

**Comprehensive Annual
Financial Report**

of the

Borough of Hawthorne Board of Education

County of Passaic

Hawthorne, New Jersey

For the Fiscal Year Ended June 30, 2016

Prepared by

**Borough of Hawthorne, Board of Education
Finance Department**

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INTRODUCTORY SECTION

HAWTHORNE PUBLIC SCHOOLS

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October 5, 2016

Trude Engle
School Business Administrator

Honorable President and
Members of the Board of Education
Hawthorne Public Schools
County of Passaic, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Hawthorne Public Schools (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 Board of Education (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds 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 basic financial statements and required supplementary information, as well as the auditor's report thereon. The financial section also includes Management's Discussion and Analysis, which is an overview of the District's current financial status and future outlook. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act, as amended, and the U.S. Office of Management and Budget Uniform Guidance, and the State Treasury Circular Letter 15-08 OMB, "Single Audit Policy for Recipients -of Federal Grants, State Grants, and State Aid". Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations are included in the single audit section of this report.

REPORTING ENTITY AND ITS SERVICES:

The Hawthorne Public Schools is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB) as established by National Council on Governmental Accounting (NCGA) Statement No. 3. The Hawthorne 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 Pre-K through 12. These include regular, vocational and special education programs. The District completed the 2015-2016 fiscal year with an average daily enrollment of 2452 students, an increase of 28 students from 2014-2015. The following details the in-District student enrollment of the District over the last ten years.

Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Annual Percent Change</u>
2015-2016	2452	1.15%
2014-2015	2424	(.98%)
2013-2014	2448	(.69%)
2012-2013	2464	.14%
2011-2012	2430	(.21%)
2010-2011	2481	.61%
2009-2010	2,466	.78%
2008-2009	2,447	.78%
2007-2008	2,428	1.9%
2006-2007	2,383	2.10%

2. MAJOR INITIATIVES 2015-2016:

1. Introduction of Multiple Disable class
2. Teaming in Grade 6
3. PSATs for all 11th grade students
4. Envisions Math grade 3-5
5. Ongoing Professional development
6. Revisions to numerous curriculum:
 - a. ELA-grades 6-12
 - b. Career and technical courses-grades K-12
 - c. Math-grades 3-5
 - d. Social Studies grades 7-9
 - e. Arch grades 3-12, pre-school
7. Upgraded district and school websites
8. Realtime student information system
9. Google Apps for Education
10. Online report cards
11. New security cameras

12. Door replacement
13. Entry buzzer and key fob
14. Lighting upgrades at two elementary schools

3. INTERNAL ACCOUNTING CONTROLS:

Management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets are protected from loss, theft, or misuse and to ensure statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the 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 structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the District's management. As part of the District's single audit described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal and state financial assistance programs, as well as to determine that the District has complied with applicable laws and regulations.

4. 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. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance as of June 30, 2016.

5. 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.

6. 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 4. 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.

7. RISK MANAGEMENT:

The District is a member of the Northeast Bergen County School Board Insurance Group (the “Fund”). The Fund is a risk-sharing public entity pool established for the purpose of insuring against workers’ compensation claims, general liability, property and vehicle insurance.

8. OTHER INFORMATION:

State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The Board’s finance committee selected the accounting firm of Suplee, Clooney & Company. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act as amended and the related OMB Uniform Guidance and State Treasury Circular Letter 15-08 OMB. The auditor’s report on the basic financial statements is included in the financial section of this report.

The auditor’s reports related specifically to the single audit are included in the single audit section of this report.


The Hawthorne School Board entered into a new contract with Pomptonian Food Services to manage the District’s cafeteria operation for the 2014/2015, 2015/2016 & 2016/2017 school years. The award is based on Pomptonian’s prior performance and that firm’s 2013/2014 selection via the Request for Proposal process. The Hawthorne School Board will conduct Request for Proposal process for the 2017/2018 school year.

The Hawthorne Board of Education renewed its membership in the Northeast Bergen County Insurance Group. This is a joint insurance group participating with other local school boards to provide general liability, vehicle, and worker’s compensation coverage in a cost-effective manner. The Hawthorne Board of Education participates with State Health Benefit Program (SHBP) for medical insurance/prescription, and dental coverage from Delta Dental.

9. ACKNOWLEDGMENTS:

We would like to express our appreciation to the members of the Hawthorne Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the school District and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our administrative, financial, accounting, and secretarial staffs.

Respectfully submitted,


Richard Spirito
Superintendent of Schools


Gertrude Engle
Board Secretary/Business Administrator

**HAWTHORNE BOARD OF EDUCATION
HAWTHORNE, NJ**

**ROSTER OF OFFICIALS
JUNE 30, 2016**

<u>Board Members</u>	<u>Term Expires</u>
Mr. Alexander Clavijo, President	2016
Mr. Michael Sciarra, Vice President	2017
Ms. Abigail Goff	2018
Mr. Bruce Reicher	2016
Mr. Victor Terraglia	2018
Mr. Louis B. Turco	2016
Mr. Michael Doyle	2017
Mr. Anthony Puluse	2017
Ms. Tania Sanford	2018

Other Officials

Mr. Richard Spirito, Superintendent of Schools
Ms. Gertrude Engle, Business Administrator/Board Secretary
Mr. Stephen Fogarty, Esq.

**HAWTHORNE BOARD OF EDUCATION
HAWTHORNE, NJ
CONSULTANTS AND ADVISORS**

Audit Firm

Suplee, Clooney & Company
308 East Broad Street
Westfield, NJ 07090

Attorney

Fogarty & Hara, Esqs.
21-00 Route 208 South
Fair Lawn, NJ 07410

Official Depository

Columbia Bank
496 Lafayette Ave
Hawthorne, NJ 07506

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FINANCIAL SECTION



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
Borough of Hawthorne School District
County of Passaic
Hawthorne, New Jersey 07506

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 Borough of Hawthorne School District, County of Passaic, New Jersey as of and for the 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey, and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and State of New Jersey *OMB Circular 15-08* "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid." Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

SUPLEE, CLOONEY & COMPANY

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

Opinion

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 Borough of Hawthorne School District, County of Passaic, New Jersey as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the 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 and budgetary comparison information in Exhibit C-1 through C-3 and the schedules related to accounting and reporting for pensions in Exhibit L-1 through L-4 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.

SUPLEE, CLOONEY & COMPANY

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Hawthorne School District's basic financial statements. The accompanying supplementary information schedules such as the combining and individual fund financial statements and the Schedules of Expenditures of Federal Awards and State Financial Assistance, as listed in the table of contents, as required by the Uniform Guidance, New Jersey's OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid," and the State of New Jersey, Department of Education, Division of Finance, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information schedules such as the combining and individual fund financial statements and the Schedules of Expenditures of Federal Awards and State Financial Assistance, as listed in the table of contents, as required the Uniform Guidance, New Jersey's OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid," and by the State of New Jersey, Department of Education, Division of Finance is the responsibility of management and was derived from and relates 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 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The 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 October 5, 2016 on our consideration of the Borough of Hawthorne School 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 Borough of Hawthorne School District's internal control over financial reporting and compliance.


CERTIFIED PUBLIC ACCOUNTANTS


PUBLIC SCHOOL ACCOUNTANT NO. 948

October 5, 2016

REQUIRED SUPPLEMENTARY INFORMATION – Part I

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

BOROUGH OF HAWTHORNE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2016 UNAUDITED

The discussion and analysis of the Borough of Hawthorne School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements-Management's Discussion and Analysis-for the State and Local Governments* issued in June 1999. Certain comparative information between the current fiscal year (2015-2016) and the prior fiscal year (2014-2015) is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for 2016 are as follows:

- The state continues to delay the final two state aid payments into the subsequent budget year. Therefore, the final two payments were not reflected on the GAAP basis financial statements for the 2015/2016 school year. The amount of the deferred state aid payments, which were received in July 2016, is \$142,764.
- General revenues accounted for \$37,119,814 or 74% of all revenues. Program specific revenues in the form of charges for services and operating/capital grants and contributions accounted for \$13,048,813 or 26% of all revenues.
- The District had \$48,245,036.19 in expenses that were adequately provided for by general revenues consisting primarily of state aid and property taxes.

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

BOROUGH OF HAWTHORNE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2016 UNAUDITED

The *Statement of Net Position and Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of the district, the General Fund is by far the most significant fund.

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2016?" The Statement of Net Position and the Statement of Activities answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

- **Government Activities** – All of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant facilities, student transportation and extracurricular activities.
- **Business-Type Activities** – This service is provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service program and the Adult Community School program are reported as business activities.

BOROUGH OF HAWTHORNE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2016 UNAUDITED

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund Financial reports provide detailed information about the District's funds. The District uses many funds to account for a multitude of financial transactions. The District's governmental funds are the General Fund, Special Revenue Fund, Capital Projects Fund and Debt Service Fund.

Governmental Funds

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

Enterprise Fund

The enterprise fund uses the same basis of accounting as business-type activities. These statements closely resemble financial statements of a private sector business entity.

The School District as a Whole

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

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

Table 1 provides a comparative summary of the District's net position for 2016 and 2015.

	Table 1	
	Net Position	
	<u>2016</u>	<u>2015</u>
Assets		
Current and Other Assets	\$3,984,055.12	\$3,159,062.52
Capital Assets	<u>7,168,125.00</u>	<u>7,021,108.00</u>
Total Assets	11,152,180.12	10,180,170.52
Deferred Outflows:		
Related to Pensions	2,069,372.00	841,746.00
Loss on Refunding of Long-term Debt	<u>4,324.25</u>	<u>110,560.00</u>
	2,073,696.25	952,306.00
Liabilities		
Other Liabilities	13,424,425.05	903,975.24
Long-Term Liabilities	<u>7,870,933.64</u>	<u>20,884,396.69</u>
Total Liabilities	21,295,358.69	21,788,371.93
Deferred Inflows:		
Related to Pensions	<u>1,640,279.00</u>	<u>977,458.00</u>
Net Position		
Net Investment in Capital Assets(Deficit)	86,603.63	(680,863.97)
Restricted	1,142,805.23	681,486.69
Unrestricted(Deficit)	<u>(10,939,170.18)</u>	<u>(11,633,976.13)</u>
Total Net Position	<u><u>(\$9,709,761.32)</u></u>	<u><u>(\$11,633,353.41)</u></u>

The District's combined net position were (\$9,709,761.32) on June 30, 2016. The District's investment in capital assets is shown net of any related debt used to acquire those assets.

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

Table 2 shows changes in net assets for fiscal years 2016 and 2015.

Table 2
Changes in Net Position

	<u>2016</u>	<u>2015</u>
Revenues		
Program Revenues:		
Charges for Services	\$776,769.09	\$829,739.10
Operating Grants and Contributions	12,272,044.78	10,643,284.98
Capital Grants and Contributions		71,941.73
General Revenues:		
Property Taxes	36,347,601.00	35,441,966.00
Grants and Entitlements	646,123.00	648,332.00
Other	126,090.41	(304,677.21)
Total Revenues	<u>50,168,628.28</u>	<u>47,330,586.60</u>
Program Expenses		
Instruction	29,170,311.73	27,519,039.14
Support Services:		
Student and Instruction Related	8,541,344.51	7,342,948.21
General Administration	597,413.06	685,664.65
School Administration	2,224,452.91	2,172,465.23
Central Services/ Adm. Of Technology	706,089.86	844,580.17
Maintenance of Facilities	3,785,337.07	4,759,491.89
Student Transportation	1,611,541.32	1,675,955.06
Business Type Activities	1,185,350.36	1,105,263.09
Other	423,195.38	350,989.04
Total Expenses	<u>48,245,036.19</u>	<u>46,456,396.48</u>
Increase/ (Decrease) in Net Position	<u>\$1,923,592.09</u>	<u>\$874,190.12</u>

Both revenues and expenses increased mainly as a result of the district recognizing a larger on-behalf TPAF contribution as a revenue and as an expense based upon the State's Actuarial report

BOROUGH OF HAWTHORNE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2016 UNAUDITED

Government Activities

The nature of funding public education primarily through property taxes in New Jersey creates the legal requirements to annually seek voter approval for the School District budget. Property taxes made up 74 percent of revenues for governmental activities in the District. There was a \$905,635 increase in property taxes or 2 percent from the prior year. The District's total revenues were \$49,008,666 for the year ended June 30, 2016.

Instruction comprises 62 percent of district expenses. Support services make up 37 percent of the district expenses and other services and expenses make up 1 percent.

Business-Type Activities

Revenues for the District's business-type activities were comprised of charges for services and operating grants and contributions in the food service program and the adult community school program. The following are some of our major business type activity results.

- Business type expenses exceeded revenues by \$25,388.
- Revenues consist of \$772,655 in operating revenue from charges for services and \$387,306 in non-operating revenue from State, Federal and other sources.

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

Table 3
Net Cost of Services

	Total Cost of <u>Services 2016</u>	Total Cost of <u>Services 2015</u>	Net Cost of <u>Services 2016</u>	Net Cost of <u>Services 2015</u>
Instruction	\$29,170,311.73	27,519,039.14	\$19,817,465.38	\$19,830,497.65
Support Services:				
Students and Instruction Related	8,541,344.51	7,342,948.21	6,696,089.76	6,031,992.22
General Administration, School & Central Administration	3,527,955.83	3,702,710.05	2,980,417.06	3,097,300.06
Maintenance of Facilities	3,785,337.07	4,759,491.89	3,785,337.07	4,227,314.28
Student Transportation	1,611,541.32	1,675,955.06	1,467,796.32	1,378,242.24
Other	423,195.38	350,989.04	423,195.38	350,989.04
Business-Type Activities	<u>1,185,350.36</u>	<u>1,105,263.09</u>	<u>25,921.36</u>	<u>(4,904.82)</u>
Total Net Cost of Services	<u>\$48,245,036.19</u>	<u>\$46,456,396.48</u>	<u>\$35,196,222.33</u>	<u>\$34,911,430.67</u>

BOROUGH OF HAWTHORNE SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED**

Instruction expenses include activities directly dealing with the teaching of students and the interaction between teacher and student, including extracurricular activities. Tuition paid to other schools for regular and special education students is also included here.

Students and instruction related include the activities involved with assisting staff with the content and process of teaching to students, including curriculum and staff development.

General administration, school administration, and central services include expenses associated with administrative and financial management of the District.

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

Student transportation includes activities with the conveyance of special education students to and from school, school activities and athletic events, as provided by state law.

“Other” includes unallocated depreciation and interest on long term debt.

Business-Type activities include activities in the food service program and the adult community school program.

The School District's Funds

All governmental funds (i.e., general fund, special revenue fund, capital projects fund, and debt service fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$44,286,146.77 and expenditures were \$43,697,453.68.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management, which required significant budget adjustments to contend with state aid reductions. The following schedules, which do not include the Capital Project Fund's activity, present a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2016, and the amount and percentage of increase or decrease in relation to prior year revenues.

<u>Revenues</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase(Decrease) from FY 2015</u>	<u>Percent Increase (Decrease)</u>
Local Sources	\$36,424,128.19	82.25%	\$807,914.24	2.85%
State Sources	6,651,304.69	15.02%	317,515.90	1.25%
Federal Sources	1,210,713.89	2.73%	54,327.72	3.67%
Total	\$44,286,146.77	100.00%	\$1,179,757.86	2.14%

BOROUGH OF HAWTHORNE SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED**

The following schedule represents a summary of general fund, special revenue fund, and debt service fund expenditures for the fiscal year ended June 30, 2016, and the percentage of increases and decreases in relation to prior year amounts.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase(Decrease) from FY 2015</u>	<u>Percent Increase (Decrease)</u>
Current:				
Instruction	\$16,559,845.73	37.90%	\$375,759.61	2.22%
Support Services	25,171,844.34	57.60%	861,240.94	3.31%
Capital Outlay	610,172.85	1.40%	(219,313.19)	-56.11%
Debt Service	<u>1,355,590.76</u>	<u>3.10%</u>	<u>37,294.63</u>	<u>2.68%</u>
Total	<u>\$43,697,453.68</u>	<u>100.00%</u>	<u>\$1,054,981.99</u>	<u>1.96%</u>

General Fund Budgeting Highlights

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

Over the course of the year, the Board of Education, when appropriate, approved budget transfers to keep accounts in balance. Transfers to the budget were made to accurately reflect expenditures according to state guidelines and prevent over-expenditures in specific line item accounts. These revisions bear notation:

- TPAF, which is the State's contribution to the pension fund, post-retirement benefits and the employer's share of FICA costs, is neither a revenue or expenditure item in the budget; however, the School District is required to present this information in the revenue and expenditure sections of the report.

Debt Administration

At June 30, 2016, the District had \$20,218,415 of outstanding long-term liabilities. Of this amount, \$530,422 is for compensated absences; \$265,891 for capital leases; \$93,621 for deferred pension obligation, \$12,347,382 for pension liability and \$6,981,000 of serial bonds.

Capital Assets

At the end of the fiscal year 2016, the District had a net of (\$108,905) invested in land, building and building improvements, and machinery and equipment. Table 4 shows fiscal year 2016 balances compared to 2015.

BOROUGH OF HAWTHORNE SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED**

**Table 4
Capital Assets (Net of Depreciation)**

	<u>2016</u>	<u>2015</u>
Governmental Activities Capital Assets, Net:		
Land	\$310,876.00	\$310,876.00
Building and Building Improvements	5,922,520.00	5,823,987.00
Machinery and Equipment	<u>739,220.00</u>	<u>690,138.00</u>
Total Governmental Activities Capital Assets, Net	<u>6,972,616.00</u>	<u>6,825,001.00</u>
Business Type Activities Capital Assets, Net:		
Machinery and Equipment	<u>195,509.00</u>	<u>196,107.00</u>
Total Business Type Activities Capital Assets, Net:	<u>195,509.00</u>	<u>196,107.00</u>
Total Capital Assets, Net	<u>\$7,168,125.00</u>	<u>\$7,021,108.00</u>

Overall net capital assets increased by \$147,017 from fiscal year 2015 to fiscal year 2016.

For the Future

Everyone associated with the Hawthorne School District is grateful for the community support of the schools. A major concern is the financial support required to maintain appropriate class sizes and services. This, in an environment of virtually flat state aid support, means an ever-increasing reliance on local property taxes.

In conclusion, the Hawthorne School District has committed itself to financial and educational excellence. Its system for financial planning, budgeting and internal financial controls is audited annually and it plans to continue to manage its finances in order to meet the many challenges ahead.

Contacting the School District's Financial Management Office

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information contact: Gertrude Engle, Business Administrator/Board Secretary, Hawthorne Board of Education, 445 Lafayette Avenue, Hawthorne, NJ 07507. Also, please visit our website to learn more about our School District.

BASIC FINANCIAL STATEMENTS

The basic financial statements provide a financial overview of the District's operations. These financial statements present the financial position and operating results of all funds as of June 30, 2016

DISTRICT-WIDE FINANCIAL STATEMENTS

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

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>	<u>TOTAL</u>
ASSETS:			
Cash and cash equivalents	\$2,998,992.27	\$206,921.07	\$3,205,913.34
Receivables, net	680,396.14	16,178.46	696,574.60
Internal Balances		70,778.21	70,778.21
Inventory		10,788.97	10,788.97
Capital assets:			
Non Depreciable	310,876.00		310,876.00
Depreciable - Net	6,661,740.00	195,509.00	6,857,249.00
Total Assets	<u>10,652,004.41</u>	<u>500,175.71</u>	<u>11,152,180.12</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Related to pension	2,069,372.00		2,069,372.00
Loss on Refunding of Long-Term Debt	4,324.25		4,324.25
Total deferred outflow of resources	<u>2,073,696.25</u>		<u>2,073,696.25</u>
LIABILITIES:			
Accounts payable	874,137.22	3,891.37	878,028.59
Payable to state government	27,338.09		27,338.09
Payable to other funds	58,168.96		58,168.96
Unearned revenue	37,740.34	4,835.89	42,576.23
Accrued interest payable	70,831.18		70,831.18
Net pension liability	12,347,482.00		12,347,482.00
Noncurrent liabilities:			
Due within one year	1,258,311.07		1,258,311.07
Due beyond one year	6,612,622.57		6,612,622.57
Total liabilities	<u>21,286,631.43</u>	<u>8,727.26</u>	<u>21,295,358.69</u>
DEFERRED INFLOWS OF RESOURCES:			
Related to pension	<u>1,640,279.00</u>		<u>1,640,279.00</u>
NET POSITION:			
Net Investment in capital assets(deficit)	(108,905.37)	195,509.00	86,603.63
Restricted for:			
Capital projects	25,010.65		25,010.65
Debt service(deficit)	(69,759.71)		(69,759.71)
Other purposes	1,187,554.29		1,187,554.29
Unrestricted(deficit)	<u>(11,235,109.63)</u>	<u>295,939.45</u>	<u>(10,939,170.18)</u>
Total net position	<u>(\$10,201,209.77)</u>	<u>\$491,448.45</u>	<u>(\$9,709,761.32)</u>

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

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
JUNE 30, 2016

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Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:								
Instruction:								
Regular	\$ 10,283,336.02	\$ 6,428,617.32	\$	\$ 4,180,136.38	\$	\$ (12,531,816.97)	\$	\$ (12,531,816.97)
Special	7,304,755.40	3,359,162.32	4,114.00	4,849,667.06		(5,810,136.67)		(5,810,136.67)
Other Instruction	1,266,115.34	540,675.12		325,575.82		(1,481,214.65)		(1,481,214.65)
Support services:								
Tuition								
Student & instruction related services	5,658,465.03	2,875,142.17		1,840,269.57		(6,693,337.63)		(6,693,337.63)
General administrative services	529,352.29	67,835.27		0.01		(597,187.55)		(597,187.55)
School administrative services	1,285,967.88	936,759.69		546,707.91		(1,676,019.67)		(1,676,019.67)
Central services	307,923.35	76,680.88				(384,604.23)		(384,604.23)
Administration information technology	280,479.84	40,722.61				(321,202.45)		(321,202.45)
Plant operations and maintenance	3,008,726.24	775,413.33				(3,784,139.57)		(3,784,139.57)
Pupil transportation	1,435,667.58	175,523.62		143,745.00		(1,467,446.20)		(1,467,446.20)
Unallocated benefits	14,815,050.34	(14,815,050.34)						
Unallocated depreciation and amortization	461,482.00	(461,482.00)						
Interest on Long-Term Debt	423,195.38					(423,195.38)		(423,195.38)
Total governmental activities	<u>47,060,516.69</u>	<u>\$</u>	<u>4,114.00</u>	<u>11,886,101.73</u>	<u>\$</u>	<u>(35,170,300.97)</u>	<u>\$</u>	<u>(35,170,300.97)</u>
Business-type activities								
Food Service	888,593.25		531,065.34	386,773.91			29,246.00	29,246.00
School Aged Child Care Program	296,757.11		241,589.75				(55,167.36)	(55,167.36)
Total business-type activities	<u>1,185,350.36</u>	<u>\$</u>	<u>772,655.09</u>	<u>386,773.91</u>	<u>\$</u>	<u></u>	<u>(25,921.36)</u>	<u>(25,921.36)</u>
Total primary government	<u>\$ 48,245,867.05</u>	<u>\$</u>	<u>776,769.09</u>	<u>12,272,875.64</u>	<u>\$</u>	<u>(35,170,300.97)</u>	<u>\$</u>	<u>(35,196,222.33)</u>
General Revenues:								
Taxes:								
Property taxes, levied for general purposes, net								
						\$ 35,228,047.00	\$	\$ 35,228,047.00
Taxes levied for debt service								
						1,119,554.00		1,119,554.00
Federal and state aid not restricted								
						445,768.00		445,768.00
Federal and state aid restricted								
						200,355.00		200,355.00
Miscellaneous income								
						68,350.91	532.69	68,883.60
Donated assets								
						47,750.00		47,750.00
Canceled accounts payable								
						11,420.82		11,420.82
Loss on disposal of assets								
						(1,964.00)		(1,964.00)
Total general revenues and special items								
						<u>37,119,281.73</u>	<u>532.69</u>	<u>37,119,814.42</u>
Change in net position								
						1,948,980.76	(25,388.67)	1,923,592.09
Net Position- beginning								
						(12,150,190.53)	\$ 516,837.12	(11,633,353.41)
Net Position ending								
						<u>\$ (10,201,209.77)</u>	<u>\$ 491,448.45</u>	<u>\$ (9,709,761.32)</u>

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

MAJOR FUND FINANCIAL STATEMENTS

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

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS:					
Cash and cash equivalents	\$ 2,627,981.67	\$ 139,873.95	\$ 230,064.18	\$ 1,072.47	\$ 2,998,992.27
Accounts receivable:					
Federal	39,207.18	102,401.33			141,608.51
State	538,787.63				538,787.63
Interfunds	<u>155,504.10</u>				<u>155,504.10</u>
 Total assets	 <u>\$ 3,361,480.58</u>	 <u>\$ 242,275.28</u>	 <u>\$ 230,064.18</u>	 <u>\$ 1,072.47</u>	 <u>\$ 3,834,892.51</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts payable	\$ 391,052.22	\$ 34,302.00			\$ 425,354.22
Interfund payable	70,778.21	142,894.85			213,673.06
Intergovernmental payables:					
State		27,338.09			27,338.09
Unearned revenue		<u>37,740.34</u>			<u>37,740.34</u>
 Total liabilities	 <u>461,830.43</u>	 <u>242,275.28</u>			 <u>704,105.71</u>
Fund balances:					
Restricted for:					
Capital reserve account	600,000.00				600,000.00
Maintenance reserve account	350,000.00				350,000.00
Excess surplus	155,238.31				155,238.31
Excess surplus - Designated for subsequent years expenditures	82,315.98				82,315.98
Capital projects			186,055.58		186,055.58
Debt service				1,071.47	1,071.47
Assigned:					
Year-end encumbrances	951,236.48		44,008.60		995,245.08
Designated for subsequent years expenditures	17,684.02			1.00	17,685.02
Unassigned	<u>743,175.36</u>				<u>743,175.36</u>
 Total fund balances	 <u>2,899,650.15</u>		 <u>230,064.18</u>	 <u>1,072.47</u>	 <u>3,130,786.80</u>
 Total liabilities and fund balances	 <u>\$ 3,361,480.58</u>	 <u>\$ 242,275.28</u>	 <u>\$ 230,064.18</u>	 <u>\$ 1,072.47</u>	 <u>\$ 3,834,892.51</u>

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

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

Total Fund Balances (Brought Forward)	\$	3,130,786.80
Amounts Reported for Governmental Activities in the Statement of Net Position (A-1) are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Cost of assets	\$ 22,350,813.00	
Accumulated depreciation	<u>(15,378,197.00)</u>	6,972,616.00
Cost associated with the issuance of Bonds are expensed in the Governmental Funds in the year the bonds are issued, but are capitalized on the Statement of Net position:		
Deferred amount on refunding, net		4,324.25
Long term liabilities, including bonds payable, and other related amounts that are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Serial bonds payable	(6,981,000.00)	
Net pension liability	(12,347,482.00)	
Capital leases payable	(265,890.55)	
Deferred pension obligation	(93,621.00)	
Compensated absences payable	<u>(530,422.09)</u>	(20,218,415.64)
Deferred Outflows and Inflows of resources are applicable to future periods and therefore are not reported in the funds.		
Pensions:		
Deferred Outflows		
Pension related		2,069,372.00
Deferred Inflows:		
Pension related		(1,640,279.00)
Certain liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.		
Accounts payable - pension related		(448,783.00)
Accrued interest payable		<u>(70,831.18)</u>
Net Position of Governmental Activities	\$	<u><u>(10,201,209.77)</u></u>

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

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
Local sources:					
Local tax levy	\$ 35,228,047.00	\$	\$	\$ 1,119,554.00	\$ 36,347,601.00
Tuition	4,114.00				4,114.00
Miscellaneous	67,280.65	4,062.28		1,070.26	72,413.19
Total - local sources	35,299,441.65	4,062.28		1,120,624.26	36,424,128.19
State sources	6,195,125.78	255,823.91		200,355.00	6,651,304.69
Federal sources	79,618.76	1,131,095.13			1,210,713.89
Total revenues	41,574,186.19	1,390,981.32		1,320,979.26	44,286,146.77
EXPENDITURES:					
Current expense:					
Regular instruction	9,700,271.67	412,172.32			10,112,443.99
Special instruction	4,370,097.08	811,189.32			5,181,286.40
Other instruction	1,260,421.81	5,693.53			1,266,115.34
Support services:					
Tuition	2,397,021.05				2,397,021.05
Student & instruction related services	5,498,259.68	161,926.15			5,660,185.83
General administrative services	531,073.09				531,073.09
School administrative services	1,287,688.68				1,287,688.68
Central services	309,644.15				309,644.15
Administrative information technology	280,479.84				280,479.84
Plant operations and maintenance	3,021,560.00				3,021,560.00
Student transportation	1,435,667.58				1,435,667.58
Unallocated benefits	10,248,524.12				10,248,524.12
Debt Service:					
Principal				1,035,000.00	1,035,000.00
Interest				284,915.01	284,915.01
Cost of issuance				35,675.75	35,675.75
Capital outlay	9,668.00		600,504.85		610,172.85
Total expenditures	40,350,376.75	1,390,981.32	600,504.85	1,355,590.76	43,697,453.68
Excess (deficiency) of revenues over (under) expenditures	1,223,809.44		(600,504.85)	(34,611.50)	588,693.09
Other financing sources (uses):					
Payment to refunding bonds escrow				(2,834,324.25)	(2,834,324.25)
Refunding bond proceeds				2,870,000.00	2,870,000.00
Prior Year Accounts Payable Cancelled	11,420.82				11,420.82
Total other financing sources	11,420.82			35,675.75	47,096.57
Net change in fund balances	1,235,230.26		(600,504.85)	1,064.25	635,789.66
Fund balances, July 1, 2015	1,664,419.89	-0-	830,569.03	8.22	2,494,997.14
Fund balances, June 30, 2016	\$ 2,899,650.15	\$ -0-	\$ 230,064.18	\$ 1,072.47	\$ 3,130,786.80

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

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, 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) \$ 635,789.66

Amounts reported for governmental activities in the statement of activities (A-2) are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period

Depreciation expense	\$ (461,482.00)	
Capital outlays	610,172.85	
Donated Assets	47,750.00	
Loss on Disposal of capital assets	(1,964.00)	
Less: Capital outlays not capitalized	(46,861.85)	
		147,615.00

Proceeds from debt issues are a financing source in governmental funds. They are not revenue in the statement of activities; issuing debt increases long-term liabilities in the statement of net position.

Capital lease proceeds		
Refunding Bond Proceeds		(2,870,000.00)
Bonds Refunded		2,830,000.00
Retirement of Old Deferred Amount of Interest Costs on Refunding		(110,560.00)
Deferred Amount of Interest Costs on Refunding		4,324.25

Repayment of long-term debt 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.

Payment of capital lease principal	152,039.74	
Payment of deferred pension	8,604.00	
Payment of bond principal	1,035,000.00	
		1,195,643.74

In the statement of activities, interest on long-term debt is accrued, regardless of when due. In governmental funds, interest is reported when due. The accrued interest is an increase in the reconciliation.

Decrease in accrued interest payable 16,914.80

District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.

District pension contributions	498,394.00	
Less: Pension expense	(527,020.00)	
		(28,626.00)

In the statement of activities, certain expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In 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 (+).

Decrease in compensated absences payable		127,879.31
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Change in net position of governmental activities		\$ 1,948,980.76
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The accompanying Notes to the Financial Statements are an integral part of this statement.

OTHER FUNDS

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

		<u>BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS NON-MAJOR</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$	206,921.07
Accounts receivable:		
Federal		15,736.59
State		441.87
Interfunds		70,778.21
Inventories		<u>10,788.97</u>
Total current assets		<u>304,666.71</u>
Noncurrent assets:		
Furniture, machinery and equipment		425,085.00
Less accumulated depreciation		<u>(229,576.00)</u>
Total noncurrent assets		<u>195,509.00</u>
Total assets		<u>500,175.71</u>
LIABILITIES:		
Current liabilities:		
Accounts payable		3,891.37
Unearned revenue		<u>4,835.89</u>
Total current liabilities		<u>8,727.26</u>
Total liabilities		<u>8,727.26</u>
NET POSITION:		
Net Investment in capital assets		195,509.00
Unrestricted		<u>295,939.45</u>
Total net position	\$	<u><u>491,448.45</u></u>

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

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS NON-MAJOR</u>
OPERATING REVENUES:	
Charges for services:	
Daily sales	\$ 252,594.15
Daily sales - non-reimbursable programs	249,373.50
Special Functions	29,097.69
Child care activities	241,589.75
	772,655.09
 OPERATING EXPENSES:	
Cost of sales-reimbursable	210,922.00
Cost of sales-non reimbursable	202,197.59
Salaries and employee benefits	505,231.52
Other purchased services	71,467.16
Supplies and materials	131,249.32
Miscellaneous	40,334.77
Depreciation	23,948.00
	1,185,350.36
Total operating expenses	1,185,350.36
Operating (loss)	(412,695.27)
 NON-OPERATING REVENUES:	
State Sources	
State school lunch program	9,419.11
Federal Sources	
National school lunch program	308,939.94
National school breakfast program	14,526.77
National food distribution commodities	53,888.09
Interest and investment revenue	532.69
	387,306.60
Total non-operating revenues	387,306.60
Net income (loss) before contributions and transfers	(25,388.67)
Change in net position	(25,388.67)
Total net position - beginning	516,837.12
Total net position - ending	\$ 491,448.45

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS NON-MAJOR</u>
Cash flows from operating activities:	
Receipts from customers	\$ 774,096.54
Payments to employees and employee benefits	(505,231.52)
Payments to suppliers	<u>(609,021.56)</u>
Net cash provided by (used for) operating activities)	<u>(340,156.54)</u>
Cash flows from noncapital financing activities:	
State Sources	9,576.00
Federal Sources	<u>327,881.60</u>
Net cash provided by noncapital financing activities:	<u>337,457.60</u>
Cash flows from investing activities:	
Interest on investments	<u>532.69</u>
Net cash provided by (used for) investing activities	<u>532.69</u>
Net decrease in cash and cash equivalents	(25,516.25)
Cash and cash equivalents, July 1, 2015	<u>232,437.32</u>
Cash and cash equivalents, June 30, 2016	<u>\$ 206,921.07</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ (412,695.27)
Adjustments to reconciling operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation and net amortization	23,948.00
Change in assets and liabilities:	
Increase (decrease) in accounts payable	(5,315.49)
Increase (decrease) in unearned revenue	2,740.68
(Increase) decrease in inventories	<u>(2,722.55)</u>
	<u>72,538.73</u>
Net cash provided by (used for) operating activities	<u>\$ (340,156.54)</u>

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

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	PRIVATE PURPOSE SCHOLARSHIP FUNDS	UNEMPLOYMENT COMPENSATION TRUST	AGENCY FUNDS
ASSETS:			
Cash and cash equivalents	\$ <u>3,497.84</u>	\$ <u>107,814.22</u>	\$ <u>274,053.22</u>
Total assets	<u>3,497.84</u>	<u>107,814.22</u>	<u>274,053.22</u>
LIABILITIES:			
Payroll deductions and withholdings			32,025.82
Due to other funds			229,418.15
Due to student groups			<u>12,609.25</u>
Total liabilities			\$ <u><u>274,053.22</u></u>
NET POSITION:			
Held in trust for unemployment claims		\$ <u><u>107,814.22</u></u>	
Held in trust for scholarships	\$ <u><u>3,497.84</u></u>		

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

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

	<u>PRIVATE PURPOSE SCHOLARSHIP FUNDS</u>	<u>UNEMPLOYMENT COMPENSATION TRUST</u>
ADDITIONS:		
Contributions:		
Unemployment	\$ _____	\$ 55,631.54
Total contributions	_____	55,631.54
Investment earnings:		
Interest earned	5.41	154.76
Net investment earnings	5.41	154.76
Total additions	5.41	55,786.30
DEDUCTIONS:		
Other purposes	500.00	
Unemployment claims		57,047.08
Total deductions	500.00	57,047.08
Change in net position	(494.59)	(1,260.78)
Net position beginning of year	3,992.43	\$ 109,075.00
Net position end of year	\$ <u>3,497.84</u>	\$ <u>107,814.22</u>

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

Borough of Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The School District is a Type II District located in Passaic County, New Jersey. The School District is an instrumentality of the State of New Jersey, established to function as an educational institution. The Hawthorne School District is governed by a seven member board, which is the primary governing authority of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District.

The primary criterion for including activities within the District's reporting entity, are set forth in Statement No. 39 of the Governmental Accounting Standards Board entitled "*Determining Whether Certain Organizations are Component Units*" (GASB 39) as codified in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards.

Organizations that are legally separate, tax-exempt entities and that meet *all* of the following criteria should be discretely presented as component units:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government.
2. The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources of the organization.
3. The economic resources received or held by an *individual organization* that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. The financial statements include all funds of the District over which the Board exercises operating control.

The operations of the District include pre-kindergarten through high school education. 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.

Borough of Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

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

District-Wide Statements: The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish generally between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of net position the financial condition of the governmental and business-type activities of the District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirement of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the District.

Fund Financial Statements: During the fiscal year, the District segregates transactions related to certain 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 are presented for each fund category-governmental, proprietary, and fiduciary. 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 as the oversight entity believes that the presentation of all funds as major is important for the public interest and to promote consistency among District financial reporting models.

Borough of Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Funds

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

As required by the New Jersey State Department of Education, the District includes budgeted capital outlay in this fund. U.S. Generally Accepted Accounting Principles as they pertain to governmental entities state that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes, and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to capital 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 the current expense by Board resolution; in certain instances approval by the County Superintendent of Schools may also be required.

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

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

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

Borough of Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Funds

Enterprise Fund The enterprise fund accounts for all revenues and expenses pertaining to the District's Food Service and School Age Child Care program operations. These funds are 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.

Fiduciary Funds

Agency Funds The agency funds are used to account for assets held by the District on behalf of outside parties, including other governments, or on behalf of other funds within the District. The agency funds included are as follows:

Payroll and Student Activities Funds These are agency funds used to account for the assets that the District holds on behalf of others as their agent. Agency funds are custodial in nature and do not involve measurement of results of operations.

Private Purpose Trust Funds These trust funds are used to account for assets donated by individuals that will provide for the payment of awards and other purposes.

Unemployment Insurance Trust Funds An expendable trust fund used to account for unemployment compensation claims as they arise.

Basis of Accounting-Measurement Focus

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

Borough of Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting-Measurement Focus (Continued)

District-Wide, Proprietary, and Fiduciary Fund Financial Statements

The District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation for expenses versus expenditures. Ad Valorem (Property) Taxes are susceptible to accrual as under New Jersey State Statute a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available.

The District is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

Borough of Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the county office. In accordance with P.L. 2011, c. 202, which became effective January 17, 2012, the District elected to move the School Board election to the date of the November general election thereby eliminating the vote on the annual base budget unless required by the mandated State budget CAP. 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. 6A:23-2.2(f)1. Expenditures may not legally exceed budgeted appropriations at the line item level. All budget amendments and transfers must be approved by School Board resolution. Budget amendments during the year ended June 30, 2016 totaled \$539,297, representing the balance of June 30, 2015 general fund encumbrances and extraordinary aid.

All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Appropriations, except remaining project appropriations, encumbrances, and unexpended grant appropriations, lapse at the end of each fiscal year. The capital projects fund presents the remaining project appropriations compared to current year expenditures. Formal budgetary integration into the accounting system is employed as a management control device during the fiscal year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles (GAAP) with the exception of the legally mandated (NJSA 18A:22-44.2) revenue recognition of deferred State Aid payments for budgetary purposes only and the accounting treatment of encumbrances in the special revenue fund as described 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 recognized encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial records.

Borough of Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Encumbrance Accounting

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditures 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 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 and capital project funds for which the District has received advances are reflected in the balance sheet as unearned revenues at fiscal year end.

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

Interfunds

Interfund receivables and payables arise from transactions between particular funds and are considered short term in duration. The interfund transactions are recorded by all funds affected in the period in which the transactions are executed and are part of the district's available expendable resources.

Inventories and Prepaid Expenses

Inventories of materials and supplies held for consumption in the governmental funds are recorded as expenditures at the time of purchase and year end balances are not reported in the financial statements.

Inventories of food and/or supplies in the food service fund are recorded at cost on a first-in, first-out basis or, in the case of Food Distribution Commodities, at stated value which approximates market.

Prepaid expenses which benefit future periods, other than those recorded in the enterprise fund, are recorded as expenditures in the year of purchase.

Borough of Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

The District has an established formal system of accounting for its capital assets. Capital Assets used for governmental purposes, which include land, buildings and improvements and furniture and equipment, are only reported in the district-wide financial statements. The District generally defines capital assets as assets with an initial cost of \$2,000.00 or more and an estimated useful life in excess of one year. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their acquisition value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

In fiscal year 2016, the District implemented GASB 72. The objective of this Statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. These improvements are based in part on the concepts and definitions established in Concepts Statement No. 6, Measurement of Elements of Financial Statements, and other relevant literature.

Capital assets are depreciated in the district-wide statements using the straight-line method over the following estimated useful lives:

	<u>Estimated</u>
School Buildings	40
Building Improvements	20
Electrical/Plumbing	30
Vehicles	8
Office and Computer Equipment	5-10
Instructional Equipment	10
Grounds Equipment	15

Borough of Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and/or collective bargaining unit contracts. Upon termination, employees are paid for accrued vacation. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after four years of service.

The liability for compensated absences was accrued using the termination payment method, whereby the liability is calculated based on the amount of sick leave and vacation days that are expected to become eligible for payment upon termination. The District estimates its accrued compensated absences liability based on the accumulated sick and vacation days at the balance sheet date by those employees who are currently eligible to receive termination payments.

For the district-wide statements, the current portion is the amount estimated to be used in the following year. For the governmental funds in the fund financial statements, a liability is reported only for to the extent of the amount actually due at year end as a result of employee resignations/retirements. Compensated absences are a reconciling item between the fund level and district-wide presentations.

Fund Equity

Fund balance restrictions are used to indicate that portion of the fund balance that is not available for expenditures or is legally segregated for a specific future use. Designation of portions of the fund balances are established to indicate tentative plans for financial utilization in a future period. The unassigned fund balances represent the amount available for future budgetary operations.

Unassigned net position represents the remains of the District's equity in the cumulative earnings of the proprietary fund.

Borough of Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unearned Revenue

Unearned revenue in the special revenue and capital projects funds represents funds which have been received but not yet earned. A corresponding accounts receivable has also been established for any open encumbrances at year end which is an allowable practice under generally accepted accounting principles.

Accrued Liabilities and Long-Term Obligations

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

Net Position

GASB 63 provides guidance for reporting net position in the statement of financial position and related disclosures. Net Position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

Borough of Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance

Under GASB 54, in the fund financial statements, governmental funds report the following classifications of fund balance:

Non-Spendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation. The District reports the Capital Reserve, Emergency Reserve, Maintenance Reserve and Excess Surplus as Restricted Fund Balance.

Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of Education, the District's highest level of decision making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of Education. The District reports amounts Designated for Subsequent Year's Expenditures as Committed Fund Balance.

Assigned – includes amounts that the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the District's policy, amounts may be assigned by the Business Administrator. The District reports Year End Encumbrances as Assigned Fund Balance.

Unassigned - is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balance are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

Borough of Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues, Exchange and Non-Exchange 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.

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

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the District, these revenues are sales and program fees in the Enterprise Funds. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

Borough of Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allocation of Indirect Expenses

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

Extraordinary and Special Items

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

Management Estimates

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

Accounting and Financial Reporting for Pensions

In the district-wide financial statements 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 District's proportionate share of the New Jersey Public Employees Retirement System ("PERS") and the Teachers' Pension and Annuity Fund ("TPAF") and the additions to/deductions from these retirement systems' fiduciary net position have been determined on the same basis as they were reported by PERS and TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Borough of Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting and Financial Reporting for Pensions (Continued)

In the governmental fund financial statements the year end net pension liability is not required to be reflected. Pension related revenues and expenditures are reflected based on amounts that are normally expected to be liquidated with available financial resources for required pension contributions. Expenditures for PERS are recognized based upon billings made by the State of New Jersey due April 1st of each fiscal year. TPAF contributions are paid on the District's behalf by the State of New Jersey. The governmental fund financial statements reflects both a revenue and expenses for this pension contribution.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the District has two items that qualify for reporting in this category, deferred amounts from an loss on refunding debt and deferred amounts related to pensions.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the District has only one item that qualifies for reporting in this category, deferred amounts related to pensions.

Borough of Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 2: CASH, CASH EQUIVALENTS AND INVESTMENTS

Deposits

New Jersey statutes permit the deposit of public funds in public depositories which are located in New Jersey and which meet the requirements of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA requires a bank that accepts public funds to be a public depository. A public depository is defined as a state bank, a national bank, or a savings bank, which is located in the State of New Jersey, the deposits of which are insured by the Federal Deposit Insurance Corporation. The statutes also require public depositories to maintain collateral for deposits of public funds that exceed certain insurance limits. Each depository participating in the GUDPA system must pledge collateral equal to 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of 75% of its capital funds. No collateral is required for amounts covered by FDIC insurance. The collateral which may be pledged to support these deposits includes obligations of the State and federal governments, insured securities and other collateral approved by the Department. When the capital position of the depository deteriorates or the depository takes an unusually large amount of public deposits, the Department of Banking and Insurance requires additional collateral to be pledged. Under (GUDPA), if a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of the deposits to the governmental unit.

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The District does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of June 30, 2016, based upon the coverage provided by FDIC and NJGUDPA, \$-0- of cash equivalents was exposed to custodial credit risk. Of the \$4,615,780.46 cash and cash equivalents on deposit, \$439,149.22 was covered by Federal Depository Insurance, \$4,176,631.24 was covered under the provisions of NJGUDPA.

Borough of Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Deposits (Continued)

As of June 30, 2016, cash and cash equivalents of the District consisted of the following:

Fund Type:	Bank	Reconciling Items:		Reconciled
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Governmental	\$3,932,612.69	\$10,495.11	\$944,115.53	\$2,998,992.27
Proprietary	233,275.10	87.50	26,441.53	206,921.07
Fiduciary	449,892.67	3.81	64,531.20	385,365.28
	<u>\$4,615,780.46</u>	<u>\$10,586.42</u>	<u>\$1,035,088.26</u>	<u>\$3,591,278.62</u>

Investments

The types of investments which may be purchased by the District are strictly limited by the express authority of the N.J.S.A. 18A:20-37 Education, Administration of School Districts. Permitted investments include any of the following type 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 which are purchased from an investment company or investment trust which is registered with the Securities and Exchange Commission under the "Investment Company Act of 1940," 15 U.S.C. 80a1 et seq., and operated in accordance with 17 C.F.R. § 270.2a7 and which portfolio is limited to U.S. Government securities that meet the definition of an eligible security pursuant to 17 C.F.R. § 270.2a7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 18A:20-37. These funds are also required to be rated by a nationally recognized statistical rating organization.
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;

Borough of Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments (Continued)

4. Bonds or other obligations of the Local Unit or bonds or other obligations of school districts of which the Local Unit is a part or within which the school district is located.
5. Bonds or other obligations, having a maturity date not more than 397 days from date of purchase, approved by the Division of Investment of the Department of Treasury for investment by School Districts;
6. Local government investment pools that are fully invested in U.S. Government securities that meet the definition of eligible security pursuant to 17 C.F.R. § 270a7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 18A:2037. This type of investment is also required to be rated in the highest category by a nationally recognized statistical rating organization.
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 C. 52:18A-90.4); or
8. Agreements for the repurchase of fully collateralized securities if:
 - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection;
 - 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 section 1 of P.L. 1970, c.236 C. 17:1941); and
 - e. a master repurchase agreement providing for the custody and security of collateral is executed.

At June 30, 2016, the District had no outstanding investments that were not considered "cash equivalents".

Based upon the limitation set forth by New Jersey Statutes 18A:20-37 and its existing investment practices, the District is generally not exposed to credit risks, custodial credit risks, concentration of credit risks and interest rate risks for its investments, nor is it exposed to foreign currency risks for its deposits and investments.

Borough of Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 3: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	Transfers/ <u>Deletions</u>	Ending <u>Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$310,876.00			\$310,876.00
Total Capital Assets not being depreciated	<u>310,876.00</u>			<u>310,876.00</u>
Buildings and Building Improvements	16,708,689.00	371,810.00		17,080,499.00
Machinery and Equipment	<u>4,833,109.00</u>	<u>239,251.00</u>	<u>(112,922.00)</u>	<u>4,959,438.00</u>
Totals at historical cost	<u>21,541,798.00</u>	<u>611,061.00</u>	<u>(112,922.00)</u>	<u>22,039,937.00</u>
Gross Assets (Memo only)	<u>21,852,674.00</u>	<u>611,061.00</u>	<u>(112,922.00)</u>	<u>22,350,813.00</u>
Less: Accumulated Depreciation				
Buildings and Building Improvements	(10,884,702.00)	(273,277.00)		(11,157,979.00)
Machinery and Equipment	<u>(4,142,971.00)</u>	<u>(188,205.00)</u>	<u>110,958.00</u>	<u>(4,220,218.00)</u>
Total Depreciation	<u>(15,027,673.00)</u>	<u>(461,482.00)</u>	<u>110,958.00</u>	<u>(15,378,197.00)</u>
Total capital assets being depreciated, net of depreciation	<u>6,514,125.00</u>	<u>149,579.00</u>	<u>(1,964.00)</u>	<u>6,661,740.00</u>
Total Governmental Fund Activities	<u>\$6,825,001.00</u>	<u>\$149,579.00</u>	<u>(\$1,964.00)</u>	<u>\$6,972,616.00</u>
Proprietary Activities:				
Machinery and Equipment	<u>\$401,735.00</u>	<u>\$23,350.00</u>		<u>\$425,085.00</u>
Totals at historical cost	<u>401,735.00</u>	<u>23,350.00</u>		<u>425,085.00</u>
Less: Accumulated Depreciation				
Machinery and Equipment	<u>(205,628.00)</u>	<u>(23,948.00)</u>		<u>(229,576.00)</u>
Total Depreciation	<u>(205,628.00)</u>	<u>(23,948.00)</u>		<u>(229,576.00)</u>
Total Proprietary Fund Activities	<u>\$196,107.00</u>	<u>(\$598.00)</u>		<u>\$195,509.00</u>

Borough of Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 3: CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functional expenses areas of the District as follows:

Instruction:	
Regular	\$92,363.00
Support services:	
Student and instruction related services	37,311.00
General administrative services	5,310.00
School administrative services	13,204.00
Plant operations and maintainance	290,150.00
Pupil transportation	<u>23,144.00</u>
	<u>\$461,482.00</u>

NOTE 4: LONG-TERM LIABILITIES

Bonds are issued by the District pursuant to the provisions of Title 18A, Education, of the New Jersey Statutes and are required to be approved by the voters of the municipality through referendum. The proceeds of bonds are recorded in the Capital Projects Fund and are restricted to the use for which they were approved in the bond referendum. All bonds are retired in annual installments within the statutory period of usefulness.

School Bonds issued by the District are entitled to and benefit from the provision of the New Jersey School Board Reserve Act P.L. 1980 c.72. Basically, funds are held by the State of New Jersey within its State Fund for the Support of Free Public Schools as a school bond reserve pledged by law to secure payment of principal and interest due on such bonds in the event of the inability of the issuer to make payments.

Borough of Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 4: LONG-TERM LIABILITIES (CONTINUED)

Debt Capacity

Under New Jersey Statutes the District may incur debt in an amount not to exceed 4% of the averaged equalized valuation basis of real property. For the fiscal year ended June 30, 2016, the District borrowing capacity under N.J.S. 18A:24-19 is as follows:

<u>Year</u>	<u>Equalized Valuation of Real Property</u>
2015	\$2,303,103,715
2014	2,302,932,392
2013	2,256,904,410
	<u>\$6,862,940,517</u>
 Average equalized valuation	 <u>\$2,287,646,839</u>
 School borrowing margin (4% of \$2,287,646,839)	 \$91,505,874
Net school debt as of June 30, 2016	<u>6,941,000</u>
 School borrowing power available	 <u>\$84,564,874</u>

Borough of Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 4: LONG-TERM LIABILITIES (CONTINUED)

The following is a summary of transactions that affect long-term liabilities for the year ended June 30, 2016:

	Balance, <u>June 30, 2015</u>	<u>Additions</u>	<u>Reductions</u>	Balance, <u>June 30, 2016</u>	Due Within <u>One Year</u>
Compensated Absence	\$658,301.40		(\$127,879.31)	\$530,422.09	
Deferred Pension Obligation	102,225.00		(8,604.00)	93,621.00	
Net Pension Liability	11,729,940.00	\$617,542.00		12,347,482.00	
Capital Leases Payable	417,930.29		(152,039.74)	265,890.55	\$153,311.07
Bonds Payable	<u>7,976,000.00</u>	<u>2,870,000.00</u>	<u>(3,865,000.00)</u>	<u>6,981,000.00</u>	<u>1,105,000.00</u>
Total	<u>\$20,884,396.69</u>	<u>\$3,487,542.00</u>	<u>(\$4,153,523.05)</u>	<u>\$20,218,415.64</u>	<u>\$1,258,311.07</u>

Debt Service Requirements

The annual requirements to amortize all debt outstanding as of June 30, 2016, including interest payments on issued debt, are as follows:

Fiscal Year <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$1,105,000.00	\$189,929.42	\$1,294,929.42
2018	1,095,000.00	168,137.25	1,263,137.25
2019	1,065,000.00	146,607.50	1,211,607.50
2020	1,045,000.00	124,413.75	1,169,413.75
2021	420,000.00	106,840.00	526,840.00
2022-2026	<u>2,251,000.00</u>	<u>276,400.00</u>	<u>2,527,400.00</u>
	<u>\$6,981,000.00</u>	<u>\$1,012,327.92</u>	<u>\$7,993,327.92</u>

Borough of Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 4: LONG-TERM LIABILITIES (CONTINUED)

General obligation school and refunding bonds payable with their outstanding balances are comprised of the following individual issues:

<u>Issue</u>	<u>Amount Outstanding June 30, 2016</u>
\$5,476,000.00 in 2011 Bonds due in annual remaining installments of between \$345,000.00 and \$496,000.00 ending February, 2026 with interest between 2.500% to 4.000%	\$4,111,000.00
\$2,870,000.00 in 2016 Refunding Bonds due in remaining annual installments of between \$675,000.00 and \$760,000.00 ending November, 2019 with interest 1.370%	<u>2,870,000.00</u>
	<u>\$6,981,000.00</u>

2016 Refunding

The district issued \$2,870,000.00 in refunding school bonds to advance refund \$2,830,000.00 of the districts previously issued and outstanding refunding school bonds. The reacquisition price exceeded the net carrying amount by \$4,324.25. This amount is being amortized over the remaining life of the refunded debt. The refunding reduced the total debt service payment by \$101,546.46 and resulted in a net present value savings of 98,541.51. As a result, the \$2,830,000.00 of the refunded obligations are considered to be defeased and the liability for those bonds has been removed from the financial statements.

Capital Leases Payable

The District is leasing communications, copier equipment and buses under capital leases. The capital leases are for terms up to five years. The following is a schedule of the future minimum lease payments under the capital leases and the present value of the net minimum lease payments at June 30, 2016:

Fiscal Year Ended	<u>Amount</u>
<u>June 30,</u>	
2017	158,316.26
2018	57,974.81
2019	<u>57,974.81</u>
Total Minimum Lease Payments	274,265.88
Less: Amount Representing Interest	<u>(8,375.33)</u>
 Present Value of Lease Payments	 <u>\$265,890.55</u>

Borough of Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 5: PENSION PLANS

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

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

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

Defined Contribution Retirement Program (DCRP) The Defined Contribution Retirement Program (DCRP) was established under the provision of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 to provide coverage elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one year of membership.

Borough of Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 5: PENSION PLANS (CONTINUED)

Significant Legislation

Effective June 28, 2011, P.L. 2011, c. 78 enacted certain changes in the operations and benefit provisions of the TPAF and the PERS systems.

Pension Plan Design Changes

Effective June 28, 2011, P.L. 2011, c. 78, new members of TPAF and PERS, hired on or after June 28, 2011, will need 30 years of creditable service and have attained the age of 65 for receipt of the early retirement benefit without a reduction of 1/4 of 1% for each month that the member is under age 65. New members will be eligible for a service retirement benefit at age 65.

Funding Changes

Under the new legislation, the methodology for calculating the unfunded accrued liability payment portion of the employer's annual pension contribution to the PERS, and TPAF. The unfunded actuarial accrued liability (UAAL) will be amortized for each plan over an open-ended 30 year period and paid in level dollars. Beginning with the July 1, 2019 actuarial valuation (July 1, 2018 for PFRS), the UAAL will be amortized over a closed 30 year period until the remaining period reaches 20, when the amortization period will revert to an open-ended 20 year period.

COLA Suspension

The payment of automatic cost-of-living adjustment to current and future retirees and beneficiaries are suspended until reactivated as permitted by this law.

Vesting and Benefit Provisions The vesting and benefit provisions of PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:6C for TPAF. All benefits vest after ten years of service, except for post-retirement healthcare benefits that vest after 25 years of service.

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.

Borough of Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 5: PENSION PLANS (CONTINUED)

Contribution Requirements The contribution policy is set by N.J.S.A. 43:15A and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation.

Effective June 28, 2011, P.L. 2011, c. 78 provides for an increase in the employee contribution rates: from 5.5% to 6.5% plus an additional 1% phased-in over 7 years beginning in the first year, meaning after 12 months, after the law's effective date for TPAF and PERS.

Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the District is a non-contributing employer of TPAF (i.e. the State of New Jersey makes the employer contribution on-behalf of public school districts).

Three Year Trend Information for PERS

Year Ended	Annual Pension Cost	2009 Deferral Ch. 19 P.L. Principal and Interest Cost
<u>June 30,</u>	<u>(APC)</u>	<u>Interest Cost</u>
2016	\$473,747.78	19,292.00
2015	546,988.10	19,292.00
2014	504,347.00	19,292.00

During fiscal year ended June 30, 2009, the District deferred 50% of its normal and accrued PERS liability. The deferred amount will be paid back with interest over 15 years. During fiscal year ending June 30, 2016, the District made a principal payment of \$8,604.00.

During the fiscal year ended June 30, 2016, 2015 and 2014, the State of New Jersey contributed \$1,089,977.00, \$759,245.00 and \$583,933.00, respectively to the TPAF pension system on-behalf of the District.

Also, in accordance with N.J.S.A. 18A:66-66 during the years ended June 30, 2016, 2015 and 2014, the State of New Jersey reimbursed the District \$1,136,532.78, \$1,118,396.18 and \$1,190,693.31 respectively for the employer's share of social security contributions for TPAF members, as calculated on their base salaries.

Borough of Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68

Public Employees Retirement System (PERS)

At June 30, 2016, the District reported a liability of \$12,347,482.00 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 0.0550048280 percent, which was a decrease of 0.007645927 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$527,020.00. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>
Differences between expected and actual experience		\$294,568.00
Changes of assumptions		1,326,021.00
Net difference between projected and actual earnings on pension plan investments	\$198,524.00	
Changes in proportion and differences between District contributions and proportionate share of contributions	1,441,755.00	
District contributions subsequent to the measurement date		<u>448,773.00</u>
	<u>\$1,640,279.00</u>	<u>\$2,069,362.00</u>

Borough of Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(Continued)

Public Employees Retirement System (PERS) (Continued)

The \$448,773.00 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2016, the plan measurement date is June 30, 2015) will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	<u>Amount</u>
<u>June 30</u>	
2016	(\$46,663.00)
2017	(\$46,663.00)
2018	(\$46,663.00)
2019	\$128,097.00
2020	(\$7,798.00)

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 rolled forward to June 30, 2015. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation	3.04 Percent
Salary Increases	
2012-2021	2.15-4.40 Percent (based on age)
Thereafter	3.15-5.40 Percent (based on age)
Investment Rate of Return	7.90 Percent

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. 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.

Borough of Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Mortality Rates

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback one year for males and 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.

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on 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 method 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'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>
Cash	5.00%	1.04%
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 Markets	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Returns	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%
	<u>100.00%</u>	

Borough of Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 4.90% and 5.39% as of June 30, 2015 and 2014, respectively. 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% and 4.29% as of June 30, 2015 and 2014, respectively, 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 on 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 Collective Net Pension Liability to Changes in the Discount Rate

The following presents the district's proportionate share of the collective net pension liability of the participating employers as of June 30, 2015 respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1- percentage-point higher than the current rate:

	June 30, 2015		
	1% Decrease <u>3.90%</u>	At Current Discount Rate <u>4.90%</u>	1% Increase <u>5.90%</u>
District's proportionate share of the pension liability	15,346,409.00	12,347,482.00	9,833,203.00

Borough of Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS). The report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295 <http://www.state.nj.us/treasury/pensions>.

Teachers Pensions and Annuity Fund (TPAF)

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. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer.

The portion of the TPAF Net Pension Liability that was associated with the District recognized at June 30, 2016 was as follows:

Net Pension Liability:	
Districts proportionate share	-0-
State's proportionate share associated with the District	\$95,147,084
	\$95,147,084

Borough of Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Teachers Pensions and Annuity Fund (TPAF) (Continued)

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 June 30, 2014. The net pension liability associated with the District 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 school districts and the State, actuarially determined. At June 30, 2015, the proportion of the TPAF net pension liability associated with the District was .1505390124% which was an increase of .0003231376 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized on-behalf pension expense and revenue of \$5,809,586.00 for contributions provided by the State.

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. The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2014. 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%

Borough of Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Teachers Pensions and Annuity Fund (TPAF) (Continued)

Mortality Rates

Mortality rates were based on the RP-2000 Health Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement. The actuarial assumptions used in the July 1, 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 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 method 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 class. The 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:

Borough of Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Teachers Pensions and Annuity Fund (TPAF) (Continued)

Actuarial Assumptions (Continued)

Long-Term Expected Rate of Return (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Cash	5.00%	0.53%
US Government Bonds	1.75%	1.39%
US Credit Bonds	13.50%	2.72%
US Mortgages	2.10%	2.54%
US Inflation-Indexed Bonds	1.50%	1.47%
High Yield Bonds	2.00%	4.57%
US Equities Markets	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%
Farmlands	1.00%	4.61%
Private Equity	9.25%	9.15%
Commodities	1.00%	3.50%
Hedge Funds - Multi Strategy	4.00%	4.59%
Hedge Funds - Equity Hedge	4.00%	5.68%
Hedge Funds - Distressed	4.00%	4.30%
	<u>100.00%</u>	

Borough of Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Teachers Pensions and Annuity Fund (TPAF) (Continued)

Actuarial Assumptions (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 4.13% and 4.68% as of June 30, 2015 and 2014, respectively. 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% and 4.29% as of June 30, 2015 and 2014, respectively, 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 on the average of the last five years. 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 2027. Therefore, the long-term expected rate of return on 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 Net Pension Liability to Changes in the Discount Rate

Because the District's proportionate share of the net pension liability is zero, consideration of potential changes in the discount rate is not applicable to the District.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Teachers Public and Annuity Fund (TPAF). The report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295 <http://www.state.nj.us/treasury/pensions>.

Borough of Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 7: OTHER POST-RETIREMENT BENEFITS

For eligible retired employees, the School District participates in the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 *et seq.*, to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295.

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2015 there were 107,314 retirees eligible for 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 pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The state is also responsible for the cost attributable to P.L. 1992 c. 126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The state paid \$214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in Fiscal Year 2015.

Borough of Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 7: OTHER POST-RETIREMENT BENEFITS (CONTINUED)

The State will set the contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF retirees' post-retirement benefits on behalf of the School for the years ended June 30, 2016, 2015 and 2014 were, \$1,362,512.00, \$1,292,018.00 and \$1,041,940.00 respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the School was not determined or made available by the State of New Jersey.

NOTE 8: LITIGATION

The District's counsel advises that there is no litigation, pending litigation, claims, contingent liabilities, unasserted claims or assessments or statutory violations which involve the School District and which might materially affect the District's financial position.

NOTE 9: CONTINGENCIES

The District receives financial assistance from the State of New Jersey and the U.S. Government in the form of grants. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. The State and Federal grants received and expended in the 2015-2016 fiscal year were subject to the U.S. OMB Circular Uniform Guidance and New Jersey OMB Circular 15-08 which mandates that grant revenues and expenditures be audited in conjunction with the District's annual audit if expenditures for federal or state programs exceed \$750,000. Findings and questioned costs, if any, relative to federal and state financial assistance programs are discussed in the Single Audit Section, Schedule of Findings and Questioned Costs. In addition, all grants and cost reimbursements are subject to financial and compliance audits by the grantors. The District's management does not believe any such audit would result in material amounts of disallowed costs.

Borough of Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 10: RISK MANAGEMENT

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

Property and Liability Insurance The District maintains insurance coverage covering each of those risks of loss. The administration believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded the insurance coverage in any of the past three fiscal years.

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

<u>Year Ended</u> <u>June 30,</u>	<u>Employer</u> <u>Contributions</u>	<u>Employee</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2016	\$53,426.30	\$2,360.00	\$57,047.08	\$107,814.22
2015	188,027.03	53,845.23	152,501.74	109,075.00
2014	54,621.68	11,774.43	79,410.86	19,704.48

NOTE 11: COMPENSATED ABSENCES

The District accounts for compensated absences (e.g. unused vacation and 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 amount to subsequent years. Upon retirement, employees shall be paid by the District for the unused sick leave in accordance with the District's agreements with the various employee unions.

Borough of Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 11: COMPENSATED ABSENCES (CONTINUED)

The liability for vested compensated absences of the governmental fund types are recorded in the district - wide statement of net position. As of June 30, 2016, a liability existed for compensated absences for governmental fund-types in the district-wide Statement of Net Position of \$530,422.09.

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 proprietary funds.

For additional descriptive information see Note 1, Summary of Significant Accounting Policies.

NOTE 12: FUND BALANCE APPROPRIATED

General Fund Of the \$2,899,650.15 in General Fund Balance at June 30, 2016, \$951,236.48 has been assigned for encumbrances; \$82,315.98 is restricted for excess surplus designated for subsequent year's expenditures, \$155,238.31 is restricted for excess surplus, in accordance with N.J.S.A. 18A:7F7; \$600,000.00 has been restricted for Capital Reserve; \$350,000.00 has been restricted as Maintenance Reserve; \$, \$17,684.02 has been assigned for subsequent years expenditures and \$743,175.36 is unassigned.

NOTE 13: CALCULATION OF EXCESS SURPLUS (BUDGETARY BASIS)

In accordance with N.J.S.A.18A:7F-7, as amended by P.L. 2004,c.73 (S1701), the 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 reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. Based on this calculation, the District has \$237,554.29 excess fund balance resulting from the year ended June 30, 2016.

Borough of Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 14: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2016:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$155,504.10	\$70,778.21
Special Revenue Fund		142,894.85
Enterprise Funds	70,778.21	
Fiduciary Funds		12,609.25
	<u>\$226,282.31</u>	<u>\$226,282.31</u>

All balances resulted from the time lag between the dates that short-term loans were disbursed and payments between funds were received.

NOTE 15: MAINTENANCE RESERVE ACCOUNT

In accordance with N.J.S.A. 18A:7G-13, a Maintenance reserve account was established by the District. The Maintenance reserve account is maintained in the general fund.

A district board of education or board of school estimate, as appropriate, may increase the balance in the maintenance reserve account by appropriating funds in the annual general fund budget certified for taxes.

A district board of education or board of school estimate, as appropriate, may by resolution withdraw such funds from the maintenance reserve account and appropriate into the required maintenance account lines at budget time or any time during the year for use on required maintenance activities for a school facility as reported in the comprehensive maintenance plan pursuant to N.J.A.C. 6A:26A-4.

The district board of education shall ensure that the maintenance reserve account balance does not, at any time, exceed four percent of the replacement cost of the school district's school facilities for the current year. If the account exceeds this maximum amount at June 30, the district board of education shall reserve and designate such excess in the subsequent year's budget.

Borough of Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 15: MAINTENANCE RESERVE ACCOUNT (CONTINUED)

The activity of the maintenance reserve during the year ended June 30, 2016, is as follows:

Balance, July 1, 2015	\$50,000.00
Deposits:	
Board Resolution dated 6/28/16	<u>300,000.00</u>
Balance, June 30, 2016	<u><u>\$350,000.00</u></u>

NOTE 16: CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the District for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the Department 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 (June 1 to June 30) of any unanticipated revenue or unexpended line item appropriations, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained by either a separate proposal at budget time or by a special question at one of the four special election dates authorized by N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6A: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.

Borough of Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2016

NOTE 16: CAPITAL RESERVE ACCOUNT (CONTINUED)

The activity of the capital reserve during the year ended June 30, 2016, is as follows:

Balance, July 1, 2015	\$300,000.00
Deposits:	
Board Resolution dated 6/28/16	300,000.00
Balance, June 30, 2016	\$600,000.00

NOTE 17: INVENTORY

Inventory in the Food Service Fund at June 30, 2016 consisted of the following:

Food and Supplies	<u>\$10,788.97</u>
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The value of Federal donated commodities as reflected on Schedule A (required by the Single Audit Law of 1996) is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of non-operating revenue in the financial statements.

NOTE 18: DEFERRED COMPENSATION

The District offers its employees a choice of the deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). The plans 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. Since the District does not have any property or rights to the plan assets and no fiduciary relationship exists between the District and the deferred compensation plan, the plan assets are not included in the District's financial statements as of June 30, 2016.

NOTE 19: SUBSEQUENT EVENTS

The District has evaluated subsequent events occurring after the financial statement date through October 5, 2016 which is the date the financial statements were available to be issued. The District has determined that there are no material subsequent events needed to be disclosed.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

BUDGETARY COMPARISON SCHEDULES

HAWTHORNE SCHOOL DISTRICT
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	ORIGINAL BUDGET	BUDGET TRANSFERS AND AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE/ (UNFAVORABLE)
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 35,228,047.00	\$	\$ 35,228,047.00	\$ 35,228,047.00	\$
Tuition from Individuals	4,414.00		4,414.00	4,114.00	(300.00)
Miscellaneous	15,000.00		15,000.00	67,280.65	52,280.65
Total Local Sources	35,247,461.00		35,247,461.00	35,299,441.65	51,980.65
State Sources:					
Special Education Aid	1,474,759.00		1,474,759.00	1,474,759.00	
Equalization Aid	333,115.00		333,115.00	333,115.00	
Categorical Security Aid	66,013.00		66,013.00	66,013.00	
Categorical Transportation Aid	124,605.00		124,605.00	124,605.00	
Extraordinary Aid	369,125.00		369,125.00	462,576.00	93,451.00
Other State Aid	46,640.00		46,640.00	46,640.00	
Reimbursed Non Public Transportation				19,140.00	19,140.00
On-behalf TPAF Contributions-non-budgeted				1,089,977.00	1,089,977.00
NCGI-non-budgeted				54,296.00	54,296.00
Post Retirement Medical-non budgeted				1,362,512.00	1,362,512.00
Reimbursed TPAF Social Security Contribution-non-budgeted				1,136,532.78	1,136,532.78
Total State Sources	2,414,257.00		2,414,257.00	6,170,165.78	3,755,908.78
Federal Sources:					
Medicaid Reimbursement	48,675.00		48,675.00	79,618.76	30,943.76
Total Federal Sources	48,675.00		48,675.00	79,618.76	30,943.76
Total Revenues	37,710,393.00		37,710,393.00	41,549,226.19	3,838,833.19
EXPENDITURES:					
CURRENT EXPENSE:					
Instruction - Regular Programs:					
Preschool / Kindergarten	558,501.00	27,068.65	585,569.65	585,569.65	
Grades 1-5	3,431,298.00	(121,325.59)	3,309,972.41	3,292,995.27	16,977.14
Grades 6-8	2,084,475.00	(147,412.14)	1,937,062.86	1,936,175.85	887.01
Grades 9-12	2,966,918.00	24,000.00	2,990,918.00	2,966,265.57	24,652.43
Regular programs - home instruction:					
Salaries of teachers	41,476.00	(28,909.30)	12,566.70	7,222.68	5,344.02
Purchased professional educational services	10,000.00	6,269.11	16,269.11	16,269.11	
Regular programs - undistributed instruction:					
Other salaries for instruction		15.00	15.00	15.00	
Purchased technical services	73,739.00	(2,184.64)	71,554.36	57,498.37	14,055.99
Other purchased services (400 - 500 series)	215,643.78	(11,673.76)	203,970.02	203,929.60	40.42
General supplies	300,762.10	320,337.80	621,099.90	484,215.77	136,884.13
Textbooks	147,996.21	56,206.42	204,202.63	148,628.10	55,574.53
Other objects	2,000.00	(513.30)	1,486.70	1,486.70	
Total regular programs	9,832,809.09	121,878.25	9,954,687.34	9,700,271.67	254,415.67
Instruction - Special Education:					
Learning and/or Language Disabilities:					
Salaries of Teachers	1,466,429.00	(364,035.00)	1,102,394.00	1,102,152.47	241.53
Other salaries for instruction	601,754.00	369,998.10	971,752.10	968,815.26	2,936.84
Other purchased services (400 - 500 series)		215.00	215.00	215.00	
General Supplies	5,290.32	1,704.42	6,994.74	6,994.74	
Total Learning and/or Language Disabilities	2,073,473.32	7,862.52	2,081,355.84	2,078,177.47	3,178.37

HAWTHORNE SCHOOL DISTRICT
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	ORIGINAL BUDGET	BUDGET TRANSFERS AND AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE/ (UNFAVORABLE)
Multiple Disability					
Salaries of Teachers	\$	\$ 25,281.00	\$ 25,281.00	\$ 25,281.00	\$
Other Salaries for Instruct		12,367.60	12,367.60	12,338.55	29.05
Total Multiple Disability		37,648.60	37,648.60	37,619.55	29.05
Resource Room / Resource Center:					
Salaries of Teachers	1,656,692.00	194,187.00	1,850,879.00	1,848,329.04	2,549.96
Other salaries for instruction	569,354.00	(569,264.00)	90.00	90.00	
General Supplies	2,200.00	2,118.34	4,318.34	4,318.34	
Total Resource Room / Resource Center	2,228,246.00	(372,958.66)	1,855,287.34	1,852,737.38	2,549.96
Preschool Disabilities - Part -Time:					
Salaries of Teachers	286,034.00	(162,000.00)	124,034.00	121,494.38	2,539.62
Other Salaries for Instruction	63,233.00	(16,000.00)	47,233.00	44,546.03	2,686.97
General Supplies	3,467.00	(1,689.32)	1,777.68	1,076.50	701.18
Other Objects		125.00	125.00	125.00	
Total Preschool Disabilities - Part -Time	352,734.00	(179,564.32)	173,169.68	167,241.91	5,927.77
Preschool Disabilities - Full - Time:					
Salaries of Teachers	163,153.00	(55,962.99)	107,190.01	104,879.75	2,310.26
Other Salaries for Instruction	63,233.00	(6,200.00)	57,033.00	54,838.00	2,195.00
General Supplies		2,037.05	2,037.05	1,968.93	68.12
Other Objects		125.00	125.00	125.00	
Total Preschool Disabilities - Full - Time	226,386.00	(60,000.94)	166,385.06	161,811.68	4,573.38
Home Instruction:					
Salaries of Teachers		68,172.82	68,172.82	66,214.38	1,958.44
Purchased professional educational services		6,294.71	6,294.71	6,294.71	
Total Home Instruction		74,467.53	74,467.53	72,509.09	1,958.44
Total Special Education	4,880,839.32	(492,525.27)	4,388,314.05	4,370,097.08	18,216.97
Basic Skills / Remedial:					
Salaries of Teachers	453,682.00	(146,915.97)	306,766.03	306,766.03	
General Supplies		404.55	404.55	404.55	
Total Basic Skills / Remedial	453,682.00	(146,511.42)	307,170.58	307,170.58	
Bilingual Education:					
Salaries of Teachers	142,415.00	31,709.79	174,124.79	174,124.79	
General Supplies	140.00	98.39	238.39	238.39	
Total Bilingual Education:	142,555.00	31,808.18	174,363.18	174,363.18	

HAWTHORNE SCHOOL DISTRICT
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	ORIGINAL BUDGET	BUDGET TRANSFERS AND AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE/ (UNFAVORABLE)
School Sponsored Co-Curricular Activities:					
Salaries	\$ 104,318.00	\$ 52,115.67	\$ 156,433.67	\$ 154,452.10	\$ 1,981.57
Supplies and Materials	9,050.00	(176.01)	8,873.99	6,806.37	2,067.62
Other Objects	14,100.00	76.01	14,176.01	14,176.01	
Total School Sponsored Co-Curricular Activities	<u>127,468.00</u>	<u>52,015.67</u>	<u>179,483.67</u>	<u>175,434.48</u>	<u>4,049.19</u>
School Sponsored Athletics:					
Salaries	349,508.00	(27,856.63)	321,651.37	321,651.37	
Other purchased services		1,800.00	1,800.00	1,800.00	
Supplies and Materials	51,101.90	9,153.59	60,255.49	54,088.21	6,167.28
Other Objects	73,500.00	(4,041.04)	69,458.96	69,458.96	
Total School Sponsored Athletics	<u>474,109.90</u>	<u>(20,944.08)</u>	<u>453,165.82</u>	<u>446,998.54</u>	<u>6,167.28</u>
Summer School Instruction:					
Salaries	184,276.00	(89,019.93)	95,256.07	95,256.07	
Other Salaries		61,003.96	61,003.96	61,003.96	
Total Summer School Instruction	<u>184,276.00</u>	<u>(28,015.97)</u>	<u>156,260.03</u>	<u>156,260.03</u>	
Instructional Ait Ed Program Instruction:					
Purchased Services		195.00	195.00	195.00	
Total Instructional Ait Ed Program Instruction		<u>195.00</u>	<u>195.00</u>	<u>195.00</u>	
Total Other Instructional Programs	<u>1,382,090.90</u>	<u>(111,452.62)</u>	<u>1,270,638.28</u>	<u>1,260,421.81</u>	<u>10,216.47</u>
Total - Instruction	<u>16,095,739.31</u>	<u>(482,099.64)</u>	<u>15,613,639.67</u>	<u>15,330,790.56</u>	<u>282,849.11</u>
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Regular		6,318.00	6,318.00	6,318.00	
Tuition to Other LEA's within the State - Special	108,343.00	(64,080.06)	44,262.94	44,262.94	
Tuition to County Vocational School District - Regular	754,910.00	(69,829.67)	685,080.33	641,121.80	43,958.53
Tuition to County Vocational School District - Sp Ed	169,461.00	(83,078.00)	86,383.00	80,637.20	5,745.80
Districts & Regional Day Schools	321,563.00	359,834.00	681,397.00	671,797.00	9,600.00
Tuition to Private Schools for the Handicapped w/in State	1,188,597.00	(354,665.81)	833,931.19	815,705.11	18,226.08
Tuition to Private School Disabled & Other LEAs - Spl. O/S St		63,900.00	63,900.00	63,900.00	
Tuition - State Facilities	32,306.00	32,306.00	64,612.00	32,306.00	32,306.00
Tuition - Other		40,973.00	40,973.00	40,973.00	
Total Undistributed Expenditures - Instruction	<u>2,575,180.00</u>	<u>(68,322.54)</u>	<u>2,506,857.46</u>	<u>2,397,021.05</u>	<u>109,836.41</u>
Attendance and Social Work Services:					
Salaries	9,775.00	515.34	10,290.34	10,041.50	248.84
Other Objects		99.82	99.82	99.82	
Total Attendance and Social Work Services	<u>10,075.00</u>	<u>315.16</u>	<u>10,390.16</u>	<u>10,141.32</u>	<u>248.84</u>
Health Services:					
Salaries	448,879.00	34,316.23	483,195.23	467,779.32	15,415.91
Purchased Professional and Technical Services	136,869.00	168,442.07	305,311.07	171,260.75	134,050.32
Supplies and Materials	10,900.00	(4,000.00)	6,900.00	3,631.74	3,268.26
Other Objects	2,000.00		2,000.00	1,968.50	31.50
Total Health Services	<u>598,648.00</u>	<u>198,758.30</u>	<u>797,406.30</u>	<u>644,640.31</u>	<u>152,765.99</u>

HAWTHORNE SCHOOL DISTRICT
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

	ORIGINAL BUDGET	BUDGET TRANSFERS AND AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE/ (UNFAVORABLE)
Other Support Services - Speech, OT, PT & Related Services:					
Salaries	\$ 569,646.00	\$	\$ 569,646.00	\$ 566,208.25	\$ 3,437.75
Purchased Professional - Educational Services	21,825.00	661,866.63	683,691.63	668,149.11	15,542.52
Supplies and Materials	3,000.00	3,408.52	6,408.52	5,836.43	572.09
Other Objects	300.00	(186.07)	113.93		113.93
Total Other Support Services - Speech, OT, PT & Related Services	<u>594,771.00</u>	<u>665,089.08</u>	<u>1,259,860.08</u>	<u>1,240,193.79</u>	<u>19,666.29</u>
Other Support Services - Students - Extra Services					
Salaries	569,354.00	313,024.00	882,378.00	851,237.87	31,140.13
Purchased Professional - Educational Services	399,730.50	59,352.64	459,083.14	448,933.49	10,149.65
Supplies and Materials	10,000.00	(4,601.97)	5,398.03	5,398.03	
Total Other Support Services - Students - Extra Services	<u>979,084.50</u>	<u>367,774.67</u>	<u>1,346,859.17</u>	<u>1,305,569.39</u>	<u>41,289.78</u>
Guidance:					
Salaries of Other Professional Staff	321,265.00	6,516.68	327,781.68	322,037.07	5,744.61
Salaries of Secretarial and Clerical Assistants	45,189.00	10,890.00	56,079.00	56,001.91	77.09
Purchased Professional - Educational Services	10,500.00	580.00	11,080.00	11,080.00	
Supplies and Materials	10,345.00	(2,837.43)	7,507.57	6,883.93	623.64
Total Guidance	<u>387,299.00</u>	<u>15,149.25</u>	<u>402,448.25</u>	<u>396,002.91</u>	<u>6,445.34</u>
Child Study Teams:					
Salaries of Other Professional Staff	875,501.00	168,217.86	1,043,718.86	1,043,718.86	
Salaries of Secretarial and Clerical Assistants	74,772.00	1,189.92	75,961.92	75,799.56	162.36
Salaries of ABA In Home Therapy	70,000.00	(16,143.71)	53,856.29	39,017.62	14,838.67
Purchased Professional Educational Services	20,000.00	73,862.00	93,862.00	86,666.50	7,195.50
Other Purchased Professional and Technical Services	717,996.50	(665,353.69)	52,642.81	47,621.00	5,021.81
Other Purchased Services (400-500 series)	19,605.00	(5,730.90)	13,874.10	13,872.94	1.16
Supplies and Materials	15,487.08	8,209.92	23,697.00	23,697.00	
Other Objects		1,209.61	1,209.61	1,209.61	
Total Child Study Teams	<u>1,793,361.58</u>	<u>(434,538.99)</u>	<u>1,358,822.59</u>	<u>1,331,603.09</u>	<u>27,219.50</u>
Improvement of Instruction Services					
Other Support Services - Instructional Staff:					
Summer Curriculum Development	641.50	3,510.00	4,151.50	2,610.05	1,541.45
Salaries of Supervisors of Instruction	186,765.00	3,111.00	189,876.00	189,093.64	782.36
Salaries of Other Professional Staff	38,100.00		38,100.00	28,513.30	9,586.70
Purchased Prof. and Tech. Services	18,000.00	(11,244.50)	6,755.50	1,617.00	5,138.50
Supplies and materials		929.50	929.50	929.50	
Total Improvement of Instruction Services / Other Support Services - Instructional Staff	<u>243,506.50</u>	<u>(3,694.00)</u>	<u>239,812.50</u>	<u>222,763.49</u>	<u>17,049.01</u>

HAWTHORNE SCHOOL DISTRICT
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	ORIGINAL BUDGET	BUDGET TRANSFERS AND AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE/ (UNFAVORABLE)
Educational Media Services / School Library:					
Salaries	\$ 262,599.00	\$ 75.87	\$ 262,674.87	\$ 262,632.34	\$ 42.53
Purchased professional and technical services	61,200.00	1,250.00	62,450.00	62,450.00	
Supplies and materials	22,200.00	(4,826.39)	17,373.61	16,024.25	1,349.36
Total Educational Media Services / School Library	345,999.00	(3,500.52)	342,498.48	341,106.59	1,391.89
Instructional Staff Training Services:					
Salaries of Supervisors of Instruction		400.00	400.00	200.00	200.00
Purchased Professional - Educational Services		300.00	300.00	300.00	
Other Purchased Services (400-500 series)		5,491.82	5,491.82	5,437.12	54.70
Other Objects		301.67	301.67	301.67	
Total Instructional Staff Training Services		6,493.49	6,493.49	6,238.79	254.70
Support Services General Administration:					
Salaries	321,587.37	(133,723.00)	187,864.37	185,991.87	1,872.50
Salaries of Secretarial and Clerical Assistants		134,777.52	134,777.52	134,777.52	
Legal Services	80,000.00	3,500.00	83,500.00	81,121.88	2,378.12
Expenditure and Internal Control Audit Fees	55,116.00		55,116.00	27,285.00	27,831.00
Architectural/Engineering Services		56,000.00	56,000.00	17,010.00	38,990.00
Other Purchased Technical Services	17,205.00	533.11	17,738.11	17,738.11	
Communications / Telephone	63,170.25	(17,751.22)	45,419.03	38,088.13	7,330.90
BOE other purchased services	3,200.00	(1,154.69)	2,045.31	2,045.31	
General Supplies	3,011.00	2,140.32	5,151.32	3,652.32	1,499.00
Miscellaneous Expenditures	5,439.00	4,536.71	9,975.71	4,975.71	5,000.00
BOE Membership Dues and Fees	25,000.00	(6,612.76)	18,387.24	18,387.24	
Total Support Services General Administration	573,728.62	42,245.99	615,974.61	531,073.09	84,901.52
Support Services School Administration:					
Salaries of Principals / Asst. Principals	859,624.00	8,480.29	868,104.29	867,743.15	361.14
Salaries of Secretarial and Clerical Assistants	414,400.00	(8,730.38)	405,669.62	404,644.70	1,024.92
Support Serv. Rental Grad	3,144.00		3,144.00	3,144.00	
Other Purchased Services	1,100.00	580.93	1,680.93	1,680.93	
Supplies and Materials	9,500.00	(319.27)	9,180.73	9,058.40	122.33
Other Objects		1,417.50	1,417.50	1,417.50	
Total Support Services School Administration	1,287,768.00	1,429.07	1,289,197.07	1,287,688.68	1,508.39
Central Service:					
Salaries	271,322.00	(491.69)	270,830.31	269,712.79	1,117.52
Purchased Professional Services	6,600.00	(5,900.00)	700.00	700.00	
Other Purchase Professional Service	19,850.00	9,549.88	29,399.88	29,399.88	
Insurance		894.00	894.00	894.00	
Travel	2,500.00	(765.66)	1,734.34	1,734.34	
Supplies and Materials	5,018.79	(587.36)	4,431.43	4,431.43	
Miscellaneous Expenditures	1,165.00	1,606.71	2,771.71	2,771.71	
Total Central Service	306,455.79	4,305.88	310,761.67	309,644.15	1,117.52
Administrative Information Technology:					
Salaries	131,694.00	1,404.02	133,098.02	133,098.02	
Purchased Technical Services	113,885.00	21,278.96	135,163.96	126,299.85	8,864.11
Supplies and Materials	64,650.00	(38,052.93)	26,597.07	19,956.97	6,640.10
Other objects	1,125.00		1,125.00	1,125.00	
Total Administrative Information Technology	311,354.00	(15,369.95)	295,984.05	280,479.84	15,504.21

HAWTHORNE SCHOOL DISTRICT
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	ORIGINAL BUDGET	BUDGET TRANSFERS AND AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE/ (UNFAVORABLE)
Required Maintenance for School Facilities:					
Salaries	\$ 441,677.00	\$ 11,875.03	\$ 453,552.03	\$ 443,639.51	\$ 9,912.52
Cleaning, Repair and Maintenance Services	167,194.00	113,940.33	281,134.33	188,180.00	92,954.33
Supplies and Materials	34,181.87	29,735.42	63,917.29	37,148.74	26,768.55
Other Objects	1,500.00	1,627.25	3,127.25	3,127.25	
Total Required Maintenance for School Facilities	644,552.87	157,178.03	801,730.90	672,095.50	129,635.40
Custodial Services:					
Salaries	1,187,315.00	(61,698.64)	1,125,616.36	1,125,616.36	
Salaries of Non-Instructional Aides	99,000.00	(12,754.52)	86,245.48	86,245.48	
Purchased Professional and Technical Services	11,950.00	(6,450.00)	5,500.00	5,500.00	
Cleaning, Repair and Maintenance Services	12,264.00	2,911.59	15,175.59	15,175.59	
Rental of Land and Building	87,200.00	(3,952.00)	83,248.00	83,248.00	
Other Purchased Property Services	25,000.00	254,579.00	279,579.00	100,906.74	178,672.26
Insurance	248,163.00	16,807.00	264,970.00	264,970.00	
Professional Development and Travel		125.00	125.00	125.00	
General Supplies	123,781.00	(775.19)	123,005.81	118,828.50	4,177.31
Energy (Natural Gas)	210,704.00	(131,160.83)	79,543.17	76,728.06	2,815.11
Energy (Heat and Electricity)	368,438.12	38,448.59	406,886.71	405,881.08	1,005.63
Other Objects	2,468.75	2,468.75	2,468.75	2,468.75	
Total Custodial Services	2,373,815.12	98,548.75	2,472,363.87	2,285,693.56	186,670.31
Care and Upkeep of Grounds:					
Salaries				(342.97)	342.97
Purchased Professional and Technical Services	6,200.00	(6,200.00)			
Cleaning, Repair and Maintenance Services		48,195.00	48,195.00	9,945.00	38,250.00
General Supplies	3,000.00	(385.69)	2,614.31	2,614.31	
Total Care and Upkeep of Grounds	9,200.00	41,609.31	50,809.31	12,216.34	38,592.97
Security:					
Salaries	57,114.00	(4,399.00)	52,715.00	48,275.60	4,439.40
Supplies	500.00	2,779.00	3,279.00	3,279.00	
Total Security	57,614.00	(1,620.00)	55,994.00	51,554.60	4,439.40

HAWTHORNE SCHOOL DISTRICT
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	ORIGINAL BUDGET	BUDGET TRANSFERS AND AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE/ (UNFAVORABLE)
Student Transportation Services:					
Salaries of Non-Instructional Aides	\$ 105,104.00	\$ (672.74)	\$ 104,431.26	\$ 104,043.10	\$ 388.16
Salaries for Pupil Transportation (Between Home and School) - Regular	192,404.00	114,093.02	306,497.02	302,568.23	3,928.79
Salaries for Pupil Transportation (Between Home and School) - Special	82,770.00	7,053.00	89,823.00	83,913.38	5,909.62
Salaries for Pupil Transportation (Other than Between Home and School) - Special		15,000.00	15,000.00	7,509.47	7,490.53
Management Fee - ESC & CTSA Trans. Program					
Cleaning, Repair and Maintenance Services	34,000.00	(2,106.19)	31,893.81	29,470.07	2,423.74
Rental Payments					
Lease Payments	36,075.00	(0.19)	36,074.81	36,074.81	
Contracted Services - Aid in Lieu Payments	125,970.00	(19,338.00)	106,632.00	85,924.80	20,707.20
Contracted Services (Between Home & School) - Vendors	148,205.00	(39,219.35)	108,985.65	108,568.87	416.78
Contracted Services (Other than Between Home and School) - Vendors	52,000.00	(32,974.56)	19,025.44	6,341.54	12,683.90
Contract Services (Sp. Ed. Stds.) - Vendors					
Contracted Services (Spec. Ed. Students) - Joint Agreements	500,000.00	(493,088.94)	6,911.06	6,911.06	
Contracted Services - Aid in Lieu Payments					
Miscellaneous Purchased Services - Transportation		702,066.63	702,066.63	624,780.97	77,285.66
General Supplies	9,181.87		9,181.87	9,181.87	
Transportation Supplies	51,000.00	(446.60)	50,553.40	29,943.34	20,610.06
Transportation Gas and Oil	2,183.79	(2,183.79)			
Other Objects	4,000.00	(3,563.93)	436.07	436.07	
Total Student Transportation Services	1,342,893.66	244,618.36	1,587,512.02	1,435,667.58	151,844.44
Total Other Support Services					
Unallocated Benefits - Employee Benefits					
Social Security Contributions	616,000.00	(78,615.48)	537,384.52	537,384.52	
Other Retirement Contributions - PERS	625,180.00	(144,254.65)	480,925.35	479,147.78	1,777.57
Other Retirement Contributions - Deferred PERS		19,858.00	19,858.00	19,858.00	
Other Retirement Contributions - Reg		14,239.80	14,239.80	14,239.80	
Unemployment Compensation	175,000.00	(172,640.00)	2,360.00	2,360.00	
Workmen's Compensation	259,149.00	(32,340.00)	226,809.00	226,809.00	
Health Benefits	5,701,889.00	(543,845.36)	5,158,043.64	5,143,715.02	14,328.62
Tuition Reimbursements	110,000.00	(14,373.54)	95,626.46	33,115.50	62,510.96
Other Employee Benefits	177,766.46	(132,434.74)	45,331.72	39,411.72	5,920.00
Unused sick payment		208,766.21	208,766.21	109,165.00	99,601.21
Total Unallocated Benefits - Employee Benefits	7,664,984.46	(875,639.76)	6,789,344.70	6,605,206.34	184,138.36
On-Behalf TPAF Contributions (Non-Budgeted):					
On-behalf TPAF Contributions-non-budgeted				1,089,977.00	(1,089,977.00)
NCGI-non-budgeted				54,296.00	(54,296.00)
Post Retirement Medical-non budgeted				1,362,512.00	(1,362,512.00)
Reimbursed TPAF Social Security Contribution-non-budgeted				1,136,532.78	(1,136,532.78)
Total On-Behalf TPAF Contributions (Non-Budgeted)				3,643,317.78	(3,643,317.78)
Total Undistributed Expenditures	22,100,291.10	440,829.58	22,541,120.68	25,009,918.19	(2,468,797.51)
TOTAL EXPENDITURES - CURRENT EXPENSE	38,196,030.41	(41,270.06)	38,154,760.35	40,340,708.75	(2,185,948.40)

HAWTHORNE SCHOOL DISTRICT
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	ORIGINAL BUDGET	BUDGET TRANSFERS AND AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE/ (UNFAVORABLE)
CAPITAL OUTLAY:					
Equipment:					
Undistributed-Req. Maint. For Schools	\$	\$ 104,000.00	\$ 104,000.00	\$	\$ 104,000.00
Undistributed-Care and Upkeep		28,085.23	28,085.23		28,085.23
School buses special		47,656.60	47,656.60		47,656.60
Total Equipment		<u>179,741.83</u>	<u>179,741.83</u>		<u>179,741.83</u>
Facilities Acquisition and Construction Services:					
Construction services	15,000.00		15,000.00	9,480.00	5,520.00
Assessment for Debt Service on SDA Funding	188.00		188.00	188.00	
Total Facilities Acquisition and Construction Services	<u>15,188.00</u>		<u>15,188.00</u>	<u>9,668.00</u>	<u>5,520.00</u>
TOTAL CAPITAL OUTLAY	<u>15,188.00</u>	<u>179,741.83</u>	<u>194,929.83</u>	<u>9,668.00</u>	<u>185,261.83</u>
TOTAL EXPENDITURES	<u>38,211,218.41</u>	<u>138,471.77</u>	<u>38,349,690.18</u>	<u>40,350,376.75</u>	<u>(2,000,686.57)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(500,825.41)</u>	<u>(138,471.77)</u>	<u>(639,297.18)</u>	<u>1,198,849.44</u>	<u>1,838,146.62</u>
Other financing sources (uses)					
Prior Year Accounts Payable Cancelled				11,420.82	(11,420.82)
Total other financing sources				<u>11,420.82</u>	<u>(11,420.82)</u>
Excess of revenues and other financing sources over expenditures and other expenditures and other financing sources	<u>(500,825.41)</u>	<u>(138,471.77)</u>	<u>(639,297.18)</u>	<u>1,210,270.26</u>	<u>1,826,725.80</u>
Fund balances, July 1		<u>1,832,143.89</u>		<u>1,832,143.89</u>	
Fund balances, June 30	\$	<u>1,331,318.48</u>	\$	<u>3,042,414.15</u>	\$
		<u>(138,471.77)</u>	<u>(639,297.18)</u>		<u>1,826,725.80</u>
Recapitulation:					
Assigned - year-end encumbrances				\$ 951,236.48	
Committed - designated for subsequent years expenditures				17,684.02	
Restricted - excess surplus - designated for subsequent year's expenditures				82,315.98	
Restricted - excess surplus - current year				155,238.31	
Restricted - capital reserve				600,000.00	
Restricted - maintenance reserve				350,000.00	
Unassigned fund balance				<u>885,939.36</u>	
				3,042,414.15	
Reconciliation to governmental funds statements (GAAP):					
Prior Year aid payment not recognized on GAAP basis				<u>(142,764.00)</u>	
Fund balance per governmental funds (GAAP)				<u>\$ 2,899,650.15</u>	

BOROUGH OF HAWTHORNE
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
 FOR FISCAL YEARS ENDED JUNE 30, 2016

	<u>ORIGINAL BUDGET</u>	<u>BUDGET TRANSFERS/ AMENDMENTS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FINAL TO ACTUAL</u>
REVENUES:					
Other Sources	\$	\$ 6,543.43	\$ 6,543.43	\$ 4,062.28	\$ (2,481.15)
State Sources	252,404.00	30,758.00	283,162.00	255,823.91	(27,338.09)
Federal Sources	<u>676,424.00</u>	<u>508,100.01</u>	<u>1,184,524.01</u>	<u>1,127,634.99</u>	<u>(56,889.02)</u>
Total Revenues	<u>\$ 928,828.00</u>	<u>\$ 545,401.44</u>	<u>\$ 1,474,229.44</u>	<u>\$ 1,387,521.18</u>	<u>\$ (86,708.26)</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers	\$ 156,980.00	\$ 75,537.01	\$ 232,517.01	\$ 226,502.02	\$ 6,014.99
Purchased Professional/Technical Services	202,460.00	54,044.00	256,504.00	240,624.85	15,879.15
Tuition	519,444.00	104,306.00	623,750.00	623,750.00	
General Supplies	15,626.00	125,141.18	140,767.18	125,073.56	15,693.62
Textbooks	<u>34,318.00</u>	<u></u>	<u>34,318.00</u>	<u>33,365.83</u>	<u>952.17</u>
Total Instruction	<u>928,828.00</u>	<u>359,028.19</u>	<u>1,287,856.19</u>	<u>1,249,316.26</u>	<u>38,539.93</u>
Support Services:					
Other Salaries		750.00	750.00		750.00
Purchased Services Employee Benefits		43,565.00	43,565.00	43,565.00	
Purchased Professional/Technical Services		47,386.00	47,386.00	1,571.92	45,814.08
Other purchased services		91,794.25	91,794.25	90,190.00	1,604.25
Supplies and Materials		<u>2,878.00</u>	<u>2,878.00</u>	<u>2,878.00</u>	
Total Support Services		<u>186,373.25</u>	<u>186,373.25</u>	<u>138,204.92</u>	<u>48,168.33</u>
Total expenditures	<u>\$ 928,828.00</u>	<u>\$ 545,401.44</u>	<u>\$ 1,474,229.44</u>	<u>\$ 1,387,521.18</u>	<u>\$ 86,708.26</u>

HAWTHORNE BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
BUDGET TO GAAP RECONCILIATION
NOTE TO RSI (REQUIRED SUPPLEMENTARY INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Note A - Explanation of difference 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	\$ 41,549,226.19	\$ 1,387,521.18
Difference - budget to GAAP:		
State aid payment recognized for GAAP statements in the current year, previously it was recognized for budgetary purposes.	167,724.00	
The last state aid payment is recognized as revenue for budgetary purposes and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expense (GASB 33)	(142,764.00)	
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Adjust for encumbrances:		
Add prior year encumbrances		3,460.14
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	\$ 41,574,186.19	\$ 1,390,981.32
Uses/outflows of resources		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$	\$ 1,387,521.18
Difference - budget to GAAP:		
Adjust for encumbrances:		
Add prior year encumbrances		3,460.14
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance - governmental funds	\$	\$ 1,390,981.32

REQUIRED SUPPLEMENTARY INFORMATION - PART III

SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR PENSION (GASB 68)

Borough of Hawthorne School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Public Employees Retirement System
Last Ten Years

Measurement Date Ending <u>June 30,</u>	District's Proportion of the Net Pension <u>Liability (Asset)</u>	District's Proportionate Share of the Net Pension <u>Liability (Asset)</u>	District's Covered-Employee <u>Payroll</u>	District's Proportion Share of the Net Pension Liability (Asset) as a percentage of it's Covered- <u>Employee Payroll</u>	Plan Fiduciary Net Position as a percentage of the total <u>Pension Liability</u>
2013	0.0643753349%	\$ 12,303,406	\$ 4,296,516	286.36%	48.72%
2014	0.0626507810%	11,729,940	3,875,412	302.68%	52.08%
2015	0.0550048280%	12,347,482	3,930,886	314.11%	47.92%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Borough of Hawthorne School District
Schedule of the District's Contributions
Public Employees Retirement System
Last Ten Years

Fiscal Year Ending <u>June 30,</u>	Contractually Required <u>Contribution</u>	Contributions in Relation to the Contractually Required <u>Contributions</u>	Contribution Deficiency <u>(Excess)</u>	District's Covered- Employee <u>Payroll</u>	Contributions as a Percentage of Covered- Employee <u>Payroll</u>
2014	\$ 516,484	\$ 516,484	\$ -0-	\$ 3,875,412	13.33%
2015	472,894	472,894	-0-	3,930,886	12.03%
2016	448,773	448,773	-0-	3,432,711	13.07%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Borough of Hawthorne School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Teachers Pension and Annuity Fund
Last Ten Years

Measurement Date Ending <u>June 30,</u>	District's Proportion of the Net Pension <u>Liability (Asset)</u>	District's Proportionate Share of the Net Pension <u>Liability (Asset)</u>	District's Covered-Employee <u>Payroll</u>	District's Proportion Share of the Net Pension Liability (Asset) as a percentage of it's Covered- <u>Employee Payroll</u>	Plan Fiduciary Net Position as a percentage of the total <u>Pension Liability</u>
2013	0.1614102495%	\$ -0-	\$ 14,600,252.00	\$ -0-	33.76%
2014	0.1502158748%	-0-	14,996,766.00	-0-	33.64%
2015	0.1505390124%	-0-	15,340,212.75	-0-	28.71%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Borough of Hawthorne School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2016

Public Employees Retirement System

Change in benefit terms: None

Change in assumptions: The discount rate changed from 5.39% to 4.90% as of
June 30, 2015.

Teacher Pension and Annuity Fund

Change in benefit terms: None

Change in assumptions: The discount rate changed from 4.68% to 4.13% as of
June 30, 2015.

OTHER SUPPLEMENTARY INFORMATION

**SPECIAL REVENUE FUND
DETAIL STATEMENTS**

BOROUGH OF HAWTHORNE - SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>NONPUBLIC TECHNOLOGY</u>	<u>NONPUBLIC COMPENSATORY EDUCATION</u>	<u>NONPUBLIC SUPPLEMENTAL INSTRUCTION</u>	<u>NONPUBLIC ESL</u>	<u>NONPUBLIC EXAM AND CLASS</u>	<u>NONPUBLIC SPEECH CORRECTION</u>
REVENUES:						
Local Sources	\$	\$	\$	\$	\$	\$
State Sources	15,589.23	33,756.60	30,890.91	5,693.53	48,065.22	26,252.59
Federal Sources						
Total Revenues	<u>15,589.23</u>	<u>33,756.60</u>	<u>30,890.91</u>	<u>5,693.53</u>	<u>48,065.22</u>	<u>26,252.59</u>
EXPENDITURES:						
Instruction:						
Salaries of Teachers						
Purchased Professional / Technical Services		33,756.60	30,890.91	5,693.53	48,065.22	26,252.59
Tuition						
General Supplies	15,589.23					
Textbooks						
Total Instruction	<u>15,589.23</u>	<u>33,756.60</u>	<u>30,890.91</u>	<u>5,693.53</u>	<u>48,065.22</u>	<u>26,252.59</u>
Support Services:						
Personal Services Employee - Benefits						
Purchased Professional / Technical Services						
Other purchased services						
Supplies and Materials						
Total Support Services						
Total Expenditures	<u>15,589.23</u>	<u>33,756.60</u>	<u>30,890.91</u>	<u>5,693.53</u>	<u>48,065.22</u>	<u>26,252.59</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>

BOROUGH OF HAWTHORNE - SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>NONPUBLIC NURSING</u>	<u>NONPUBLIC TEXTBOOKS</u>	<u>SECURITY AID</u>	<u>TITLE III</u>	<u>TITLE I</u>
REVENUES:					
Local Sources	\$	\$	\$	\$	\$
State Sources	56,880.00	33,365.83	5,330.00		
Federal Sources				15,217.49	388,746.58
Total Revenues	56,880.00	33,365.83	5,330.00	15,217.49	388,746.58
EXPENDITURES:					
Instruction:					
Salaries of Teachers					226,503.34
Purchased Professional / Technical Services	56,880.00				
Tuition					
General Supplies			5,330.00	15,217.49	80,815.24
Textbooks		33,365.83			
Total Instruction	56,880.00	33,365.83	5,330.00	15,217.49	307,318.58
Support Services:					
Personal Services Employee - Benefits					43,565.00
Purchased Professional / Technical Services					
Other purchased services					36,485.00
Supplies and Materials					1,378.00
Total Support Services					81,428.00
Total Expenditures	56,880.00	33,365.83	5,330.00	15,217.49	388,746.58
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	-0-	-0-	-0-	-0-	-0-

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BOROUGH OF HAWTHORNE - SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>OTHER LOCAL</u>	<u>IDEA PART B BASIC</u>	<u>IDEA PART B PRESCHOOL</u>	<u>TITLE IIA</u>	<u>Totals</u>
REVENUES:					
Local Sources	\$ 4,062.28	\$	\$	\$	\$ 4,062.28
State Sources					255,823.91
Federal Sources		636,565.92	33,400.00	53,705.00	1,127,634.99
Total Revenues	<u>4,062.28</u>	<u>636,565.92</u>	<u>33,400.00</u>	<u>53,705.00</u>	<u>1,387,521.18</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers					226,503.34
Purchased Professional / Technical Services		39,086.00			240,624.85
Tuition		594,408.00	29,342.00		623,750.00
General Supplies	4,062.28		4,058.00		125,072.24
Textbooks					33,365.83
Total Instruction	<u>4,062.28</u>	<u>633,494.00</u>	<u>33,400.00</u>		<u>1,249,316.26</u>
Support Services:					
Personal Services Employee - Benefits					43,565.00
Purchased Professional / Technical Services		1,571.92			1,571.92
Other purchased services				53,705.00	90,190.00
Supplies and Materials		1,500.00			2,878.00
Total Support Services		<u>3,071.92</u>		<u>53,705.00</u>	<u>138,204.92</u>
Total Expenditures	<u>4,062.28</u>	<u>636,565.92</u>	<u>33,400.00</u>	<u>53,705.00</u>	<u>1,387,521.18</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>

CAPITAL PROJECTS FUND DETAIL STATEMENTS

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.

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY STATEMENT OF PROJECT EXPENDITURES-BUDGETARY BASIS
AS OF JUNE 30, 2016

<u>ISSUE/PROJECT TITLE</u>	<u>APPROPRIATIONS</u>	<u>EXPENDITURES TO DATE</u>		<u>BALANCE JUNE 30, 2016</u>
		<u>PRIOR YEAR</u>	<u>CURRENT YEAR</u>	
Rehabilitation of School Facilities and Technology Upgrades at Senior High School, Lincoln Middle School, Roosevelt Elementary, Washington Elementary, and Jefferson Elementary Schools	\$ <u>6,949,124.92</u>	\$ <u>6,118,555.89</u>	\$ <u>600,504.85</u>	\$ <u>230,064.18</u>
Totals	\$ <u><u>6,949,124.92</u></u>	\$ <u><u>6,118,555.89</u></u>	\$ <u><u>600,504.85</u></u>	\$ <u><u>230,064.18</u></u>

BOROUGH OF HAWTHORNE 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:

Purchased Professional and Technical Services	\$ 5,151.08
Construction Services	96,082.00
Equipment	157,003.40
General Supplies	<u>342,268.37</u>
Total Expenditures and Other Financing Uses	<u>600,504.85</u>
Excess (deficiency) of revenues over (under) expenditures	(600,504.85)
Net change in fund balances	(600,504.85)
Fund Balance - Beginning of Year	<u>830,569.03</u>
Fund Balance - End of Year	<u>\$ <u>230,064.18</u></u>

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND PROJECT STATUS -
BUDGETARY BASIS
REHABILITATION OF SCHOOL FACILITIES AND TECHNOLOGY UPGRADES AT HAWTHORNE SENIOR
HIGH SCHOOL, LINCOLN MIDDLE SCHOOL, ROOSEVELT ELEMENTARY SCHOOL, WASHINGTON
ELEMENTARY SCHOOL AND JEFFERSON ELEMENTARY SCHOOL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>PRIOR PERIODS</u>	<u>CURRENT YEAR</u>	<u>TOTALS</u>	<u>REVISED AUTHORIZED COST</u>
REVENUES AND OTHER FINANCING SOURCES:				
SDA Grant	\$ 2,189,375.00	\$	\$ 2,189,375.00	\$ 2,189,375.00
Bond Proceeds	5,476,000.00	_____	5,476,000.00	5,476,000.00
Total Revenues and Other Financing Sources	7,665,375.00	_____	7,665,375.00	7,665,375.00
EXPENDITURES AND OTHER FINANCING USES:				
Purchased Professional and Technical Services	649,099.24	5,151.08	654,250.32	654,250.32
Construction Services	5,393,877.71	96,082.00	5,489,959.71	6,436,273.97
Equipment	_____	157,003.40	157,003.40	157,003.40
General Supplies	75,578.94	342,268.37	417,847.31	417,847.31
Total Expenditures and Other Financing Uses	6,118,555.89	600,504.85	6,719,060.74	7,665,375.00
Other financing sources (uses):				
Canceled SDA Grant	716,250.08	_____	716,250.08	_____
Total other financing sources (uses)	716,250.08	_____	716,250.08	_____
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 1,546,819.11	\$ (600,504.85)	\$ 230,064.18	_____
ADDITIONAL PROJECT INFORMATION:				
Project Number	2100-050-10-1001	2100-050-10-1006		
Project Number	2100-050-10-1002	2100-050-10-1008		
Project Number	2100-050-10-1003	2100-050-10-1009		
Project Number	2100-050-10-1004	2100-050-10-1010		
Project Number	2100-050-10-1005	2100-050-10-1011		
Grant Date	9/28/10			
Bond Authorization Date	9/28/10			
Bonds Authorization	\$ 5,476,476.00			
Bonds Issued	\$ 5,476,476.00			
Original Authorized Cost	\$ 7,665,851.00			
Additional Authorized Cost	-			
Revised Authorized Cost	\$ 7,665,851.00			
Percentage Increase over Original Authorized Cost	N/A			
Percentage Completion	87.65%			
Original Target Completion Date	6/30/14			
Revised Target Completion Date	6/30/16			

PROPRIETARY FUND DETAIL STATEMENTS

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

FOOD SERVICES FUND:

This fund provides for the operation of food services within the school district.

CHILD CARE FUND:

This fund provides for the operation of a Child Care program within the school district.

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION
PROPRIETARY FUNDS - ENTERPRISE FUNDS
JUNE 30, 2016

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND		
	NON-MAJOR		
	FOOD SERVICE	SCHOOL AGE CHILD CARE PROGRAM	TOTALS
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 70,376.48	\$ 136,544.59	\$ 206,921.07
Accounts receivable:			
Federal	15,736.59		15,736.59
State	441.87		441.87
Interfunds	70,778.21		70,778.21
Inventories	10,788.97		10,788.97
	168,122.12	136,544.59	304,666.71
Total Current Assets			
Capital Assets:			
Equipment	425,085.00		425,085.00
Less: Accumulated Depreciation	(229,576.00)		(229,576.00)
	195,509.00		195,509.00
Total Capital Assets			
	363,631.12	136,544.59	500,175.71
Total Assets			
LIABILITIES			
Current Liabilities:			
Accounts payable	3,891.37		3,891.37
Unearned revenue	4,835.89		4,835.89
	8,727.26		8,727.26
Total Current Liabilities			
	8,727.26		8,727.26
Total Liabilities			
NET POSITION			
Restricted for:			
Net Investment in Capital Assets	195,509.00		195,509.00
Unrestricted	159,394.86	136,544.59	295,939.45
	354,903.86	136,544.59	491,448.45
Total Net Position			
	\$ 354,903.86	\$ 136,544.59	\$ 491,448.45

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS - ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND</u>		
	<u>NON-MAJOR</u>		
	<u>FOOD SERVICE</u>	<u>SCHOOL AGE CHILD CARE PROGRAM</u>	<u>TOTALS</u>
OPERATING REVENUES:			
Charges for services:			
Daily sales	\$ 252,594.15	\$	\$ 252,594.15
Daily sales - non-reimbursable programs	249,373.50		249,373.50
Miscellaneous	29,097.69		29,097.69
Child care activities		241,589.75	241,589.75
Total Operating Revenues	<u>531,065.34</u>	<u>241,589.75</u>	<u>772,655.09</u>
OPERATING EXPENSES:			
Cost of sales-reimbursable	210,922.00		210,922.00
Cost of sales-non reimbursable	202,197.59		202,197.59
Salaries and employee benefits	339,510.62	165,720.90	505,231.52
Other purchased services	49,214.17	22,252.99	71,467.16
Supplies and materials	54,488.02	76,761.30	131,249.32
Miscellaneous	8,312.85	32,021.92	40,334.77
Depreciation	23,948.00		23,948.00
Total Operating Expenses	<u>888,593.25</u>	<u>296,757.11</u>	<u>1,185,350.36</u>
Operating Income (Loss)	<u>(357,527.91)</u>	<u>(55,167.36)</u>	<u>(412,695.27)</u>
NONOPERATING REVENUES:			
State Sources			
State School Lunch Program	9,419.11		9,419.11
Federal Sources			
National School Lunch Program	308,939.94		308,939.94
National School Breakfast Program	14,526.77		14,526.77
National Food Distribution Commodities	53,888.09		53,888.09
Interest and Investment Revenue	187.11	345.58	532.69
Total Nonoperating Revenues	<u>386,961.02</u>	<u>345.58</u>	<u>387,306.60</u>
Net Income (Loss) before Contributions and Transfers	<u>29,433.11</u>	<u>(54,821.78)</u>	<u>(25,388.67)</u>
Change in net position	29,433.11	(54,821.78)	(25,388.67)
Total Net Position, Beginning of Year	<u>325,470.75</u>	<u>191,366.37</u>	<u>516,837.12</u>
Total Net Position, End of Year	<u>\$ 354,903.86</u>	<u>\$ 136,544.59</u>	<u>\$ 491,448.45</u>

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
PROPRIETARY FUND
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND</u>		
	<u>FOOD SERVICE</u>	<u>SCHOOL AGE CHILD CARE PROGRAM</u>	<u>TOTALS</u>
Cash flows from operating activities:			
Receipts from customers	\$ 532,506.79	\$ 241,589.75	\$ 774,096.54
Payments for employees' salaries and benefits	(339,510.62)	(165,720.90)	(505,231.52)
Payments to suppliers for goods and services	(477,191.21)	(131,830.35)	(609,021.56)
Net Cash Provided by (Used for) Operating Activities	<u>(284,195.04)</u>	<u>(55,961.50)</u>	<u>(340,156.54)</u>
Cash Flows from Noncapital Financing Activities:			
State Sources	9,576.00		9,576.00
Federal Sources	327,881.60		327,881.60
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>337,457.60</u>		<u>337,457.60</u>
Cash Flows from Investing Activities:			
Interest on investments and deposits	187.11	345.58	532.69
Net Cash Provided by (Used for) by Investing Activities	<u>187.11</u>	<u>345.58</u>	<u>532.69</u>
Acquisition of Capital Assets	(23,350.00)		(23,350.00)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(23,350.00)</u>		<u>(23,350.00)</u>
Net increase in cash and cash equivalents	30,099.67	(55,615.92)	(25,516.25)
Cash and cash equivalents, July 1	40,276.81	192,160.51	232,437.32
Cash and cash equivalents, June 30	<u>\$ 70,376.48</u>	<u>\$ 136,544.59</u>	<u>\$ 206,921.07</u>
Operating Income (Loss)	\$ (357,527.91)	\$ (55,167.36)	\$ (412,695.27)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation and Net Amortization	23,948.00		23,948.00
Non-Cash Federal Assistance Food Distribution Program	53,888.09		53,888.09
Change in Assets and Liabilities:			
Increase / (Decrease) in Accounts Payable	(4,521.35)	(794.14)	(5,315.49)
Increase / (Decrease) in Unearned Revenue	2,740.68		2,740.68
(Increase) / Decrease in Inventory	(2,722.55)		(2,722.55)
Net Cash Provided by (Used for) by Operating Activities	<u>\$ (284,195.04)</u>	<u>\$ (55,961.50)</u>	<u>\$ (340,156.54)</u>

FIDUCIARY FUNDS DETAIL STATEMENTS

Fiduciary funds are used to account for assets when a school district is functioning either as a trustee or as an agent for another party.

- | | |
|--|--|
| Unemployment Compensation Insurance Trust Fund: | This trust fund is used to account for board contributions which are utilized to pay unemployment compensation claims as they arise. |
| Scholarship Trust Fund: | This trust fund is used to account for assets held by the district for grants to students where there are no restrictions regarding the use of principal and interest. |
| Student Activity Fund: | This agency fund is used to account for student funds held at the schools. |
| Payroll Agency Fund: | This agency fund is used to account for the payroll transactions of the school district. |

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2016

	PRIVATE PURPOSE SCHOLARSHIP FUNDS	UNEMPLOYMENT COMPENSATION TRUST	TOTAL TRUST FUNDS	AGENCY FUNDS		
				STUDENT ACTIVITY	PAYROLL	TOTAL AGENCY FUNDS
ASSETS:						
Cash and Cash Equivalents	\$ 3,497.84	\$ 107,814.22	\$ 111,312.06	\$ 229,418.15	\$ 44,635.07	\$ 274,053.22
Total assets	<u>\$ 3,497.84</u>	<u>\$ 107,814.22</u>	<u>\$ 111,312.06</u>	<u>\$ 229,418.15</u>	<u>\$ 44,635.07</u>	<u>\$ 274,053.22</u>
LIABILITIES:						
Payroll Deductions and Withholdings				\$	\$ 32,025.82	\$ 32,025.82
Due to Student Groups				229,418.15		229,418.15
Due to Other Funds					12,609.25	12,609.25
Total liabilities				<u>\$ 229,418.15</u>	<u>\$ 44,635.07</u>	<u>\$ 274,053.22</u>
NET POSITION:						
Held in trust for unemployment claims	\$	\$ 107,814.22	\$ 107,814.22			
Held in trust for scholarships	<u>3,497.84</u>		<u>3,497.84</u>			
TOTAL NET POSITION	<u>\$ 3,497.84</u>	<u>\$ 107,814.22</u>	<u>\$ 111,312.06</u>			

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>UNEMPLOYMENT COMPENSATION TRUST</u>	<u>PRIVATE PURPOSE TRUST FUNDS</u>	<u>TOTALS</u>
ADDITIONS:			
Contributions:			
Unemployment	\$ 55,631.54	\$ _____	\$ 55,631.54
Total contributions	<u>55,631.54</u>	<u>_____</u>	<u>55,631.54</u>
Investment Earnings:			
Interest Earned	<u>154.76</u>	<u>5.41</u>	<u>160.17</u>
Net Investment Earnings	<u>154.76</u>	<u>5.41</u>	<u>160.17</u>
Total additions	<u>55,786.30</u>	<u>5.41</u>	<u>55,791.71</u>
DEDUCTIONS:			
Scholarships awarded		500.00	500.00
Unemployment claims and contributions	<u>57,047.08</u>	<u>_____</u>	<u>57,047.08</u>
Total deductions	<u>57,047.08</u>	<u>500.00</u>	<u>57,547.08</u>
Change in Net Position	(1,260.78)	(494.59)	(1,755.37)
Net Position, Beginning of Year	<u>109,075.00</u>	\$ <u>3,992.43</u>	<u>113,067.43</u>
Net Position, End of Year	<u>\$ 107,814.22</u>	<u>\$ 3,497.84</u>	<u>\$ 111,312.06</u>

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

	<u>BALANCE</u> <u>JUNE 30, 2015</u>	<u>CASH</u> <u>RECEIPTS</u>	<u>CASH</u> <u>DISBURSE-</u> <u>MENTS</u>	<u>BALANCE</u> <u>JUNE 30, 2016</u>
ASSETS:				
Cash and cash equivalents	\$ <u>240,758.61</u>	\$ <u>399,945.57</u>	\$ <u>411,286.03</u>	\$ <u>229,418.15</u>
Total assets	\$ <u><u>240,758.61</u></u>	\$ <u><u>399,945.57</u></u>	\$ <u><u>411,286.03</u></u>	\$ <u><u>229,418.15</u></u>
LIABILITIES:				
Due student groups	\$ <u>240,758.61</u>	\$ <u>399,945.57</u>	\$ <u>411,286.03</u>	\$ <u>229,418.15</u>
Total liabilities	\$ <u><u>240,758.61</u></u>	\$ <u><u>399,945.57</u></u>	\$ <u><u>413,286.03</u></u>	\$ <u><u>227,418.15</u></u>

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

	<u>BALANCE</u> <u>JUNE 30, 2015</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2016</u>
ASSETS:				
Cash and cash equivalents	\$ 29,773.52	\$ 25,195,260.36	\$ 25,181,673.47	\$ 43,360.41
Total assets	<u>\$ 29,773.52</u>	<u>\$ 25,195,260.36</u>	<u>\$ 25,181,673.47</u>	<u>\$ 43,360.41</u>
LIABILITIES:				
Payroll deductions and withholdings	\$ 17,140.15	\$ 11,040,464.02	\$ 11,026,884.32	\$ 30,719.85
Payroll	24.12	14,154,796.34	14,154,789.15	31.31
Due to General Fund	<u>12,609.25</u>			<u>12,609.25</u>
Total liabilities	<u>\$ 29,773.52</u>	<u>\$ 25,195,260.36</u>	<u>\$ 25,181,673.47</u>	<u>\$ 43,360.41</u>

LONG-TERM DEBT SCHEDULES

The Long-Term schedules are used to reflect the outstanding principal balances of the long-term liabilities of the District. This includes obligations under Serial Bonds and Capital Leases.

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS
JUNE 30, 2016

<u>ISSUE</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>MATURITIES</u>		<u>RATE OF INTEREST</u>	<u>BALANCE JUNE 30, 2015</u>	<u>RETIRED</u>	<u>BALANCE JUNE 30, 2016</u>
			<u>DATE</u>	<u>AMOUNT</u>				
School Improvements	12/1/2002	\$ 1,475,000.00				\$ 500,000.00	\$ 500,000.00	\$
Refunding Bonds	3/15/2005	5,850,000.00				3,065,000.00	3,065,000.00	
School Bonds	2/1/2011	5,476,000.00	2/1/2017	345,000.00	3.000%	4,411,000.00	300,000.00	4,111,000.00
			2/1/2018	360,000.00	3.250%			
			2/1/2019	365,000.00	3.500%			
			2/1/2020	370,000.00	3.500%			
			2/1/2021	420,000.00	4.000%			
			2/1/2022	425,000.00	4.000%			
			2/1/2023	435,000.00	4.000%			
			2/1/2024	445,000.00	4.000%			
			2/1/2025	450,000.00	4.000%			
			2/1/2026	496,000.00	4.000%			
Refunding Bonds	4/20/2016	2,870,000.00	11/1/2016	760,000.00	1.370%			2,870,000.00
			11/1/2017	735,000.00	1.370%			
			11/1/2018	700,000.00	1.370%			
			11/1/2019	675,000.00	1.370%			
						<u>\$ 7,976,000.00</u>	<u>\$ 3,865,000.00</u>	<u>\$ 6,981,000.00</u>

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
AS OF JUNE 30, 2016

<u>SERIES</u>	<u>INTEREST RATE PAYABLE</u>	<u>AMOUNT OF ORIGINAL LEASE</u>	<u>AMOUNT OUTSTANDING JUNE 30, 2015</u>	<u>DECREASE</u>	<u>AMOUNT OUTSTANDING JUNE 30, 2016</u>
Building Rewiring	Various	495,000.00	\$ 198,000.00	\$ 99,000.00	\$ 99,000.00
Digital Copiers	Various	99,999.95	81,422.88	19,262.76	62,160.12
Bus	Various	174,507.41	<u>138,507.41</u>	<u>33,776.98</u>	<u>104,730.43</u>
			\$ <u>417,930.29</u>	\$ <u>152,039.74</u>	\$ <u>265,890.55</u>

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>ORIGINAL BUDGET</u>	<u>TRANSFERS</u>	<u>MODIFIED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES:					
Local sources:					
Local tax levy	\$ 1,119,554.00		\$ 1,119,554.00	\$ 1,119,554.00	\$
Miscellaneous				1,070.26	1,070.26
State sources:					
Debt Service Aid Type II	200,355.00		200,355.00	200,355.00	
Total revenues	<u>1,319,909.00</u>		<u>1,319,909.00</u>	<u>1,320,979.26</u>	<u>1,070.26</u>
EXPENDITURES:					
Regular debt service:					
Interest	284,916.00		284,916.00	284,915.01	0.99
Redemption of principal	1,035,000.00		1,035,000.00	1,035,000.00	
Costs of Issuance of Refunding Bonds				35,675.75	(35,675.75)
Total regular debt service-expenditures	<u>1,319,916.00</u>		<u>1,319,916.00</u>	<u>1,355,590.76</u>	<u>(35,674.76)</u>
Excess (deficiency) of revenues over (under) expenditures	(7.00)		(7.00)	(34,611.50)	(34,604.50)
Other financing sources (uses):					
Payment to refunding bonds escrow				(2,834,324.25)	
Refunding bond proceeds				2,870,000.00	
Total other financing sources (uses)	<u>(7.00)</u>			<u>35,675.75</u>	
Fund balance, July 1	<u>8.22</u>		<u>8.22</u>	<u>8.22</u>	
Fund balance, June 30	<u>\$ 1.22</u>		<u>\$ 1.22</u>	<u>\$ 1,072.47</u>	<u>\$ (34,604.50)</u>

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STATISTICAL SECTION
(UNAUDITED)

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
STATISTICAL SECTION

<u>Contents</u>	<u>Page</u>
Financial Trends: These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	J-1 to J-4
Revenue Capacity: These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	J-5 to J-9
Debt Capacity: These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the district's ability to issue additional debt in the future.	J-10 to J-13
Demographic and Economic Information: These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	J-14 to J-15
Operating Information: These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.	J-16 to J-20

Sources

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year.

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
NET POSITION BY COMPONENT
(accrual basis of accounting)
UNAUDITED

	Fiscal Year Ending June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Governmental activities										
Net investment in capital assets	(108,905.37)	(876,970.97)	\$ 7,342,792	\$ 7,213,779	\$ 5,754,297	\$ 5,341,862	\$ 4,902,544	\$ 4,659,627	\$ 4,358,409	\$ 4,127,300
Restricted	25,010.65	249,170.71	2,837,605	2,238,135	133,137	92,213	23,987	218,390	239,321	285,081
Unrestricted	(11,235,167.99)	(11,954,706.25)	(1,464,273)	(1,794,812)	(1,031,117)	(1,099,849)	(1,617,430)	(853,861)	(98,783)	167,182
Total governmental activities net position	\$ (11,319,063)	\$ (12,582,507)	\$ 8,716,125	\$ 7,657,102	\$ 4,856,317	\$ 4,334,226	\$ 3,309,101	\$ 4,024,156	\$ 4,498,947	\$ 4,579,563
Business-type activities										
Net investment in capital assets	195,509.00	196,107.00	\$ 28,883	\$ 8,898	\$ 32,695	\$ 32,455	\$ 25,898	\$ 26,331	\$ 25,388	\$ 27,437
Unrestricted	295,939.45	320,730.12	261,715	446,522	404,915	335,239	254,805	178,187	119,632	96,258
Total business-type activities net position	\$ 491,448	\$ 516,837	\$ 290,599	\$ 455,420	\$ 437,610	\$ 367,694	\$ 280,703	\$ 204,518	\$ 145,020	\$ 123,695
District-wide										
Net investment in capital assets	86,603.63	(680,863.97)	\$ 7,371,675	\$ 5,786,992	\$ 5,374,317	\$ 4,928,442	\$ 4,685,958	\$ 4,383,797	\$ 4,154,737	\$ 4,037,431
Restricted	25,010.65	249,170.71	2,837,605	133,137	92,213	23,987	218,390	239,321	285,081	127,495
Unrestricted(Deficit)	(10,939,228.54)	(11,633,976.13)	(1,202,557)	(626,202)	(764,610)	(1,362,625)	(675,674)	20,849	263,440	739,397
Total district net position	\$ (10,827,614)	\$ (12,065,669)	\$ 9,006,723	\$ 5,293,927	\$ 4,701,920	\$ 3,589,804	\$ 4,228,674	\$ 4,643,967	\$ 4,703,258	\$ 4,904,323

Source: CAFR Schedule A-1

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
CHANGES IN NET POSITION
(accrual basis of accounting)
UNAUDITED

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses										
Governmental activities										
Instruction										
Regular	\$ 16,728,933	\$ 17,525,689	\$ 14,592,988	\$ 14,404,030	\$ 13,508,306	\$ 13,591,186	\$ 13,324,774	\$ 13,524,283	\$ 13,428,527	\$ 12,754,375
Special education	10,672,176	8,155,275	8,673,073	9,118,080	8,993,260	8,908,910	8,403,023	7,764,135	7,084,382	6,184,627
Other instruction	1,769,203	1,838,076	2,582,185	1,275,097	656,570	743,141	987,767	1,098,145	1,193,358	1,240,937
School sponsored activities and athletics					618,809	609,102	585,460	663,295	640,881	570,198
Support Services:										
Student and instruction related services	8,541,345	7,342,948	5,127,709	5,163,537	5,515,931	4,862,359	4,847,228	4,830,563	4,265,823	3,994,853
Educational media/school library									374,462	320,420
General administration	597,413	685,665	907,347	810,542	689,107	657,247	682,126	631,886	559,837	548,355
School administrative services	2,224,453	2,172,465	2,109,731	2,156,745	1,920,335	1,904,951	1,786,761	1,720,957	1,723,804	1,600,341
Central services	706,090	844,580	797,181	728,784	648,109	557,226	585,214	549,617	493,214	491,210
Plant operations and maintenance	3,785,337	4,759,492	4,454,981	4,082,915	3,666,748	3,637,576	3,445,432	3,550,446	2,916,477	2,897,749
Pupil transportation	1,611,541	1,675,955	1,408,788	1,091,192	1,213,287	1,235,050	1,410,385	1,310,924	1,243,685	1,181,927
Interest on long-term debt	423,195	350,989	390,391	455,276	324,824	324,311	356,875	341,929	428,383	506,571
Unallocated amortization			52,200	58,133						
Total governmental activities expenses	<u>47,059,686</u>	<u>45,351,133</u>	<u>41,096,576</u>	<u>39,344,332</u>	<u>37,755,286</u>	<u>37,031,059</u>	<u>36,415,045</u>	<u>35,986,180</u>	<u>34,352,833</u>	<u>32,291,563</u>
Business-type activities:										
Food service	888,593	840,881	1,005,853	845,151	757,040	772,445	746,607	713,137	676,635	707,350
Community School	296,757	264,382	268,781	266,276	264,971	264,212	258,905	267,009	276,451	207,292
Total business-type activities expense	<u>1,185,350</u>	<u>1,105,263</u>	<u>1,274,634</u>	<u>1,111,427</u>	<u>1,022,011</u>	<u>1,036,657</u>	<u>1,005,512</u>	<u>980,146</u>	<u>953,086</u>	<u>914,642</u>
Total district expenses	<u>\$ 48,245,036</u>	<u>\$ 46,456,396</u>	<u>\$ 42,371,210</u>	<u>\$ 40,455,759</u>	<u>\$ 38,777,297</u>	<u>\$ 38,067,716</u>	<u>\$ 37,420,557</u>	<u>\$ 36,966,326</u>	<u>\$ 35,305,919</u>	<u>\$ 33,206,205</u>
Program Revenues										
Governmental activities:										
Charges for services										
Instruction (Tuition)	\$ 4,114	\$ 68,331	\$ 234,691	\$ 318,406	\$ 193,095	\$	\$	\$	\$	\$
Operating grants and contributions	11,885,271	10,294,525	6,622,253	6,401,819	5,502,933	6,168,816	4,952,717	6,544,089	6,333,260	5,225,209
Capital grants and contributions		71,942	207,029	1,452,348	184,412	73,495				
Total governmental activities program revenues	<u>11,889,385</u>	<u>10,434,798</u>	<u>7,063,973</u>	<u>8,172,572</u>	<u>5,880,440</u>	<u>6,242,311</u>	<u>4,952,717</u>	<u>6,544,089</u>	<u>6,333,260</u>	<u>5,225,209</u>
Business-type activities:										
Charges for services										
Food service	531,065	498,844	493,151	545,411	546,756	564,431	566,476	537,261	531,055	532,358
Community School	241,590	262,564	271,950	262,795	265,823	284,326	299,601	318,959	277,258	237,493
Operating grants and contributions	386,774	348,760	343,384	318,974	276,437	270,660	212,003	176,615	156,152	131,067
Total business type activities program revenues	<u>1,159,429</u>	<u>1,110,168</u>	<u>1,108,485</u>	<u>1,127,181</u>	<u>1,089,016</u>	<u>1,119,417</u>	<u>1,078,080</u>	<u>1,032,835</u>	<u>964,465</u>	<u>900,918</u>
Total district program revenues	<u>13,048,814</u>	<u>11,544,966</u>	<u>8,172,458</u>	<u>9,299,753</u>	<u>6,969,456</u>	<u>7,361,728</u>	<u>6,030,797</u>	<u>7,576,924</u>	<u>7,297,725</u>	<u>6,126,127</u>
Net (Expense)/Revenue										
Governmental activities	(35,170,301)	(34,916,335)	(34,032,604)	(31,171,760)	(31,874,846)	(30,788,748)	(31,462,328)	(29,442,091)	(28,019,573)	(27,066,354)
Business-type activities	(25,921)	4,905	(166,149)	15,754	67,005	82,760	72,568	52,689	11,379	(13,724)
Total district-wide net expense	<u>\$ (35,196,222)</u>	<u>\$ (34,911,431)</u>	<u>\$ (34,198,753)</u>	<u>\$ (31,156,006)</u>	<u>\$ (31,807,841)</u>	<u>\$ (30,705,988)</u>	<u>\$ (31,389,760)</u>	<u>\$ (29,389,402)</u>	<u>\$ (28,008,194)</u>	<u>\$ (27,080,078)</u>

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
CHANGES IN NET POSITION
(accrual basis of accounting)
UNAUDITED

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 35,228,047	\$ 34,326,233	\$ 32,993,304	\$ 32,346,376	\$ 31,446,287	\$ 30,225,447	\$ 28,930,867	\$ 27,630,749	\$ 26,377,804	\$ 25,618,957
Taxes levied for debt service	1,119,554.00	1,115,733.00	1,117,574.00	1,091,621	673,115	644,807	643,412	646,052	669,217	527,998
State aid restricted for debt service	445,768.00	445,768.00	412,225.00	205,754	146,565	167,360	159,539	152,176	204,127	248,780
Unrestricted state aid	200,355.00	202,564.00	205,967.00	271,752	57,862	607,623	891,535	388,003	466,658	321,649
Gain on refinancing										
Miscellaneous income	68,350.91	87,537.01	100,841.05	57,041	73,108	162,866	121,920	150,320	221,151	152,081
SDA Grant Canceled	47,750.00	(392,707.67)								
Donation - Capital asset						5,770				3,308
Total governmental activities	<u>37,109,825</u>	<u>35,785,127</u>	<u>34,829,911</u>	<u>33,972,544</u>	<u>32,396,937</u>	<u>31,813,873</u>	<u>30,747,273</u>	<u>28,967,300</u>	<u>27,938,957</u>	<u>26,872,773</u>
Business-type activities:										
Investment earnings	533	493	1,327	2,057	2,911	4,231	3,617	6,809	9,946	6,240
Total business-type activities	<u>533</u>	<u>493</u>	<u>1,327</u>	<u>2,057</u>	<u>2,911</u>	<u>4,231</u>	<u>3,617</u>	<u>6,809</u>	<u>9,946</u>	<u>6,240</u>
Total district-wide	<u>\$ 37,110,358</u>	<u>\$ 35,785,621</u>	<u>\$ 34,831,238</u>	<u>\$ 33,974,601</u>	<u>\$ 32,399,848</u>	<u>\$ 31,818,104</u>	<u>\$ 30,750,890</u>	<u>\$ 28,974,109</u>	<u>\$ 27,948,903</u>	<u>\$ 26,879,013</u>
Change in Net Position										
Governmental activities	\$ 1,939,524	\$ 868,792	\$ 797,307	\$ 2,800,784	\$ 522,091	\$ 1,025,125	\$ (715,055)	\$ (474,791)	\$ (80,616)	\$ (193,581)
Business-type activities	(25,389)	5,398	(164,822)	17,810	69,916	86,991	76,185	59,498	21,325	(7,484)
Total district	<u>\$ 1,914,135</u>	<u>\$ 874,190</u>	<u>\$ 632,486</u>	<u>\$ 2,818,595</u>	<u>\$ 592,007</u>	<u>\$ 1,112,116</u>	<u>\$ (638,870)</u>	<u>\$ (415,293)</u>	<u>\$ (59,291)</u>	<u>\$ (201,065)</u>
	(9,457)									

Source: CAFR Schedule A-2

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
FUND BALANCES, GOVERNMENTAL FUNDS
(modified accrual basis of accounting)
UNAUDITED

	Fiscal Year Ending June 30,									
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
General Fund										
Reserved			\$	\$	\$	\$	\$	\$	\$	\$
Unreserved(Deficit)							461,320	238,185	276,866	276,855
Nonspendable Fund Balance						6,174	(277,080)	(165,297)	661,206	662,106
Restricted	1,105,297	432,316	210,450	260,082	535,830	308,334				
Committed						19,400				
Assigned	968,921	504,136	502,568	1,264,406	516,213	50,567				
Unassigned	743,117	727,968	181,296	550,101	605,825	(85,544)				
Total general fund	<u>\$ 2,817,334</u>	<u>\$ 1,664,420</u>	<u>\$ 894,314</u>	<u>\$ 2,074,590</u>	<u>\$ 1,657,868</u>	<u>\$ 298,931</u>	<u>\$ 184,240</u>	<u>\$ -</u>	<u>\$ 938,072</u>	<u>\$ 938,961</u>
All Other Governmental Funds										
Reserved	\$	\$	\$	\$	\$	\$	\$	4,754	\$	
Unreserved							40,748	112,221	127,996	127,996
Restricted	269,443	830,577	1,340,816	1,415,955	1,702,311	5,117,790				
Committed	44,010		14,150							
Unassigned							40,748	112,221	127,996	127,996
Total all other governmental funds	<u>\$ 313,453</u>	<u>\$ 830,577</u>	<u>\$ 1,354,966</u>	<u>\$ 1,415,955</u>	<u>\$ 1,702,311</u>	<u>\$ 5,117,790</u>	<u>\$ 81,496</u>	<u>\$ 112,221</u>	<u>\$ 255,992</u>	<u>\$ 255,992</u>

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
CHANGES IN GOVERNMENTAL FUND BALANCES, GOVERNMENTAL FUNDS
UNAUDITED

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Revenues										
Tax levy	\$ 36,347,601	\$ 35,441,966	34,766,609	34,110,878	\$ 33,437,997	\$ 32,119,402	\$ 30,870,254	\$ 29,574,279	\$ 28,276,801	\$ 27,047,021
Miscellaneous	73,609	174,248	215,222	338,813	376,778	268,109	169,070	130,742	158,947	226,822
State Sources	6,651,305	6,333,789	6,059,477	6,252,856	7,256,713	4,665,206	5,719,949	5,203,395	6,288,478	6,252,868
Federal Sources	1,210,714	1,156,386	999,713	1,191,336	1,073,628	1,224,660	1,291,141	791,574	787,163	745,506
Total Revenue	44,283,229	43,106,389	42,041,021	41,893,884	42,145,116	38,277,377	38,050,414	35,699,990	35,511,389	34,272,217
Expenditures										
Instruction										
Regular Instruction	10,112,444	10,529,295	11,017,499	14,491,963	13,465,243	13,514,515	13,578,202	13,155,985	13,530,144	13,192,962
Special Education Instruction	5,181,286	4,463,020	4,582,884	8,671,987	7,590,839	9,008,115	8,905,283	8,285,578	7,770,663	7,010,535
Other Instruction	1,266,115	1,191,771	1,092,845	2,582,185	1,275,324	658,005	742,695	974,884	1,099,412	1,178,836
School Sponsored Activities and Athletics						619,944	608,789	579,005	663,931	633,024
Support Services:										
Tuition	2,397,021	2,074,598	2,348,076							
Student & Instruction Related Services	5,660,186	5,071,965	5,000,880	5,109,512	7,363,661	5,514,664	4,854,965	4,775,318	4,827,096	4,216,808
Educational Media / School Library										368,190
General Administration	531,073	483,830	529,623	900,034	806,493	676,709	642,984	666,108	619,748	554,027
School Administrative Services	1,287,689	1,327,597	1,420,196	2,090,669	2,136,783	1,877,605	1,875,358	1,727,674	1,691,324	1,699,815
Central Services	590,124	599,175	613,953	810,420	728,878	649,054	555,616	568,363	548,814	487,802
Plant Operations and Maintenance	3,021,560	2,858,855	2,955,722	3,615,953	3,506,818	3,289,660	3,248,737	3,026,815	3,199,776	2,884,548
Pupil Transportation	1,432,750	1,363,464	1,257,363	1,441,592	1,083,787	1,203,642	1,202,665	1,405,600	1,311,440	1,236,988
Unallocated Benefits	10,248,524	10,531,120	10,857,404							
Capital Outlay	610,173	829,486	386,606	769,316	5,434,880	633,843	491,890	29,116	45,636	200,365
Debt Service:										
Cost of Issuance	35,676									
Principal	1,035,000	1,000,000	970,000	945,000	973,751	663,585	659,557	662,675	730,651	659,469
Interest and Other Charges	284,915	318,296	349,234	378,540	414,100	252,303	282,213	313,742	348,959	379,108
Total expenditures	43,694,536	42,642,472	41,807,170	41,807,170	44,780,557	38,561,644	37,648,954	36,170,863	36,387,594	34,702,477
Excess (Deficiency) of Revenues										
Over (Under) Expenditures	588,693	463,917	86,713	86,713	(2,635,441)	(284,267)	401,460	(470,873)	(876,205)	(430,260)
Other Financing Sources (Uses)										
Proceeds from Borrowing						5,476,000				
Capital Leases (Non-Budgeted)	-	174,507	100,000	43,653	578,899		104,538			156,718
Refund Prior Year Revenue										
Cancelled SDA Grant		(392,708)								
Cancelled Accouts Payable	11,421									
Payment to refunding bonds escrow	(2,834,324)									
Refunding bond proceeds	2,870,000									
Transfers In						18,759	132,225			18,031
Transfers Out						(18,759)	(132,225)			(18,031)
Total Other Financing Sources (Uses)	47,097	(218,200)	43,653	43,653	578,899	5,476,000	104,538			156,718
Net Change in Fund Balances	\$ 635,790	\$ 245,717	130,366	130,366	\$ (2,056,542)	\$ 5,191,733	\$ 505,998	\$ (470,873)	\$ (876,205)	\$ (273,542)
Debt Service as a Percentage of										
Noncapital Expenditures	3.06%	3.15%	3.04%	3.16	3.10%	2.41%	2.53%	2.50%	2.70%	3.01%

Source: CAFR Schedule B-2

* Noncapital expenditures are total expenditures less capital outlay.

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
UNAUDITED

Fiscal Year Ended June 30,	<u>Tuition</u>	<u>Tuition Refund</u>	<u>Insurance Refund</u>	<u>Interest on Investments</u>	<u>Use of Property</u>	<u>Athletics</u>	<u>Miscellaneous</u>	<u>Total</u>
2007		4,474		169,797	\$2,800	16,065	28,415	221,551
2008				86,972	10,400	15,497	28,385	141,254
2009				46,764	8,563	8,722	52,278	116,327
2010		43,151		36,700	1,440	10,645	70,930	162,866
2011	\$193,095	10,594		32,656		11,366	18,596	266,307
2012	318,406			23,051		13,142	20,743	375,342
2013	234,691		\$7,528	12,740		12,542	44,981	335,532
2014	156,442			7,646		10,623	29,564	204,275
2015	68,331			7,010		9,519	71,008	155,868
2016	4,114			7,932		14,059	42,372	68,477

Source: District Records

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY

<u>Calendar Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartment</u>	<u>Total Assessed Value</u>	<u>Public Utilities ^a</u>	<u>Net Valuation Taxable</u>	<u>Total Direct School Tax Rate ^b</u>	<u>Estimated Actual (County Equalized Value)</u>
2007	14,865,000	976,754,050	121,413,500	86,656,600	21,539,500	1,221,228,650	843,345	1,222,071,995	2.210	2,567,917,619
2008	15,201,600	978,314,050	122,246,400	84,517,200	23,288,400	1,223,567,650	777,640	1,224,345,290	2.310	2,584,741,696
2009	9,824,500	994,885,650	121,641,800	83,619,800	22,900,200	1,232,871,950	781,881	1,233,653,831	2.410	2,758,462,459
2010	6,439,700	1,006,280,400	120,954,000	81,547,000	22,900,200	1,238,121,300	809,598	1,238,930,898	2.490	2,862,181,177
2011	6,449,600	1,006,540,800	120,785,100	79,530,600	22,900,200	1,236,206,300	813,464	1,237,019,764	2.600	2,781,923,249
2012	6,733,300	1,005,098,500	120,463,600	79,079,100	22,837,000	1,234,211,500	672,157	1,234,883,657	2.700	2,773,149,915
2013	6,828,200	1,001,958,800	119,826,500	78,684,700	22,006,700	1,229,304,900	495	1,229,305,395	2.775	2,498,214,325
2014	6,533,000	997,527,100	118,318,000	78,156,700	22,481,700	1,223,016,500	522	1,223,017,022	2.850	2,355,613,294
2015	6,384,500	997,074,000	118,148,900	78,224,200	23,025,500	1,222,857,100	542	1,222,857,642	2.898	2,266,709,734
2016	6,478,100	995,367,700	115,762,100	76,348,400	25,619,400	1,219,575,700	1,000	1,219,576,700	3.039	2,309,138,687

Source: District records Tax list summary & Municipal Tax Assessor

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

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

b Tax rates are per \$100

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES

(rate per \$100 of assessed value)

UNAUDITED

Calendar Year Ended Dec. 31	Hawthorne Public Schools	Hawthorne Borough	Passaic County	Total
2007	2.21	0.88	1.00	4.09
2008	2.31	0.91	1.05	4.27
2009	2.41	0.96	1.10	4.47
2010	2.49	1.05	1.17	4.71
2011	2.60	1.07	1.21	4.88
2012	2.70	1.09	1.30	5.09
2013	2.78	1.11	1.29	5.18
2014	2.85	1.15	1.28	5.28
2015	2.90	1.11	1.29	5.30
2016	3.04	1.22	1.42	5.67

Source: District Records and Municipal Tax Collector

Note:

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

- a** The district's basic tax rate is calculated from the A4F form which is submitted with the budget and the net valuation taxable
- b** Rates for debt service are based on each year's requirements.

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

<u>Taxpayer</u>	<u>2016</u>			<u>2007</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>% of Total District Net Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>% of Total District Net Assessed Value</u>
Graham Partnership	*			*		
PRT Realty, L.P.	*			*		
VanDyk's Senior Residence	*			*		
Hawthorne Garden Assoc.	*			*		
Hawthorne Acquisition, LLC	*			*		
Hawthorne Auto Sales Co.	*			*		
PSAF Dev. Partners LLC	*			*		
Goffle Road Properties c/o Corrado	*			*		
Hawthorne Commons, LLC	*			*		
Dater Park Apts, LLC	*			*		
Total	<u>\$ -</u>		<u>0.00%</u>	<u>\$ -</u>		<u>0.00%</u>

(*) Not Available at time of Audit

Source: District CAFR J11 and Municipal Tax Assessor

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
UNAUDITED

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2007	27,047,021	27,047,021	100.00%	-
2008	28,276,801	28,276,801	100.00%	-
2009	29,574,279	29,574,279	100.00%	-
2010	30,870,254	30,870,254	100.00%	-
2011	32,119,402	32,119,402	100.00%	-
2012	33,437,997	33,437,997	100.00%	-
2013	34,110,878	34,110,878	100.00%	-
2014	34,766,609	34,766,609	100.00%	-
2015	35,441,966	35,441,966	100.00%	-
2016	35,228,047	35,228,047	100.00%	-

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

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

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
UNAUDITED

Fiscal Year Ended June 30,	Governmental Activities			Total District	Population	Per Capita ^a
	General Obligation Bonds	Capital Leases	Notes Payable			
2007	8,700,000.00	299,751.00		8,999,751.00	17,922	502
2008	8,145,000.00	124,100.00		8,269,100.00	17,909	462
2009	7,565,000.00	41,425.00		7,606,425.00	17,993	423
2010	6,955,000.00	96,406.00		7,051,406.00	17,993	392
2011	11,801,000.00	62,821.00		11,863,821.00	17,993	659
2012	10,891,000.00	577,969.27		11,468,969.27	18,821	609
2013	9,946,000.00	424,673.84	\$ 600,000.00	10,970,673.84	18,888	581
2014	8,976,000.00	396,999.95		9,372,999.95	18,987	494
2015	7,976,000.00	417,930.29		8,393,930.29	19,048	441
2016	6,981,000.00	265,890.55		7,246,890.55	19,074	N/A

Source: District CAFR Schedules I-1

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

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

N/A not available

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
RATIOS OF NET BONDED DEBT OUTSTANDING
UNAUDITED

Fiscal Year Ended June 30,	General Bonded Debt Outstanding		Net General Bonded Debt Outstanding	Total Municipal Assessed Value	Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions				
2007	8,700,000.00	-0-	8,700,000.00	1,224,345,290	0.71%	485.79
2008	8,145,000.00	-0-	8,145,000.00	1,233,653,831	0.66%	452.68
2009	7,565,000.00	-0-	7,565,000.00	1,238,930,898	0.61%	420.44
2010	6,955,000.00	-0-	6,955,000.00	1,237,019,764	0.56%	369.53
2011	11,801,000.00	-0-	11,801,000.00	1,234,883,657	0.96%	624.79
2012	10,891,000.00	-0-	10,891,000.00	1,229,305,395	0.89%	656.00
2013	9,946,000.00	-0-	9,946,000.00	1,223,017,022	0.81%	526.58
2014	8,976,000.00	-0-	8,976,000.00	1,222,857,642	0.73%	472.74
2015	7,976,000.00	-0-	7,976,000.00	1,221,336,431	0.65%	418.73
2016	6,981,000.00	-0-	6,981,000.00	1,219,576,230	0.57%	366.00

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

a See Exhibit NJ J-6 for property tax data.

b Population data can be found in Exhibit NJ J-14.

BOROUGH OF HAWTHORNE 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 ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes Hawthorne Borough	\$17,720,632.21	100.00%	\$ 17,720,632
Other debt Passaic County	359,260,105.00	5.08%	<u>18,250,413</u>
Subtotal, overlapping debt			35,971,046
Hawthorne Borough School District Direct Debt	7,241,000.00	100.00%	<u>7,241,000</u>
Total direct and overlapping debt			<u><u>\$ 43,212,046</u></u>

Sources: Borough Chief Financial Officer and County Treasurer's Office

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 Hawthorne. This process recognizes that, when considering the District's ability to issue and repay long-term debt the entire debt burden borne by the residents and businesses should be taken into account. However this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping payment.

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

**BOROUGH OF HAWTHORNE SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
UNAUDITED**

Legal Debt Margin Calculation for Fiscal Year 2015

	Equalized valuation basis	
	2015	\$ 2,303,103,715
	2014	2,302,932,392
	2013	2,256,904,410
	[A]	<u>\$ 6,862,940,517</u>
	Average equalized valuation of taxable property	[A/3]
		\$ 2,287,646,839
	Debt limit (4% of average equalization value)	[B]
		\$91,505,874 ^a
	Net bonded school debt	[C]
		8,976,000
	Legal debt margin	[B-C]
		<u>\$ 82,529,874</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>
Debt limit	\$ 82,876,399	\$ 92,591,510	\$ 101,278,962	\$ 108,332,173	\$ 111,072,987	\$ 111,777,583	\$ 107,249,391	\$ 101,717,253	\$ 92,221,773	\$ 91,505,874
Total net debt applicable to limit	<u>9,230,000</u>	<u>8,700,000</u>	<u>8,145,000</u>	<u>7,565,000</u>	<u>6,955,000</u>	<u>11,801,000</u>	<u>11,141,000</u>	<u>9,946,000</u>	<u>8,976,000</u>	<u>6,981,000</u>
Legal debt margin	<u>\$ 73,646,399</u>	<u>\$ 83,891,510</u>	<u>\$ 93,133,962</u>	<u>\$ 100,767,173</u>	<u>\$ 104,117,987</u>	<u>\$ 99,976,583</u>	<u>\$ 96,108,391</u>	<u>\$ 91,771,253</u>	<u>\$ 83,245,773</u>	<u>\$ 84,524,874</u>
Total net debt applicable to the limit as a percentage of debt limit	13.17%	11.14%	9.40%	8.04%	6.98%	20.30%	10.56%	9.78%	9.73%	7.63%

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

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

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
UNAUDITED

<u>Year Ended</u> <u>December 31</u>	<u>Unemployment Rate</u>	<u>Per Capita</u> <u>Income</u>	<u>Population</u>
2007	2.9%	38,392	17,819
2008	2.7%	40,845	17,922
2009	3.5%	42,354	17,909
2010	7.0%	40,436	17,993
2011	7.2%	39,704	17,993
2012	7.0%	39,704	18,821
2013	6.9%	43,209	18,888
2014	9.1%	44,688	18,987
2015	5.2%	43,687	19,048
2016	**	**	19,074

Source: N.J. Department of Labor

** Not available at audit

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
UNAUDITED

<u>Function/Program</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	143	133	120	132	120	132	134	131	133
Special education	130	134	135	130	129	117	120	130	131
Other special education	1	1	1	1	1	7	7	1	1
Support Services:									
Student & instruction related services	37	37	42	27	25	5	5	9	10
General administration	3	3	3	3	3	3	3	3	3
School administrative services	18	18	17	17	18	10	10	17	10
Central services	4	4	4	4	4	19	19	4	10
Administrative Information Technology	1	1	2	1	1	4	3	1	1
Plant operations and maintenance	43	39	39	35	35	34	34	34	34
Pupil transportation	9	10	12	7	9	7	7	12	12
Total	<u>389</u>	<u>380</u>	<u>375</u>	<u>357</u>	<u>345</u>	<u>338</u>	<u>342</u>	<u>341</u>	<u>345</u>

Source: District Personnel Records

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
OPERATING STATISTICS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost per Pupil ^d	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio			Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School	Senior High School				
2007	2,381	33,463,535.00	14,054	4.52%	265.5	8.1:1	8.7:1	11.0:3	2,383	2,277	2.10%	95.55%
2008	2,423	35,262,348.00	14,553	3.55%	274.0	7.9:1	8.9:1	10.5:1	2,428	2,335	1.89%	96.17%
2009	2,428	33,104,597.00	13,635	-6.31%	268.0	7.9:1	9.4:1	11.4:1	2,447	2,337	0.78%	95.50%
2010	2,478	36,215,294.00	14,615	7.19%	256.0	8.6:1	10.4:1	11.7:1	2,466	2,350	0.78%	95.30%
2011	2,526	37,011,913.00	14,652	0.28%	256.0	11.0:1	12.0:1	12.5:1	2,481	2,350	0.61%	94.72%
2012	2,453	37,907,524.94	15,454	5.47%	250.0	10.5:1	11.3:1	11.4:1	2,430	2,312	-2.06%	95.14%
2013	2,464	39,714,314.94	16,118	4.30%	250.0	10.5:1	11.3:1	11.4:1	2,367	2,260	-2.59%	95.48%
2014	2,332	40,494,689.52	17,365	7.74%	254.0	10.5:1	11.3:1	11.4:1	2,332	2,227	-1.48%	95.50%
2015	2,325	40,494,689.52	17,417	0.30%	254.0	10.5:1	11.3:1	11.4:1	2,332	2,227	0.00%	95.50%
2016	2,357	41,728,772.23	17,704	1.65%	256.0	10.5:1	11.3:1	11.4:1	2,329	2,223	-0.13%	95.45%

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

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures (modified accrual) 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 Cost per pupil represents operating expenditures divided by enrollment.

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION

	<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>										
<u>Elementary</u>										
Jefferson										
Square Feet	40,108	40,108	40,108	40,108	40,108	40,108	40,108	40,108	40,108	40,108
Capacity (students)	282	282	282	282	282	282	282	282	282	282
Enrollment	269	269	274	280	280	280	280	280	280	271
Roosevelt										
Square Feet	80,848	80,848	80,848	80,848	80,848	80,848	80,848	80,848	80,848	80,848
Capacity (students)	489	489	489	489	489	489	489	489	489	489
Enrollment	620	652	634	641	641	641	641	641	641	558
Washington										
Square Feet	40,361	40,361	40,361	40,361	40,361	40,361	40,361	40,361	40,361	40,361
Capacity (students)	234	234	234	234	234	234	234	234	234	234
Enrollment	257	248	261	291	291	291	291	291	291	249
<u>Middle School</u>										
Square Feet	87,155	87,155	87,155	87,155	87,155	87,155	87,155	87,155	87,155	87,155
Capacity (students)	513	513	513	513	513	513	513	513	513	513
Enrollment	546	562	596	588	588	588	588	588	588	584
<u>High School</u>										
Square Feet	144,704	144,704	144,704	144,704	144,704	144,704	144,704	144,704	144,704	144,704
Capacity (students)	714	714	714	714	714	714	714	714	714	714
Enrollment	691	699	683	666	666	666	666	666	666	662
Number of Schools at June 30, 2016										
Elementary -										3
Middle School -										1
Senior High School -										1
										<u>5</u>

Source: District records, ASSA

Note: Increases in square footage and capacity are the result of
and additions. Enrollment is based on the annual October district count.

BOROUGH OF HAWTHORNE - SCHOOL DISTRICT
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
UNAUDITED

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

School Facilities	Project # (s)	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Jefferson School	N/A	\$ 67,210	\$ 63,701	\$61,777	\$ 60,022	\$ 58,148	\$ 53,777	\$ 53,057	\$ 56,093	\$ 45,906	\$ 50,611
Roosevelt School	N/A	141,140	130,671	129,731	119,131	116,925	103,957	123,517	102,619	115,037	121,560
Washington School	N/A	73,931	68,971	67,955	57,061	57,099	58,654	54,924	55,019	52,578	49,126
Lincoln Middle School	N/A	147,861	137,941	135,909	134,559	126,153	112,067	124,841	121,769	127,698	119,058
Hawthorne High School	N/A	241,954	225,723	222,397	227,006	256,099	208,703	187,301	172,150	261,251	210,653
Total School Facilities		672,096	627,007	617,769	597,779	614,423	537,158	543,640	507,650	602,470	551,008
Grand Total		<u>\$ 672,096</u>	<u>\$ 627,007</u>	<u>\$ 617,769</u>	<u>\$ 597,779</u>	<u>\$ 614,423</u>	<u>\$ 537,158</u>	<u>\$ 543,640</u>	<u>\$ 507,650</u>	<u>\$ 602,470</u>	<u>\$ 551,008</u>

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2016
UNAUDITED

	<u>LIMITS</u>	<u>DEDUCTIBLE</u>
<u>PROPERTY</u>		
Blanket Building and Contents	\$ 75,549,681	\$ 5,000
Boiler & Machinery	75,549,681	5,000
Flood - Outside 100 Year Flood Zone	5,000,000	500,000
Flood - Inside 100 Year Flood Zone	1,000,000	50,000
<u>ENVIRONMENTAL POLICY</u>		
Environmental Impairment Liability (Group Aggregate)	20,000,000	
Each Impairment Aggregate limit per Insured:	3,000,000	15,000
<u>GENERAL LIABILITY COVERAGES</u>		
Each Occurrence Limit	1,000,000	
Personal and Advertising Injury Limit	1,000,000	
General Aggregate Limit	2,000,000	
Products/Completed Operations, Aggregate Limit	2,000,000	
Fire Damage Limit	1,000,000	
Medical Expense Limit	5,000	
<u>AUTOMOBILE</u>		
Liability	1,000,000	
Uninsured/Underinsured Motorists	1,000,000	
Comprehensive and Collision Deductibles	1,000,000	1,000
<u>PROFESSIONAL LIABILITY POLICY</u>		
School Board Legal Liability Limit	1,000,000	5,000
Employment Related Practices Limit	Included	5,000
<u>CRIME</u>		
Employee Dishonesty-per employee	100,000	
Per Loss	400,000	
Forgery & Alteration	50,000	1,000
<u>STATUTORY BONDS</u>		
Public Official Bond -Bus Admn/Treasurer	250,000	
<u>UMBRELLA LIABILITY</u>		
Limit of Liability	9,000,000	
<u>EXCESS UMBRELLA (CAP PROGRAM)</u>		
Limit of Liability (shared among all Boards)	9,000,000	
<u>WORKERS COMPENSATION</u>		
BI by Accident-Each Accident	1,000,000	
BI by Disease-Each Employee	1,000,000	
BI by Disease-Policy Limit	1,000,000	

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2016
UNAUDITED

	<u>LIMITS</u>	<u>DEDUCTIBLE</u>
<u>FLOOD INSURANCE</u>		
Bamford & Warburton-Trailer-1 and Trailer 2(each)		
Building	\$ 2,500	\$ 1,000
Contents	16,800	1,000
Bamford & Warburton-Fieldhouse		
Building	143,000	1,000
Contents	68,000	1,000
<u>Disability Insurance</u>	2000/wk	
<u>Student Accident Full Excess Plan</u>	5,000,000	1,000
<u>Volunteer Accident Full Excess Plan</u>	500,000	

SINGLE AUDIT SECTION



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

Honorable President and Members
of the Board of Education
Borough of Hawthorne School District
County of Passaic
Hawthorne, New Jersey 07506

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Borough of Hawthorne School District (the "District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated October 5, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's 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 Borough of Hawthorne's School 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.

SUPLEE, CLOONEY & COMPANY

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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*. However we noted an immaterial instance of noncompliance that we have reported to the Board of Education of the Borough of Hawthorne School District in a separate Auditor's Management Report on Administrative Findings – Financial and Compliance dated October 5, 2016.

Purpose of This Report

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


CERTIFIED PUBLIC ACCOUNTANTS


PUBLIC SCHOOL ACCOUNTANT NO. 948

October 5, 2016



SUPLEE, CLOONEY & COMPANY
 CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
 WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL
 AND STATE FINANCIAL ASSISTANCE PROGRAMS AND WITH
 INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE AND NEW JERSEY OMB CIRCULAR 15-08**

Honorable President and Members
 of the Board of Education
 Borough of Hawthorne School District
 County of Passaic
 Hawthorne, New Jersey 07506

Report on Compliance for Each Major Federal and State Program

We have audited the Borough of Hawthorne School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *New Jersey OMB State Grant Compliance Supplement* that could have a direct and material effect on each of the Borough of Hawthorne School District's major federal and state programs for the year ended June 30, 2016. The District's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Borough of Hawthorne School District's major federal and 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; and 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 OMB 15-08*. Those standards, the *Uniform Guidance* and *New Jersey OMB 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 federal or state program occurred. An audit includes examining, on a test basis, evidence about the Borough of Hawthorne School 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 federal and state program. However, our audit does not provide a legal determination of the Borough of Hawthorne School District's compliance.

SUPLEE, CLOONEY & COMPANY

Opinion on Each Major Federal and State Program

In our opinion, the Borough of Hawthorne School 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 federal and state programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the Borough of Hawthorne School 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 Borough of Hawthorne School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and 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 federal and state program and to test and report on internal control over compliance in accordance with the *Uniform Guidance* and New Jersey OMB 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 Borough of Hawthorne School 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* and State of New Jersey OMB 15-08. Accordingly, this report is not suitable for any other purpose.


CERTIFIED PUBLIC ACCOUNTANTS


PUBLIC SCHOOL ACCOUNTANT NO. 948

October 5, 2016

BOROUGH OF HAWTHORNE - SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT OR STATE PROJECT NUMBER	FEDERAL AWARD I.D. NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE JUNE 30, 2015		BUDGETARY EXPENDITURES	SUBRECIPIENT BUDGETARY EXPENDITURES	BALANCE JUNE 30, 2016		
						(ACCOUNTS RECEIVABLE) UNEARNED REVENUE	CASH RECEIVED			(ACCOUNTS RECEIVABLE)	UNEARNED REVENUE	DUE TO GRANTOR
<u>Enterprise Funds</u>												
U.S. Department of Agriculture												
Passed-through State Department of Education:												
Child Nutrition Cluster												
Food Distribution Commodities Program	10.555	N/A	16161NJ304N1099	7/1/14-6/30/15	43,508.38	\$ 2,095.21	\$	\$ (2,095.21)	\$	\$	\$	\$
Food Distribution Commodities Program	10.555	N/A	16161NJ304N1099	7/1/15-6/30/16	53,888.09			55,187.32	(51,792.88)			3,394.44
National School Lunch Program	10.555	N/A	16161NJ304N1099	7/1/14-6/30/15	285,538.20	(19,289.80)		19,289.80				
National School Lunch Program	10.555	N/A	16161NJ304N1099	7/1/15-6/30/16	308,939.94			294,223.91	(308,939.94)		(14,716.03)	
National School Breakfast Program	10.553	N/A	16161NJ304N1099	7/1/14-6/30/15	11,286.33	(861.68)		861.68				
National School Breakfast Program	10.553	N/A	16161NJ304N1099	7/1/15-6/30/16	14,526.77			13,506.21	(14,526.77)		(1,020.56)	
Total Child Nutrition Cluster						(18,056.27)		383,068.92	(377,354.80)		(15,736.59)	3,394.44
Total U.S. Department of Agriculture						(18,056.27)		383,068.92	(377,354.80)		(15,736.59)	3,394.44
<u>Special Revenue Funds</u>												
U.S. Department of Education												
Passed-through State Department of Education:												
Title I	84.010	NCLB21901E	S010A150030	7/1/14-6/30/15	\$ 354,396.50	(124,109.68)		91,308.00	(8,992.32)		(41,794.00)	
Title I	84.010	NCLB21901E	S010A150030	9/1/15-8/31/16	428,632.00			328,215.00	(379,754.26)		(51,539.26)	
Total Title I						(124,109.68)		419,523.00	(388,746.58)		(93,333.26)	
Title II A	84.367	NCLB21901E	S367A150029	7/1/14-6/30/15	44,863.00	(176.03)		176.00			(0.03)	
Title II A	84.367	NCLB21901E	S367A150029	9/1/15-8/31/16	55,225.00			46,345.00	(53,705.00)		(7,360.00)	
Total Title II						(176.03)		46,521.00	(53,705.00)		(7,360.03)	
Title III	84.365	NCLB21901E	S365A150030	7/1/14-6/30/15	12,791.00	(4,280.85)		4,281.00				0.15
Title III	84.365	NCLB21901E	S365A150030	9/1/15-8/31/16	15,795.00			15,020.00	(15,217.49)		(197.49)	
Total Title III						(4,280.85)		19,301.00	(15,217.49)		(197.49)	0.15
Special Education Cluster												
I.D.E.A. Part B, Basic	84.027	IDEA219015	S027A150100	7/1/14-6/30/15	620,690.00	6,906.37		33,871.00	(42,157.92)		(1,380.55)	
I.D.E.A. Part B, Basic	84.027	IDEA219016	S027A150100	9/1/15-8/31/16	684,120.00			626,854.00	(594,408.00)			32,446.00
I.D.E.A. Part B - Preschool	84.173	IDEA219015	S1733A150114	7/1/14-6/30/15	28,615.00	(26,950.00)		26,950.00				
I.D.E.A. Part B - Preschool	84.173	IDEA219016	S1733A150114	9/1/15-8/31/16	33,400.00			33,270.00	(33,400.00)		(130.00)	
Total Special Education Cluster						(20,043.63)		720,945.00	(669,965.92)		(1,510.55)	32,446.00
Total U.S. Department of Education						(148,610.19)		1,206,290.00	(1,127,634.99)		(102,401.33)	32,446.15
<u>General Fund</u>												
U.S. Department of Health & Human Services												
Medical Assistance Prog. (SEM)	93.778		1605NJ5MAP	7/1/13-6/30/14	39,207.18				(39,207.18)		(39,207.18)	
Medical Assistance Prog. (SEM)	93.778		1605NJ5MAP	7/1/15-6/30/16	40,411.58			40,411.58				
Total U.S. Department of Health & Human Services								40,411.58	(79,618.76)		(39,207.18)	
Total Federal Financial Assistance						(\$166,666.46)		\$1,629,770.50	(\$1,584,608.55)		(\$157,345.10)	\$35,840.59

The accompanying notes to schedules of financial assistance are an integral part of this schedule.

BOROUGH OF HAWTHORNE - SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

STATE GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE AT JUNE 30, 2015			CASH RECEIVED	BUDGETARY EXPENDITURES	ADJUSTMENTS	REPAYMENT OF PRIOR YEAR'S BALANCES	BALANCE AT JUNE 30, 2016			MEMO	
				{ACCOUNTS RECEIVABLE}	UNEARNED REVENUE	DUE TO GRANTOR					{ACCOUNTS RECEIVABLE}	UNEARNED REVENUE	DUE TO GRANTOR	BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPENDITURES
<u>General Funds</u>															
State Aid Cluster:															
Equalization Aid	16-495-034-5120-078	7/1/15-6/30/16	\$333,115.00				\$308,861.00	(\$333,115.00)	\$23,254.00					\$23,254.00	\$333,115.00
Special Education Aid	16-495-034-5120-089	7/1/15-6/30/16	1,474,758.00				1,371,808.00	(1,474,759.00)	102,951.00					102,951.00	1,474,758.00
Security Aid	16-495-034-5120-084	7/1/15-6/30/16	66,013.00				61,405.00	(66,013.00)	4,608.00					4,608.00	66,013.00
PARCC Readiness Aid	16-495-034-5120-097	7/1/15-6/30/16	23,320.00				21,693.00	(23,320.00)	1,627.00					1,627.00	23,320.00
Per Pupil Growth Aid	16-495-034-5120-086	7/1/15-6/30/16	23,320.00				21,693.00	(23,320.00)	1,627.00					1,627.00	23,320.00
Total State Aid Cluster:							1,786,460.00	(1,920,527.00)	134,067.00					134,067.00	1,920,527.00
Transportation Aid	16-495-034-5120-014	7/1/15-6/30/16	124,605.00				115,908.00	(124,605.00)	8,697.00						
Non-Public Transportation Aid	N/A	7/1/14-6/30/16	29,504.00	(29,504.00)			29,504.00								29,504.00
Non-Public Transportation Aid	N/A	7/1/15-6/30/16	19,140.00					(19,140.00)			(19,140.00)			19,140.00	19,140.00
Extraordinary Aid	16-100-034-5120-473	7/1/15-6/30/16	462,576.00					(462,576.00)			(462,576.00)			462,576.00	462,576.00
Extraordinary Aid	15-100-034-5120-473	7/1/14-6/30/16	507,596.00	(507,596.00)			507,596.00								
On-behalf TPAF Contributions	16-495-034-5094-002	7/1/15-6/30/16	1,089,977.00				1,089,977.00	(1,089,977.00)							
NCGI	16-495-034-5094-004	7/1/15-6/30/16	54,296.00				54,296.00	(54,296.00)							
Post Retirement Medical	16-495-034-5094-001	7/1/15-6/30/16	1,362,512.00				1,362,512.00	(1,362,512.00)							
TPAF Social Security Aid	15-495-034-5094-003	7/1/14-6/30/16	1,118,396.18	(56,603.04)			56,603.04								1,118,396.18
TPAF Social Security Aid	16-495-034-5094-003	7/1/15-6/30/16	1,136,532.78				1,079,461.15	(1,136,532.78)			(57,071.63)			57,071.63	1,136,532.78
Total General Fund				(593,703.04)			6,082,317.19	(6,170,165.78)	142,764.00		(538,787.63)			806,921.63	6,607,202.96
<u>Special Revenue Fund:</u>															
NJ Nonpublic Aid:															
Technology Aid	16-100-034-5120-373	7/1/15-6/30/16	15,626.00				15,626.00	(15,589.23)						\$36.77	15,589.23
Textbook Aid	16-100-034-5120-064	7/1/15-6/30/16	34,318.00				34,318.00	(\$33,365.83)						952.17	33,365.83
Security Aid	16-100-034-5120-509	7/1/15-6/30/16	15,800.00				15,800.00	(\$5,330.00)						10,470.00	5,330.00
Nursing	16-100-034-5120-070	7/1/15-6/30/16	56,880.00				56,880.00	(56,880.00)							56,880.00
Auxiliary Services:															
English as a Second Language	15-100-034-5120-067	7/1/14-6/30/16	10,962.00			6,942.60				(6,942.60)					10,962.00
English as a Second Language	16-100-034-5120-067	7/1/15-6/30/16	7,765.00				7,765.00	(5,693.53)						2,071.47	5,693.53
Compensatory Education	15-100-034-5120-067	7/1/14-6/30/16	37,176.00			6,718.80				(6,718.80)					37,176.00
Compensatory Education	16-100-034-5120-067	7/1/15-6/30/16	40,609.00				40,609.00	(33,756.60)						6,852.40	33,756.60
Handicapped Services:															
Supplemental Instruction	15-100-034-5120-068	7/1/14-6/30/16	34,527.00			5,414.63				(5,414.63)					34,527.00
Supplemental Instruction	16-100-034-5120-068	7/1/15-6/30/16	33,267.00				33,267.00	(30,890.91)						2,376.09	30,890.91
Examination & Classification	15-100-034-5120-068	7/1/14-6/30/16	69,145.00			18,898.34				(18,898.34)					69,145.00
Examination & Classification	16-100-034-5120-068	7/1/15-6/30/16	51,307.00				51,307.00	(48,065.22)						3,241.78	48,065.22
Corrective Speech	15-100-034-5120-068	7/1/14-6/30/16	30,481.00			4,417.75				(4,417.75)					30,481.00
Corrective Speech	16-100-034-5120-068	7/1/15-6/30/16	27,590.00				27,590.00	(26,252.59)						1,337.41	26,252.59
Total Special Revenue Fund						42,392.12	283,162.00	(255,823.91)		(42,392.12)				27,338.09	445,214.97

The accompanying notes to schedules of financial assistance are an integral part of this schedule

BOROUGH OF HAWTHORNE - SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

STATE GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE AT JUNE 30, 2015			CASH RECEIVED	BUDGETARY EXPENDITURES	ADJUSTMENTS	REPAYMENT OF PRIOR YEAR'S BALANCES	BALANCE AT JUNE 30, 2016			MEMO	
				(ACCOUNTS RECEIVABLE)	UNEARNED REVENUE	DUE TO GRANTOR					(ACCOUNTS RECEIVABLE)	UNEARNED REVENUE	DUE TO GRANTOR	GAAP RECEIVABLE	CUMULATIVE TOTAL EXPENDITURES
<u>Debt Service Fund</u>															
Debt Service State Aid	16-495-034-5120-075	7/1/15-6/30/16	200,355.00				200,355.00	(200,355.00)							205,967.00
<u>Enterprise Fund</u>															
National School Lunch Program	16-100-020-3350-023	7/1/15-6/30/16	9,419.11				8,977.24	(9,419.11)			(441.87)				11,725.92
National School Lunch Program	15-100-020-3350-023	7/1/14-6/30/15	9,096.73	(598.76)			598.76								10,307.27
Total Enterprise Fund				(598.76)			9,576.00	(9,419.11)			(441.87)				22,033.19
Total State Financial Assistance				<u>(\$594,301.80)</u>		<u>\$42,392.12</u>	<u>\$6,575,410.19</u>	<u>(\$6,635,763.80)</u>	<u>\$142,764.00</u>	<u>(\$42,392.12)</u>	<u>(\$539,229.50)</u>		<u>\$27,338.09</u>	<u>\$806,921.63</u>	<u>\$9,149,590.58</u>
Less: On-Behalf amounts not utilized for determination of Major Programs:															
On-behalf TPAF Contributions	16-495-034-5094-002	7/1/15-6/30/16					\$1,089,977.00	(\$1,089,977.00)							
NCGI	16-495-034-5094-004	7/1/15-6/30/16					54,296.00	(54,296.00)							
Post Retirement Medical	16-495-034-5094-001	7/1/15-6/30/16					1,362,512.00	(1,362,512.00)							
Total State Financial Assistance Subject to Single Audit							<u>\$4,068,625.19</u>	<u>(\$4,128,978.80)</u>							

The accompanying notes to schedules of financial assistance are an integral part of this schedule.

Borough of Hawthorne School District
Notes to the Schedules of Expenditures of Federal Awards
and State Financial Assistance
Year Ended June 30, 2016

NOTE 1: GENERAL

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

NOTE 2: BASIS OF ACCOUNTING

The accompanying schedules of expenditures of federal awards and state financial assistance are presented on the budgetary basis of accounting with the exceptions of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 of the District's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The District has elected not to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedule (RSI) are presented for the general fund and special revenue fund to demonstrate finance-regulated 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 deferred state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP accounting purposes, those payments are not recognized until the subsequent budget year due to the state deferral and recording of the 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 GAAP basis does not. The special revenue fund also recognizes the deferred state aid payments in the current budget year, consistent with N.J.S.A. 18A:22-44.2.

Borough of Hawthorne School District
Notes to the Schedules of Expenditures of Federal Awards
and State Financial Assistance
Year Ended June 30, 2016

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$24,960.00 for the general fund. The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$3,460.14 for the special revenue fund. See the notes to the required supplementary information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Federal awards and state financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$79,618.76	\$3,663,380.78	\$3,742,999.54
Special Revenue Fund	1,127,634.99	255,823.91	1,383,458.90
Debt Service Fund		200,355.00	200,355.00
Food Service Fund	<u>377,354.80</u>	<u>(9,419.11)</u>	<u>367,935.69</u>
Total Awards & Financial Assistance	<u>\$1,584,608.55</u>	<u>\$4,110,140.58</u>	<u>\$5,694,749.13</u>

NOTE 4: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5: OTHER

Revenues and expenditures reported in the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF pension contributions represents the amount paid by the state on behalf of the district for the year ended June 30, 2016. TPAF Social Security contributions represent the amount reimbursed by the state for the employer's share of Social Security contributions for TPAF members for the year ended June 30, 2016.

Borough of Hawthorne School District
Passaic County, New Jersey

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

Section I – Summary of Auditor’s Results

Financial Statements

- | | | |
|-----|--|------------|
| (1) | Type of Auditor’s Report Issued: | Unmodified |
| (2) | Internal Control Over Financial Reporting: | |
| | (a) Material weakness(es) identified? | No |
| | (b) Significant deficiencies identified that are not considered to be material weaknesses? | No |
| (3) | Noncompliance material to the basic financial statements noted during the audit? | No |

Federal Program(s)

- | | | |
|-----|--|------------|
| (1) | Internal Control Over Major Federal Programs: | |
| | (a) Material weaknesses identified? | No |
| | (b) Significant deficiencies identified that are not considered to be material weaknesses? | No |
| (2) | Type of Auditor’s Report issued on compliance for major federal program(s)? | Unmodified |
| (3) | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the Uniform Guidance? | No |

- (4) Identification of Major Federal Program(s):

<u>Program</u>	<u>CFDA</u>
IDEA Part B Basic	84.027
IDEA Part B Preschool	84.173

- | | | |
|-----|---|-----|
| (5) | Program Threshold Determination:
Type A Federal Program Threshold > \$750,000.00
Type B Federal Program Threshold <= \$750,000.00 | |
| (6) | Auditee qualified as a low-risk auditee under OMB Circular Uniform Guidance? | Yes |

Borough of Hawthorne School District
Passaic County, New Jersey

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2015

Section I – Summary of Auditor’s Results (Continued)

State Program(s)

- | | | |
|-----|---|---------------------|
| (1) | Internal Control Over Major State Programs: | |
| | (a) Material weakness(es) identified? | No |
| | (b) Significant deficiencies identified that are not considered to be material weaknesses? | No |
| (2) | Type of Auditor’s Report issued on compliance for major state program(s)? | Unmodified |
| (3) | Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular 15-08? | No |
| (4) | Identification of Major State Program(s): | |
| | <u>Program</u> | <u>Grant Number</u> |
| | Reimbursed TPAF Social Security Contributions | 16-495-034-5095-003 |
| | Debt Service Aid | 16-495-034-5120-075 |
| (5) | Program Threshold Determination:
Type A State Program Threshold > \$750,000.00
Type B State Program Threshold <= \$750,000.00 | |
| (6) | Auditee qualified as a low-risk auditee under OMB Circular 15-08? | Yes |

Borough of Hawthorne School District
Passaic County, New Jersey

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

Section II – Financial Statement Audit – Reported Findings Under Government Auditing Standards

Internal Control Findings – None Reported

Compliance Findings – None Reported

Section III – Findings and Questioned Costs Relative to Major Federal and State Programs

Federal Programs – None Reported

State Programs – None Reported

Borough of Hawthorne School District
Passaic County, New Jersey

Schedule of Prior Year Audit Findings

Not Applicable

