including, but not limited to, general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds.

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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The Auditors' Report on the basic financial statements and specific required supplementary information are 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.

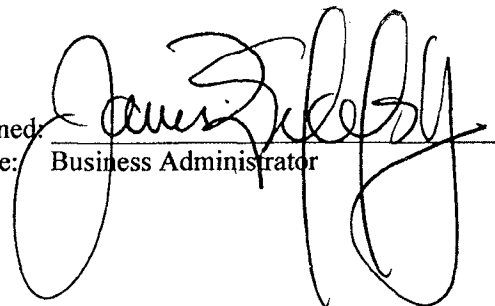
Respectfully submitted,

Signed:



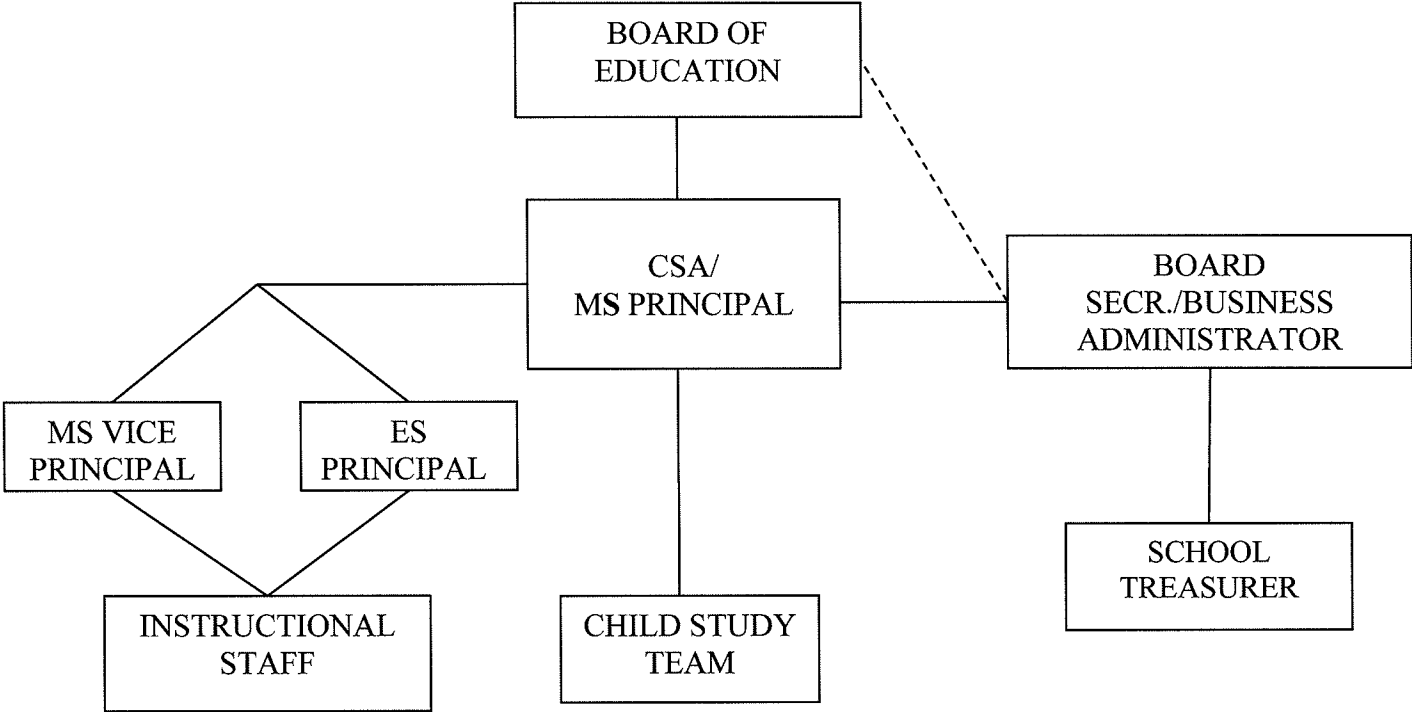
Title: Superintendent

Signed:



Title: Business Administrator

**HARDYSTON TOWNSHIP SCHOOL DISTRICT**



**HARDYSTON TOWNSHIP SCHOOL DISTRICT  
ROSTER OF OFFICIALS  
JUNE 30, 2016**

		<u>Term Expires</u>
<u>Members of the Board of Education</u>		
Dorothy Beltramine	President	2018
Ed Blahut	Vice President	2017
Donna Carey		2016
Nick Demsak		2017
Philip Giordano		2017
Ronald Hoffman		2018
Susana Pohl		2016
Michael Restel		2016
David VanGinneken		2018
<u>Other Officers</u>	<u>Title</u>	
Michael Ryder	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  
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Newton, New Jersey 07860

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P.O. Box 991  
Florham Park, New Jersey 07932-0991

**Bond Counsel**

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1037 Raymond Boulevard, Suite 400  
Newark, New Jersey 07102

**Architect**

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

**Official Depositories**

Sussex Bank  
399 Route 23  
Franklin, New Jersey 07416

New Jersey Cash Management Fund  
CN 290

Trenton, New Jersey 08625

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

FINANCIAL SECTION



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

Lawrence Business Center  
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 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, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, which follows this report, the pension schedules in Exhibits L-1 through L-4 and the related notes, and the budgetary comparison information in Exhibits C-1 through C-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *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 and the schedules of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and the other information, such as the introductory and statistical section are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

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



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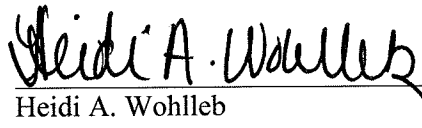
The accompanying other information such as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

November 14, 2016  
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, 2016  
(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, 2016. 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 \$15.47 million.
- Overall expenses were \$15.14 million.
- The District refunded bonds during the spring of 2016, generating gross savings of over \$1.5 million, or 13.08% net present value savings as a percentage of the refunded bonds.

**Overview of the Financial Statements**

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

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

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

**Figure A-1**

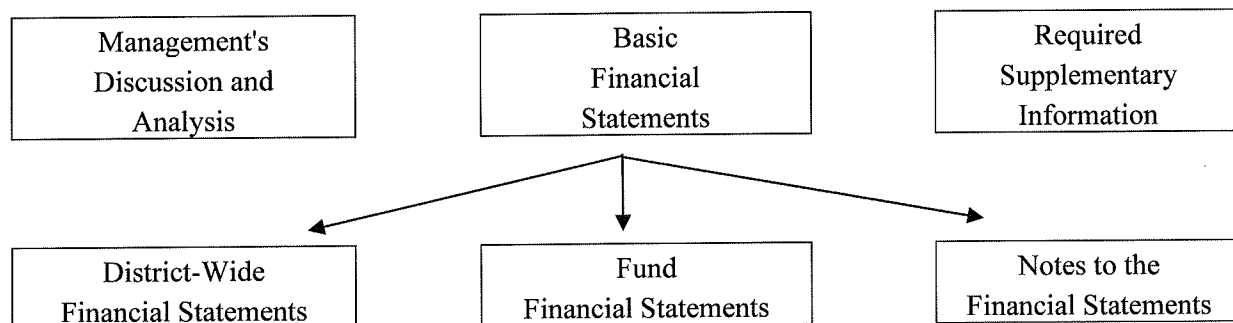


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents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

**Figure A-2**

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

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

## District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, 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 \$329,590. Net position from governmental activities increased by \$339,681, and net position from business-type activities decreased by \$10,091. Net investment in capital assets increased by \$644,197, restricted net position increased by \$543,031, and unrestricted net position decreased by \$857,638.

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

	Government Activities		Business-Type Activities		Total School District		Percentage
	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015	Change 2015/2016
<b>Assets:</b>							
Current and Other Assets	\$ 3,235,666	\$ 2,952,332	\$ 56,899	\$ 57,423	\$ 3,292,565	\$ 3,009,755	9.40%
Capital Assets, Net	14,588,721	15,076,986	24,393	33,277	14,613,114	15,110,263	-3.29%
Total Assets	<u>17,824,387</u>	<u>18,029,318</u>	<u>81,292</u>	<u>90,700</u>	<u>17,905,679</u>	<u>18,120,018</u>	-1.18%
Deferred Outflows of Resources	<u>577,504</u>	<u>67,679</u>			<u>577,504</u>	<u>67,679</u>	753.30%
<b>Liabilities:</b>							
Long-Term Liabilities	13,472,277	13,647,731			13,472,277	13,647,731	-1.29%
Other Liabilities	537,737	435,656	2,729	2,046	540,466	437,702	23.48%
Total Liabilities	<u>14,010,014</u>	<u>14,083,387</u>	<u>2,729</u>	<u>2,046</u>	<u>14,012,743</u>	<u>14,085,433</u>	-0.52%
Deferred Inflows of Resources	<u>568,725</u>	<u>530,139</u>			<u>568,725</u>	<u>530,139</u>	7.28%
<b>Net Position:</b>							
Net Investment in Capital							
Assets	4,529,432	3,876,351	24,393	33,277	4,553,825	3,909,628	16.48%
Restricted	2,630,866	2,087,835			2,630,866	2,087,835	26.01%
Unrestricted/(Deficit)	<u>(3,337,146)</u>	<u>(2,480,715)</u>	<u>54,170</u>	<u>55,377</u>	<u>(3,282,976)</u>	<u>(2,425,338)</u>	-35.36%
Total Net Position	<u>\$ 3,823,152</u>	<u>\$ 3,483,471</u>	<u>\$ 78,563</u>	<u>\$ 88,654</u>	<u>\$ 3,901,715</u>	<u>\$ 3,572,125</u>	9.23%

*Changes in Net Position.* The District's combined net position was \$3,901,715 on June 30, 2016, \$329,590 or 9.23% greater than it was the year before. (See Figure A-3). The net position of the business-type activities decreased by \$10,091 and the net position of the governmental activities increased by \$339,681 (See Figure A-4). The increase in net investment in capital assets is due to capital asset additions of \$64,365, capital asset adjustments of \$3,868, the change in the deferred amount on refunding of \$196,346, serial bond debt defeased of \$9,665,000 due to a refunding and current year maturities of serial bonds of \$540,000 offset by current year depreciation expense of \$565,382 and new refunding bonds issued in the amount of \$9,260,000. The increase in restricted net position is due primarily to an increase in the capital reserve of \$352,170, an increase in maintenance reserve of \$274,251 and an increase in debt service fund fund balance of \$6,610 less Capital Projects Fund expenditures of \$50,000 and a \$40,000 withdrawal from the emergency reserve. The decrease in unrestricted net position of \$857,638 is due to a decrease in fund balance designated for subsequent year's expenditures of \$30,000, a decrease of \$59,225 in the committed capital projects fund balance, an increase in net pension liability of \$123,383, an increase in unamortized bond premium of \$698,165, an increase in deferred inflows of \$38,586 (a decrease in investment gains in pensions of \$87,019 and an increase in change of proportions related to pensions of \$125,605) a decrease of year end encumbrances of \$124,674, a decrease in business-type activities unrestricted net position of \$1,207, a decrease in unassigned fund balance of \$5,675, an increase in accrued interest of \$49,044, offset by an increase in deferred outflows of \$220,319 related to the change in assumptions in pensions and the difference between expected and actual experience in pensions, and a decrease in compensated absences of \$52,002.

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

	Governmental Activities		Business-Type Activities		Total School District		Percentage
	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015	Change
<b>Revenue:</b>							
<b>Program Revenue:</b>							
Charges for Services			\$ 118,257	\$ 120,263	\$ 118,257	\$ 120,263	-1.67%
Operating Grants & Contributions	\$ 3,712,607	\$ 3,165,618	54,740	51,493	3,767,347	3,217,111	17.10%
<b>General Revenue:</b>							
Property Taxes	10,119,921	9,978,402			10,119,921	9,978,402	1.42%
Federal and State Aid Unrestricted	1,385,421	1,352,102			1,385,421	1,352,102	2.46%
Other	75,433	62,642	76	114	75,509	62,756	20.32%
<b>Total Revenue</b>	<b>15,293,382</b>	<b>14,558,764</b>	<b>173,073</b>	<b>171,870</b>	<b>15,466,455</b>	<b>14,730,634</b>	<b>5.00%</b>
<b>Expenses:</b>							
Instruction	8,417,866	8,346,663			8,417,866	8,346,663	0.85%
Pupil and Instruction Services	2,028,667	1,761,630			2,028,667	1,761,630	15.16%
Administrative and Business	1,388,045	1,332,686			1,388,045	1,332,686	4.15%
Maintenance and Operations	1,418,889	1,331,324			1,418,889	1,331,324	6.58%
Transportation	931,415	887,322			931,415	887,322	4.97%
Other	768,819	608,090	183,164	200,296	951,983	808,386	17.76%
<b>Total Expenses</b>	<b>14,953,701</b>	<b>14,267,715</b>	<b>183,164</b>	<b>200,296</b>	<b>15,136,865</b>	<b>14,468,011</b>	<b>4.62%</b>
<b>Increase in Net Position</b>	<b>\$ 339,681</b>	<b>\$ 291,049</b>	<b>\$ (10,091)</b>	<b>\$ (28,426)</b>	<b>\$ 329,590</b>	<b>\$ 262,623</b>	<b>25.50%</b>

*Revenue Sources.* The District's total revenue for the 2015/2016 school year was \$15,466,455, (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$10,119,921 of the total, or 65.43 percent. (See Figure A-5). Approximately 33.32 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 2016**

	Amount	Percentage
<b>Sources of Income:</b>		
Federal and State Aid Unrestricted	\$ 1,385,421	8.96%
Property Taxes	10,119,921	65.43%
Federal and State Categorical Grants	3,767,347	24.36%
Charges for Services	118,257	0.76%
Other	75,509	0.49%
	<b>\$ 15,466,455</b>	<b>100.00%</b>

The total cost of all programs and services was \$15,136,865. The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students (75.16 percent). (See Figure A-6). The District's administrative and maintenance and operations activities accounted for 18.55 percent of total costs. It is important to remember that \$565,382 in depreciation is included in expenses for the year.

**Figure A-6**  
**Sources of School District Expenses - Fiscal Year 2016**

Expense Category:	<u>Amount</u>	<u>Percentage</u>
Instruction	\$ 8,417,866	55.61%
Pupil and Instruction Services	2,028,667	13.40%
Administrative and Business	1,388,045	9.17%
Maintenance and Operations	1,418,889	9.38%
Transportation	931,415	6.15%
Other	951,983	6.29%
	<u>\$ 15,136,865</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 Schools Health Insurance Fund resulting in lower cost health benefit insurance premiums.
- 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	
	2015/2016	2014/2015	2015/2016	2014/2015
Instruction	\$ 8,417,866	\$ 8,346,663	\$ 6,158,089	\$ 6,366,147
Pupil and Instruction Services	2,028,667	1,761,630	1,471,050	1,387,615
Administrative and Business	1,388,045	1,332,686	1,112,221	1,108,916
Maintenance and Operations	1,418,889	1,331,324	1,263,880	1,211,249
Transportation	931,415	887,322	467,035	420,080
Other	768,819	608,090	768,819	608,090
	<u>\$ 14,953,701</u>	<u>\$ 14,267,715</u>	<u>\$ 11,241,094</u>	<u>\$ 11,102,097</u>

- The cost of all governmental activities this year was \$14.95 million.
- The federal and state governments subsidized certain programs with grants and contributions totaling \$5.10 million.
- Approximately \$10.12 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 \$10,091 due to an excess of expenses over revenues not offset by a decrease in food service expenses of \$17,132 (Refer to Figure A-4).

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

The District's financial position remains strong despite difficult economic times. Expenditures remain elevated 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 \$14,588,721 in capital assets as shown in Figure A-8. There were capital additions of \$64,365, capital asset adjustments of \$3,868, offset by depreciation expense of \$565,382. (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
	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015	Change
Land	\$ 362,892	\$ 362,892			\$ 362,892	\$ 362,892	0.00%
Construction in Progress	1,007,952	948,727			1,007,952	948,727	6.24%
Site Improvements	100,541	127,844			100,541	127,844	-21.36%
Buildings and							
Building Improvements	12,896,739	13,365,746			12,896,739	13,365,746	-3.51%
Machinery and Equipment	220,597	271,777	\$ 24,393	\$ 33,277	244,990	305,054	-19.69%
	<u>\$ 14,588,721</u>	<u>\$ 15,076,986</u>	<u>\$ 24,393</u>	<u>\$ 33,277</u>	<u>\$ 14,613,114</u>	<u>\$ 15,110,263</u>	<u>-3.29%</u>

### Long-term Liabilities

At year-end, the District had \$10,259,000 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**  
**Long-Term Liabilities**

	Total School District		Percentage
	2015/2016	2014/2015	Change
General Obligation Bonds (Financed with Property Taxes)	\$ 10,259,000	\$ 11,204,000	-8.43%
Unamortized Bond Issuance Premium	712,147	13,982	4993.31%
Net Pension Liability	2,168,657	2,045,274	6.03%
Compensated Absences	332,473	384,475	-13.53%
	<u>\$ 13,472,277</u>	<u>\$ 13,647,731</u>	<u>-1.29%</u>

- The District continued to pay down its debt, retiring \$540,000 of outstanding bonds.
- The District refunded its 2006 Refunding Bonds thereby defeasing \$9,665,000 of those bonds and issuing \$9,260,000 in 2016 Refunding Bonds.
- Compensated absences payable decreased by a net amount of \$52,002.
- The Net Pension Liability increased by \$123,383.

### Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following circumstances 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 and maintenance reserves in order to address short-term required maintenance and long term facilities planning, respectively.

### 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, 2016

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,056,926	\$ 39,925	\$ 1,096,851
Receivables From State Government	24,300	279	24,579
Receivables From Federal Government	20,078	5,457	25,535
Internal Balances	(6,679)	6,679	
Interfund Receivable	25,533		25,533
Inventories		4,559	4,559
Restricted Assets:			
Cash and Cash Equivalents	2,115,508		2,115,508
Capital Assets:			
Sites (Land) and Construction in Progress	1,370,844		1,370,844
Depreciable Buildings and Building Improvements and Machinery and Equipment	13,217,877	24,393	13,242,270
Total Assets	<u>17,824,387</u>	<u>81,292</u>	<u>17,905,679</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Amount on Refunding	199,711		199,711
Changes in Assumptions - Pensions	232,896		232,896
Difference between Expected and Actual Experience - Pensions	51,737		51,737
District Contribution Subsequent to Measurement Date - Pensions	93,160		93,160
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>577,504</u>		<u>577,504</u>
<b>LIABILITIES</b>			
Accrued Interest Payable	236,109		236,109
Accounts Payable	286,854		286,854
Interfund Payable	10,746		
Payable to Federal Government	28		28
Unearned Revenue	4,000	2,729	6,729
Noncurrent Liabilities:			
Due Within One Year	797,720		797,720
Due Beyond One Year	12,674,557		12,674,557
Total Liabilities	<u>14,010,014</u>	<u>2,729</u>	<u>14,001,997</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Investment Gains - Pensions	34,868		34,868
Changes in Proportions - Pensions	533,857		533,857
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>568,725</u>		<u>568,725</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	4,529,432	24,393	4,553,825
Restricted for:			
Maintenance Reserve	637,536		637,536
Emergency Reserve	11,926		11,926
Debt Service	6,610		6,610
Capital Projects	1,974,794		1,974,794
Unrestricted/(Deficit)	(3,337,146)	54,170	(3,282,976)
Total Net Position	<u>\$ 3,823,152</u>	<u>\$ 78,563</u>	<u>\$ 3,901,715</u>

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

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities:</b>						
<b>Instruction:</b>						
Regular	\$ 6,105,693		\$ 1,302,944	\$ (4,802,749)		\$ (4,802,749)
Special Education	2,051,433		895,073	(1,156,360)		(1,156,360)
Other Special Instruction	176,024		41,730	(134,294)		(134,294)
School-Sponsored /Other Instruction	84,716		20,030	(64,686)		(64,686)
<b>Support Services:</b>						
Tuition	223,091		88,460	(134,631)		(134,631)
Student & Instruction Related Services	1,805,576		469,157	(1,336,419)		(1,336,419)
General Administrative Services	382,351		49,906	(332,445)		(332,445)
School Administrative Services	677,761		154,806	(522,955)		(522,955)
Central Services	320,943		71,112	(249,831)		(249,831)
Administration Information Technology	6,990			(6,990)		(6,990)
Plant Operations and Maintenance	1,418,889		155,009	(1,263,880)		(1,263,880)
Pupil Transportation	931,415		464,380	(467,035)		(467,035)
Interest on Long-Term Debt	470,241			(470,241)		(470,241)
Capital Outlay	148,834			(148,834)		(148,834)
Transfer of Funds to Charter Schools	149,744			(149,744)		(149,744)
<b>Total Governmental Activities</b>	<b>14,953,701</b>		<b>3,712,607</b>	<b>(11,241,094)</b>		<b>(11,241,094)</b>

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		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Business-Type Activities:						
Proprietary Funds	\$ 183,164	\$ 118,257	\$ 54,740		\$ (10,167)	\$ (10,167)
Total Business-Type Activities	183,164	118,257	54,740		(10,167)	(10,167)
Total Primary Government	<u>\$ 15,136,865</u>	<u>\$ 118,257</u>	<u>\$ 3,767,347</u>	<u>\$ (11,241,094)</u>	<u>(10,167)</u>	<u>(11,251,261)</u>
General Revenue:						
Property Taxes, Levied for General Purposes, Net				9,241,246		9,241,246
Taxes Levied for Debt Service				878,675		878,675
Federal and State Aid not Restricted				1,385,421		1,385,421
Miscellaneous Income				75,433	76	75,509
Total General Revenue				<u>11,580,775</u>	<u>76</u>	<u>11,580,851</u>
Change in Net Position				339,681	(10,091)	329,590
Net Position - Beginning				<u>3,483,471</u>	<u>88,654</u>	<u>3,572,125</u>
Net Position - Ending				<u>\$ 3,823,152</u>	<u>\$ 78,563</u>	<u>\$ 3,901,715</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, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 664,760		\$ 385,556	\$ 6,610	\$ 1,056,926
Receivables From State Government	24,300				24,300
Receivables From Federal Government		\$ 20,078			20,078
Interfund Receivables	38,409		186,772		225,181
Restricted Cash and Cash Equivalents:					
Emergency Reserve Account	11,926				11,926
Maintenance Reserve Account	637,536				637,536
Capital Reserve Account	1,466,046				1,466,046
<b>Total Assets</b>	<b>\$ 2,842,977</b>	<b>\$ 20,078</b>	<b>\$ 572,328</b>	<b>\$ 6,610</b>	<b>\$ 3,441,993</b>
<b>LIABILITIES AND FUND BALANCES:</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 190,520	\$ 3,174			\$ 193,694
Interfund Payable	204,197	12,876			217,073
Payable to Federal Government		28			28
Unearned Revenue		4,000			4,000
<b>Total Liabilities</b>	<b>394,717</b>	<b>20,078</b>			<b>414,795</b>
<b>Fund Balances:</b>					
<b>Restricted:</b>					
Capital Reserve Account	1,466,046				1,466,046
Emergency Reserve Account	11,926				11,926
Maintenance Reserve Account	637,536				637,536
Capital Projects Fund			\$ 508,748		508,748
Debt Service				\$ 6,610	6,610
<b>Committed:</b>					
Capital Projects Fund			63,580		63,580
<b>Assigned for:</b>					
Year End Encumbrances	219,738				219,738
Subsequent Year's Expenditures	66,000				66,000

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
LIABILITIES AND FUND BALANCES (Cont'd):					
Fund Balances (Cont'd):					
Unassigned	\$ 47,014				\$ 47,014
Total Fund Balances	2,448,260		\$ 572,328	\$ 6,610	3,027,198
Total Liabilities and Fund Balances	\$ 2,842,977	\$ 20,078	\$ 572,328	\$ 6,610	\$ 3,441,993
Amounts Reported for Governmental Activities in the Statement of Net Position (A-1) are Different Because:					
Total Fund Balances From Above					\$ 3,027,198
Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the Funds. The cost of the assets is \$23,948,887 and the accumulated depreciation is \$9,360,166.					14,588,721
Bond Premiums are reported as a revenue in the Governmental Funds. The premium is \$756,137 and the accumulated amortization is \$43,990.					(712,147)
The Deferred amount on the refunding is not Reported as an Expenditure in the Governmental Funds in the Year of the Expenditure.					199,711
The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.					(2,168,657)
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					232,896
Difference between Expected and Actual Experience					51,737
Investments in Gains - Pensions					(34,868)
Changes in Proportions - Pensions					(533,857)
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.					(10,591,473)
Interest on Long-Term Debt is not accrued in the Governmental Funds, but rather is recognized as an expenditure when due.					(236,109)
Net Position of Governmental Activities					\$ 3,823,152

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUE:</b>					
<b>Local Sources:</b>					
Local Tax Levy	\$ 9,241,246			\$ 878,675	\$ 10,119,921
Interest Earned on Maintenance Reserve	929				929
Interest Earned on Capital Reserve	2,170				2,170
Miscellaneous	72,334				72,334
<b>Total - Local Sources</b>	<b>9,316,679</b>			<b>878,675</b>	<b>10,195,354</b>
State Sources	3,380,135			53,856	3,433,991
Federal Sources		\$ 246,548			246,548
<b>Total Revenue</b>	<b>12,696,814</b>	<b>246,548</b>		<b>932,531</b>	<b>13,875,893</b>
<b>EXPENDITURES:</b>					
<b>Current:</b>					
Regular Instruction	3,529,769	42,299			3,572,068
Special Education Instruction	1,259,322	51			1,259,373
Other Special Instruction	107,501				107,501
School-Sponsored/Other Instruction	51,599				51,599
<b>Support Services and Undistributed Costs:</b>					
Tuition	134,631	88,460			223,091
Student & Instruction Related Services	1,111,466	115,738			1,227,204
General Administrative Services	300,401				300,401
School Administrative Services	407,213				407,213
Central Services	204,172				204,172
Administration Information Technology	6,990				6,990
Plant Operations and Maintenance	1,019,922				1,019,922
Pupil Transportation	931,415				931,415

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
EXPENDITURES:					
Support Services and Undistributed Costs (Cont'd):					
Unallocated Benefits	\$ 2,898,755				\$ 2,898,755
Debt Service:					
Principal				\$ 540,000	540,000
Interest and Other Charges				442,531	442,531
Capital Outlay	157,842		\$ 59,225		217,067
Transfer of Funds to Charter Schools	149,744				149,744
Total Expenditures	<u>12,270,742</u>	<u>\$ 246,548</u>	<u>59,225</u>	<u>982,531</u>	<u>13,559,046</u>
Excess/(Deficit) of Revenues Over/(Under) Expenditures	426,072		(59,225)	(50,000)	316,847
Other Financing Sources/(Uses):					
Refunding Bonds Issued				9,260,000	9,260,000
Bond Premium				721,182	721,182
Serial Bonds Defeased				(9,665,000)	(9,665,000)
Bond Issuance Costs				(111,543)	(111,543)
Deferred Amount on Refunding				(198,029)	(198,029)
Transfers In/(Out)			(50,000)	50,000	
Total Other Financing Sources/(Uses)			<u>(50,000)</u>	<u>56,610</u>	<u>6,610</u>
Excess/(Deficit) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	426,072		(109,225)	6,610	323,457
Fund Balance - July 1	<u>2,022,188</u>		<u>681,553</u>		<u>2,703,741</u>
Fund Balance - June 30	<u>\$ 2,448,260</u>	<u>\$ - 0 -</u>	<u>\$ 572,328</u>	<u>\$ 6,610</u>	<u>\$ 3,027,198</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, 2016

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ 323,457

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 and deletion of capital assets net of accumulated depreciation and adjustments in the current period.

	Depreciation expense	\$ (556,498)	
Deletion of Capital Assets, net of Accumulated Depreciation and Adjustments		3,868	
Capital Outlays		64,365	(488,265)

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 (+). 52,002

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities. (+) 540,000

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. (+) 23,017

The governmental funds report the effect of the deferred amount on the refunding when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities (-) (1,683)

Proceeds from debt issued for a refunding less the amount of bonds defeased are not recorded in the governmental fund.

	Refunding Bonds Issued	\$ (9,260,000)	
Refunding Bond Premium		(721,182)	
Refunding Bonds Deferred Amount on the Refunding		198,029	
School Bonds Defeased		9,665,000	(118,153)

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:

Changes in Net Pension Liability			(123,383)
Deferred Outflows:			
Changes in Assumptions			168,582
Difference between Expected and Actual Experience			51,737
Deferred Inflows:			
Net Difference between projected and actual investment earnings on Pension Plan Investments			87,019
Changes in Proportions			(125,605)

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 accrued interest exceeds the interest paid, the reconciliation (-); when the interest paid exceeds the accrued interest, the difference is an addition to the reconciliation (+). (49,044)

\$ 339,681

Exhibit B-4

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF NET POSITION  
JUNE 30, 2016

ASSETS:

## Current Assets:

Cash and Cash Equivalents	\$ 39,925
Accounts Receivable:	
State	279
Federal	5,457
Interfund Receivable - General Fund	6,679
Inventories	4,559

Total Current Assets	<u>56,899</u>
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## Non-Current Assets:

Capital Assets	221,299
Less: Accumulated Depreciation	<u>(196,906)</u>

Total Non-Current Assets	<u>24,393</u>
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Total Assets	<u>81,292</u>
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LIABILITIES:

## Current Liabilities:

Unearned Revenue	2,116
Unearned Revenue - Prepaid Sales	<u>613</u>

Total Current Liabilities	<u>2,729</u>
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NET POSITION:

Investment in Capital Assets	24,393
Unrestricted	<u>54,170</u>

Total Net Position	<u>\$ 78,563</u>
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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, 2016

Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 104,728
Daily Sales - Non Reimbursable Programs	13,529
	<hr/>
Total Operating Revenue	118,257
	<hr/>
Operating Expenses:	
Cost of Sales - Reimbursable Programs	73,991
Cost of Sales - Non Reimbursable Programs	4,055
Salaries, Benefits, and Payroll Taxes	67,386
Management Fee	7,812
Supplies, Insurance & Other Costs	21,036
Depreciation Expense	8,884
	<hr/>
Total Operating Expenses	183,164
	<hr/>
Operating Loss	(64,907)
	<hr/>
Non-Operating Revenue:	
State Sources:	
State School Lunch Program	1,826
Federal Sources:	
National School Lunch Program	35,559
Food Distribution Program	17,355
Local Sources:	
Interest Income	76
	<hr/>
Total Non-Operating Revenue	54,816
	<hr/>
Change in Net Position	(10,091)
	<hr/>
Net Position - Beginning of Year	88,654
	<hr/>
Net Position - End of Year	\$ 78,563
	<hr/> <hr/>

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

Exhibit B-6

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 118,257
Payments to Employees	(48,841)
Payments to Suppliers	(18,545)
Payments to Food Service Vendor	(132,484)
	<hr/>
Net Cash Used for Operating Activities	(81,613)
Cash Flows from Noncapital Financing Activities:	
Cash Received from State and Federal Reimbursements	44,186
	<hr/>
Net Cash Provided by Noncapital Financing Activities	44,186
Cash Flows from Investing Activities:	
Investment Income	76
	<hr/>
Net Cash Flows Provided by Investing Activities	76
Net Decrease in Cash and Cash Equivalents	(37,351)
Cash and Cash Equivalents, July 1	77,276
	<hr/>
Cash and Cash Equivalents, June 30	\$ 39,925
	<hr/> <hr/>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (64,907)
Adjustment to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Federal Food Distribution Program	17,355
Depreciation	8,884
Changes in Assets and Liabilities:	
(Increase) in Interfund Receivable	(6,679)
Decrease in Inventories	558
(Decrease) in Interfund Payable	(37,507)
Increase in Unearned Revenue	70
Increase in Unearned Revenue - Prepaid Sales	613
	<hr/>
Net Cash Used for Operating Activities	\$ (81,613)
	<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 \$17,425 and utilized commodities valued at \$17,355.



Exhibit B-7

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
FIDUCIARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2016

	Agency	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Trust
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 105,036	\$ 137,738	\$ 1,866	\$ 3,007
Investments				2,297
Interfund Receivable:				
General Fund	746	10,000		
Payroll Agency Fund		11,090		
Total Assets	105,782	158,828	1,866	5,304
<u>LIABILITIES:</u>				
Liabilities:				
Payroll Deductions and Withholdings	30,939			
Due to Student Groups	38,220			
Interfund Payable:				
General Fund	25,533			
Unemployment Compensation Trust Fund	11,090			
Total Liabilities	105,782			
<u>NET POSITION:</u>				
Held in Trust for				
Unemployment Claims		158,828		
Restricted for Flexible Spending Claims			1,866	
Restricted for Scholarships				5,304
Total Net Position	\$ -0-	\$ 158,828	\$ 1,866	\$ 5,304

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, 2016

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>	<u>Flexible Spending Trust</u>
Additions:			
Contributions:			
Plan Members	\$ 11,216		\$ 8,725
Employer - Budget Appropriation	10,000		
Total Contributions	<u>21,216</u>		<u>8,725</u>
Investment Earnings:			
Interest	129	\$ 10	1
Net Investment Earnings	<u>129</u>	<u>10</u>	<u>1</u>
Total Additions	<u>21,345</u>	<u>10</u>	<u>8,726</u>
Deductions:			
State of New Jersey Unemployment Claims	12,542		
Flexible Spending Claims			11,148
Total Deductions	<u>12,542</u>		<u>11,148</u>
Change in Net Position	8,803	10	(2,422)
Net Position—Beginning of the Year	<u>150,025</u>	<u>5,294</u>	<u>4,288</u>
Net Position—End of the Year	<u>\$ 158,828</u>	<u>\$ 5,304</u>	<u>\$ 1,866</u>

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, 2016

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.

B. Basis of Presentation

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, 2016

(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, 2016  
(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, 2016 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, 2016

(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.

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 12,699,392	\$ 246,548
Differences - Budget to GAAP:		
Prior Year State Aid Payments, not Recognized for Budgetary Purposes, Recognized for GAAP Statements	209,782	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(212,360)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 12,696,814	\$ 246,548

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(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	\$ 12,270,742	\$ 246,548
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 12,270,742	\$ 246,548
		Capital Projects Fund
Fund Balance per Governmental Funds (Budgetary Basis)		\$ 776,515
Reconciliation to Governmental Fund Statements (GAAP):		
SDA Grant Revenue/Receivable not Recognized on GAAP Basis		(204,187)
Fund Balance per Governmental Funds (GAAP)		\$ 572,328

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, 2016

(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, 2016.

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, 2016  
(Continued)

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

K. Capital Assets: (Cont'd)

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 and Building Improvements	50 years
Site Improvements	20 years
Machinery 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 funds 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 an other financing source. 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, 2016.

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 various employee union 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, 2016  
(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 \$2,448,260 General Fund fund balance at June 30, 2016, \$1,466,046 is restricted in the capital reserve account; \$637,536 is restricted in the maintenance reserve account; \$11,926 is restricted in the emergency reserve account, \$219,738 is assigned for current year encumbrances, \$66,000 of assigned fund balance has been appropriated and included as revenue for the fiscal year ended June 30, 2017, and \$47,014 is unassigned which is \$212,360 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, 2017.

Capital Projects Fund: The Capital Projects Fund balance at June 30, 2016 is \$572,328 of which \$508,748 is restricted and \$63,580 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, 2016 is \$6,610 of which \$6,610 is restricted.

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, 2016.

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$212,360 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 \$3,337,146 in the governmental activities, which is due to accrued interest payable of \$236,109, \$332,473 of compensated absences payable, \$2,168,657 of net pension liability, \$712,147 of an unamortized bond premium, unamortized deferred inflows related to investment gains in pensions of \$34,868 and changes in proportions related to pensions of \$533,857, offset by unassigned Capital Projects Fund fund balance of \$63,580, as well as \$47,014 of unassigned fund balance, \$219,738 of year end encumbrances, \$66,000 of fund balance designated for subsequent year's expenditures in the General Fund and \$232,896 of deferred outflows related to change in assumptions in pensions and \$51,737 related to the difference between expected and actual experience 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, 2016

(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 deferred outflows of resources at June 30, 2016 for the deferred amount on refunding of debt related to the District's 2016 refunding bonds, changes in assumptions in pensions, the difference between expected and actual pension experience and the District contribution subsequent to the measurement date related to pensions. The District had deferred inflows of resources at June 30, 2016 for the changes in proportion in pension and the net difference between projected and actual investment earnings on pension plan investments.

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, the Capital Projects Fund and the Debt Service 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, 2016.

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, 2016 in the General Fund.

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(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, 2016  
(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.

Custodial Credit Risk - The District does not have a policy with respect to custodial credit risk. However, the District ensures that District funds are only deposited in financial institutions in which NJ school districts are permitted to invest their funds.

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, 2016  
(Continued)

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

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, 2016, 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	\$ 1,342,811	\$ 1,466,046	\$ 637,536	\$ 11,926		\$ 3,458,319
New Jersey Cash Management Fund	1,687					1,687
Certificates of Deposit					\$ 2,297	2,297
	<u>\$ 1,344,498</u>	<u>\$ 1,466,046</u>	<u>\$ 637,536</u>	<u>\$ 11,926</u>	<u>\$ 2,297</u>	<u>\$ 3,462,303</u>

During the period ended June 30, 2016, 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, 2016, was \$3,462,303 and the bank balance was \$3,793,945. The \$1,687 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, 2016  
(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, 2015	\$ 1,113,876
Increased by Deposit - June 14, 2016 Board Resolution	350,000
Interest Earnings	<u>2,170</u>
Ending Balance, June 30, 2016	<u><u>\$ 1,466,046</u></u>

The June 30, 2016 balance in the capital reserve account does not exceed the balance in the LRFP balance of local support costs of uncompleted capital projects at June 30, 2016.

NOTE 5. EMERGENCY RESERVE ACCOUNT

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

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

The activity of the emergency reserve for the July 1, 2015 to June 30, 2016 fiscal year is as follows:

Beginning Balance, July 1, 2015	\$ 51,926
Less: Budgeted Withdrawal	<u>(40,000)</u>
Ending Balance, June 30, 2016	<u><u>\$ 11,926</u></u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(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, 2015 to June 30, 2016 fiscal year is as follows:

Beginning Balance, July 1, 2015	\$ 363,285
Increased by Deposit - June 14, 2016 Board Resolution	273,322
Interest Earnings	<u>929</u>
Ending Balance, June 30, 2016	<u><u>\$ 637,536</u></u>



HARDYSTON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 7. CAPITAL ASSETS

Capital asset balances and activity for the fiscal year ended June 30, 2016 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	948,727	\$ 59,225		1,007,952
Total Capital Assets not Being Depreciated	1,311,619	59,225		1,370,844
Capital Assets Being Depreciated:				
Site Improvements	604,002			604,002
Buildings and Building Improvements	19,972,876			19,972,876
Machinery and Equipment	2,011,025	5,140	\$ (15,000)	2,001,165
Total Capital Assets Being Depreciated	22,587,903	5,140	(15,000)	22,578,043
Governmental Activities Capital Assets	23,899,522	64,365	(15,000)	23,948,887
Less Accumulated Depreciation for:				
Site Improvements	(476,158)	(26,469)	(834)	(503,461)
Buildings and Building Improvements	(6,607,130)	(469,007)		(7,076,137)
Machinery and Equipment	(1,739,248)	(61,022)	19,702	(1,780,568)
Total Accumulated Depreciation	(8,822,536)	(556,498)	18,868	(9,360,166)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 15,076,986</u>	<u>\$ (492,133)</u>	<u>\$ 3,868</u>	<u>\$ 14,588,721</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 221,299			\$ 221,299
Less Accumulated Depreciation	(188,022)	\$ (8,884)		(196,906)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 33,277</u>	<u>\$ (8,884)</u>	<u>\$ -0-</u>	<u>\$ 24,393</u>

As of June 30, 2016, the District has \$267,767 in active construction projects.

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 510,865
School Administrative Services	15,026
Plant Operations and Maintenance	30,607
	<u>\$ 556,498</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 8. TRANSFERS TO CAPITAL OUTLAY

During the fiscal year ended June 30, 2016, the District did not transfer any funds into the capital outlay accounts.

NOTE 9. OPERATING LEASES

The District entered into one lease for all of its copiers during the fiscal year ended June 30, 2015. Payments on this lease began in the fiscal year 2016 and will be payable over the next few years. Future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2017	\$ 19,152
2018	19,152
2019	19,152
2020	19,152
Total Future Minimum Lease Payments	<u>\$ 76,608</u>

NOTE 10. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2016, the following changes occurred in liabilities reported in the district-wide financial statements:

	<u>Balance</u> <u>June 30, 2015</u>	<u>Accrued</u>	<u>Retired</u>	<u>Defeased</u>	<u>Balance</u> <u>June 30, 2016</u>
Serial Bonds Payable	\$ 11,204,000	\$ 9,260,000	\$ 540,000	\$ 9,665,000	\$ 10,259,000
Unamortized Bond Issuance Premium	13,982	721,182	23,017		712,147
Net Pension Liability	2,045,274	123,383			2,168,657
Compensated Absences Payable	384,475	13,998	66,000		332,473
	<u>\$ 13,647,731</u>	<u>\$ 10,118,563</u>	<u>\$ 629,017</u>	<u>\$ 9,665,000</u>	<u>\$ 13,472,277</u>

A. Unamortized Bond Issuance Premium

The unamortized bond issuance premium of the governmental fund types is recorded in the noncurrent liabilities. The current portion of the unamortized bond issuance premium balance of the governmental funds is \$55,070 and is separated from the long-term liability balance of \$657,077.

B. 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 April 7, 2016, the District issued refunding school bonds of \$9,260,000 with interest rates ranging from 2.00% to 4.00% to refund \$9,665,000 of 2006 refunding school bonds with interest rates ranging from 4.000% to 5.000%. The bonds mature on August 1, 2016 through 2031 and August 1, 2026 is the first optional redemption date. 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 2006 refunding school bonds were called on August 1, 2016. The 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 refunding, the District will realize a total of \$1,507,912 in cash savings over the life of the bond issue. On a net present value basis, the savings equate to \$1,264,732, or 13.08% of the bonds refunded.

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

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

B. Bonds Payable (Cont'd):

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. On April 17, 2016 the District refunded \$9,655,000 of these funds as detailed on the prior page.

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

On November 22, 2011, the District issued refunding school bonds of \$1,790,000 with interest rates of 2.00% to advance refund \$1,750,000 school bonds from the March 15, 2001 issue with interest rates of 4.785% to 4.8%. The bonds mature on August 1, 2012 through 2016 and August 1, 2014 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, 2016 as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Final Date of Maturity</u>	<u>Balance June 30, 2016</u>
Refunding Bonds of 2006	4.125% - 4.250%	08/01/16	\$ 35,000
Roof Project Bonds of 2009	3.500% - 3.750%	08/01/19	589,000
Refunding Bonds of 2011	2.000%	08/01/16	375,000
Refunding Bonds of 2016	2.000% - 4.000%	08/01/31	9,260,000
			<u>\$ 10,259,000</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

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

B. Bonds Payable (Cont'd):

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

Fiscal Year	Bonds		Total
	Principal	Interest	
2017	\$ 735,000	\$ 242,438	\$ 977,438
2018	595,000	302,456	897,456
2019	615,000	287,956	902,956
2020	639,000	270,331	909,331
2021	500,000	252,669	752,669
2022-2026	2,860,000	973,469	3,833,469
2027-2032	4,315,000	429,847	4,744,847
	<u>\$ 10,259,000</u>	<u>\$ 2,759,166</u>	<u>\$ 13,018,166</u>

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

C. Bonds Authorized But Not Issued:

As of June 30, 2016, the Board has \$408,500 of bonds authorized but not issued.

D. Compensated Absences Payable:

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities. The current portion of the compensated absences balance of the governmental funds is \$7,650 and is separated from the long-term liability balance of compensated absences of \$324,823. The General Fund will be used to liquidate the governmental funds Compensated Absences Payable.

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, 2016, no liability existed for compensated absences in the Food Service Fund.

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

E. 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, 2016 is \$-0- and the long-term portion is \$2,168,657. 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).

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(Continued)

NOTE 11. PENSION PLANS (Cont'd)

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](http://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 1/55<sup>th</sup> 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 1/60<sup>th</sup> 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 members 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.

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 \$83,057 for fiscal year 2016.

The employee contribution rate was 7.06% effective July 1, 2015. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1<sup>st</sup> to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(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

At June 30, 2016, the District reported a liability of \$2,168,657 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. 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, 2015, the District's proportion was 0.0097%, which was a decrease of 0.0013% from its proportion measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the District recognized pension expense of \$44,031. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Year</u>	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	2014	6.44	\$ 46,422	
	2015	5.72	186,474	
Difference Between Expected and Actual Experience	2015	5.72	51,737	
Changes in Proportion	2014	6.44		\$ 333,206
	2015	5.72		200,651
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5.00		80,844
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2015	5.00		(45,976)
Difference Contribution Subsequent to the Measurement Date	2015	1.00	<u>93,160</u>	
			<u>\$ 377,793</u>	<u>\$ 568,725</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts for changes in proportion and the District contribution subsequent to the measurement date) related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>
2016	\$ 45,470
2017	45,470
2018	45,470
2019	72,420
2020	<u>40,935</u>
	<u>\$249,765</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(Continued)

NOTE 11. PENSION PLANS (Cont'd)

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

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	3.04%
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) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback one year for females) are used to value disabled retirees.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.90% at June 30, 2015) 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. The long-term expected rate of return was determined using a building block in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2015 are summarized in the following table:

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

NOTE 11. PENSION PLANS (Cont'd)

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad U.S. Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex. U.S.	3.50%	-0.40%
REIT	4.25%	5.12%

Discount Rate

The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. 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 3.80% as of June 30, 2015 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 actuarially determined contributions. Based on those assumptions, the 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 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, 2015 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:



HARDYSTON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

## NOTE 11. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd):Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate (Cont'd)

	June 30, 2015		
	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
District's proportionate share of the Net Pension Liability	\$ 2,695,375	\$ 2,168,657	\$ 1,727,060

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/annrprts.shtml](http://www.state.nj.us/treasury/pensions/annrprts.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:

Tier	Definition
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 1/55<sup>th</sup> 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 1/60<sup>th</sup> 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 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the retirement age for his/her respective tier. 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  
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(Continued)

NOTE 11. PENSION PLANS (Cont'd)

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

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 2015, 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 the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2016, the State of New Jersey contributed \$373,311 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$1,790,797.

The employee contribution rate was 7.06% effective July 1, 2015. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1<sup>st</sup> 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, 2016, the State's proportionate share of the net pension liability associated with the District was \$29,328,958. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. 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, 2015, the District's proportion was 0.046, which was an increase of 0.0002% from its proportion measured as of June 30, 2014.

District's Proportionate Share of the Net Pension Liability	\$ -0-
State's Proportionate Share of the Net Pension Liability Associated with the District	<u>29,328,958</u>
Total	<u>\$ 29,328,958</u>

For the fiscal year ended June 30, 2016, the State recognized pension expense on behalf of the District in the amount of \$1,790,797 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2016 financial statements.

The State reported collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions from the following sources:

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
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(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)

	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions - 2014	8.5	\$ 1,999,074,013	
Changes in Assumptions - 2015	8.3	5,201,079,373	
Difference Between Expected and Actual Experience - 2014	8.5		\$ 19,039,817
Difference Between Expected and Actual Experience - 2015	8.3	321,224,871	
Net Difference Between Projected and Actual			
Investment Earnings on Pension Plan Investments - 2014	5		1,305,927,430
Net Difference Between Projected and Actual			
Investment Earnings on Pension Plan Investments - 2015	5		(770,568,242)
		<u>\$ 7,521,378,257</u>	<u>\$ 554,399,005</u>

Amounts reported by the State as collective deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense excluding that attributable to employer-paid members contributions as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Total</u>
2016	\$ 818,433,596
2017	818,433,596
2018	818,433,598
2019	1,253,742,742
2020	1,061,100,680
Thereafter	<u>2,196,835,040</u>
	<u>\$ 6,966,979,252</u>

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. 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.

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 11. PENSION PLANS (Cont'd)

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

Actuarial Assumptions (Cont'd)

The actuarial assumptions used in the July 1, 2014 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 (7.90% at June 30, 2015) 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. The long-term expected rate of return was determined using a building block in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Cash	5.00%	0.53%
U.S. Government Bonds	1.75%	1.39%
U.S. Credit Bonds	13.50%	2.72%
U.S. Mortgages	2.10%	2.54%
U.S. Inflation-Indexed Bonds	1.50%	1.47%
U.S. High Yield Bonds	2.00%	4.57%
U.S. Equity Market	27.25%	5.63%
Foreign-Developed Equity	12.00%	6.22%
Emerging Market Equities	6.40%	8.46%
Private Real Estate Property	4.25%	3.97%
Timber	1.00%	4.09%
Farmland	1.00%	4.61%
Private Equity	9.25%	9.15%
Commodities	1.00%	3.58%
Hedge Funds - MultiStrategy	4.00%	4.59%
Hedge Funds - Equity Hedge	4.00%	5.68%
Hedge Funds - Distressed	4.00%	4.30%

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 11. PENSION PLANS (Cont'd)

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

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 4.13% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90% and a municipal bond rate of 3.80% as of June 30, 2015 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.

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

The following presents the State's proportionate share of the net pension liability associated with the District as of June 30, 2015 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, 2015		
	At 1% Decrease (3.13%)	At Current Discount Rate (4.13%)	At 1% Increase (5.13%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 34,856,370	\$ 29,328,958	\$ 24,566,761

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.

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 11. PENSION PLANS (Cont'd)

C. Defined Contribution Retirement Program (DCRP) (Cont'd)

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 \$6,720 for the fiscal year ended June 30, 2016. Employee contributions to DCRP amounted to \$12,321 for the fiscal year ended June 30, 2016.

NOTE 12. POST-RETIREMENT BENEFITS

P.L. 1987, c.384 and P.L. 1990, c.6 of Public Laws 1990 required the TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2015, there were 107,314 retirees receiving post-retirement medical benefits, and the State contributed \$1.25 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical 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 \$214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in Fiscal Year 2015.

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pension and Benefits issues a publically available financial report that includes financial statements and required supplementary information for SEHBP. That report may be obtained from the Treasury website at <http://www.nj.gov/treasury/pensions/pdf/financial2015combined.pdf>.

The State's on behalf Post Retirement Medical Contributions to TPAF for the District amounted to \$444,509, \$398,263, and \$320,556 for 2016, 2015 and 2014, respectively.

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 through February 2016. Beginning in March 2016, the District obtained their health benefits coverage through the Schools Health Insurance Fund (the "HIF").

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(Continued)

NOTE 13. RISK MANAGEMENT (Cont'd)

Property and Liability

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

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

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

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

The June 30, 2016 audit report is not available as of the date of this report. Selected summarized financial information for SAIF as of June 30, 2015 is as follows:

	<u>School Alliance Insurance Fund</u>
Total Assets	\$ 35,565,090
Net Position	\$ 7,171,390
Total Revenue	\$ 38,392,884
Total Expenses	\$ 36,335,763
Change in Net Position	\$ 2,057,121
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

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(Continued)

NOTE 13. RISK MANAGEMENT (Cont'd)

Health Benefits

The Board is a member of the Schools Health Insurance Fund ("HIF"). The HIF provides its members with Health Benefit coverage. The HIF 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 HIF are elected.

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

HIF 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, 2016 audit report is not available as of the date of this report. The HIF, was established in 2016 so there is no prior year financial statements.

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

PERMA Risk Management Services  
 9 Campus Drive  
 Suite 216  
 Parsippany, NJ 07054

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>
2016	\$ 10,000	\$ 11,345	\$ 12,542	\$ 158,828
2015	40,000	10,843	10,131	150,025
2014		11,055	36,114	109,313



HARDYSTON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 14. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 38,409	\$ 204,197
Special Revenue Fund		12,876
Capital Projects Fund	186,772	
Food Service Fund	6,679	
Fiduciary Funds - Agency	746	36,623
Fiduciary Funds - Unemployment Compensation Trust	21,090	
	<u>\$ 253,696</u>	<u>\$ 253,696</u>

The interfund receivable of \$38,409 in the General Fund is comprised of \$25,533 due from the Fiduciary – Payroll Agency Fund for employee health benefit contributions and interest earned and \$12,876 from the Special Revenue Fund for a deficit in cash due to the time lag between request and reimbursement of grant funds. The interfund payable of \$204,197 in the General Fund is comprised of \$10,000 due to the Unemployment Compensation Trust Fund for the current year’s district contributions to the Unemployment Compensation Trust Fund, a refund of \$746 collected in the General Fund on behalf of the Student Activity Agency Fund, \$186,772 due to the Capital Projects Fund for the local share of the retaining wall SDA project and \$6,679 due to the Food Service Fund for child nutrition reimbursements collected in the General Fund and not turned over to the Food Service Fund at the end of the year, net of the prior year’s interfund receivable due from the Food Service Fund. Lastly, the interfund payable from the Fiduciary Funds – Payroll Agency to the Fiduciary Funds – Unemployment Compensation Trust is for the remainder of the current year’s employee contributions not yet turned over at year end.

There was a \$50,000 transfer between the Capital Projects Fund to the Debt Service Fund in the current year for a portion of the unexpended projects balance.

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 - 403(b)

Fidelity - 403(b)

Variable Annuity Life Insurance Company (V.A.L.I.C.) - 403(b)

Ameriprise - 403(b)

AXA Equitable Life Insurance Company - 403(b)

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

Metropolitan Life Insurance Company - 403(b)

The Prudential - 403(b)

SBP Commercial National Bank (Siracusa) - 403(b)

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
 (Continued)

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, 2016:

	<u>Governmental Funds</u>		Total	District Contri- bution Subsequent to the Measure- ment Date	Total
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Governmental Funds</u>		<u>Governmental Activities</u>
Vendors	\$ 190,520	\$ 3,174	\$ 193,694		\$ 193,694
State of New Jersey				\$ 93,160	93,160
	<u>\$ 190,520</u>	<u>\$ 3,174</u>	<u>\$ 193,694</u>	<u>\$ 93,160</u>	<u>\$ 286,854</u>

NOTE 19. CONTINGENT LIABILITIES

Grant Programs

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

Litigation

The District is periodically involved in various lawsuits including claims for injuries. 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, 2016, there were encumbrances as detailed below in the governmental funds:

<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<u>\$ 219,738</u>	<u>\$ 32,575</u>	<u>\$ 252,313</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 19. CONTINGENT LIABILITIES (Cont'd)

Encumbrances (Cont'd)

The \$32,575 of year-end encumbrances, which are for construction commitments, in the Capital Projects Fund on a budgetary basis are included in the \$63,580 committed fund balance at June 30, 2016, which is \$204,187 less than the committed fund balance on a budgetary basis because SDA grants receivable are not recognized on the GAAP basis until the reimbursement requests have been submitted to the State.

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.

SCHEDULES OF REQUIRED  
SUPPLEMENTARY INFORMATION

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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>2015</u>	<u>2016</u>
District's proportion of the net pension liability	0.0109240145%	0.0096608035%
District's proportionate share of the net pension liability	\$ 2,045,274	\$ 2,168,657
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	325.83%	334.40%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%

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

	Fiscal Year Ending June 30,	
	2015	2016
Contractually required contribution	\$ 90,056	\$ 83,057
Contributions in relation to the contractually required contribution	<u>(90,056)</u>	<u>(83,057)</u>
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered employee payroll	\$ 648,516	\$ 735,206
Contributions as a percentage of covered employee payroll	13.89%	11.30%

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 STATE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
ATTRIBUTABLE TO THE DISTRICT  
TEACHERS' PENSION AND ANNUITY FUND  
LAST TWO FISCAL YEARS  
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2015</u>	<u>2016</u>
State's proportion of the net pension liability attributable to the District	0.0462145106%	0.0464034436%
State's proportionate share of the net pension liability attributable to the District	\$ 24,700,152	\$ 29,328,958
District's covered employee payroll	\$ 4,760,119	\$ 4,660,108
State's proportionate share of the net pension liability attributable to the District as a percentage of its covered employee payroll	518.90%	629.36%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%

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 STATE CONTRIBUTIONS  
TEACHERS' PENSION AND ANNUITY FUND  
LAST TWO FISCAL YEARS  
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 1,329,100	\$ 1,790,797
Contributions in relation to the contractually required contribution	<u>(250,874)</u>	<u>(373,311)</u>
Contribution deficiency/(excess)	<u>\$ 1,078,226</u>	<u>\$ 1,417,486</u>
District's covered employee payroll	4,660,108	4,918,332
Contributions as a percentage of covered employee payroll	28.52%	7.59%

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  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 5.39% as of June 30, 2014 to 4.90% as of June 30, 2015. The inflation rate changed from 3.01% as of June 30, 2014 to 3.04% as of June 30, 2015.

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.68% as of June 30, 2014 to 4.13% as of June 30, 2015.

BUDGETARY COMPARISON SCHEDULES

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 9,241,246		\$ 9,241,246	\$ 9,241,246	
Interest Earned on Maintenance Reserve				929	\$ 929
Interest Earned on Capital Reserve	1,101		1,101	2,170	1,069
Unrestricted Miscellaneous	16,500		16,500	72,334	55,834
Total - Local Sources	<u>9,258,847</u>		<u>9,258,847</u>	<u>9,316,679</u>	<u>57,832</u>
State Sources:					
School Choice Aid	103,048		103,048	103,048	
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	44,000		44,000	13,562	(30,438)
Nonpublic Transportation Aid				9,374	9,374
TPAF Pension Contributions (On-Behalf - Non-Budgeted)				373,311	373,311
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				444,509	444,509
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				357,702	357,702
Total State Sources	<u>2,228,255</u>		<u>2,228,255</u>	<u>3,382,713</u>	<u>1,154,458</u>
TOTAL REVENUES	<u>11,487,102</u>		<u>11,487,102</u>	<u>12,699,392</u>	<u>1,212,290</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
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	\$ 241,126	\$ (20,000)	\$ 221,126	\$ 218,796	\$ 2,330
Grades 1-5 - Salaries of Teachers	1,793,256		1,793,256	1,780,580	12,676
Grades 6-8 - Salaries of Teachers	1,203,250	39,496	1,242,746	1,239,130	3,616
Regular Programs - Home Instruction:					
Other Salaries for Instruction	5,120	4,379	9,499	9,059	440
Regular Programs - Undistributed Instruction:					
Other Purchased Services (400-500 series)	70,774	(4,328)	66,446	58,895	7,551
General Supplies	236,872	125,682	362,554	151,319	211,235
Textbooks	81,021	2,772	83,793	71,990	11,803
Other Objects	2,400		2,400		2,400
Total Regular Programs - Instruction	<u>3,633,819</u>	<u>148,001</u>	<u>3,781,820</u>	<u>3,529,769</u>	<u>252,051</u>
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	140,989	225	141,214	139,059	2,155
Other Salaries for Instruction	62,100	(9,075)	53,025	50,526	2,499
General Supplies	2,255		2,255	2,024	231
Total Learning and/or Language Disabilities	<u>205,344</u>	<u>(8,850)</u>	<u>196,494</u>	<u>191,609</u>	<u>4,885</u>
Multiple Disabilities:					
Salaries of Teachers	136,207	3,730	139,937	139,937	
Other Salaries for Instruction	132,200	(23,609)	108,591	104,223	4,368
General Supplies	1,629		1,629	1,260	369
Total Multiple Disabilities	<u>270,036</u>	<u>(19,879)</u>	<u>250,157</u>	<u>245,420</u>	<u>4,737</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Resource Room/Resource Center:					
Salaries of Teachers	\$ 554,400	\$ (52,000)	\$ 502,400	\$ 499,937	\$ 2,463
Other Salaries for Instruction	171,450	(32,225)	139,225	139,225	
General Supplies	2,695		2,695	2,232	463
Total Resource Room/Resource Center	<u>728,545</u>	<u>(84,225)</u>	<u>644,320</u>	<u>641,394</u>	<u>2,926</u>
Preschool Disabilities - Part Time:					
Salaries of Teachers	61,168	8,749	69,917	69,563	354
Other Salaries for Instruction	52,675	6,493	59,168	59,168	
General Supplies	2,205		2,205	905	1,300
Total Preschool Disabilities - Part Time	<u>116,048</u>	<u>15,242</u>	<u>131,290</u>	<u>129,636</u>	<u>1,654</u>
Preschool Disabilities - Full Time:					
Salaries of Teachers		59,854	59,854	51,263	8,591
Other Salaries for Instruction		8,250	8,250		8,250
Total Preschool Disabilities - Full Time		<u>68,104</u>	<u>68,104</u>	<u>51,263</u>	<u>16,841</u>
Total Special Education Instruction	<u>1,319,973</u>	<u>(29,608)</u>	<u>1,290,365</u>	<u>1,259,322</u>	<u>31,043</u>
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	116,555	771	117,326	107,501	9,825
General Supplies	267		267		267
Total Basic Skills/Remedial - Instruction	<u>116,822</u>	<u>771</u>	<u>117,593</u>	<u>107,501</u>	<u>10,092</u>
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	24,940		24,940	9,657	15,283
Purchased Services (300-500 series)	945	2	947	447	500
Supplies and Materials	4,205	(2)	4,203	1,765	2,438
Total School-Sponsored Cocurricular Activities - Instruction	<u>30,090</u>	<u></u>	<u>30,090</u>	<u>11,869</u>	<u>18,221</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
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					
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	\$ 37,237		\$ 37,237	\$ 37,237	
Supplies and Materials	2,750		2,750	2,493	\$ 257
Total School-Sponsored Cocurricular Athletics - Instruction	<u>39,987</u>		<u>39,987</u>	<u>39,730</u>	<u>257</u>
Other Instructional Programs - Instruction:					
Salaries	4,100		4,100		4,100
Supplies and Materials	1,640		1,640		1,640
Total Other Instructional Programs - Instruction	<u>5,740</u>		<u>5,740</u>		<u>5,740</u>
Total Instruction	<u>5,146,431</u>	<u>\$ 119,164</u>	<u>5,265,595</u>	<u>4,948,191</u>	<u>317,404</u>
Undistributed Expenditures:					
Instuction:					
Tuition to Other LEAs Within the State - Special	66,250	(12,905)	53,345	40,155	13,190
Tuition to Private Schools for the Disabled - Within the State	82,050	14,963	97,013	94,476	2,537
Total Undistributed Expenditures - Instruction	<u>148,300</u>	<u>2,058</u>	<u>150,358</u>	<u>134,631</u>	<u>15,727</u>
Health Services:					
Salaries	138,688	24,044	162,732	162,624	108
Purchased Professional and Technical Services	6,000		6,000	6,000	
Other Purchased Services (400-500 series)	260		260		260
Supplies and Materials	15,109	5,216	20,325	17,827	2,498
Total Health Services	<u>160,057</u>	<u>29,260</u>	<u>189,317</u>	<u>186,451</u>	<u>2,866</u>
Speech, OT, PT and Related Services:					
Salaries	167,677	3,841	171,518	171,518	
Purchased Professional - Educational Services	121,491	48,041	169,544	156,775	12,775
Supplies and Materials	3,439	2,036	5,463	5,475	
Total Speech, OT, PT and Related Services	<u>292,607</u>	<u>53,918</u>	<u>346,525</u>	<u>333,768</u>	<u>12,757</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
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					
Guidance:					
Salaries of Other Professional Staff	\$ 124,707	\$ 2,368	\$ 127,075	\$ 124,998	\$ 2,077
Purchased Professional and Technical Services	8,074	(4,274)	3,800	154	3,646
Supplies and Materials	1,468	403	1,871	1,677	194
Total Guidance	<u>134,249</u>	<u>(1,503)</u>	<u>132,746</u>	<u>126,829</u>	<u>5,917</u>
Child Study Team:					
Salaries of Other Professional Staff	223,055	8,689	231,744	224,744	7,000
Salaries of Secretarial and Clerical Assistants	44,145	2,000	46,145	44,469	1,676
Purchased Professional and Educational Services	19,500	(2,000)	17,500	13,884	3,616
Supplies and Materials	27,260	(5,216)	22,044	21,326	718
Total Child Study Team	<u>313,960</u>	<u>3,473</u>	<u>317,433</u>	<u>304,423</u>	<u>13,010</u>
Educational Media Services/School Library:					
Salaries	59,444	286	59,730	59,430	300
Salaries of Technology Coordinators	76,694		76,694	75,770	924
Supplies and Materials	24,173	(1)	24,172	20,749	3,423
Total Educational Media Services/School Library	<u>160,311</u>	<u>285</u>	<u>160,596</u>	<u>155,949</u>	<u>4,647</u>
Instructional Staff Training Services:					
Purchased Professional and Technical Services	200	1,822	2,022		2,022
Other Purchased Services (400-500 series)	8,397	2,316	10,713	4,046	6,667
Total Instructional Staff Training Services	<u>8,597</u>	<u>4,138</u>	<u>12,735</u>	<u>4,046</u>	<u>8,689</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
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	\$ 129,502	\$ (938)	\$ 128,564	\$ 128,564	
Legal Services	32,000	19,845	51,845	51,845	
Audit Fees	21,000	1,150	22,150	22,150	
Architectural/Engineering Services	4,842	6,333	11,175	1,242	\$ 9,933
Communications/Telephone	69,423	(24,726)	44,697	44,697	
BOE Other Purchased Services	2,675	(450)	2,225	1,848	377
Misc. Purchased Services (400-500 series)	5,300	3,040	8,340	8,340	
General Supplies	11,757	29	11,786	7,280	4,506
BOE In-house Training/Meeting Supplies	2,500		2,500	818	1,682
Judgements Against the School District		24,771	24,771	24,771	
Miscellaneous Expenditures	4,250		4,250	3,083	1,167
BOE Membership Dues and Fees	7,040		7,040	5,763	1,277
Total Support Services - General Administration	<u>290,289</u>	<u>29,054</u>	<u>319,343</u>	<u>300,401</u>	<u>18,942</u>
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	277,349	3,362	280,711	276,137	4,574
Salaries of Secretarial and Clerical Assistants	125,030	8,023	133,053	122,662	10,391
Other Salaries	6,000	2,971	8,971	2,726	6,245
Other Purchased Services		8,500	8,500		8,500
Supplies and Materials	6,598	8,311	14,909	3,394	11,515
Other Objects	3,425		3,425	2,294	1,131
Total Support Services - School Administration	<u>418,402</u>	<u>31,167</u>	<u>449,569</u>	<u>407,213</u>	<u>42,356</u>
Administration Information Technology:					
Purchased Professional Services	7,250	(164)	7,086		7,086
Purchased Technical Services	11,489	(4,083)	7,406	5,154	2,252
Supplies and Materials	1,453	620	2,073	1,836	237
Total Administration Information Technology	<u>20,192</u>	<u>(3,627)</u>	<u>16,565</u>	<u>6,990</u>	<u>9,575</u>



HARDYSTON TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Central Services:					
Salaries	\$ 193,740		\$ 193,740	\$ 183,194	\$ 10,546
Purchased Professional Services	1,500		1,500	1,481	19
Purchased Technical Services	18,640	\$ (1,310)	17,330	13,332	3,998
Miscellaneous Purchased Services (400-500 series)	2,829	(384)	2,445		2,445
Supplies and Materials	3,426	1,280	4,706	4,706	
Miscellaneous Expenditures	1,400	384	1,784	1,459	325
Total Central Services	<u>221,535</u>	<u>(30)</u>	<u>221,505</u>	<u>204,172</u>	<u>17,333</u>
Required Maintenance of School Facilities:					
Cleaning, Repair and Maintenance Services	93,076	63,286	156,362	138,304	18,058
General Supplies	36,276		36,276	27,466	8,810
Other Objects	255	45	300	300	
Total Required Maintenance of School Facilities	<u>129,607</u>	<u>63,331</u>	<u>192,938</u>	<u>166,070</u>	<u>26,868</u>
Custodial Services:					
Salaries	414,170		414,170	399,323	14,847
Purchased Professional and Technical Services	27,310		27,310	13,042	14,268
Cleaning, Repair and Maintenance Services	44,135		44,135	26,268	17,867
Other Purchased Property Services	55,714		55,714	49,354	6,360
Insurance	85,684		85,684	85,684	
General Supplies	62,258		62,258	59,060	3,198
Energy (Natural Gas)	180,783	(74,231)	106,552	57,822	48,730
Energy (Electricity)	222,000	(60,493)	161,507	161,507	
Other Objects	1,988	(45)	1,943	1,085	858
Total Custodial Services	<u>1,094,042</u>	<u>(134,769)</u>	<u>959,273</u>	<u>853,145</u>	<u>106,128</u>
Security:					
Purchased Professional and Technical Services	15,000		15,000		15,000
Cleaning, Repair, and Maintenance Services	2,500		2,500	707	1,793
Total Security	<u>17,500</u>		<u>17,500</u>	<u>707</u>	<u>16,793</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Student Transportation Services:					
Contracted Services:					
Between Home and School - Vendors	\$ 660,860	\$ (13,985)	\$ 646,875	\$ 645,961	\$ 914
Other Between Home and School - Vendors	13,500		13,500	9,097	4,403
Between Home and School - Joint Agreements	50,285	(14,110)	36,175	36,175	
Special Education Students - Vendors	183,465	21,951	205,416	204,685	731
Aid in Lieu Payments - Nonpublic Schools	13,260	11,187	24,447	24,447	
Aid in Lieu Payments - Choice Schools	14,586	(3,536)	11,050	11,050	
Total Student Transportation Services	<u>935,956</u>	<u>1,507</u>	<u>937,463</u>	<u>931,415</u>	<u>6,048</u>
Unallocated Benefits:					
Group Insurance	21,600		21,600	8,116	13,484
Social Security Contributions	142,384		142,384	115,642	26,742
Other Retirement Contributions - PERS	119,952		119,952	83,057	36,895
Unemployment Compensation	10,000		10,000	10,000	
Workers Compensation	108,288		108,288	105,408	2,880
Health Benefits	1,679,150	(284,858)	1,394,292	1,305,824	88,468
Tuition Reimbursement	32,940		32,940	4,504	28,436
Other Employee Benefits	18,250	72,432	90,682	90,682	
Total Unallocated Benefits	<u>2,132,564</u>	<u>(212,426)</u>	<u>1,920,138</u>	<u>1,723,233</u>	<u>196,905</u>
On-Behalf Contributions					
TPAF Pension Contributions (On-Behalf - Non-Budgeted)				373,311	(373,311)
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				444,509	(444,509)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				357,702	(357,702)
Total On-Behalf Contributions				<u>1,175,522</u>	<u>(1,175,522)</u>
Total Undistributed Expenses	<u>6,478,168</u>	<u>(134,164)</u>	<u>6,344,004</u>	<u>7,014,965</u>	<u>(670,961)</u>
TOTAL CURRENT EXPENSE	<u>11,624,599</u>	<u>(15,000)</u>	<u>11,609,599</u>	<u>11,963,156</u>	<u>(353,557)</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
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	\$ 15,000	\$ (15,000)			
Non Instructional Program Equipment	104,065	15,000	\$ 119,065	\$ 97,102	\$ 21,963
Total Equipment	<u>119,065</u>		<u>119,065</u>	<u>97,102</u>	<u>21,963</u>
Facilities Acquisition and Construction Services:					
Other Purchased Professional and Technical Services	10,000		10,000	67	9,933
Debt Service Assessment on SDA Funding	60,673		60,673	60,673	
Total Facilities Acquisition and Construction Services	<u>70,673</u>		<u>70,673</u>	<u>60,740</u>	<u>9,933</u>
TOTAL CAPITAL OUTLAY	<u>189,738</u>		<u>189,738</u>	<u>157,842</u>	<u>31,896</u>
Transfer of Funds to Charter Schools	<u>152,076</u>	<u>15,000</u>	<u>167,076</u>	<u>149,744</u>	<u>17,332</u>
TOTAL EXPENDITURES	<u>11,966,413</u>		<u>11,966,413</u>	<u>12,270,742</u>	<u>(304,329)</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(479,311)		(479,311)	428,650	907,961
Fund Balance, July 1	<u>2,231,970</u>		<u>2,231,970</u>	<u>2,231,970</u>	
Fund Balance, June 30	<u>\$ 1,752,659</u>	<u>\$ -0-</u>	<u>\$ 1,752,659</u>	<u>\$ 2,660,620</u>	<u>\$ 907,961</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED

Recapitulation:

Restricted:

Maintenance Reserve	\$ 637,536
Capital Reserve	1,466,046
Emergency Reserve	11,926

Assigned:

Year End Encumbrances	219,738
For Subsequent Year's Expenditures	66,000

Unassigned

259,374  
2,660,620

Reconciliation to Governmental Funds Statements (GAAP):

Last State Aid Payments not Recognized on GAAP Basis	(212,360)
Fund Balance per Governmental Funds (GAAP)	<u>\$ 2,448,260</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenue:					
Federal Sources	\$ 246,548		\$ 246,548	\$ 246,548	
Total Revenue	246,548		246,548	246,548	
Expenditures:					
Instruction:					
Salaries of Teachers	41,499		41,499	41,499	
Tuition	88,460		88,460	88,460	
General Supplies	851		851	851	
Total Instruction	130,810		130,810	130,810	
Support Services:					
Salaries of Other Professional Staff	7,000		7,000	7,000	
Personal Services - Employee Benefits	3,174		3,174	3,174	
Purchased Professional/Technical Services	89,243		89,243	89,243	
Other Purchased Services	11,915		11,915	11,915	
Supplies and Materials	4,406		4,406	4,406	
Total Support Services	115,738		115,738	115,738	
Total Expenditures	\$ 246,548	\$ - 0 -	\$ 246,548	\$ 246,548	\$ - 0 -

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
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	\$ 12,699,392	\$ 246,548
Differences - Budget to GAAP:		
Prior Year State Aid Payments Not Recognized for Budgetary Purposes, Recognized for GAAP Statements	209,782	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(212,360)	
	<u>\$ 12,696,814</u>	<u>\$ 246,548</u>
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 12,696,814</u>	<u>\$ 246,548</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 12,270,742	\$ 246,548
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 12,270,742</u>	<u>\$ 246,548</u>

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.

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, 2016

	<u>No Child Left Behind</u>			<u>IDEA Part B Basic</u>	<u>Totals June 30, 2016</u>
	<u>Title I</u>	<u>Title II Part A</u>	<u>IDEA Part B Preschool</u>		
REVENUE:					
Federal Sources	\$ 45,473	\$ 31,847	\$ 4,205	\$ 165,023	\$ 246,548
Total Revenue	<u>45,473</u>	<u>31,847</u>	<u>4,205</u>	<u>165,023</u>	<u>246,548</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers	41,499				41,499
Tuition				88,460	88,460
General Supplies	800		28	23	851
Total Instruction	<u>42,299</u>		<u>28</u>	<u>88,483</u>	<u>130,810</u>
Support Services:					
Salaries of Other Professional Staff				7,000	7,000
Personal Services - Employee Benefits	3,174				3,174
Purchased Professional/Technical Services		15,526	4,177	69,540	89,243
Other Purchased Services		11,915			11,915
Supplies and Materials		4,406			4,406
Total Support Services	<u>3,174</u>	<u>31,847</u>	<u>4,177</u>	<u>76,540</u>	<u>115,738</u>
Total Expenditures	<u>\$ 45,473</u>	<u>\$ 31,847</u>	<u>\$ 4,205</u>	<u>\$ 165,023</u>	<u>\$ 246,548</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
PRESCHOOL EDUCATION AID SCHEDULE OF EXPENDITURES  
BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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, 2016

Expenditures and Other Financing Uses:	
Construction Services	\$ 59,225
Transfer to Debt Service Fund	50,000
	<hr/>
Total Expenditures and Other Financing Uses	109,225
	<hr/>
Deficit of Revenue and Other Financing Sources	
Under Expenditures and Other Financing Uses	(109,225)
	<hr/>
Fund Balance - Beginning Balance	885,740
	<hr/>
Fund Balance - Ending Balance	\$ 776,515
	<hr/> <hr/>
<u>Recapitulation:</u>	
Committed:	
Other Purposes	\$ 235,192
Year-End Encumbrances	32,575
Restricted:	
Other Purposes	508,748
	<hr/>
Fund Balance per Governmental Funds (Budgetary Basis)	776,515
	<hr/>
Reconciliation to Governmental Funds Statement (GAAP):	
SDA Grant not Recognized on GAAP Basis	(204,187)
	<hr/>
Fund Balance per Governmental Funds (GAAP)	\$ 572,328
	<hr/> <hr/>
<u>Recapitulation of Fund Balances per Governmental Funds (GAAP):</u>	
Restricted	\$ 508,748
Committed	63,580
	<hr/>
	\$ 572,328
	<hr/> <hr/>

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, 2016

	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 and Other Financing Uses:				
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
Transfer to Debt Service Fund		\$ 50,000	50,000	
Total Expenditures and Other Financing Uses	765,252	50,000	815,252	1,732,500
Excess of Revenue and Other Financing Sources Over Expenditures and Other Financing Uses	\$ 558,748	\$ (50,000)	\$ 508,748	\$ -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, 2016

	Prior Periods	Current Year	Total	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	<u>159,917</u>		<u>159,917</u>	<u>159,917</u>
Expenditures:				
Other Purchased Professional and Technical Services	2,870		2,870	2,900
Construction Services	157,047		157,047	157,017
Total Expenditures	<u>159,917</u>		<u>159,917</u>	<u>159,917</u>
Excess of Revenue and Other Financing Sources Over Expenditures	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

**Additional Project Information:**

Project Number	2030-050-10-1001
Grant Date	7/23/2010
Original Authorized Cost	\$ 159,917
Additional Authorized Cost	-0-
Revised Authorized Cost	159,917
Percentage Increase over Original Authorized Cost	0%
Percentage Completion	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, 2016

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Total</u>	<u>Authorized Cost</u>
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	<u>350,550</u>		<u>350,550</u>	<u>350,550</u>
Expenditures:				
Other Purchased Professional and Technical Services				65,050
Construction Services	23,558	\$ 59,225	82,783	<u>285,500</u>
Total Expenditures	<u>23,558</u>	<u>59,225</u>	<u>82,783</u>	<u>350,550</u>
Excess of Revenue and Other Financing Sources Over Expenditures	<u>\$ 326,992</u>	<u>\$ (59,225)</u>	<u>\$ 267,767</u>	<u>\$ -0-</u>

**Additional Project Information:**

Project Number	2030-030-14-1002-G-04
Grant Date	5/2/2014
Original Authorized Cost	\$ 350,550
Additional Authorized Cost	-0-
Revised Authorized Cost	350,550
Revised Authorized Cost	0%
Percentage Completion	24%
Original Target Completion Date	05/30/16
Revised Target Completion Date	12/31/16

PROPRIETARY FUNDS



Exhibit G-1

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF NET POSITION  
JUNE 30, 2016

ASSETS:

Current Assets:	\$ 39,925
Cash and Cash Equivalents	
Accounts Receivable:	
State	279
Federal	5,457
Interfund Receivable - General Fund	6,679
Inventories	4,559
	<hr/>
Total Current Assets	56,899
Non-Current Assets:	
Capital Assets	221,299
Less: Accumulated Depreciation	(196,906)
	<hr/>
Total Non-Current Assets	24,393
	<hr/>
Total Assets	81,292

LIABILITIES:

Current Liabilities:	
Unearned Revenue	2,116
Unearned Revenue - Prepaid Sales	613
	<hr/>
Total Current Liabilities	2,729

NET POSITION:

Investment in Capital Assets	24,393
Unrestricted	54,170
	<hr/>
Total Net Position	\$ 78,563

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, 2016

Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Meals	\$ 104,728
Daily Sales - Non Reimbursable Meals	13,529
	<hr/>
	118,257
Total Operating Revenue	<hr/>
Operating Expenses:	
Cost of Sales - Reimbursable Programs	73,991
Cost of Sales - Non Reimbursable Programs	4,055
Salaries, Benefits and Payroll Taxes	67,386
Management Fee	7,812
Supplies, Insurance & Other Costs	21,036
Depreciation Expense	8,884
	<hr/>
Total Operating Expenses	183,164
	<hr/>
Operating Loss	(64,907)
	<hr/>
Non-Operating Revenue:	
State Sources:	
State School Lunch Program	1,826
Federal Sources:	
National School Lunch Program	35,559
Food Distribution Program	17,355
Local Sources:	
Interest Income	76
	<hr/>
Total Non-Operating Revenue	54,816
	<hr/>
Change in Net Position	(10,091)
	<hr/>
Net Position - Beginning of Year	88,654
	<hr/>
Net Position - End of Year	<u>\$ 78,563</u>

Exhibit G-3

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 118,257
Payments to Employees	(48,841)
Payment to Suppliers	(18,545)
Payments to Food Service Vendor	(132,484)
	<hr/>
Net Cash Used for Operating Activities	(81,613)
	<hr/>
Cash Flows from Noncapital Financing Activities:	
Cash Received for State and Federal Reimbursements	44,186
	<hr/>
Net Cash Provided by Noncapital Financing Activities	44,186
	<hr/>
Cash Flows from Investing Activities:	
Investment Income	76
	<hr/>
Net Cash Flows Provided by Investing Activities:	76
	<hr/>
Net Decrease in Cash and Cash Equivalents	(37,351)
	<hr/>
Cash and Cash Equivalents, July 1	77,276
	<hr/>
Cash and Cash Equivalents, June 30	\$ 39,925
	<hr/> <hr/>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (64,907)
Adjustment to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Federal Food Distribution Program	17,355
Depreciation	8,884
Changes in Assets and Liabilities:	
(Increase) in Interfund Receivable	(6,679)
Decrease in Inventories	558
(Decrease) in Interfund Payable	(37,507)
Increase in Unearned Revenue	70
Increase in Unearned Revenue - Prepaid Sales	613
	<hr/>
Net Cash Used for Operating Activities	\$ (81,613)
	<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 \$17,425 and utilized commodities valued at \$17,355.

FIDUCIARY FUNDS

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2016

	<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	\$ 37,474	\$ 67,562	\$ 105,036	\$ 137,738	\$ 3,007	\$ 1,866
Investments					2,297	
Interfund Receivable:						
General Fund	746		746	10,000		
Payroll Agency Fund				11,090		
Total Assets	<u>38,220</u>	<u>67,562</u>	<u>105,782</u>	<u>158,828</u>	<u>5,304</u>	<u>1,866</u>
<u>LIABILITIES:</u>						
Liabilities:						
Payroll Deductions and Withholdings		30,939	30,939			
Due to Student Groups	38,220		38,220			
Interfund Payable:						
General Fund		25,533	25,533			
Unemployment Compensation Trust Fund		11,090	11,090			
Total Liabilities	<u>38,220</u>	<u>67,562</u>	<u>105,782</u>			
<u>NET POSITION:</u>						
Held in Trust for Unemployment Claims				158,828		
Restricted for Scholarships					5,304	
Restricted for Flexible Spending Claims						1,866
Total Net Position	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 158,828</u>	<u>\$ 5,304</u>	<u>\$ 1,866</u>

Exhibit H-2

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>	<u>Flexible Spending Trust</u>
<b>Additions:</b>			
<b>Contributions:</b>			
Plan Members	\$ 11,216		\$ 8,725
Employer - Budget Appropriation	10,000		
<b>Total Contributions</b>	<u>21,216</u>		<u>8,725</u>
<b>Investment Earnings:</b>			
Interest	129	\$ 10	1
<b>Net Investment Earnings</b>	<u>129</u>	<u>10</u>	<u>1</u>
<b>Total Additions</b>	<u>21,345</u>	<u>10</u>	<u>8,726</u>
<b>Deductions:</b>			
State of New Jersey Unemployment Claims	12,542		
Flexible Spending Claims			11,148
<b>Total Deductions</b>	<u>12,542</u>		<u>11,148</u>
<b>Change in Net Position</b>	8,803	10	(2,422)
<b>Net Position—Beginning of the Year</b>	<u>150,025</u>	<u>5,294</u>	<u>4,288</u>
<b>Net Position—End of the Year</b>	<u>\$ 158,828</u>	<u>\$ 5,304</u>	<u>\$ 1,866</u>

Exhibit H-3

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 38,231	\$ 64,305	\$ 65,062	\$ 37,474
Interfund Receivable:				
General Fund	746			746
Total Assets	<u>\$ 38,977</u>	<u>\$ 64,305</u>	<u>\$ 65,062</u>	<u>\$ 38,220</u>
 <u>LIABILITIES:</u>				
Due to Student Groups	<u>\$ 38,977</u>	<u>\$ 64,305</u>	<u>\$ 65,062</u>	<u>\$ 38,220</u>
Total Liabilities	<u>\$ 38,977</u>	<u>\$ 64,305</u>	<u>\$ 65,062</u>	<u>\$ 38,220</u>

Exhibit H-4

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 127,095	\$ 11,180,482	\$ 11,240,015	\$ 67,562
Total Assets	<u>\$ 127,095</u>	<u>\$ 11,180,482</u>	<u>\$ 11,240,015</u>	<u>\$ 67,562</u>
 <u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	\$ 67,511	\$ 11,143,897	\$ 11,180,469	\$ 30,939
Interfund Payable - General Fund	27,348	25,369	27,184	25,533
Interfund Payable - Unemployment Compensation Trust Fund	<u>32,236</u>	<u>11,216</u>	<u>32,362</u>	<u>11,090</u>
Total Liabilities	<u>\$ 127,095</u>	<u>\$ 11,180,482</u>	<u>\$ 11,240,015</u>	<u>\$ 67,562</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, 2016		Interest Rate	Balance July 1, 2015	Issued	Retired or Matured	Defeased	Balance June 30, 2016	
			Date	Amount							
Refunding Bonds of 2006	11/01/06	\$ 9,955,000	08/01/16	\$ 35,000	4.125%	\$ 9,735,000		\$ 35,000	\$ 9,665,000	\$ 35,000	
Roof Project Bonds of 2009	06/23/09	1,324,000	08/01/16	140,000	3.500%	724,000		135,000		589,000	
			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	08/01/16	375,000	2.000%	745,000		370,000		375,000	
Refunding Bonds of 2016	5/3/2016	9,260,000	8/1/2016	185,000	2.000%		\$ 9,260,000				9,260,000
			8/1/2017	450,000	2.000%						
			8/1/2018	465,000	2.000%						
			8/1/2019	485,000	3.000%						
			8/1/2020	500,000	3.000%						
			8/1/2021	525,000	3.000%						
			8/1/2022	545,000	4.000%						
			8/1/2023	570,000	4.000%						
			8/1/2024	595,000	4.000%						
			8/1/2025	625,000	4.000%						
			8/1/2026 *	655,000	3.000%						
			8/1/2027 *	680,000	3.000%						
			8/1/2028 *	705,000	3.125%						
8/1/2029 *	735,000	3.250%									
8/1/2030 *	755,000	3.250%									
8/1/2031 *	785,000	3.250%									
						<u>\$ 11,204,000</u>	<u>\$ 9,260,000</u>	<u>\$ 540,000</u>	<u>\$ 9,665,000</u>	<u>\$ 10,259,000</u>	

\* Callable as of 2/1/26

Exhibit I-2

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
GENERAL LONG-TERM DEBT ACCOUNT GROUP  
STATEMENT OF OBLIGATIONS UNDER CAPITAL LEASES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOT APPLICABLE

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<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	\$ 878,675		\$ 878,675	\$ 878,675	
State Sources:					
Debt Service Aid Type II	53,856		53,856	53,856	
Total Revenue	<u>932,531</u>		<u>932,531</u>	<u>932,531</u>	
EXPENDITURES:					
Regular Debt Service:					
Redemption of Principal	540,000		540,000	540,000	
Interest	442,531		442,531	442,531	
Total Regular Debt Service	<u>982,531</u>		<u>982,531</u>	<u>982,531</u>	
Total Expenditures	<u>982,531</u>		<u>982,531</u>	<u>982,531</u>	
Deficit of Revenue Under Expenditures	<u>(50,000)</u>		<u>(50,000)</u>	<u>(50,000)</u>	
Other Financing Sources/(Uses):					
Refunding Bonds Issued				9,260,000	\$ 9,260,000
Bond Premium				721,182	721,182
Serial Bonds Defeased				(9,665,000)	(9,665,000)
Bond Issuance Costs				(111,543)	(111,543)
Deferred Interest				(198,029)	(198,029)
Transfer from Capital Projects Fund	50,000		50,000	50,000	
Total Other Financing Sources/(Uses)	<u>50,000</u>		<u>50,000</u>	<u>56,610</u>	<u>6,610</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses				6,610	6,610
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>\$ 6,610</u>	<u>\$ 6,610</u>
<u>Recapitulation of Fund Balance at June 30, 2016:</u>					
Restricted				<u>\$ 6,610</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,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Governmental Activities:</b>										
Net Investment in Capital Assets	\$ 5,250,670	\$ 4,934,340	\$ 4,373,642	\$ 4,187,266	\$ 4,124,726	\$ 3,919,204	\$ 4,216,669	\$ 3,816,367	\$ 3,876,351	\$ 4,529,432
Restricted	97,899	308,933	425,806	674,999	729,275	1,122,596	1,497,105	2,130,191	2,087,835	2,630,866
Unrestricted/(Deficit)	(119,994)	(560,344)	(601,834)	(518,097)	(283,524)	(15,002)	(290,038)	(2,754,136)	(2,480,715)	(3,337,146)
<b>Total Governmental Activities Net Position</b>	<u>\$ 5,228,575</u>	<u>\$ 4,682,929</u>	<u>\$ 4,197,614</u>	<u>\$ 4,344,168</u>	<u>\$ 4,570,477</u>	<u>\$ 5,026,798</u>	<u>\$ 5,423,736</u>	<u>\$ 3,192,422</u>	<u>\$ 3,483,471</u>	<u>\$ 3,823,152</u>
<b>Business-Type Activities</b>										
Investment in Capital Assets	\$ 60,119	\$ 52,498	\$ 44,418	\$ 36,343	\$ 44,982	\$ 35,751	\$ 51,707	\$ 42,378	\$ 33,277	\$ 24,393
Unrestricted/(Deficit)	(9,482)	(9,385)	2,158	27,635	39,775	49,383	59,441	74,702	55,377	54,170
<b>Total Business-Type Activities Net Position</b>	<u>\$ 50,637</u>	<u>\$ 43,113</u>	<u>\$ 46,576</u>	<u>\$ 63,978</u>	<u>\$ 84,757</u>	<u>\$ 85,134</u>	<u>\$ 111,148</u>	<u>\$ 117,080</u>	<u>\$ 88,654</u>	<u>\$ 78,563</u>
<b>District-Wide:</b>										
Net Investment in Capital Assets	\$ 5,310,789	\$ 4,986,838	\$ 4,418,060	\$ 4,223,609	\$ 4,169,708	\$ 3,954,955	\$ 4,268,376	\$ 3,858,745	\$ 3,909,628	\$ 4,553,825
Restricted	97,899	308,933	425,806	674,999	729,275	1,122,596	1,497,105	2,130,191	2,087,835	2,630,866
Unrestricted/(Deficit)	(129,476)	(569,729)	(599,676)	(490,462)	(243,749)	34,381	(230,597)	(2,679,434)	(2,425,338)	(3,282,976)
<b>Total District Net Position</b>	<u>\$ 5,279,212</u>	<u>\$ 4,726,042</u>	<u>\$ 4,244,190</u>	<u>\$ 4,408,146</u>	<u>\$ 4,655,234</u>	<u>\$ 5,111,932</u>	<u>\$ 5,534,884</u>	<u>\$ 3,309,502</u>	<u>\$ 3,572,125</u>	<u>\$ 3,901,715</u>

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,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses:										
Governmental Activities:										
Instruction:										
Regular	\$ 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	\$ 6,105,693
Special Education	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	2,051,433
Other Special Education		134,539	149,618	132,602	145,387	147,089	204,001	218,314	185,646	176,024
School-Sponsored/ Other Instruction	215,568	142,395	367,944	118,279	137,640	144,783	99,897	109,941	139,633	84,716
Support Services:										
Tuition	398,539	231,851	286,683	189,738	220,569	221,772	226,431	160,891	194,424	223,091
Student & Instruction Related Services	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	1,805,576
General Administrative Services	452,611	362,808	298,522	294,210	305,839	295,780	271,457	292,001	352,127	382,351
School Administrative Services	745,926	568,356	542,605	611,590	567,277	603,753	605,999	584,360	644,837	677,761
Central Services		175,097	223,033	212,905	230,142	224,056	261,568	278,632	322,977	320,943
Administrative Information Technology		51,401	57,652	79,711	106,497	99,488	118,947	10,142	12,745	6,990
Plant Operations And Maintenance	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	1,418,889
Pupil Transportation	924,808	952,345	1,033,892	1,012,667	923,026	942,306	947,319	850,425	887,322	931,415
Capital Outlay			15,083		74,537	133,830	39,348	88,193	9,638	148,834
Interest On Long-Term Debt	379,582	641,812	541,907	567,490	550,407	476,290	480,475	456,216	444,619	470,241
Unallocated Depreciation										
Charter Schools	8,954	38,088	59,710	100,521	66,786	88,063	113,915	135,323	153,833	149,744
Total Governmental Activities Expenses	<u>11,071,772</u>	<u>12,155,364</u>	<u>12,179,569</u>	<u>12,026,501</u>	<u>12,130,484</u>	<u>12,342,878</u>	<u>12,680,971</u>	<u>12,659,371</u>	<u>14,267,715</u>	<u>14,953,701</u>



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

	Fiscal Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses: (Cont'd)										
Business-Type Activities:										
Food Service	\$ 179,752	\$ 204,735	\$ 187,801	\$ 192,973	\$ 192,781	\$ 202,633	\$ 184,240	\$ 179,860	\$ 200,296	\$ 183,164
Total Business-Type Activities Expense	<u>179,752</u>	<u>204,735</u>	<u>187,801</u>	<u>192,973</u>	<u>192,781</u>	<u>202,633</u>	<u>184,240</u>	<u>179,860</u>	<u>200,296</u>	<u>183,164</u>
Total District Expenses	<u>\$ 11,251,524</u>	<u>\$ 12,360,099</u>	<u>\$ 12,367,370</u>	<u>\$ 12,219,474</u>	<u>\$ 12,323,265</u>	<u>\$ 12,545,511</u>	<u>\$ 12,865,211</u>	<u>\$ 12,839,231</u>	<u>\$ 15,153,997</u>	<u>\$ 15,136,865</u>
Program Revenues:										
Governmental Activities:										
Operating Grants and Contributions	\$ 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	\$ 3,712,607
Total Governmental Activities Program Revenues	<u>2,259,456</u>	<u>1,643,743</u>	<u>1,585,016</u>	<u>1,757,971</u>	<u>1,903,554</u>	<u>1,928,474</u>	<u>2,112,545</u>	<u>1,923,696</u>	<u>3,165,618</u>	<u>3,712,607</u>
Business-Type Activities:										
Charges for Services:										
Food Services	146,036	151,466	148,293	156,475	146,471	138,996	122,765	131,729	120,263	118,257
Operating Grants and Contributions	41,881	44,611	42,187	53,211	49,484	63,799	62,263	53,974	51,493	54,740
Total Business-Type Activities	<u>187,917</u>	<u>196,077</u>	<u>190,480</u>	<u>209,686</u>	<u>195,955</u>	<u>202,795</u>	<u>185,028</u>	<u>185,703</u>	<u>171,756</u>	<u>172,997</u>
Total District Program Revenues	<u>\$ 2,447,373</u>	<u>\$ 1,839,820</u>	<u>\$ 1,775,496</u>	<u>\$ 1,967,657</u>	<u>\$ 2,099,509</u>	<u>\$ 2,131,269</u>	<u>\$ 2,297,573</u>	<u>\$ 2,109,399</u>	<u>\$ 3,337,374</u>	<u>\$ 3,885,604</u>
Change in Net (Expense)/Revenue:										
Governmental Activities	\$ (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)	\$ (11,241,094)
Business-Type Activities	8,165	(8,658)	2,679	16,713	3,174	162	788	5,843	(28,540)	(10,167)
Total District Net Expense	<u>\$ (8,804,151)</u>	<u>\$ (10,520,279)</u>	<u>\$ (10,591,874)</u>	<u>\$ (10,251,817)</u>	<u>\$ (10,223,756)</u>	<u>\$ (10,414,242)</u>	<u>\$ (10,567,638)</u>	<u>\$ (10,729,832)</u>	<u>\$ (11,130,637)</u>	<u>\$ (11,251,261)</u>

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

	Fiscal Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes Levied for General Purposes	\$ 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	\$ 9,241,246
Taxes Levied for Debt Services	456,660	686,316	821,269	823,964	937,435	924,128	894,436	918,384	918,357	878,675
Unrestricted Grants and Contributions	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	1,385,421
Investment Earnings	52,266	32,991								
Miscellaneous Income	3,846	14,241	25,199	48,051	26,867	107,318	7,090	15,118	62,642	75,433
Debt Service Contribution	(500,710)					(25,000)				
Total Governmental Activities	<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>	<u>11,580,775</u>
Business-Type Activities:										
Investment Earnings	663	1,134	784	689	317	215	41	89	114	76
Capital Assets Contribution					17,288					
Total Business-Type Activities	<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>	<u>76</u>
Total District-Wide	<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>	<u>\$ 11,580,851</u>
Change in Net Position:										
Governmental Activities	\$ (227,240)	\$ (545,648)	\$ (485,315)	\$ 146,554	\$ 226,309	\$ 456,321	\$ 216,964	\$ 339,781	\$ 291,049	\$ 339,681
Business-Type Activities	8,828	(7,524)	3,463	17,402	20,779	377	829	5,932	(28,426)	(10,091)
Total District	<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>	<u>\$ 329,590</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,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund:										
Reserved	\$ 65,448	\$ 307,877	\$ 222,069	\$ 522,783						
Unreserved	240,467	143,996	51,584	114,293						
Restricted					\$ 567,261	\$ 879,810	\$ 1,280,926	\$ 1,568,416	\$ 1,529,087	\$ 2,115,508
Assigned					220,259	333,704	271,587	407,367	440,412	285,738
Unassigned					104,954	132,722	75,766	62,531	52,689	47,014
Total General Fund	<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>	<u>\$ 2,448,260</u>
All Other Governmental Funds:										
Unreserved, Reported In:										
Capital Projects Fund	\$ 46,659	\$ 3,027	\$ 203,736	\$ 175,461						
Debt Service Fund/(Deficit)	134,704	1	1	(23,245)						
Restricted					\$ 162,014	\$ 242,786	\$ 216,178	\$ 561,775	\$ 558,748	\$ 515,358
Committed					52,049	49,992			122,805	63,580
Unassigned/(Deficit)							(48,345)	(63,967)		
Total All Other Governmental Funds	<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>	<u>\$ 578,938</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,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues:</b>										
Tax Levy	\$ 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	\$ 10,119,921
Interest Earnings	52,266	32,991		1,965	2,492	4,611	1,116	1,385	2,791	3,099
Miscellaneous	3,846	14,241	25,199	46,086	24,375	102,707	5,974	13,733	59,851	72,334
State Sources	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	3,433,991
Federal Sources	245,951	207,764	206,132	252,515	341,460	299,404	218,743	185,911	218,118	246,548
<b>Total Revenue</b>	<b>11,345,211</b>	<b>11,689,227</b>	<b>11,694,254</b>	<b>12,173,055</b>	<b>12,356,793</b>	<b>12,824,199</b>	<b>12,897,935</b>	<b>12,999,152</b>	<b>13,480,538</b>	<b>13,875,893</b>
<b>Expenditures:</b>										
<b>Instruction:</b>										
Regular Instruction	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	3,572,068
Special Education Instruction	781,432	888,566	976,409	1,064,249	1,103,656	1,079,882	1,335,387	1,346,318	1,295,024	1,259,373
Other Special Instruction	177,178	94,935	109,361	95,325	104,698	103,080	140,843	155,185	116,231	107,501
School-Sponsored/Other Instruction		102,915	103,122	106,773	115,286	97,686	73,135	79,445	95,890	51,599
<b>Support Services:</b>										
Tuition	398,539	231,851	286,683	189,738	220,569	221,772	226,431	160,891	194,424	223,091
Student & Instruction Related Services	766,882	821,686	870,856	832,392	849,632	1,052,369	874,135	999,044	1,050,774	1,227,204
General Administrative Services	336,689	292,358	259,118	247,459	260,972	246,254	218,935	241,098	275,704	300,401
School Administrative Services	566,876	403,260	423,636	437,002	401,059	414,786	410,629	406,226	396,807	407,213
Central Services		175,097	166,187	155,312	171,626	158,210	186,641	201,305	206,233	204,172
Administrative Information Technology		51,401	53,097	65,178	85,865	78,998	86,929	10,142	12,745	6,990
Plant Operations And Maintenance	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	1,019,922
Student Transportation	924,808	952,345	1,033,892	1,012,667	923,026	942,306	947,319	850,425	887,322	931,415
Unallocated Benefits	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	2,898,755

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,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenditures:										
Capital Outlay	\$ 59,883	\$ 235,448	\$ 1,245,158	\$ 80,886	\$ 144,753	\$ 70,535	\$ 148,873	\$ (241,782)	\$ 110,779	\$ 217,067
Charter Schools	8,954	38,088	59,710	100,521	66,786	88,063	113,915	135,323	153,833	149,744
Debt Service:										
Principal	225,000	260,000	275,000	290,000	415,000	435,000	485,000	505,000	520,000	540,000
Interest And Other Charges	490,549	559,964	547,324	557,210	557,171	504,347	476,769	466,113	454,781	442,531
<b>Total Expenditures</b>	<b>11,051,580</b>	<b>11,724,634</b>	<b>12,992,737</b>	<b>11,861,153</b>	<b>12,039,548</b>	<b>12,266,722</b>	<b>12,740,836</b>	<b>12,259,143</b>	<b>13,312,919</b>	<b>13,559,046</b>
Excess/(Deficiency) Of Revenues Over/(Under) Expenditures	293,631	(35,407)	(1,298,483)	311,902	317,245	557,477	157,099	740,009	167,619	316,847
Other Financing Sources/(Uses):										
Adjustment to Contracts Payable										
Capital Leases (Non-Budgeted)										
EDA Grant Canceled	(2,710)									
Long Term Debt Issued			1,324,000							9,260,000
Bond Premium										721,182
Serial Bonds Defeased										(9,665,000)
Bond Issuance Costs										(111,543)
Deferred Amount on Refunding										(198,029)
Bond Refunding, Net						(25,000)				
Transfers In	1,055		10							
Transfers Out	(1,055)		(10)							
<b>Total Other Financing Sources/(Uses)</b>	<b>(2,710)</b>		<b>1,324,000</b>			<b>(25,000)</b>				<b>6,610</b>
<b>Net Change In Fund Balances</b>	<b>\$ 290,921</b>	<b>\$ (35,407)</b>	<b>\$ 25,517</b>	<b>\$ 311,902</b>	<b>\$ 317,245</b>	<b>\$ 532,477</b>	<b>\$ 157,099</b>	<b>\$ 740,009</b>	<b>\$ 167,619</b>	<b>\$ 323,457</b>
Debt Service As A Percentage Of Noncapital Expenditures	6.51%	7.14%	7.00%	7.19%	8.17%	7.70%	7.64%	7.77%	7.38%	7.36%

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>
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	36,554	62,642
2016	3,099	54,117		18,217	75,433

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 <sup>a</sup>	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate <sup>b</sup>	Estimated Actual (County Equalized Value)
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
2015	33,919,500	856,886,600	13,852,900	1,333,800	109,514,500	41,088,000	17,000,000	1,073,595,300	2,306,168	1,075,901,468	124,124,900	0.94	1,156,145,795

\* - 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

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		Total Direct	Township of Hardyston	Walkill Valley Regional High School	Sussex County	
	Basic Rate <sup>a</sup>	Obligation Debt Service <sup>b</sup>					
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
2015	0.86	0.08	0.94	0.67	0.45	0.55	2.61

\* - 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	2015		Taxpayer	2006	
	Taxable Assessed Value	% of Total District Net Assessed Value		Taxable Assessed Value	% of Total District Net Assessed Value
Edgewater Assoc, LLC	\$ 17,000,000	1.58%	Wild Turkey Golf Club, LLC	\$ 10,298,400	1.71%
WT Spe, LLC	13,543,400	1.26%	Edgewater Associates, LLC	9,688,000	1.61%
Eastern Concrete Materials, Inc.	8,882,500	0.83%	Newark Watershed CDC	9,113,000	1.51%
Grand Cascades Lodge at Crystal Springs	8,668,700	0.81%	HFHDevelopment Corp.	5,872,600	0.97%
Ballyoween Spe, LLC	7,452,700	0.69%	Crystal Springs Builders, LLC	5,839,600	0.97%
Shotland Bauer, LLC	7,207,500	0.67%	Crystal Springs Acquisition, LLC	5,693,000	0.94%
Crystal Springs Spe, LLC	6,103,500	0.57%	Ballyowen Golf Club USA, Inc.	5,288,400	0.88%
City of Newark (c/o NWCDC)	6,075,300	0.56%	Pottersville Properties Dev, LLC	5,215,900	0.87%
North Church Gravel, Inc	5,094,400	0.47%	Playbiz, LLC	4,687,200	0.78%
Black Bear Spe, LLC	4,614,100	0.43%	Toll NJ III, LP	3,694,300	0.61%
<b>Total</b>	<b>\$ 84,642,100</b>	<b>7.87%</b>		<b>\$ 65,390,400</b>	<b>10.85%</b>

Source: Municipal Tax Assessor

Exhibit J-9

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<sup>a</sup></u>		<u>Collections in</u> <u>Subsequent</u> <u>Years</u>
		<u>Amount</u>	<u>Percentage</u> <u>of Levy</u>	
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-
2016	10,119,921	10,119,921	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,	<u>Governmental Activities</u>		Total District	Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
	General Obligation Bonds	Capital Leases			
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
2016	10,259,000		10,259,000	2.42%	1,278

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

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 <sup>a</sup> of Property	Per Capita <sup>b</sup>
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
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
2016	10,259,000	-0-	10,259,000	0.95%	1,278

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, 2015  
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid With Property Taxes:			
Hardyston Township	\$ 9,964,516	100.00%	\$ 9,964,516
Wallkill Valley Regional High School	3,460,000	56.48%	1,954,364
County of Sussex-Municipality's Share	112,567,827	6.57%	<u>7,399,635</u>
Subtotal, Overlapping Debt			19,318,515
Hardyston Township School District Direct Debt			<u>10,664,000</u>
Total Direct And Overlapping Debt			<u><u>\$ 29,982,515</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.

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

Legal Debt Margin Calculation for Fiscal Year 2016

	Equalized valuation basis	
	2013	\$ 1,183,152,702
	2014	1,171,836,243
	2015	1,151,030,292
		\$ 3,506,019,237
Average Equalized Valuation of Taxable Property		\$ 1,168,673,079
Debt Limit (3% of average equalization value) <sup>a</sup>		\$ 35,060,192
Net Bonded School Debt as of June 30, 2016		10,259,000
Legal Debt Margin		\$ 24,801,192

	Fiscal Year				
	2012	2013	2014	2015	2016
Debt Limit	\$ 37,297,731	\$ 36,149,320	\$ 35,675,549	\$ 35,344,553	\$ 35,060,192
Total Net Debt Applicable to Limit	12,714,000	12,637,500	12,132,500	11,612,500	10,259,000
Legal Debt Margin	\$ 24,583,731	\$ 23,511,820	\$ 23,543,049	\$ 23,732,053	\$ 24,801,192
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	34.09%	34.96%	34.01%	32.86%	29.26%

	Fiscal Year				
	2011	2010	2009	2008	2007
Debt Limit	\$ 39,303,924	\$ 39,300,253	\$ 38,070,719	\$ 34,437,725	\$ 30,249,410
Total Net Debt Applicable to Limit	13,109,000	13,524,000	13,814,000	12,765,000	13,025,000
Legal Debt Margin	\$ 26,194,924	\$ 25,776,253	\$ 24,256,719	\$ 21,672,725	\$ 17,224,410
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	33.35%	34.41%	36.29%	37.07%	43.06%

<sup>a</sup> Limit set by NJSA 18A:24-19 for a K through 8 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

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

Year	Population <sup>a</sup>	Sussex County Per Capita Personal Income <sup>b</sup>	Personal Income <sup>c</sup>	Unemployment Rate <sup>d</sup>
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	52,851	424,023,573	6.20%
2015	8,030	52,851 *	424,393,530 ***	5.10%
2016	8,030 **	52,851 *	424,393,530 ***	N/A

\* - Latest Sussex County per capita personal income available (2014) was used for calculation purposes.

\*\* - Latest population data available (2015) was used for calculation purposes.

\*\*\* - Latest available population data (2015) and latest available Sussex County per capita personal income (2014) was used for calculation purposes.

N/A - Information not available

Source:

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

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

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

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

Exhibit J-15

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

<u>Employer</u>	<u>2015</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>2006</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 Chamber of Commerce



HARDYSTON TOWNSHIP SCHOOL DISTRICT  
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM  
LAST TEN 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>	<u>2016</u>
Instruction:										
Regular	47.0	46.0	46.0	46.0	41.9	43.0	44.0	43.6	43.6	45.5
Special Education	13.5	14.5	14.5	14.5	12.0	14.3	31.5	31.9	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	8.1
Other Education	4.0	4.0	4.0	4.0	4.0	4.0	0.5	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	7.0
General Administrative Services	3.0	3.0	3.0	3.0	8.6	8.6	5.6	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	5.0
Plant Operation and Maintenance	8.0	8.0	8.0	8.5	7.5	7.5	7.6	7.6	8.1	8.2
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>	<u>111.8</u>

Source: District Personnel Records

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
OPERATING STATISTICS  
LAST TEN FISCAL YEARS  
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil	Percentage Change	Teaching Staff <sup>b</sup>	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle				
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%
2016	720	12,359,448	17,166	5.29%	70.2	11.3/1	9.1/1	719	694	-3.62%	96.52%

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>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>	<u>2016</u>
<u>District Building</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	321	329	495	479	497	426	453	436	433	402
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	402	374	272	264	244	319	329	320	317	318

Number of Schools at June 30, 2016

    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>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>	<u>2016</u>
Hardyston Elementary School	SP#201372	\$ 95,290	\$ 90,683	\$ 49,890	\$ 25,498	\$ 80,763	\$ 97,127	\$ 59,627	\$ 64,115	\$ 98,132	\$ 75,910
Hardyston Middle School	SP#201372	59,751	31,862	63,700	41,066	42,832	52,432	46,501	62,441	113,314	90,160
		<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>	<u>\$ 166,070</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, 2016  
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



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

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

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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 14, 2016.

**Internal Control Over Financial Reporting**

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

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

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

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

### **Compliance and Other Matters**

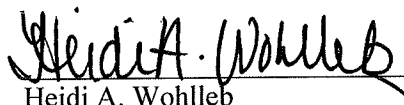
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

### **Purpose of this Report**

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

November 14, 2016  
Mount Arlington, New Jersey

NISIVOCCIA LLP

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





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

Lawrence Business Center  
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Report on Compliance For Each Major State Program;  
 Report on Internal Control Over Compliance

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 *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, 2016. 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; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, the Uniform Guidance and New Jersey's OMB Circular 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, 2016.

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 the Uniform Guidance and NJOMB 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 the District's internal control over compliance.


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

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

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

November 14, 2016  
Mount Arlington, New Jersey

NISIVOCIA LLP

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

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass Through Grantor Program Title/ Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance June 30, 2015		Cash Received	Budgetary Expenditures	Balance June 30, 2016			Amounts Provided to Subrecipients
					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	7/1/15-6/30/16	\$ 17,425			\$ 17,425	\$ (15,309)			\$ 2,116	
Federal Food Distribution Program	10.550	N/A	7/1/14-6/30/15	15,784	\$ 2,046			(2,046)				
National School Lunch Program	10.555	N/A	7/1/15-6/30/16	35,559			30,102	(35,559)	\$ (5,457)			
National School Lunch Program	10.555	N/A	7/1/14-6/30/15	33,954	(11,949)		11,949					
Total U.S. Department of Agriculture					(9,903)		59,476	(52,914)	(5,457)	2,116		
Special Revenue Fund - Passed-through State Department of Education:												
No Child Left Behind Consolidated Grant:												
Title I	84.010A	NCLB-2030-16	7/1/15-6/30/16	45,473			44,978	(45,473)	(495)			
Title IIA	84.278A	NCLB-2030-16	7/1/15-6/30/16	31,847			12,264	(31,847)	(19,583)			
Title IIA	84.278A	NCLB-2030-15	7/1/14-6/30/15	27,204	(224)		224					
Special Education Cluster:												
I.D.E.A. Part B, Basic	84.027	IDEA-2030-16	7/1/15-6/30/16	165,023			165,023	(165,023)				
I.D.E.A. Part B, Preschool	84.173	IDEA-2030-16	7/1/15-6/30/16	4,205			4,205	(4,205)				
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						28	169,228	(169,228)			28	
Total Special Revenue Fund					(224)	28	226,694	(246,548)	(20,078)		28	
Total U.S. Department of Education					(224)	28	226,694	(246,548)	(20,078)		28	
Total Federal Financial Awards					\$ (10,127)	\$ 28	\$ 286,170	\$ (299,462)	\$ (25,535)	\$ 2,116	\$ 28	\$ -0-

N/A - Not Available/Applicable

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

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance June 30, 2015		Cash Received	Budgetary Expenditures	Refunded to Grantor	Balance June 30, 2016		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	16-495-034-5120-014	7/1/15 - 6/30/16	\$ 455,021			\$ 410,782	\$ (455,021)				\$ (44,239)	\$ 455,021
Transportation Aid	15-495-034-5120-014	7/1/14 - 6/30/15	455,021	\$ (44,223)		44,223						455,021
Special Education Aid	16-495-034-5120-011	7/1/15 - 6/30/16	395,120			356,705	(395,120)				(38,415)	395,120
Special Education Aid	15-495-034-5120-011	7/1/14 - 6/30/15	395,120	(38,401)		38,401						395,120
Security Aid	16-495-034-5120-084	7/1/15 - 6/30/16	53,906			48,665	(53,906)				(5,241)	53,906
Security Aid	15-495-034-5120-084	7/1/14 - 6/30/15	53,906	(5,239)		5,239						53,906
Adjustment Aid	16-495-034-5120-085	7/1/15 - 6/30/16	1,162,080			1,049,099	(1,162,080)				(112,981)	1,162,080
Adjustment Aid	15-495-034-5120-085	7/1/14 - 6/30/15	1,162,080	(112,942)		112,942						1,162,080
School Choice Aid	16-495-034-5120-068	7/1/15-6/30/16	103,048			93,029	(103,048)				(10,019)	103,048
School Choice Aid	15-495-034-5120-068	7/1/14-6/30/15	77,286	(7,511)		7,511						77,286
PARCC Readiness Act	16-495-034-5120-098	7/1/15-6/30/16	7,540			6,807	(7,540)				(733)	7,540
PARCC Readiness Act	15-495-034-5120-098	7/1/14-6/30/15	7,540	(733)		733						7,540
Per Pupil Growth Aid	16-495-034-5120-097	7/1/15-6/30/16	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	(733)		733						7,540
Extraordinary Aid	16-495-034-5120-044	7/1/15 - 6/30/16	13,562				(13,562)		\$ (13,562)		(13,562)	13,562
Extraordinary Aid	15-100-034-5120-473	7/1/14 - 6/30/15	23,130	(23,130)		23,130						23,130
Non-Public Transportation Aid	16-100-034-5120-509	7/1/15 - 6/30/16	9,374				(9,374)		(9,374)		(9,374)	9,374
Non-Public Transportation Aid	15-495-034-5120-014	7/1/14 - 6/30/15	12,471	(12,471)		12,471						12,471
Reimbursed TPAF Social Security Contributions	16-495-034-5094-003	7/1/15 - 6/30/16	357,702			356,338	(357,702)		(1,364)		(1,364)	357,702
Reimbursed TPAF Social Security Contributions	15-495-034-5095-002	7/1/14 - 6/30/15	334,862	(16,668)		16,668						334,862
<b>Total General Fund State Aid</b>				<b>(262,051)</b>		<b>2,590,283</b>	<b>(2,564,893)</b>		<b>(24,300)</b>		<b>(236,661)</b>	<b>5,093,849</b>
Capital Projects Fund:												
School Development Authority:												
Replace Floor Tile/Stairway Project - Elementary School	2030-050-10-1001	7/23/10-6/30/16	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)							(140,220)	
<b>Total Capital Projects Fund</b>				<b>(204,187)</b>							<b>(204,187)</b>	
Debt Service Fund:												
Debt Service Aid - State Support	16-495-034-5120-017	7/1/15 - 6/30/16	53,856			53,856	(53,856)					53,856
<b>Total Debt Service Fund</b>						<b>53,856</b>	<b>(53,856)</b>					<b>53,856</b>
Enterprise Fund:												
State School Lunch Program	16-100-010-3350-023	7/1/15 - 6/30/16	1,826			1,547	(1,826)		(279)		(279)	1,826
State School Lunch Program	15-100-010-3350-023	7/1/14 - 6/30/15	1,898	(588)		588						1,898
<b>Total Enterprise Fund</b>				<b>(588)</b>		<b>2,135</b>	<b>(1,826)</b>		<b>(279)</b>		<b>(279)</b>	<b>3,724</b>
<b>Total State Awards</b>				<b>\$ (466,826)</b>	<b>\$ -0-</b>	<b>\$ 2,646,274</b>	<b>\$ (2,620,575)</b>	<b>\$ -0-</b>	<b>\$ (24,579)</b>	<b>\$ -0-</b>	<b>\$ (441,127)</b>	<b>\$ 5,151,429</b>

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

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
NOTES TO SCHEDULES OF THE EXPENDITURE OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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, 2016. The information in these schedules are presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 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 on the accrual basis of accounting. These bases of accounting are described in Note 1 to the District's basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3. INDIRECT COST RATE

The District has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4. 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 last two 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 last two 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 (\$2,578) for the general fund. See Note 1D 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 and Post Retirement Contributions revenue of \$373,311 and \$444,509, respectively.

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
NOTES TO SCHEDULES OF THE EXPENDITURE OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(Continued)

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (Cont'd)

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 3,380,135	\$ 3,380,135
Special Revenue Fund	\$ 246,548		246,548
Debt Service Fund		53,856	53,856
Enterprise Fund - Food Service	<u>52,914</u>	<u>1,826</u>	<u>54,740</u>
Total Awards	<u>\$ 299,462</u>	<u>\$ 3,435,817</u>	<u>\$ 3,735,279</u>

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, 2016. 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

The District has been awarded two grants in the amount of \$204,187 which are recorded in the Capital Projects Fund from the New Jersey Schools Development Authority (NJSDA) under the Educational Facilities Construction and Financing Act. As of June 30, 2016, \$-0- of the grants have been expended and drawn down on a GAAP basis. In the Capital Projects Fund, the District realizes the full amount of the grant revenue on a budgetary basis in the year awarded and realizes the grant revenue on a GAAP basis as it is expended and submitted for reimbursement. Expenditures reported under the NJSDA on the Schedule of Expenditures of State Awards represent reimbursement requests submitted to the NJSDA.

HARDYSTON TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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*.
- The auditor's report on compliance for the major state programs for the District expresses an unmodified opinion on all major state programs.
- The District was not subject to the single audit provisions of the Uniform Guidance for the fiscal year ended June 30, 2016 as federal grant expenditures were less than the single audit threshold of \$750,000 identified in the Uniform Guidance.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance.
- The District's programs tested as major state programs for the current fiscal year consisted of the following:

	<u>Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
State:				
State Aid - Public:				
Adjustment Aid	16-495-034-5120-085	7/1/15 - 6/30/16	\$ 1,162,080	\$ 1,162,080
Special Education Aid	16-495-034-5120-011	7/1/15 - 6/30/16	395,120	395,120
School Choice Aid	16-495-034-5120-068	7/1/15 - 6/30/16	103,048	103,048
Security Aid	16-495-034-5120-084	7/1/15 - 6/30/16	53,906	53,906
PARCC Readiness Aid	16-495-034-5120-098	7/1/15 - 6/30/16	7,540	7,540
Per Pupil Growth Aid	16-495-034-5120-097	7/1/15 - 6/30/16	7,540	7,540

- The threshold used for distinguishing between Type A and Type B state programs was \$750,000.
- 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, 2016

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 2 CFR 200.516(a) of the Uniform Guidance or NJOMB 15-08.



HARDYSTON TOWNSHIP SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Status of Prior Year Findings:

The District had no prior year audit findings.