

HOPATCONG BOARD OF EDUCATION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Hopatcong, New Jersey

COMPREHENSIVE ANNUAL

FINANCIAL REPORT

of the

Hopatcong Board of Education

Hopatcong, New Jersey

For The Fiscal Year Ended June 30, 2016

Prepared by

Business Office

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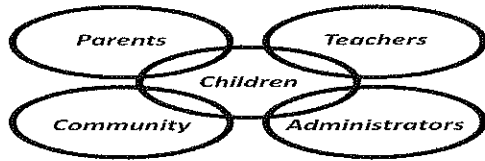
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INTRODUCTORY SECTION



Hopatcong Borough Schools
P.O. Box 1029, 2 Windsor Avenue, NJ 07843
973-398-8801 Fax: 973-398-1961

November 22, 2016

President and Members of the Board of Education
Hopatcong Borough School District
County of Sussex, New Jersey

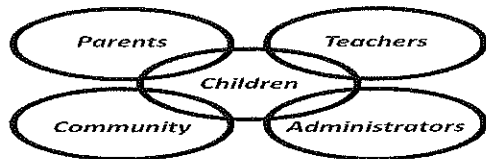
Dear Board Members:

The comprehensive annual financial report of the Hopatcong Borough School District for the fiscal year ended June 30, 2016 is hereby submitted for your review. Responsibility for the accuracy of the data and the completeness and fairness of the presentation including disclosures rests with the management of the Board of Education. To the best of our knowledge and understanding as of June 30, 2016, the data presented in this report is accurate in all material respects and is reported in a manner designed to present the financial position and results of operations of the various funds of the District. 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. 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 provision of the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards (uniform Guidance) and the state Treasury Circular Letter 15-08 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments". Information 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 Hopatcong Borough School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB). All funds of the District are included. The district provides a full range of services appropriate to grade levels Kindergarten through Grade 12. District services are provided to preschool, regular, vocational and special education students. The following details the changes in the student enrollment of the Hopatcong Borough Public Schools over the last five years.



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REPORTING ENTITY AND ITS SERVICES (Continued)

<u>Fiscal Year</u>	<u>Average Daily Enrollment</u>	<u>Average Daily Attendance</u>	<u>Attendance Percentage</u>
2015-16	1,600	1,517	95%
2014-15	1,742	1,638	94%
2013-14	1,818	1,721	94%
2012-13	1,886	1,790	95%
2011-12	2,021	1,903	94%

ECONOMIC CONDITION AND OUTLOOK

The district consists of five schools: Durban Avenue, Hudson Maxim, Tulsa Trail, Hopatcong Middle School and Hopatcong High School. Facilities necessary for an educational program that can deliver the New Jersey Common Core State Standards are well maintained and require ongoing maintenance and upkeep.

The annual operating budget increased within the limit established by the State of New Jersey and therefore did not require a public vote in 2015-16.

Through continued sound fiscal measures and hard financial decisions, the Board of Education continues to invest in the future of its educational program by committing additional funds to the upgrade of technology infrastructure as we continue preparation for PARCC testing and Common Core Initiatives.

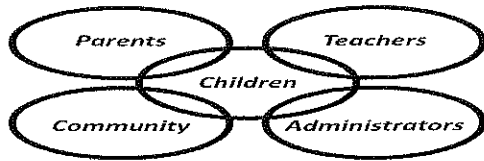
DEMOGRAPHICS

As of the 2010 US Census, the borough's population was 15,147, reflecting a decline of 741, or -4.7%, from the 15,888 counted in the 2000 US Census. There were 5,653 households, of which 32% had children under the age of 18 living with them. 21% of all households were made up of individuals, and 5% had someone living alone who was 65 years of age or older. The average household size was 2.7 and the average family size was 3.1.

MAJOR INITIATIVES

During the school year, students in Hopatcong continued to benefit from educational initiatives utilized to raise student achievement. Ongoing professional development, always a component of instructional initiatives, was provided to ensure success in these efforts. Curriculums are continually being revised to conform to New Jersey Student Learning Standards.

A major initiative implemented in the district at the K-8 level is Writer's Workshop, a student-center approach to process writing. Student engagement continues to be a major focus supported



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by arts integration and technology infusion. Students in grades 3-8 have been issued chromebooks as part of the one-to-one initiative for the purpose of supporting students' learning specifically Writer's Workshop and Defined Stem, a problem based learning web program. The district continues to plan for STEAM initiatives such as Defined Stem and Makerspace learning environments.

Another initiative this year included new classes, at both the primary and secondary level. Transition classes at the primary level have been established in order to provide additional supports to students at the early elementary level and concurrent classes with Sussex County Community College have been established at the High School.

INTERNAL ACCOUNTING CONTROLS

Management of the District is responsible for establishing and maintaining an internal control system designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The District recognizes the concept of reasonable assurance that states that the cost of a control should not exceed the benefits likely to be derived and the valuation of costs and benefits requires estimates and judgments by management. As a recipient of federal and state financial assistance the District is responsible for ensuring the compliance with applicable laws and regulations related to those programs.

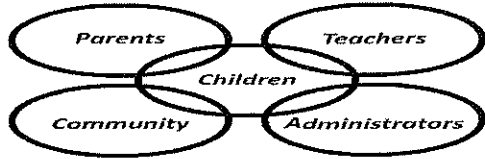
BUDGETARY CONTROLS

The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget acted on by the voters of the Borough. Annual appropriated budgets are adopted for the General Fund and the Special Revenue Fund. Project-length budgets are approved for capital improvements accounted for 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. These amounts to be re-appropriated are reported as reservations of fund balances at June 30, 2016.

ACCOUNTING SYSTEM REPORTS

The District's accounting records reflect the 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.



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CASH MANAGEMENT

The investment practice of the District is guided in large part by state statutes as detailed in "Notes to the Financial Statements". 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). This law was enacted to protect banking institutions 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.

RISK MANAGEMENT

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

INDEPENDENT AUDIT

State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The board selected the independent firm of Lerch, Vinci & Higgins, LLP. 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 of 1984, as amended, and the related Uniform Guidance and State Treasury Circular Letter 15-08 OMB. The auditors' report on the basic financial statements is included in the financial section of this report.

ACKNOWLEDGEMENTS

The Hopatcong Borough School Board is to be recognized for its concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing its full support to the development and maintenance of our financial operations. The preparation and content of this report could not have been accomplished without the services of the District's financial, accounting and management staff.

Respectfully submitted,

Mrs. Cynthia Randina
Superintendent of Schools

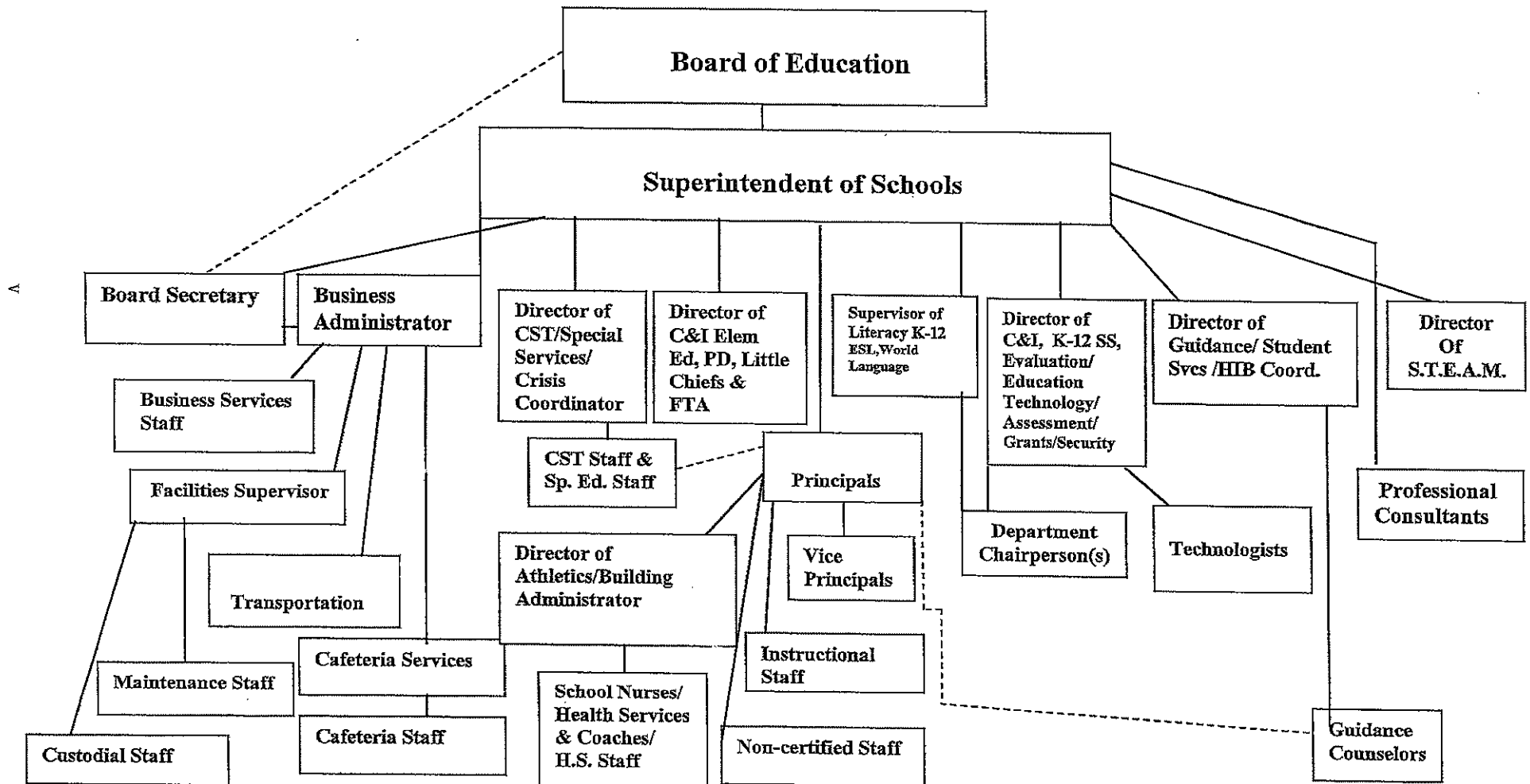
Carolyn B. Joseph
Interim School Business Administrator/
Board Secretary

POLICY

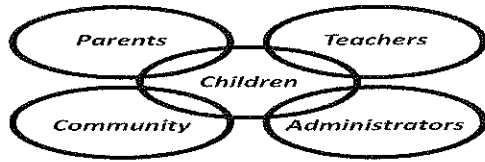
BOARD OF EDUCATION HOPATCONG

ADMINISTRATION
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Organizational Chart

1110 ORGANIZATIONAL CHART HOPATCONG BOROUGH SCHOOL DISTRICT



Legend: — Direct Supervision
--- Consultative Supervision



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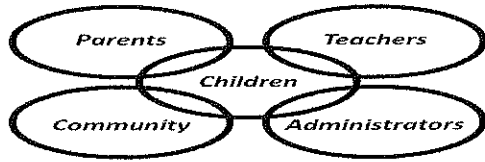
**HOPATCONG BOROUGH SCHOOL DISTRICT
 HOPATCONG, NEW JERSEY**

**ROSTER OF OFFICIALS
 JUNE 30, 2016**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Anthony Fasano, President	2016
Carol Trumpore, Vice President	2018
Candice Smith	2018
Philip DiStefano	2018
Dr. Sarah Schindelar	2017
Robert Nicholson	2017
Peter Karpiak	2017
Michelle Perrotti	2016
Frank Farruggia, Jr.	2016

Other Officials

Cynthia Randina, Superintendent of Schools
 Carolyn B. Joseph, Interim School Business Administrator/Board Secretary
 Damaris Gurowsky, Treasurer of School Monies



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P.O. Box 1029, 2 Windsor Avenue, NJ 07843
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CONSULTANTS AND ADVISORS

ATTORNEYS

Schwartz, Simon, Edelstein & Celso, LLC
100 South Jefferson Rd, Suite 200
Whippany, NJ 07981

Porzio, Bromberg & Newman, P.C.
100 Southgate Parkway
Morristown, NJ 07962

AUDIT FIRM

Lerch, Vinci & Higgins, LLP
17-17 Route 208
Fair Lawn, New Jersey 07410

OFFICIAL DEPOSITORIES

Fulton Bank of New Jersey
118 Lakeside Blvd
Landing, NJ 07850

Valley National Bank
7 Woodport Rd
Sparta, NJ 07871

Sovereign Bank
110 River Styx Rd
Hopatcong, NJ 07843

PNC Bank
32 Rt 206 North
Stanhope, NJ 07874

FINANCIAL SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
MARK SACO, CPA
SHERYL M. NICOLosi, CPA
ROBERT AMPONSAH, CPA

INDEPENDENT AUDITOR’S REPORT

Honorable President and Members
of the Board of Trustees
Hopatcong Board of Education
Hopatcong, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hopatcong Board of Education, as of and for the fiscal year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the Board of Education’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, the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hopatcong Board of Education as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

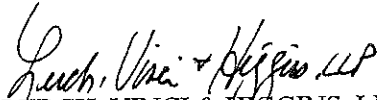
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hopatcong Board of Education's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, financial schedules, statistical section, schedule of expenditures of federal awards as required by 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 schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Hopatcong Board of Education.


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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated November 22, 2016 on our consideration of the Hopatcong Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Hopatcong Board of Education's internal control over financial reporting and compliance.


LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants


Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
November 22, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

HOPATCONG BOARD OF EDUCATION

Management's Discussion and Analysis

This section of the Hopatcong Board of Education's comprehensive annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2016. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follows this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2015-2016 fiscal year include the following:

- The liabilities and deferred inflows of resources of the Hopatcong Board of Education exceeded its assets and deferred outflows of resources at the close of the fiscal year by \$1,044,854.
- Overall district revenues were \$74,058,836. General revenues accounted for \$33,941,897 or 46% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$40,116,939 or 54% of total revenues.
- The school district had \$46,372,741 in expenses for governmental activities; only \$11,677,136 of these expenses were offset by program specific charges, grants or contributions. General revenues (predominantly property taxes) and transfers of \$33,949,843 were adequate to provide for these programs.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$4,030,331.
- The General Fund fund balance at June 30, 2016 was \$4,030,331, a decrease of \$38,612 from the June 30, 2015 balance of \$4,068,943.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.

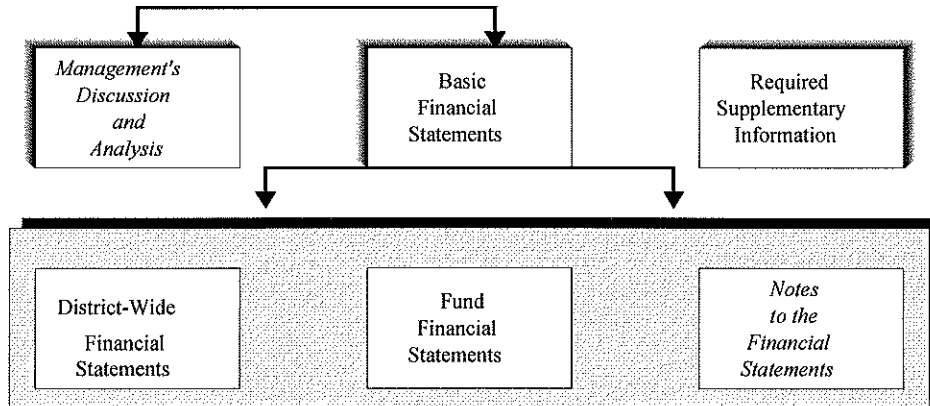
HOPATCONG BOARD OF EDUCATION

Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

- The governmental funds statements tell how basic services were financed in the short term as well as what remains for future spending.
- Proprietary funds statements offer short-term and long-term financial information about the activities the district operated like businesses.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The various parts of this annual report are arranged and related to one another, as noted below.



HOPATCONG BOARD OF EDUCATION

Management's Discussion and Analysis

The major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain are summarized below. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as instruction, special education, building maintenance and community education	Activities the district operates similar to private businesses: enterprise funds	Instances in which the district administers resources on behalf of someone else, such as unemployment, payroll agency, and student activities
Required financial statements	Statements of net position Statement of activities	Balance Sheet Statement of revenues, expenditures and changes in fund balances	Statement of net position Statement of revenues, expenses, and changes in net position Statement of cash flows	Statements of fiduciary net position Statement of changes in fiduciary net position
Accounting Basis and Measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows/deferred inflows/liability information	All assets, deferred outflows, liabilities, and deferred inflows, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, liabilities, and deferred inflows, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term funds do not currently contain capital assets.
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or Paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions and dedications during the year, regardless of when cash is received or paid.

District-wide financial statements

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

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

HOPATCONG BOARD OF EDUCATION

Management's Discussion and Analysis

District-wide financial statements (continued)

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

In the district-wide financial statements the District's activities are shown in two categories:

- *Governmental activities* – Most of the District's basic services are included here, such as regular and special education, transportation, administration and plant operations and maintenance. Property taxes and state aids finance most of these activities.
- *Business type activities* – These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The District's Food Service Fund, Transportation Services Fund and Day Plus Services Fund are included under this category.

Fund financial statements

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

- Some funds are required by State law and bond covenants.
- The District establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues (federal and state grants).

The District has three kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statements that explains the relationship (or differences) between them.
- *Proprietary funds* – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements.

HOPATCONG BOARD OF EDUCATION

Management's Discussion and Analysis

Fund financial statements (continued)

Enterprise Funds – These funds are established to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that costs of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges. The District currently has three enterprise funds:

- Food Service (Cafeteria) • Transportation Services • Day Plus Services

- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found following the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget process. The District adopts an annual expenditure budget for the general, special revenue and debt service funds. A budgetary comparison statement has been provided for these funds as required supplementary information. The required supplementary information can be found following the notes to the financial statements.

The District also presents required supplementary information regarding the accounting and financial reporting for pensions under GASB Statement No. 68. The required supplementary information can be found following the notes to the financial statements.

Combining statements and schedules are presented immediately following the major budgetary comparisons.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a Board's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$1,044,854 as of June 30, 2016.

HOPATCONG BOARD OF EDUCATION

Management's Discussion and Analysis

By far the largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net Position As of June 30, 2016 and 2015

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets						
Current Assets	\$ 4,430,741	\$ 4,298,894	\$ 1,633,091	\$ 1,811,906	\$ 6,063,832	\$ 6,110,800
Capital Assets, Net	5,054,133	5,155,870	206,418	242,213	5,260,551	5,398,083
Total Assets	<u>9,484,874</u>	<u>9,454,764</u>	<u>1,839,509</u>	<u>2,054,119</u>	<u>11,324,383</u>	<u>11,508,883</u>
Deferred Outflows of Resources						
Deferred Amounts on Net Pension Liability	1,819,458	316,290	-	-	1,819,458	316,290
Total Assets & Deferred Outflows of Resources	<u>11,304,332</u>	<u>9,771,054</u>	<u>1,839,509</u>	<u>2,054,119</u>	<u>13,143,841</u>	<u>11,825,173</u>
Liabilities						
Long-Term Liabilities	13,425,294	10,900,635	88,044	112,083	13,513,338	11,012,718
Other Liabilities	400,410	229,951	6,410	115,421	406,820	345,372
Total Liabilities	<u>13,825,704</u>	<u>11,130,586</u>	<u>94,454</u>	<u>227,504</u>	<u>13,920,158</u>	<u>11,358,090</u>
Deferred Inflows of Resources						
Deferred Commodities Revenue			3,131		3,131	-
Deferred Amounts on Net Pension Liability	265,406	681,484	-	-	265,406	681,484
Total Liabilities & Deferred Inflows of Resources	<u>14,091,110</u>	<u>11,812,070</u>	<u>97,585</u>	<u>227,504</u>	<u>14,188,695</u>	<u>12,039,574</u>
Net Position						
Net Investment in Capital Assets	4,725,970	4,727,555	118,374	130,130	4,844,344	4,857,685
Restricted	1,925,591	1,606,741			1,925,591	1,606,741
Unrestricted	(9,438,339)	(8,375,312)	1,623,550	1,696,485	(7,814,789)	(6,678,827)
Total Net Position	<u>\$ (2,786,778)</u>	<u>\$ (2,041,016)</u>	<u>\$ 1,741,924</u>	<u>\$ 1,826,615</u>	<u>\$ (1,044,854)</u>	<u>\$ (214,401)</u>

HOPATCONG BOARD OF EDUCATION

Management's Discussion and Analysis

Change in Net Position

For The Fiscal Years Ended June 30, 2016 and 2015

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues						
Program Revenues						
Charges for Services	\$ 4,895	\$ 1,300	\$ 28,187,861	\$ 24,977,704	\$ 28,192,756	\$ 24,979,004
Operating Grants and Contributions	11,672,241	10,004,225	251,942	214,563	11,924,183	10,218,788
General Revenues						
Property Taxes	24,391,299	24,149,801			24,391,299	24,149,801
State Aid	9,380,401	9,378,596			9,380,401	9,378,596
Other	169,538	404,934	659	521	170,197	405,455
Total Revenues	<u>45,618,374</u>	<u>43,938,856</u>	<u>28,440,462</u>	<u>25,192,788</u>	<u>74,058,836</u>	<u>69,131,644</u>
Expenses						
Instruction						
Regular	18,788,436	16,206,563			18,788,436	16,206,563
Special Education	8,218,599	7,678,460			8,218,599	7,678,460
Other Special Instruction	696,128	659,314			696,128	659,314
Other Instruction	1,192,189	828,497			1,192,189	828,497
Support Services						
Student and Instruction Related Services	6,268,661	5,857,003			6,268,661	5,857,003
School Administrative Services	2,728,876	2,439,729			2,728,876	2,439,729
General Administrative Services	911,246	1,013,778			911,246	1,013,778
Plant Operations and Maintenance	4,494,623	4,333,282			4,494,623	4,333,282
Pupil Transportation	2,074,842	1,930,920			2,074,842	1,930,920
Central Services/Admin Info Technology	986,165	1,024,495			986,165	1,024,495
Interest on Long-Term Debt	12,976	13,793			12,976	13,793
Food Services			606,766	645,457	606,766	645,457
Transportation Services			27,666,306	24,575,426	27,666,306	24,575,426
Day Plus Services	-	-	243,476	211,586	243,476	211,586
Total Expenses	<u>46,372,741</u>	<u>41,985,834</u>	<u>28,516,548</u>	<u>25,432,469</u>	<u>74,889,289</u>	<u>67,418,303</u>
Change in Net Position	(754,367)	1,953,022	(76,086)	(239,681)	(830,453)	1,713,341
Transfers	8,605	(257,852)	(8,605)	257,852	-	-
Change in Net Position after Transfers	(745,762)	1,695,170	(84,691)	18,171	(830,453)	1,713,341
Net Position, Beginning of Year	(2,041,016)	(3,736,186)	1,826,615	1,808,444	(214,401)	(1,927,742)
Net Position, End of Year	<u>\$ (2,786,778)</u>	<u>\$ (2,041,016)</u>	<u>\$ 1,741,924</u>	<u>\$ 1,826,615</u>	<u>\$ (1,044,854)</u>	<u>\$ (214,401)</u>

HOPATCONG BOARD OF EDUCATION

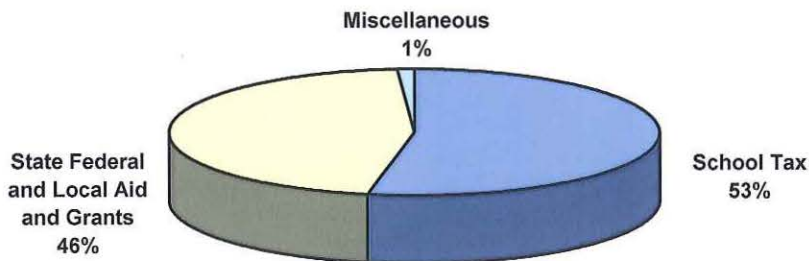
Management's Discussion and Analysis

Governmental Activities. The District's total governmental activities' revenues, which includes State and Federal grants, were \$45,618,374 for the fiscal year ended June 30, 2016. Property taxes of \$24,391,299 represented 53 percent of revenues. Another significant portion of revenues came from State aid; total State, Federal, Local and formula aid was \$21,052,642. This revenue type increased significantly (\$1,669,821, 9%) from the prior year primarily due to the adjustment to the on-behalf TPAF contribution to recognize the actuarially determined amount that should have been contributed on behalf of the District. This adjustment which impacts both the revenues and expenses of the governmental activities was \$4,678,201. Another source of revenues is miscellaneous income which includes items such as rentals, prior year refunds, etc. The smallest component of revenues is charges for services which includes tuition from other LEAs and transportation fees.

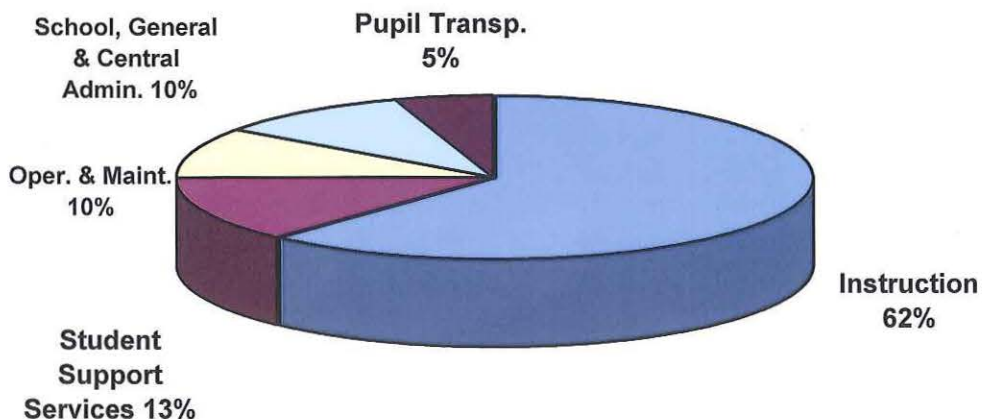
The total cost of all governmental activities programs and services was \$46,372,741. The District's expenses are predominantly related to educating and caring for students. Instruction totaled \$28,895,352 (62%) of total expenditures. Student support services, exclusive of administration, total \$6,268,661 or (13%) of total expenditures. Administrative services total \$4,626,287 (10%) of expenditures. Plant operations and maintenance comprise \$4,494,623 or 10% of total expenditures. The remaining balance of the expenditures largely related to pupil transportation.

Total governmental activities revenues and transfers were less than expenses decreasing net position by \$745,762 from the previous year.

Revenues by Source- Governmental Activities
For Fiscal Year 2015/16



Expenses by Type- Governmental Activities
For Fiscal Year 2015/16



HOPATCONG BOARD OF EDUCATION

Management's Discussion and Analysis

Total and Net Cost of Governmental Activities. The District's total cost of services was \$46,372,741. After applying program revenues, derived from charges for services of \$4,895; and operating grants and contributions of \$11,672,241; the net cost of services of the District is \$34,695,605.

Total and Net Cost of Governmental Activities

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Instruction				
Regular	18,788,436	\$ 16,206,563	\$ 13,843,229	\$ 12,288,264
Special Education	8,218,599	7,678,460	4,740,000	4,441,353
Other Special Instruction	696,128	659,314	329,479	292,448
Other Instruction	1,192,189	828,497	1,192,189	828,497
Support Services				
Student and Instruction Related Services	6,268,661	5,857,003	5,018,223	4,825,833
School Administrative Services	2,728,876	2,439,729	2,017,730	1,909,217
General Administrative Services	911,246	1,013,778	911,246	1,013,778
Plant Operations and Maintenance	4,494,623	4,333,282	4,262,524	4,101,145
Pupil Transportation	2,074,842	1,930,920	1,381,844	1,241,486
Central Services/Admin Info Technology	986,165	1,024,495	986,165	1,024,495
Interest on Long-Term Debt	12,976	13,793	12,976	13,793
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 46,372,741</u>	<u>\$ 41,985,834</u>	<u>\$ 34,695,605</u>	<u>\$ 31,980,309</u>

Business-Type Activities – The District's total business-type activities revenues were \$28,440,462 for the fiscal year ended June 30, 2016. Charges for services accounted for 99% of total revenues. Operating grants and contributions accounted for 1% of total revenue for the year.

The total cost of all business-type activities programs and services was \$28,516,548. The District's expenses are related to Food Service programs provided to all students, teachers and administrators within the District and the operations of the Transportation Services and Day Plus Services programs.

Total business-type activities revenues and transfers were less than expenses decreasing net position by \$84,691 from the prior year balance.

HOPATCONG BOARD OF EDUCATION

Management's Discussion and Analysis

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$4,030,331. At June 30, 2015, the fund balance was \$4,068,943.

Revenues and other financing sources for the District's governmental funds were \$40,948,778, while total expenditures were \$40,987,390.

General Fund - The General Fund is the chief operating fund of the District and includes the primary operations in providing educational services to students from pre-kindergarten through grade 12 including pupil transportation activities and capital outlay projects.

The following schedule presents a summary of General Fund revenues.

	<u>Fiscal Year Ended</u>		Increase (Decrease)	Percentage Change
	<u>June 30, 2016</u>	<u>June 30, 2015</u>		
Local Sources				
Property Tax Levy	\$ 24,391,299	\$ 24,149,801	\$ 241,498	1.0%
Interest	8,442	9,751	(1,309)	-13.4%
Tuition	4,895	1,300	3,595	100.0%
Miscellaneous	161,096	395,183	(234,087)	-59.2%
State Sources	15,334,229	14,779,327	554,902	3.8%
Federal Sources	58,141	88,725	(30,584)	-34.5%
Total General Fund Revenues	<u>\$ 39,958,102</u>	<u>\$ 39,424,087</u>	<u>\$ 534,015</u>	1.35%

Total General Fund Revenues increased by \$534,015 or 1.35% over the previous year.

Local property taxes increased 1% over the previous year. State aid revenues increased \$554,902 due to an increase in the State of New Jersey funding to the on-behalf TPAF Pension Contribution and Post - Retirement Medical Benefit. Federal sources decreased due to less funds received for Medicaid (SEMI) reimbursements for services provided to District students. Miscellaneous revenues decreased by \$234,087 primarily due to a decrease of one-time refunds and cancellation of prior years' payables.

HOPATCONG BOARD OF EDUCATION

Management's Discussion and Analysis

The following schedule presents a summary of General Fund expenditures.

	<u>Fiscal Year Ended</u>		<u>Increase (Decrease)</u>	<u>Percentage Change</u>
	<u>June 30, 2016</u>	<u>June 30, 2015</u>		
Instruction	\$ 23,723,496	\$ 21,449,473	\$ 2,274,023	10.6%
Support Services	15,772,357	15,549,853	222,504	1.4%
Debt Service	113,128	113,749	(621)	-1%
Capital Outlay	<u>396,338</u>	<u>145,845</u>	<u>250,493</u>	171.8%
Total Expenditures	<u>\$ 40,005,319</u>	<u>\$ 37,258,920</u>	<u>\$ 2,746,399</u>	7.4%

Total General Fund expenditures increased \$2,746,399 or 7.4% over the previous year.

In 2015-2016 General Fund revenues and other financing sources were less than expenditures by \$38,612. As a result, total fund balance decreased to \$4,030,331 at June 30, 2016. After deducting restrictions and assignments, the unassigned fund balance at June 30, 2016 is a deficit of \$488,557.

Special Revenue Fund - The Special Revenue Fund includes all restricted Federal, State and local sources utilized in the operations of the district in providing educational services to students with special needs.

Revenues of the Special Revenue Fund were \$982,071, for the fiscal year ended June 30, 2016. Federal sources accounted for the majority of Special Revenue Fund's revenue which represented 96% of the total revenue for the year. The remaining 4% is from State sources.

Expenditures of the Special Revenue Fund were \$982,071. Instructional expenditures were \$927,202, and support services expenditures were \$54,869.

HOPATCONG BOARD OF EDUCATION

Management's Discussion and Analysis

Proprietary Funds

The District maintains Enterprise Funds to account for activities that are supported in part through user fees.

Enterprise Funds - The District uses Enterprise Funds to report activities related to the Transportation Services program as well as the Food Services and Day Plus Services programs. The District's Enterprise Funds provide the same type of information found in the district-wide financial statements, business-type activities, but in more detail. Factors concerning the finances of these Funds have already been addressed in the discussion of the District's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

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

- Implementing budgets for specially funded projects, which include both federal and state grants.
- Appropriating 2014/2015 Medicaid reimbursements.
- Appropriating Capital Reserve funds to fund capital outlay projects.
- Reappropriation of prior year purchase orders (June 30, 2015 encumbrances).

CAPITAL ASSETS

The District's investment in capital assets for its governmental and business type activities as of June 30, 2016 amounts to \$5,260,551 (net of accumulated depreciation). The capital assets consist of land, construction in progress, site improvements, buildings and building improvements, specialized machinery and various other types of equipment. Depreciation charges for fiscal year 2015-2016 amounted to \$498,075 for governmental activities and \$55,295 for business-type activities.

Capital Assets at June 30, 2016 and 2015
(Net of Accumulated Depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 359,763	\$ 359,763			\$ 359,763	\$ 359,763
Construction in Progress	25,687				25,687	-
Site Improvements	190,920	70,010			190,920	70,010
Buildings and Building Improvements	2,976,090	3,246,881			2,976,090	3,246,881
Machinery and Equipment	<u>1,501,673</u>	<u>1,479,216</u>	<u>\$ 206,418</u>	<u>\$ 242,213</u>	<u>1,708,091</u>	<u>1,721,429</u>
Total Capital Assets (Net)	<u>\$ 5,054,133</u>	<u>\$ 5,155,870</u>	<u>\$ 206,418</u>	<u>\$ 242,213</u>	<u>\$ 5,260,551</u>	<u>\$ 5,398,083</u>

Additional information on the District's capital assets are presented in Note 3 of this report.

HOPATCONG BOARD OF EDUCATION

Management's Discussion and Analysis

LONG TERM LIABILITIES

At year end, the District's long-term liabilities consisted of compensated absences payable of \$755,315, capital leases payable of \$416,207 and net pension liability of \$12,341,816.

Additional information of the District's long-term liabilities is presented in Note 3 of this report.

Outstanding Long-Term Liabilities

	<u>2016</u>	<u>2015</u>
Net Pension Liability	\$ 12,341,816	\$ 10,058,400
Capital Leases (Gov'tl Act. & Business- Type Activities)	416,207	540,398
Compensated Absences	<u>755,315</u>	<u>413,920</u>
 Total Long-Term Liabilities	 <u>\$ 13,513,338</u>	 <u>\$ 11,012,718</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Currently, the District is in good financial condition. Everyone associated with the Hopatcong Board of Education is grateful for the community support.

Many factors were considered by the District's administration during the process of developing the fiscal year 2016-2017 budget. The primary factors were the District's projected student population, anticipated state and federal aid as well as increasing salary and related benefit costs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information contact the Interim School Business Administrator, Hopatcong Board of Education, P.O. Box 1029, Hopatcong, NJ 07843.

BASIC FINANCIAL STATEMENTS

**HOPATCONG BOARD OF EDUCATION
STATEMENT OF NET POSITION
AS OF JUNE 30, 2016**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 4,151,630		\$ 4,151,630
Receivables, net	223,800	\$ 2,215,289	2,439,089
Inventory		10,824	10,824
Internal Balances	(50,316)	50,316	-
Prepaid Item	105,627		105,627
Capital Assets			
Not Being Depreciated	385,450		385,450
Being Depreciated, Net	<u>4,668,683</u>	<u>206,418</u>	<u>4,875,101</u>
Total Assets	<u>9,484,874</u>	<u>2,482,847</u>	<u>11,967,721</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amounts on Net Pension Liability	<u>1,819,458</u>	-	<u>1,819,458</u>
Total Assets and Deferred Outflows of Resources	<u>11,304,332</u>	<u>2,482,847</u>	<u>13,787,179</u>
LIABILITIES			
Cash Overdraft		643,338	643,338
Accounts Payable and Other Current Liabilities	378,149	1,316	379,465
Unearned Revenue	22,261	5,094	27,355
Noncurrent Liabilities			
Due Within One Year	203,187	24,502	227,689
Due Beyond One Year	<u>13,222,107</u>	<u>63,542</u>	<u>13,285,649</u>
Total Liabilities	<u>13,825,704</u>	<u>737,792</u>	<u>14,563,496</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Commodities Revenue		3,131	3,131
Deferred Amounts on Net Pension Liability	<u>265,406</u>	-	<u>265,406</u>
Total Liabilities and Deferred Inflows of Resources	<u>14,091,110</u>	<u>740,923</u>	<u>14,832,033</u>
NET POSITION			
Net Investment in Capital Assets	4,725,970	118,374	4,844,344
Restricted for:			
Capital Projects	1,544,050		1,544,050
Other Purposes	381,541		381,541
Unrestricted	<u>(9,438,339)</u>	<u>1,623,550</u>	<u>(7,814,789)</u>
Total Net Position	<u>\$ (2,786,778)</u>	<u>\$ 1,741,924</u>	<u>\$ (1,044,854)</u>

The accompanying Notes to the Financial Statements are an Integral Part of this Statement.

**HOPATCONG BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities							
Instruction							
Regular	\$ 18,788,436	\$ 4,895	\$ 4,940,312		\$ (13,843,229)		\$ (13,843,229)
Special Education	8,218,599		3,478,599		(4,740,000)		(4,740,000)
Other Special Instruction	696,128		366,649		(329,479)		(329,479)
Other Instruction	1,192,189				(1,192,189)		(1,192,189)
Support Services							
Student and Instruction Related Services	6,268,661		1,250,438		(5,018,223)		(5,018,223)
School Administrative Services	2,728,876		711,146		(2,017,730)		(2,017,730)
General Administrative Services	911,246				(911,246)		(911,246)
Central Services/Admin Info. Technology	986,165				(986,165)		(986,165)
Plant Operations and Maintenance	4,494,623		232,099		(4,262,524)		(4,262,524)
Pupil Transportation	2,074,842		692,998		(1,381,844)		(1,381,844)
Interest on Long-Term Debt and Other Charges	12,976	-	-	-	(12,976)	-	(12,976)
Total Governmental Activities	46,372,741	4,895	11,672,241	-	(34,695,605)	-	(34,695,605)
Business-Type Activities							
Food Service	606,766	367,458	251,942			\$ 12,634	12,634
Transportation Services	27,666,306	27,571,151				(95,155)	(95,155)
Day Plus Services	243,476	249,252	-	-	-	5,776	5,776
Total Business-Type Activities	28,516,548	28,187,861	251,942	-	-	(76,745)	(76,745)
Total Primary Government	\$ 74,889,289	\$ 28,192,756	\$ 11,924,183	\$ -	(34,695,605)	(76,745)	(34,772,350)

The accompanying Notes to the Financial Statements are an Integral Part of this Statement.

**HOPATCONG BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Balance, Carry Forward	\$ (34,695,605)	\$ (76,745)	\$ (34,772,350)
General Revenues			
Property Taxes Levied for General Purposes	24,391,299		24,391,299
State Aid - Unrestricted	9,380,401		9,380,401
Miscellaneous Income	169,538	659	170,197
Transfers	8,605	(8,605)	-
Total General Revenues and Transfers	33,949,843	(7,946)	33,941,897
Change in Net Position	(745,762)	(84,691)	(830,453)
Net Position, Beginning of Year	(2,041,016)	1,826,615	(214,401)
Net Position, End of Year	\$ (2,786,778)	\$ 1,741,924	\$ (1,044,854)

The accompanying Notes to the Financial Statements are an Integral Part of this Statement.

FUND FINANCIAL STATEMENTS

**HOPATCONG BOARD OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2016**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 4,151,630		\$ 4,151,630
Due from Other Funds	34,814		34,814
Receivables, Net			
Receivables from Other Governments	88,037	\$ 109,164	197,201
Other Receivables	26,599	-	26,599
Prepaid Item	105,627	-	105,627
	<u>4,406,707</u>	<u>109,164</u>	<u>4,515,871</u>
Total Assets	<u>\$ 4,406,707</u>	<u>\$ 109,164</u>	<u>\$ 4,515,871</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 326,060	\$ 52,089	\$ 378,149
Due to Other Funds	50,316	34,814	85,130
Unearned Revenue	-	22,261	22,261
	<u>376,376</u>	<u>109,164</u>	<u>485,540</u>
Total Liabilities	<u>376,376</u>	<u>109,164</u>	<u>485,540</u>
Fund Balances			
Nonspendable			
Prepaid Item	105,627		105,627
Restricted			
Capital Reserve	602,075		602,075
Capital Reserve - Designated for Subsequent Year's Expenditures	941,975		941,975
Maintenance Reserve	331,541		331,541
Emergency Reserve	50,000		50,000
Excess Surplus	1,162,748		1,162,748
Excess Surplus - Designated for Subsequent Year's Expenditures (2016/17 Budget)	698,518		698,518
SEMI - FY14 Cost Settlement	27,383		27,383
Assigned			
Year End Encumbrances	599,021		599,021
Unassigned	(488,557)	-	(488,557)
	<u>4,030,331</u>	<u>-</u>	<u>4,030,331</u>
Total Fund Balances	<u>4,030,331</u>	<u>-</u>	<u>4,030,331</u>
Total Liabilities and Fund Balances	<u>\$ 4,406,707</u>	<u>\$ 109,164</u>	<u>\$ 4,515,871</u>

Total Fund Balances \$ 4,030,331

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$23,172,254 and the accumulated depreciation is \$18,118,121. 5,054,133

Certain amounts resulting from the measurement of the net pension liability are reported as either deferred inflows of resources or deferred outflows of resources on the statement of net position and deferred over future years.

Deferred Outflows of Resources	\$ 1,819,458	
Deferred Inflows of Resources	<u>(265,406)</u>	
		\$ 1,554,052

Long term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Capital Leases/Lease Purchase Agreement	(328,163)	
Net Pension Liability	(12,341,816)	
Compensated Absences Payable	<u>(755,315)</u>	
		<u>(13,425,294)</u>

Net Position of Governmental Activities (Exhibit A-1) \$ (2,786,778)

**HOPATCONG BOARD OF EDUCATION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Local Sources			
Property Tax Levy	\$ 24,391,299		\$ 24,391,299
Interest Earned on Investments	8,442		8,442
Tuition	4,895		4,895
Miscellaneous	161,096	-	161,096
Total - Local Sources	<u>24,565,732</u>	<u>-</u>	<u>24,565,732</u>
State Sources	15,334,229	\$ 35,000	15,369,229
Federal Sources	58,141	947,071	1,005,212
Total Revenues	<u>39,958,102</u>	<u>982,071</u>	<u>40,940,173</u>
EXPENDITURES			
Current			
Regular Instruction	15,724,256	51,549	15,775,805
Special Education Instruction	6,490,743	648,785	7,139,528
Other Special Instruction	372,242	226,868	599,110
Other Instruction	1,136,255		1,136,255
Support Services			
Student and Instructional Related Services	5,338,727	54,869	5,393,596
School Administrative Services	2,244,565		2,244,565
General Administrative Services	879,633		879,633
Central Services/Admin. Info. Technology	920,438		920,438
Plant Operations and Maintenance	4,328,837		4,328,837
Pupil Transportation	2,060,157		2,060,157
Debt Service			
Principal	100,152		100,152
Interest and Other Charges	12,976		12,976
Capital Outlay	396,338	-	396,338
Total Expenditures	<u>40,005,319</u>	<u>982,071</u>	<u>40,987,390</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures Before			
Other Financing Sources (Uses)	<u>(47,217)</u>	<u>-</u>	<u>(47,217)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	8,605	-	8,605
Total Other Financing Sources (Uses)	<u>8,605</u>	<u>-</u>	<u>8,605</u>
Net Change in Fund Balances	(38,612)	-	(38,612)
Fund Balance, Beginning of Year	4,068,943	-	4,068,943
Fund Balance, End of Year	<u>\$ 4,030,331</u>	<u>\$ -</u>	<u>\$ 4,030,331</u>

**HOPATCONG BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
WITH THE DISTRICT-WIDE STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Total Net Change in Fund Balances - Governmental Funds (Exhibit B-2) \$ (38,612)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement and allocated over their estimated useful lives as annual depreciation expense. This is the amount by which depreciation exceeds capital outlay in the current period.

Capital Outlay	\$ 396,338	
Depreciation Expense	<u>(498,075)</u>	(101,737)

In the statement of activities, certain operating expenses - compensated absences and pension expense are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (paid):

Increase in Pension Expenses	(364,170)	
Net Increase in Compensated Absences	<u>(341,395)</u>	(705,565)

The issuance of long term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Principal Repayments		
Capital Leases/Lease Purchase Agreements	<u>100,152</u>	<u>100,152</u>

Change in Net Position of Governmental Activities (Exhibit A-2) \$ (745,762)

**HOPATCONG BOARD OF EDUCATION
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 AS OF JUNE 30, 2016**

	<u>Major Program- Transportation Services</u>	<u>Other Non-Major</u>	<u>Totals</u>
ASSETS			
Cash and Cash Equivalents		\$ 201,350	\$ 201,350
Intergovernmental Accounts Receivable			
State		233	233
Federal		8,493	8,493
Other Governments	\$ 2,206,563	-	2,206,563
Due from Other Funds		50,316	50,316
Inventory	-	10,824	10,824
	<u>2,206,563</u>	<u>271,216</u>	<u>2,477,779</u>
Total Current Assets			
Capital Assets			
Machinery and Equipment	377,025	387,602	764,627
Less: Accumulated Depreciation	210,803	347,406	558,209
	<u>166,222</u>	<u>40,196</u>	<u>206,418</u>
Total Capital Assets			
Total Assets	<u>2,372,785</u>	<u>311,412</u>	<u>2,684,197</u>
LIABILITIES			
Current Liabilities			
Cash Overdraft	844,688		844,688
Accounts Payable	-	1,316	1,316
Unearned Revenue	-	5,094	5,094
	<u>844,688</u>	<u>6,410</u>	<u>851,098</u>
Total Current Liabilities			
Leases Payable			
Due Within One Year	24,502	-	24,502
Due Beyond One Year	63,542	-	63,542
	<u>88,044</u>	<u>-</u>	<u>88,044</u>
Total Noncurrent Liabilities			
DEFERRED INFLOWS OF RESOURCES			
Deferred Commodities Revenue	-	3,131	3,131
	<u>-</u>	<u>3,131</u>	<u>3,131</u>
Total Deferred Inflows of Resources			
Total Liabilities and Deferred Inflows of Resources	<u>932,732</u>	<u>9,541</u>	<u>942,273</u>
NET POSITION			
Net Investment in Capital Assets	78,178	40,196	118,374
Unrestricted	1,361,875	261,675	1,623,550
	<u>1,440,053</u>	<u>301,871</u>	<u>1,741,924</u>
Total Net Position			

The accompanying Notes to the Financial Statements are an Integral Part of this Statement.

**HOPATCONG BOARD OF EDUCATION
 PROPRIETARY FUND
 STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Major Program- Transportation Services</u>	<u>Non-Major Programs</u>	<u>Totals</u>
OPERATING REVENUES			
Charges for Services			
School Lunch Program - Reimbursable Program		\$ 215,574	\$ 215,574
School Lunch Program - Non Reimbursable Program		144,326	144,326
Miscellaneous		7,558	7,558
Transportation Revenue	\$ 27,571,151		27,571,151
Day Plus Fees	-	249,252	249,252
	<u>27,571,151</u>	<u>616,710</u>	<u>28,187,861</u>
 Total Operating Revenues			
	<u>27,571,151</u>	<u>616,710</u>	<u>28,187,861</u>
 OPERATING EXPENSES			
Salaries and Wages and Employee Benefits	1,457,061	458,976	1,916,037
Cost of Sales - Reimbursable Program		208,896	208,896
Cost of Sales - Non Reimbursable Program		32,434	32,434
Contracted Transportation Services	25,898,172		25,898,172
Other Purchased Services	62,631	15,934	78,565
Fuel	60,266		60,266
Supplies	59,870	43,163	103,033
Rental Expense	33,100		33,100
Miscellaneous	3,789	80,211	84,000
Depreciation	44,667	10,628	55,295
Debt Service:			
Principal	24,039		24,039
Interest	3,211	-	3,211
Capital Outlay	19,500	-	19,500
	<u>27,666,306</u>	<u>850,242</u>	<u>28,516,548</u>
 Total Operating Expenses			
	<u>27,666,306</u>	<u>850,242</u>	<u>28,516,548</u>
 Operating Income (Loss)	<u>(95,155)</u>	<u>(233,532)</u>	<u>(328,687)</u>
 NONOPERATING REVENUES			
State Sources			
State School Lunch Program		6,000	6,000
Federal Sources			
Federal School Lunch Program		185,711	185,711
Food Distribution Program		35,756	35,756
School Breakfast Program		24,475	24,475
Interest Income	226	433	659
	<u>226</u>	<u>252,375</u>	<u>252,601</u>
 Total Nonoperating Revenues			
	<u>226</u>	<u>252,375</u>	<u>252,601</u>
 Other Financing Sources			
Operating Transfer Out	-	(8,605)	(8,605)
	<u>-</u>	<u>(8,605)</u>	<u>(8,605)</u>
 Total Other Financing Sources			
	<u>-</u>	<u>(8,605)</u>	<u>(8,605)</u>
 Change in Net Position	(94,929)	10,238	(84,691)
 Net Position, Beginning of Year	<u>1,534,982</u>	<u>291,633</u>	<u>1,826,615</u>
 Net Position, End of Year	<u>\$ 1,440,053</u>	<u>\$ 301,871</u>	<u>\$ 1,741,924</u>

The accompanying Notes to the Financial Statements are an Integral Part of this Statement.

**HOPATCONG BOARD OF EDUCATION
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Major Program- Transportation Services</u>	<u>Non-Major Programs</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 27,158,818	\$ 621,804	\$ 27,780,622
Payments for Employees	(1,457,061)	(461,150)	(1,918,211)
Payments to Suppliers	<u>(26,270,273)</u>	<u>(349,730)</u>	<u>(26,620,003)</u>
Net Cash Provided By (Used For) Operating Activities	<u>(568,516)</u>	<u>(189,076)</u>	<u>(757,592)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Cash Payments/Receipts for Interfund Transactions	(232,859)	49,774	(183,085)
State and Federal Sources	<u>-</u>	<u>227,000</u>	<u>227,000</u>
Net Cash Provided By (Used For) Non-Capital Financing Activities	<u>(232,859)</u>	<u>276,774</u>	<u>43,915</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital Lease Principal Payments	(24,039)		(24,039)
Acquisition of Capital Assets	<u>(19,500)</u>	<u>-</u>	<u>(19,500)</u>
Net Cash Used For Capital and Related Financing Activities	<u>(43,539)</u>	<u>-</u>	<u>(43,539)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received	<u>226</u>	<u>433</u>	<u>659</u>
Net Cash Provided By Investing Activities	<u>226</u>	<u>433</u>	<u>659</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(844,688)	88,131	(756,557)
Cash and Cash Equivalents, Beginning of Year	<u>-</u>	<u>113,219</u>	<u>113,219</u>
Cash and Cash Equivalents, End of Year	<u>\$ (844,688)</u>	<u>\$ 201,350</u>	<u>\$ (643,338)</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	\$ (95,155)	\$ (233,532)	\$ (328,687)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities			
Depreciation	44,667	10,628	55,295
Federal Food Distribution Program	-	35,756	35,756
Changes in Assets, Liabilities and Deferred Inflows of Resources			
(Increase) Decrease in Accounts Receivable	(412,333)	-	(412,333)
(Increase) Decrease in Inventories	-	(1,743)	(1,743)
Increase (Decrease) in Deferred Revenue	-	5,094	5,094
Increase (Decrease) in Accounts Payable	(105,695)	(8,410)	(114,105)
Increase (Decrease) in Deferred Inflows of Resources	<u>-</u>	<u>3,131</u>	<u>3,131</u>
Total Adjustments	<u>(473,361)</u>	<u>44,456</u>	<u>(428,905)</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ (568,516)</u>	<u>\$ (189,076)</u>	<u>\$ (757,592)</u>
Non-Cash Investing, Capital and Financing Activities			
Value Received for Food Distribution Program		\$ 38,887	

The accompanying Notes to the Financial Statements are an Integral Part of this Statement.

**HOPATCONG BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2016**

	<u>Private Purpose Trust Funds</u>	<u>Unemployment Compensation Trust</u>	<u>Agency Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 41,792	\$ 170,264	\$ 439,842
Total Assets	<u>41,792</u>	<u>170,264</u>	<u>\$ 439,842</u>
LIABILITIES			
Intergovernmental Payable		1,525	
Accrued Salaries and Wages			\$ 18,614
Payroll Deductions and Withholdings			303,421
Due to Student Groups			114,753
Reserve for Flexible Spending	-	-	3,054
Total Liabilities	<u>-</u>	<u>1,525</u>	<u>\$ 439,842</u>
NET POSITION			
Held in Trust for Unemployment Claims and Other Purposes	<u>\$ 41,792</u>	<u>\$ 168,739</u>	

**HOPATCONG BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Private Purpose Trust Funds</u>	<u>Unemployment Compensation Trust</u>
ADDITIONS		
Contributions		
District		\$ 90,106
Employees		34,134
Scholarship Donations	\$ 20,363	
Investment Earnings		
Interest	<u>41</u>	<u>153</u>
Total Additions	<u>20,404</u>	<u>124,393</u>
DEDUCTIONS		
Scholarships	4,450	
Unemployment Claims and Contributions	<u>-</u>	<u>27,477</u>
Total Deductions	<u>4,450</u>	<u>27,477</u>
Change in Net Position	15,954	96,916
Net Position, Beginning of Year	<u>25,838</u>	<u>71,823</u>
Net Position, End of Year	<u>\$ 41,792</u>	<u>\$ 168,739</u>

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

NOTES TO THE FINANCIAL STATEMENTS

**HOPATCONG BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Hopatcong Board of Education (the “Board” or the “District”) is an instrumentality of the State of New Jersey, established to function as an education institution. The Board consists of nine elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District. Under existing statutes, the Board's duties and powers include, but are not limited to, the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

The Board also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the Hopatcong Board of Education this includes general operations, food service, transportation services, before and after school child care (day plus) and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based on the foregoing criteria, the District has no component units. Furthermore, the District is not includable in any other reporting entity as a component unit.

B. New Accounting Standards

During fiscal year 2016, the District adopted the following GASB statements:

- GASB No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement applies to donated capital assets, donated works of art, donated historical treasures, and also to similar assets and capital assets received in a service concession arrangement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.
- GASB No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

**HOPATCONG BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

Other accounting standards that the District is currently reviewing for applicability and potential impact on the financial statements include:

- GASB No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, will be effective beginning with the fiscal year ending June 30, 2017. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability.
- GASB No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, will be effective beginning with the fiscal year ending June 30, 2017. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.
- GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will be effective beginning with the fiscal year ending June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.
- GASB No. 77, *Tax Abatement Disclosures*, will be effective beginning with the fiscal year ending June 30, 2017. The requirements of this Statement will improve financial reporting by providing disclosure of information about the nature and magnitude of tax abatements that will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition.
- GASB No. 82, *Pension Issues – An Amendment of GASB Statements No.67, No.68, and No.73*, will be effective beginning with the fiscal year ending June 30, 2017. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pension*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

C. Basis of Presentation - Financial Statements

The financial statements include both district-wide financial statements (based on the District as a whole) and fund financial statements (based on specific District activities or objectives). Both the district-wide and fund financial statements categorize activities as either governmental activities or business-type activities. While separate district-wide and fund financial statements are presented, they are interrelated. In the district-wide financial statements, the governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the District's enterprise funds. Fiduciary funds are excluded from the district-wide financial statements.

**HOPATCONG BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

District-Wide Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Board of Education. All fiduciary activities are reported only in the fund financial statements. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by property taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. In the statement of net position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) reflect on a full accrual economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or other governmental entities, including other school districts, who purchase, use, or directly benefit from goods or services provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Property taxes, unrestricted state aid and other items not properly included among program revenues are reported instead as general revenues.

As a general rule the effect of interfund activity has been eliminated from the district-wide financial statements. Exceptions to this general rule are charges between the Board's proprietary and fiduciary funds since elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

Separate fund financial statements are provided for governmental, proprietary, and fiduciary activities, even though the latter are excluded from the district-wide financial statements. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. The District considers all of its governmental and transportation services enterprise fund to be major funds.

The District reports the following major governmental funds:

The *general fund* is the School District's primary operating fund. It accounts for all financial resources of the District, except those to be accounted for in another fund.

The *special revenue fund* accounts for the proceeds of specific revenue sources legally restricted to expenditures for specified purposes. This fund accounts for federal, state and local financial programs, with the exception of grants for major capital projects and the child nutrition programs.

The District reports the following major proprietary fund which is organized to be self-supporting through user charges:

The *transportation services fund* accounts for the activities of the District's transportation services which provides transportation to various school districts as the Sussex Regional Cooperative Transportation Program.

**HOPATCONG BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

Fund Financial Statements (Continued)

The District reports the following non-major proprietary funds which are organized to be self-supporting through user charges:

The *food service fund* accounts for the activities of the school cafeteria, which provides food service to students as well as a la carte and catering services for teachers and special events.

The *preschool fund* accounted for the activities of the District's preschool program. This fund was closed out and transferred to the General Fund during fiscal year 2016.

The *day plus services fund* accounts for the activities of the District's before and after school program.

Additionally, the government reports the following fund type:

The *fiduciary trust fund* is used to account for resources legally held in trust for the state unemployment insurance claims, for private donations for scholarship awards, payroll related activities and student related activities which are supported and controlled by student organizations and clubs. All resources of the fund, including any earnings on invested resources, may be used to support the intended purpose. There is no requirement that any portion of these resources be preserved as capital.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the district-wide financial statements as "internal balances".

Reclassifications

Certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements with the exception of the agency fund which does not have a measurement focus. All assets, all liabilities and all deferred outflows/inflows of resources associated with these operations (with the exception of the fiduciary funds) are included on the Statement of Net Position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**HOPATCONG BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual (i.e. when they are both measurable and available). Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues to be available if they are collected within 60 days after year-end. Expenditures are recorded when a liability is incurred, as under accrual basis of accounting, with the exception of debt service expenditures as well as expenditures related to compensated absences and claims and judgments which are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, tuition, transportation fees, unrestricted state aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements (formula-type grants and aid) are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source. Expenditure-driven grants and similar awards (reimbursement-type grants and awards) are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements imposed by the grantor or provider have been met, and the amount is received during the period or within the availability period for this revenue source. All other revenue items are considered to be measurable and available only when cash is received by the District.

When both restricted and unrestricted resources are available for use, it is the Board's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. *Cash, Cash Equivalents and Investments*

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value and are limited by N.J.S.A. 18A:20-37.

2. *Receivables*

All receivables are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

3. *Inventories*

The cost of inventories of the governmental fund types are recorded as expenditures at the time individual inventory items are purchased.

Food Service Fund inventories, exclusive of the federal commodities, are valued at cost, using the first-in first-out (FIFO) method and consist of food and expendable supplies. The cost of such inventories is recorded as expenses when consumed rather than when purchased. The United States Department of Agriculture (USDA) commodity portion of the Food Service Fund inventory consists of food donated by the USDA. It is valued at estimated market prices by the USDA. The amount of unused commodities at year-end is reported as deferred inflows of resources.

4. *Prepaid Items*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both district-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**HOPATCONG BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

5. *Capital Assets*

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the district-wide financial statements. Capital assets are defined by the Board as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of two years. The District was able to estimate the historical cost for the initial reporting of these capital assets through back trending. As the District constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Land and construction in progress are not depreciated. The other property, plant, and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Site Improvements	20
Buildings and Building Improvements	50
Vehicles	8
Office Equipment and Furniture	10-15
Computer Equipment	5

6. *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. The Board has one item which arises only under the accrual basis of accounting that qualifies for reporting in this category. The item that qualifies for reporting in this category is the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the district-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; (4) changes in proportion and differences between employer contributions and proportionate share of contributions; and (5) contributions made subsequent to the measurement date. These amounts are deferred and amortized over future years.

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. The Board has two types of items, both of which arise only under the accrual basis of accounting that qualify for reporting in this category. One item that qualifies for reporting in this category is the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the district-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; and (4) changes in proportion and differences between employer contributions and proportionate share of contributions. These amounts are deferred and amortized over future years.

**HOPATCONG BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

6. Deferred Outflows/Inflows of Resources (Continued)

The other item is the deferred commodities revenue, reported in both the district-wide and the proprietary funds statements of net position. The deferred commodities revenue represents the estimated market value of the donated and unused Federal commodities at year end. This amount is deferred and recognized as an inflow of resources in the period the commodities are consumed.

7. Compensated Absences

It is the District's policy to permit employees to accumulate (with certain restrictions) earned but unused vacation and sick leave benefits. A long-term liability of accumulated vacation, personal and sick leave and salary related payments has been recorded in the governmental activities in the district-wide financial statements, representing the Board's commitment to fund such costs from future operations. Proprietary Funds accrue accumulated vacation, personal and sick leave and salary related payments in the period that they are earned. A liability is reported in the governmental funds only to the amount actually due at year end as a result of employee resignations and retirements.

8. 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 retirement systems sponsored and administered by the State of New Jersey and additions to/deductions from these retirement systems' fiduciary net position have been determined on the same basis as they are reported by the retirement systems. 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.

In the governmental fund financial statements, net pension liabilities represent amounts normally expected to be liquidated with expendable available financial resources for required pension contributions that are due and payable at year end. Pension expenditures are recognized based on contractual pension contributions that are required to be made to the pension plan during the fiscal year.

9. Long-Term Obligations

In the district-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

District-Wide Statements

In the district-wide statements, there are three classes of net position:

- **Net Investment in Capital Assets** – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or related debt also should be included.
- **Restricted Net Position** – reports net position when constraints placed on the residual amount of noncapital assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – any portion of net position not already classified as either net investment in capital assets or net position – restricted is classified as net position – unrestricted.

**HOPATCONG BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

10. *Net Position/Fund Balance*

Governmental Fund Statements

Fund balance categories are designed to make the nature and extent of the constraints placed on the District's fund balance more transparent. These categories are comprised of a hierarchy based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Nonspendable Fund Balance – Amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.

Prepaid Item – Represents the portion of fund balance not available for future spending related to costs associated with and chargeable to future accounting periods.

Restricted Fund Balance – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Capital Reserve – This restriction was created by the District in accordance with NJAC 6A:23A-14.1 to fund future capital expenditures (See Note 2.)

Capital Reserve – Designated for Subsequent Year's Expenditures – This designation was created to designate the portion of capital reserve fund balance appropriated by Board resolution for 2016/17 expenditures.

Maintenance Reserve – This restriction was created by the Board in accordance with NJAC 6A:23A-14.2 to accumulate funds for the required maintenance of school facilities in accordance with the EFCA (NJSA 18A:7G-9) for a thorough and efficient education (See Note 2.)

Emergency Reserve – This restriction was created in accordance with NJAC 6A:23A-14.4(A)1 to accumulate funds in accordance with State statute to finance unanticipated general fund expenditures required for a thorough and efficient education (See Note 2.)

Excess Surplus – This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2016 audited excess surplus that is required to be appropriated in the 2017/2018 original budget certified for taxes.

Excess Surplus – Designated for Subsequent Year's Expenditures - This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2015 audited excess surplus that was appropriated in the 2016/2017 original budget certified for taxes.

SEMI – Designated for Subsequent Year's Expenditures – This designation was created to dedicate the portion of the SEMI revenue that is unexpended at June 30, 2016 that will be appropriated either by Board resolution into the 2016/2017 budget or in the adopted 2017/2018 budget certified for taxes.

Assigned Fund Balance – Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Year-End Encumbrances – Represent outstanding purchase orders for goods or services approved by management for specific purposes from available resources of the current year for which the goods and materials have not yet been received or the services have not yet been rendered at June 30.

Unassigned Fund Balance – Represents fund balance that has not been restricted, committed or assigned to specific purposes within the governmental funds.

**HOPATCONG BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenues in the district-wide statement of activities include 1) charges to customers or applicants for goods or services, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes, unrestricted state aid, investment earnings and miscellaneous revenues.

2. Property Taxes

Property taxes are levied pursuant to law and are collected by the municipality and are transferred to the District as requested. Property tax revenues are recognized in the year they are levied and become available. Property taxes collected in advance of the year-end for which they are levied and transferred to the District are reported as deferred inflows of resources. The tax bills are mailed annually in June by the municipal tax collector and are levied and due in four quarterly installments on August 1, November 1, February 1 and May 1 of the fiscal year. When unpaid, taxes or any other municipal lien, or part thereof, on real property, remains in arrears on April 1st in the year following the calendar year levy when the same became in arrears, the tax collector of the municipality shall, subject to the provisions of New Jersey Statute, enforce the lien by placing the property on a tax sale. The municipality may institute annual "in rem" tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property.

3. Tuition Revenues and Expenditures

Tuition Revenues - Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final costs are determined and certified by the State Department of Education.

Tuition Expenditures - Tuition charges for the fiscal years 2014-2015 and 2015-2016 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been certified by the State Department of Education.

4. Proprietary Funds, Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the food service enterprise fund, of the transportation services enterprise fund and of the day plus enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Federal and State subsidies for the food service operation are considered nonoperating revenues.

**HOPATCONG BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

In accordance with the requirements of the New Jersey Department of Education (“the Department”), the District annually prepares its operating budget for the forthcoming year. The budget, except for the general fund and special revenue fund, which is more fully explained below and in the notes to the required supplementary information, is prepared in accordance with accounting principles generally accepted in the United States of America and serves as a formal plan for expenditures and the proposed means for financing them. Capital lease transactions are accounted for on the GAAP basis.

The annual budget is adopted in the spring of the preceding year for the general, special revenue and debt service funds. The District is not required to adopt an annual budget for the capital projects fund. The budget is submitted to the county superintendent for review and approval prior to adoption. Prior to the 2012/2013 budget year, the annual budget was required to be voted upon at the annual school election held on the third Tuesday in April. On January 17, 2012, Chapter 202 of the Laws of P.L. 2011 was approved which established procedures for moving the date of a school district’s annual school election from April to the general election in November. Under the new law, districts that have their school board members elected in November no longer have to submit their budgets that meet levy cap requirements for voter approval beginning with the 2012/2013 budget year. Only a school board decision to exceed the tax levy cap would require voter approval for the additional amount on the November ballot. On January 17, 2012, the Board adopted a resolution to move its annual election to the date of the general elections in accordance with the law; therefore voter approval of the annual budget is not required.

Budget adoptions and amendments are recorded in the District's board minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. The Board approved several budget transfers during 2015/2016. Also, during 2015/2016 the Board increased the original budget by \$2,026,423. The increase was funded by the appropriation of prior year federal SEMI Aid, the appropriation of capital reserve funds, additional grant awards and the reappropriation of prior year general fund encumbrances.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America, with the exception of the legally mandated revenue recognition of certain state aid payments for budgetary purposes only and the treatment of encumbrances in the special revenue fund as described in the Notes to Required Supplementary Information (RSI). Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

**HOPATCONG BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Excess Expenditures Over Appropriations

The following is a summary of expenditures in excess of available appropriations. The overexpended appropriations resulted in unfavorable variances.

	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General Fund			
Current Expenditures			
Regular Programs - Instruction			
Grades 9-12	\$ 3,089,231	\$ 3,090,019	\$ (788)
Multiple Disabilities			
Other Salaries for Instruction	162,578	172,026	(9,448)
Resource Room			
Other Salaries for Instruction	294,809	324,581	(29,772)
Preschol Disabilities - Part Time			
Other Salaries for Instruction	74,797	86,584	(11,787)
Preschol Disabilities - Full Time			
Other Salaries for Instruction	100,932	104,348	(3,416)
General Administration			
Legal Services	247,147	260,725	(13,578)
Required Maintenance for School Facilities			
Salaries	228,555	235,315	(6,760)
Custodial Services			
Salaries	1,287,142	1,332,729	(45,587)
Salaries of Non-Instructional Aides	57,974	61,982	(4,008)
Student Transportation Services			
Salaries of Non-Instructional Aides	44,738	50,692	(5,954)

The above variances were offset with other available resources.

C. Deficit Fund Equity

The District has an unassigned fund balance deficit of \$488,557 in the General Fund as of June 30, 2016 as reported in the fund financial statements (modified accrual basis). NJSA 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school budget year, districts must record these delayed state aid payments as revenue, for budget purposes only, in the current school budget year. The statute provides legal authority for school districts to recognize this revenue in the current budget year. GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions", requires that intergovernmental transactions (revenue, expenditure, asset, liability) should be recognized in symmetry (i.e., if one government recognizes an asset, the other government recognizes a liability). Since the State of New Jersey is recording certain 2015/2016 budgeted state aid payments in the subsequent fiscal year, the school district cannot recognize such payments on the GAAP (fund) financial statements until the year the State records the payable. Due to the timing difference of recording these delayed state aid payments, the General Fund deficit does not alone indicate that the District is facing financial difficulties; however, unless the State of New Jersey budgets the delayed payments in future years, the District may also report fund deficits in the future.

Pursuant to NJSA 18A:22-44.2, any negative unreserved, undesignated (i.e., unassigned) general fund balance that is reported as a direct result of a delay in the payment of state aid until the following fiscal year, is not considered as a violation of New Jersey Statute or regulation and is not considered an item in need of corrective action. The District deficit in the GAAP (fund) financial statements of \$488,557 in the General Fund is less than the delayed state aid payments at June 30, 2016.

**HOPATCONG BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

D. Capital Reserve

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

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

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

Balance, July 1, 2015		\$ 1,225,200
Increased by:		
Interest Earnings Approved in Budget	\$ 100	
Unexpended Funds Returned to Reserve	3,750	
Deposits Approved by Board Resolution	<u>400,000</u>	
Total Increases		<u>403,850</u>
		1,629,050
Decreased by:		
Withdrawal Approved by Resolution		<u>85,000</u>
Balance, June 30, 2016		<u>\$ 1,544,050</u>
Designated for 2016/17 Expenditures	\$ 941,975	
Available Capital Reserve	<u>602,075</u>	
		<u>\$ 1,544,050</u>

E. Maintenance Reserve

A maintenance reserve account was established by the District. The accumulation of funds will be used for required maintenance of school facilities expenditures in subsequent fiscal years. The maintenance reserve is maintained in the General Fund and its activity is included in the General Fund annual budget.

Funds placed in the maintenance reserve are restricted to required maintenance activities for a school facility as reported in the comprehensive maintenance plan. A District may appropriate funds into the maintenance reserve in the annual General Fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line item appropriation amounts or both. Pursuant to N.J.A.C. 6A:23A-14.2(g), the balance in the reserve cannot at any time exceed four percent of the replacement cost of the school district's school facilities for the current year.

**HOPATCONG BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

E. Maintenance Reserve (Continued)

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

Balance, July 1, 2015	<u>\$ 331,541</u>
Balance, June 30, 2016	<u>\$ 331,541</u>

F. Emergency Reserve

An emergency reserve account was established by the District. The accumulation of funds will be used to finance unanticipated General Fund current expenditures required for a thorough and efficient education in subsequent fiscal years.

Funds placed in the emergency reserve are restricted to finance reasonably unforeseeable costs and shall not include additional costs due to poor planning. A District may appropriate funds into the emergency reserve in the annual General Fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line item appropriation amounts or both. Withdrawals from the reserve require the approval of the Commissioner unless the withdrawal is necessary to meet an increase in total health care costs in excess of four percent. Pursuant to NJAC 6A:23A-14.4(A), the balance in the reserve cannot at any time exceed the greater of \$250,000 or one percent of the school district's General Fund budget as certified for taxes up to a maximum of \$1,000,000.

The activity of the emergency reserve for the fiscal year ended June 30, 2016 is as follows:

Balance, July 1, 2015	<u>\$ 50,000</u>
Balance, June 30, 2016	<u>\$ 50,000</u>

G. Calculation of Excess Surplus

In accordance with N.J.S.A. 18A:7F-7, as amended, the restricted fund balance for Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund fund balance in excess of 2% of budget expenditures at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The excess fund balance at June 30, 2016 is \$1,861,266. Of this amount, \$698,518 was designated and appropriated in the 2016/2017 original budget certified for taxes and the remaining amount of \$1,162,748 will be appropriated in the 2017/2018 original budget certified for taxes.

**HOPATCONG BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Cash Deposits and Investments

Cash Deposits

The Board's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Board is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2016, the book value of the Board's deposits were \$4,160,190 and bank and brokerage firm balances of the Board's deposits amounted to \$8,815,711. The Board's deposits which are displayed on the various fund balance sheets as "cash and cash equivalents" are categorized as:

Depository Account

Insured	\$ <u>8,815,711</u>
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Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Board does not have a policy for custodial credit risk. As of June 30, 2016 none of the Board's bank balance were exposed to custodial credit risk.

Investments

The Board is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 18A:20-37. Examples of the allowable investments are bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located, Local Government investment pools, and agreements or the repurchase of fully collateralized securities, if transacted in accordance with the above statute.

As of June 30, 2016, the Board had no outstanding investments.

Interest Rate Risk – The Board does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – State law limits investments as noted above (N.J.S.A. 18A:20-37). The District does not have an investment policy that would further limit its investment choices.

Concentration of Credit Risk – The Board places no limit in the amount the District may invest in any one issuer.

**HOPATCONG BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables

Receivables as of June 30, 2016 for the district's individual major and nonmajor funds including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Transportation Services</u>	<u>Non-Major Food Service</u>	<u>Total</u>
Receivables:					
Intergovernmental					
Federal	\$ 31,349	\$ 109,164		\$ 8,493	\$ 149,006
State	56,688			233	56,921
Local	<u>26,599</u>	<u>-</u>	<u>\$ 2,206,563</u>	<u>-</u>	<u>2,233,162</u>
Gross Receivables	114,636	109,164	2,206,563	8,726	2,439,089
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$ 114,636</u>	<u>\$ 109,164</u>	<u>\$ 2,206,563</u>	<u>\$ 8,726</u>	<u>\$ 2,439,089</u>

C. Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unearned revenue reported in the governmental funds were as follows:

Special Revenue Fund	
Unencumbered Grant Draw Downs	\$ 11,000
Grant Draw Downs Reserved for Encumbrances	<u>11,261</u>
 Total Unearned Revenue for Governmental Funds	 <u>\$ 22,261</u>

**HOPATCONG BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

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

	Balance <u>July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2016</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 359,763			\$ 359,763
Construction on Progress	-	\$ 25,687	-	25,687
Total Capital Assets, Not Being Depreciated	<u>359,763</u>	<u>25,687</u>	<u>-</u>	<u>385,450</u>
Capital Assets, Being Depreciated:				
Site Improvements	1,553,018	143,326		1,696,344
Buildings and Building Improvements	17,384,289			17,384,289
Machinery and Equipment	3,478,846	227,325	\$ -	3,706,171
Total Capital Assets Being Depreciated	<u>22,416,153</u>	<u>370,651</u>	<u>-</u>	<u>22,786,804</u>
Less Accumulated Depreciation for:				
Site Improvements	(1,483,008)	(22,416)		(1,505,424)
Buildings and Building Improvements	(14,137,408)	(270,791)		(14,408,199)
Machinery and Equipment	(1,999,630)	(204,868)	-	(2,204,498)
Total Accumulated Depreciation	<u>(17,620,046)</u>	<u>(498,075)</u>	<u>-</u>	<u>(18,118,121)</u>
Total Capital Assets, Being Depreciated, Net	<u>4,796,107</u>	<u>(127,424)</u>	<u>-</u>	<u>4,668,683</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,155,870</u>	<u>\$ (101,737)</u>	<u>\$ -</u>	<u>\$ 5,054,133</u>

**HOPATCONG BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

	<u>Balance</u> <u>July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2016</u>
Business-Type Activities:				
Capital Assets, Being Depreciated:				
Machinery and Equipment	\$ 745,127	\$ 19,500	\$ -	\$ 764,627
Total Capital Assets Being Depreciated	<u>745,127</u>	<u>19,500</u>	<u>-</u>	<u>764,627</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	<u>(502,914)</u>	<u>(55,295)</u>	<u>-</u>	<u>(558,209)</u>
Total Accumulated Depreciation	<u>(502,914)</u>	<u>(55,295)</u>	<u>-</u>	<u>(558,209)</u>
Total Capital Assets, Being Depreciated, Net	<u>242,213</u>	<u>(35,795)</u>	<u>-</u>	<u>206,418</u>
Business-Type Activities Capital Assets, Net	<u>\$ 242,213</u>	<u>\$ (35,795)</u>	<u>\$ -</u>	<u>\$ 206,418</u>

Depreciation expense was charged to functions/programs of the District as follows:

Governmental Activities:

Instruction

Regular	\$ 168,026
Special Instruction	111,815
Other Instruction	<u>15,684</u>
Total Instruction	<u>295,525</u>

Support Services

Student and Instruction Related Services	84,323
General Administrative Services	7,894
School Administrative Services	51,361
Plant Central Services/Admin. Info. Technology	16,782
Plant Operations and Maintenance	38,065
Pupil Transportation	<u>4,125</u>

Total Support Services 202,550

Total Depreciation Expense - Governmental Activities \$ 498,075

Business-Type Activities:

Food Service Fund	\$ 10,628
Transportation Services Fund	<u>44,667</u>

Total Depreciation Expense-Business-Type Activities \$ 55,295

**HOPATCONG BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2016, is as follows:

Due to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Food Service Fund	General Fund	\$ 50,316
General Fund	Special Revenue Fund	<u>34,814</u>
		<u>\$ 85,130</u>

The above balances are the result of revenues earned or other financing sources received in one fund which are due to another fund and/or expenditures paid by one fund on behalf of another fund and/or to cover cash balances which were in an overdraft position.

The District expects all interfund balances to be liquidated within one year.

Interfund Transfers

	<u>Transfer In:</u>	
	<u>General Fund</u>	<u>Total</u>
Transfer Out:		
Preschool Enterprise Fund	<u>\$ 8,605</u>	<u>\$ 8,605</u>
Total Transfers Out	<u>\$ 8,605</u>	<u>\$ 8,605</u>

The above transfers are the result of revenues earned and/or other financing sources received in one fund to finance expenditures in another fund.

HOPATCONG BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

F. Leases

Operating Leases

The District leases a postage machine and copiers under noncancelable operating leases. Lease payments for the fiscal year ended June 30, 2016 were \$15,418. The future minimum lease payments for these operating leases are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2017	\$ 76,508
2018	76,508
2019	76,508
2020	74,108
2021	<u>61,090</u>
Total	<u>\$ 364,722</u>

Capital Leases

The District is leasing certain equipment and vehicles totaling \$1,279,374 under capital leases. The leases are for terms of 5 to 10 years.

The capital assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Energy Savings Equipment	\$ 1,058,403	
Various Equipment	93,156	
Machinery and Equipment - Vehicles	<u>-</u>	<u>\$ 127,815</u>
Total	<u>\$ 1,151,559</u>	<u>\$ 127,815</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016 were as follows:

<u>Fiscal Year Ending June 30</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2017	\$ 113,133	\$ 27,249
2018	85,892	26,870
2019	85,896	22,700
2020	<u>66,525</u>	<u>17,026</u>
Total Minimum Lease Payments	351,446	93,845
Less: Amount Representing Interest	<u>(23,283)</u>	<u>(5,801)</u>
Present Value of Minimum Lease Payments	<u>\$ 328,163</u>	<u>\$ 88,044</u>

**HOPATCONG BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-Term Debt

Statutory Borrowing Power

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2016 was as follows:

4% of Equalized Valuation Basis (Municipal)	\$ 65,214,745
Less: Net Debt Issued	<u>-</u>
Remaining Borrowing Power	<u>\$ 65,214,745</u>

H. Other Long-Term Liabilities

Changes in Long-Term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2016, was as follows:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Due Within One Year
Governmental Activities:					
Lease Purchase Agreements	\$ 428,315		\$ 100,152	\$ 328,163	\$ 103,187
Compensated Absences Payable	413,920	\$ 341,395		755,315	100,000
Net Pension Liability	<u>10,058,400</u>	<u>2,756,093</u>	<u>472,677</u>	<u>12,341,816</u>	<u>-</u>
Governmental Activity Long-Term Liabilities	<u>\$ 10,900,635</u>	<u>\$ 3,097,488</u>	<u>\$ 572,829</u>	<u>\$ 13,425,294</u>	<u>\$ 203,187</u>
Business-Type Activities:					
Capital Leases	<u>\$ 112,083</u>	<u>\$ -</u>	<u>\$ 24,039</u>	<u>\$ 88,044</u>	<u>\$ 24,502</u>
Business-Type Activity Long-Term Liabilities	<u>\$ 112,083</u>	<u>\$ -</u>	<u>\$ 24,039</u>	<u>\$ 88,044</u>	<u>\$ 24,502</u>

For the governmental activities, the liabilities for compensated absences, capital leases and net pension liability are generally liquidated by the general fund. The capital lease payments related to vehicles are liquidated by the Transportation Services Enterprise Fund.

**HOPATCONG BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to property, general liability, automobile coverage, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; student accident; termination of employees and natural disasters. The Board has obtained commercial insurance coverage to guard against these events to minimize the exposure to the District should they occur. A complete schedule of insurance coverage can be found in the statistical section of this Comprehensive Annual Financial Report.

The District is a member of the School Alliance Insurance Fund (SAIF) and the School Excess Liability Joint Insurance Fund (SEL). The Groups are risk sharing public entity pools, established for the purpose of insuring against various types of insurance coverages.

The relationship between the Board and the insurance funds is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The Board is contractually obligated to make all annual and supplementary contributions to the funds, to report claims on a timely basis, cooperate with the management of the funds, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the funds. Members have a contractual obligation to fund any deficit of the funds attributable to a membership year during which they were a member.

SAIF and SEL provide its members with risk management services, including the defense of and settlement of claims and to establish reasonable and necessary loss reduction and prevention procedures to be followed by the members. Complete financial statements of the respective insurance funds are on file with the School's Business Administrator.

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage's in any of the prior three years.

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>Fiscal Year Ended June 30,</u>	<u>District Contributions</u>	<u>District/Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2016	\$ 90,106	\$ 34,134	\$ 27,477	\$ 168,739
2015	64,158	35,473	112,559	71,823
2014	100,000	51,045	66,421	84,625

**HOPATCONG BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (Continued)

B. Contingent Liabilities

The District is a party defendant in some lawsuits, none of a kind unusual for a school district of its size and scope of operation. In the opinion of the Board's Attorney the potential claims against the District not covered by insurance policies would not materially affect the financial condition of the District.

Federal and State Awards – The Board participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Board may be required to reimburse the grantor government. As of June 30, 2016, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Board believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

C. Employee Retirement Systems and Pension Plans

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all eligible Board employees:

Public Employees' Retirement System (PERS) – Established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement health care, to substantially all full time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for post-retirement health care coverage. PERS is a cost sharing multi-employer defined benefit pension plan.

Teachers' Pension and Annuity Fund (TPAF) – Established in January 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time certified teachers or professional staff of the public school systems in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for post-retirement health care coverage. TPAF is a cost sharing plan with special funding situations.

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those Board employees who are eligible for pension coverage.

Defined Contribution Retirement Program (DCRP) – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected, certain appointed officials, and certain Board employees not eligible for enrollment in PERS or TPAF. Effective July 1, 2007 membership is mandatory for such individuals with vesting occurring after one (1) year of membership. DCRP is a defined contribution pension plan.

Other Pension Funds

The State established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local government employers do not appropriate funds to SACT.

The cost of living increase for PERS and TPAF, are funded directly by each of the respective systems but are currently suspended as a result of reform legislation.

**HOPATCONG BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

Other Pension Funds (Continued)

According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

Basis of Accounting

The financial statements of the retirement systems are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the retirement systems. Benefits or refunds are recognized when due and payable in accordance with the terms of the retirement systems.

Investment Valuation

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial reports may be obtained in writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290 or at www.state.nj.us/treasury/doinvest.

Funding Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the aggregate funded ratio for the State administered TPAF and local PERS retirement systems, is 35 percent with an unfunded actuarial accrued liability of \$86 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded TPAF system is 28.71 percent and \$63.6 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS is 47.93 percent and \$22.4 billion, respectively.

The funded status and funding progress of the retirement systems is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financing reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the July 1, 2014 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (a) an investment rate of return for the retirement systems of 7.90 percent and (b) projected salary increases of 2.60-9.48 percent based on age for the PERS and varying percentages based on experience for TPAF.

**HOPATCONG BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 6.92% for PERS, 6.92% for TPAF and 5.50% for DCRP of the employee's annual compensation.

Annual Pension Costs (APC)

Per the requirements of GASB Statement No. 27 *Accounting for Pensions by State and Local Government Employees*, for the fiscal year ended June 30, 2016 for TPAF, which is a cost sharing plan with special funding situations, the annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the fiscal years ended June 30, 2016, 2015 and 2014 the Board was required to contribute for PERS and DCRP and the State of New Jersey was required to contribute for TPAF for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) the following amounts:

Fiscal Year Ended <u>June 30,</u>	<u>PERS</u>	On-behalf <u>TPAF</u>	<u>DCRP</u>
2016	\$ 472,677	\$ 1,217,815	\$ 29,461
2015	500,986	825,977	14,936
2014	408,621	654,118	31,158

For fiscal years 2015/2016 and 2014/2015, the state contributed \$1,217,815 and \$825,977, respectively for normal cost pension, accrued liability and the NCGI premium. For fiscal year 2013/2014 the State did not contribute to the TPAF for accrued liability but did contribute \$654,118 for normal cost pension and NCGI premium.

The PERS contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure. The on-behalf TPAF contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB No. 24. The DCRP contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure, as well as, the district-wide financial statements (accrual basis) as an expense.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$1,122,208 during the fiscal year ended June 30, 2016 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount has been recognized in the district-wide financial statements (accrual basis) and the governmental fund financial statements (modified accrual basis) as a revenue and expense/expenditure in accordance with GASB No. 24.

**HOPATCONG BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS)

At June 30, 2016, the District reported in the statement of net position (accrual basis) a liability of \$12,341,816 for its proportionate share of the PERS 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 that date. The District's proportionate share 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 governmental entities, actuarially determined. At June 30, 2015, the District's proportionate share was 0.05497 percent, which was an increase of 0.00125 percent from its proportionate share measured as of June 30, 2014 of 0.05372 percent.

For the fiscal year ended June 30, 2016, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$836,847 for PERS. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to PERS pension from the following sources:

	2015	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 294,432	
Changes of Assumptions	1,325,412	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		\$ 198,433
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	<u>199,614</u>	<u>66,973</u>
Total	<u>\$ 1,819,458</u>	<u>\$ 265,406</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

Fiscal Year Ending <u>June 30,</u>	
2017	\$ 286,771
2018	286,771
2019	286,771
2020	436,628
2021	<u>257,111</u>
	<u>\$ 1,554,052</u>

**HOPATCONG BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

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

	<u>PERS</u>
Inflation Rate	3.04%
Salary Increases:	
2012-2021	2.15-4.40%
Thereafter	Based on Age 3.15-5.40%
Investment Rate of Return	Based on Age 7.90%
Mortality Rate Table	RP-2000
Period of Actuarial Experience	July 1, 2008 -
Study Upon Which Actuarial	June 30, 2011
Assumptions were Based	

Assumptions for mortality improvements are based on Society of Actuaries Scale AA.

**HOPATCONG BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans 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 the pension plans' 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%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%

Discount Rate

The discount rate used to measure the total pension liabilities of the PERS plan was as follows:

<u>Plan</u>	<u>Discount Rate</u>
PERS	4.90%

**HOPATCONG BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF)

In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the District is not required to recognize a net pension liability for TPAF. The State of New Jersey is the only entity that has a legal obligation to make employer contributions to TPAF on behalf of the District. Accordingly, the District's proportionate share percentage determined under Statement No. 68 is zero percent and the State's proportionate share is 100% of the net pension liability attributable to the District for TPAF. Therefore, in addition, the District does not recognize any portion of the TPAF collective deferred outflows of resources and deferred inflows of resources.

For the fiscal year ended June 30, 2016, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$5,896,016 for TPAF. This amount has been included in the district-wide statement of activities (accrual basis) as a revenue and expense in accordance with GASB No. 24.

At June 30, 2016 the State's proportionate share of the net pension liability attributable to the District is \$96,562,596. The nonemployer allocation percentages are based on the ratio of the State's contributions made as an employer and nonemployer towards the actuarially determined contribution amount adjusted by locations who participated in the State early retirement incentives to total contributions to TPAF during the year ended June 30, 2015. At June 30, 2015, the state's share of the net pension liability attributable to the District was 0.15277 percent, which was a decrease of 0.00185 percent from its proportionate share measured as of June 30, 2014 of 0.15462 percent.

Actuarial Assumptions

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

	<u>TPAF</u>
Inflation Rate	2.50%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.90%
Mortality Rate Table	RP-2000
Period of Actuarial Experience Study Upon Which Actuarial Assumptions were Based	July 1, 2009 - June 30, 2012

Assumptions for mortality improvements are based on Society of Actuaries Scale AA.

**HOPATCONG BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans 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 the pension plans' 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>
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%
US High Yield Bonds	2.00%	4.57%
US Equity Market	27.25%	5.63%
Foreign-Developed Equity	12.00%	6.22%
Emerging Markets Equity	6.40%	8.46%
Private Real Estate Property	4.25%	3.97%
Timber	1.00%	4.09%
Farmland	1.00%	4.61%
Private Equity	9.25%	9.15%
Commodities	1.00%	3.58%
Hedge Funds - MultiStrategy	4.00%	4.59%
Hedge Funds - Equity Hedge	4.00%	5.68%
Hedge Funds - Distressed	4.00%	4.30%

**HOPATCONG BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Discount Rate

The discount rate used to measure the total pension liabilities of the TPAF plan was as follows:

<u>Plan</u>	<u>Discount Rate</u>
TPAF	4.13%

The following table represents the crossover period, if applicable, for the TPAF defined benefit plan:

Period of Projected Benefit	
Payments for which the Following Rates were Applied:	
Long-Term Expected Rate of Return	Through June 30, 2027
Municipal Bond Rate *	From July 1, 2027 and Thereafter

* The municipal bond return rate used is 3.80%. The source is 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.

Sensitivity of Net Pension Liability

The following presents the State's proportionate share of the TPAF net pension liability attributable to the District calculated using the discount rate of 4.13%, as well as what the State's proportionate share of the TPAF net pension liability attributable to the District that would be if it were calculated using a discount rate that is 1-percentage-point lower (3.13 percent) or 1-percentage-point higher (5.13 percent) than the current rate:

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
State's Proportionate Share of the TPAF Net Pension Liability Attributable to the District	<u>\$ 114,761,036</u>	<u>\$ 96,562,596</u>	<u>\$ 80,883,551</u>

The sensitivity analysis was based on the State's proportionate share of the net pension liability attributable to the District at June 30, 2015. A sensitivity analysis specific to the State's proportionate share of the net pension liability attributable to the District at June 30, 2015 was not provided by the pension system.

**HOPATCONG BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the TPAF pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial report may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

D. Post-Retirement Medical Benefits

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for school districts. The Plans are classified as either single employer plans or cost sharing multiple employer defined benefit plans depending on the plan the eligible employee is covered under.

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and TPAF are combined and reported as Pension and Other employee Benefit Trust Funds in the State's Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, and the PRM of the PERS are combined and reported as a Health Benefits Program Fund – State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF-Local are combined and reported as Health Benefits Program Fund –Local Government classified as a cost-sharing multiple-employer plan in the State's CAFR. The post-retirement benefit programs had a total of 590 state and local participating employers and contributing entities for Fiscal Year 2015.

The State of New Jersey sponsors and administers the following health benefit programs covering certain state and local government employees, including those Board employees and retirees eligible for coverage.

Health Benefits Program Fund (HBPF) – Local Education (including Prescription Drug Program Fund) – The State of New Jersey provides paid coverage to members of the Teachers' Pension and Annuity Fund who retire from a board of education or county college with 25 years of service or on a disability retirement. Under the provisions of P.L. 1992, c.126, the State also provides paid coverage to members of the Public Employees' Retirement System and Alternate Benefits Program who retire from a board of education or county college with 25 years of service or on a disability retirement if the member's employer does not provide this coverage. Certain local participating employers also provide post-retirement medical coverage to their employees. Retirees who are not eligible for state paid health coverage at retirement can continue in the program if their employer participates in this program or if they are participating in the health benefits plan of their former employer and are enrolled in Medicare parts A and B by paying the cost of the insurance for themselves and their covered dependents. Also, education employees are eligible for the PDP coverage after 60 days of employment.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the above Fund. The financial reports may be accessed via the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

**HOPATCONG BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (Continued)

D. Post-Retirement Medical Benefits (Continued)

Basis of Accounting

The financial statements of the health benefit programs are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the health benefit programs. Benefits or refunds are recognized when due and payable in accordance with the terms of the health benefit programs.

Significant Legislation

P.L. 2011, c.78, effective October 2011, sets new employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to this new legislation's effective date with a minimum contribution required to be at least 1.5% of salary.

Investment Valuation

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair values.

Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the State had a \$65.0 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) which is made up to \$24.4 billion for state active and retired members and \$40.6 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

The funded status and funding progress of the OPEB includes actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the OPEB in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at the point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the July 1, 2014, OPEB actuarial valuation, the projected unit credit was used as the actuarial cost method. The actuarial assumptions included an assumed investment rate of return of 4.50 percent.

**HOPATCONG BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (Continued)

D. Post-Retirement Medical Benefits (Continued)

Post-Retirement Medical Benefits Contributions

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively to fund post-retirement medical benefits for those State employees and education employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2015, there were 107,314, retirees receiving post-retirement medical benefits and the State contributed \$1.25 billion on their behalf. The cost of these benefits is funded through contributions by the State and in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

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

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SEHBP. That report may be obtained from the Treasury website at: <http://www.nj.gov/treasury/pensions/pdf/financial/2015divisioncombined.pdf>.

The State sets the contribution rate based on a pay as you go basis and not 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 District for the fiscal years ended June 30, 2016, 2015 and 2014 were \$1,450,081, \$1,311,238 and \$1,072,507, 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 District was not determined or made available by the State of New Jersey.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

**HOPATCONG BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final To Actual
REVENUES					
Local Sources					
Property Tax Levy	\$ 24,391,299		\$ 24,391,299	\$ 24,391,299	\$ -
Interest on Capital Reserve	100		100	100	-
Interest on Investments	-		-	8,342	8,342
Tuition	-		-	4,895	4,895
Unrestricted Miscellaneous	146,073	-	146,073	161,096	15,023
Total Revenues - Local Sources	24,537,472	-	24,537,472	24,565,732	28,260
State Sources					
Equalization Aid	5,217,357		5,217,357	5,217,357	-
Special Education Aid	1,104,933		1,104,933	1,104,933	-
Adjustment Aid	4,126,103		4,126,103	4,126,103	-
Security Aid	232,021		232,021	232,021	-
Transportation Aid	668,951		668,951	668,951	-
PARCC Readiness Aid	16,905		16,905	16,905	-
Per Pupil Growth Aid	16,905		16,905	16,905	-
Extraordinary Aid	200,000		200,000	113,661	(86,339)
Non-Public Transportation Aid			-	23,823	23,823
On-Behalf TPAF					
Normal & Accrued Liability Pension			-	1,160,030	1,160,030
NCGI Contribution			-	57,785	57,785
Post Retirement Contribution			-	1,450,081	1,450,081
Social Security Reimbursements	-	-	-	1,122,208	1,122,208
Total State Sources	11,583,175	-	11,583,175	15,310,763	3,727,588
Federal Sources					
FY 2014 SEMI Cost Settlement			-	27,383	27,383
Medicaid Reimbursement	26,717	-	26,717	30,758	4,041
Total Federal Sources	26,717	-	26,717	58,141	31,424
Total Revenues	36,147,364	-	36,147,364	39,934,636	3,787,272
CURRENT EXPENDITURES					
Regular Programs - Instruction					
Salaries of Teachers:					
Kindergarten	314,346	\$ 20,267	334,613	334,613	-
Grades 1 - 5	3,010,933	(214,949)	2,795,984	2,791,645	4,339
Grades 6 - 8	2,356,853	272,718	2,629,571	2,520,167	109,404
Grades 9 - 12	3,268,954	(179,723)	3,089,231	3,090,019	(788)
Regular Programs - Home Instruction:					
Salaries of Teachers		11,638	11,638	11,637	1
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction		210,000	210,000	-	210,000
Purchased Professional Educational Services		6,235	6,235	6,043	192
Other Purchased Services	137,235	16,502	153,737	151,488	2,249
General Supplies	799,292	569,555	1,368,847	1,108,640	260,207
Textbooks	156,000	(21,971)	134,029	120,009	14,020
Other Objects	130,930	156,162	287,092	283,947	3,145
Total Instruction Regular Programs	10,174,543	846,434	11,020,977	10,418,208	602,769
Special Education					
Learning/Language Disabilities					
Salaries of Teachers	1,367,830	(220,686)	1,147,144	1,001,714	145,430
Other Salaries for Instruction	348,220	12,794	361,014	317,176	43,838
Other Purchased Services	10,100	-	10,100	-	10,100
General Supplies	15,000	(7,020)	7,980	7,492	488
Textbooks	5,000	-	5,000	-	5,000
Other Objects	10,100	(1,000)	9,100	2,858	6,242
Total Learning/Language Disabilities	1,756,250	(215,912)	1,540,338	1,329,240	211,098
Multiple Disabilities					
Salaries of Teachers	481,378	19,003	500,381	320,480	179,901
Other Salaries for Instruction	135,059	27,519	162,578	172,026	(9,448)
General Supplies	3,000	4,652	7,652	5,862	1,790
Textbooks	200	-	200	200	-
Other Objects	100	-	100	100	-
Total Multiple Disabilities	619,737	51,174	670,911	498,668	172,243

**HOPATCONG BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final To Actual
CURRENT EXPENDITURES (Continued)					
Resource Room/Resource Center					
Salaries of Teachers	\$ 719,296	\$ 499,109	\$ 1,218,405	\$ 1,218,405	\$ -
Other Salaries for Instruction	277,488	17,321	294,809	324,581	(29,772)
General Supplies	5,000	-	5,000	183	4,817
Textbooks	3,000	-	3,000	-	3,000
Other Objects	3,600	-	3,600	-	3,600
Total Resource Room/Resource Center	1,008,384	516,430	1,524,814	1,543,169	(18,355)
Special Education (Continued)					
Preschool Disabilities - Part-Time					
Salaries of Teachers	84,631	27,668	112,299	112,298	1
Other Salaries for Instruction	8,222	66,575	74,797	86,584	(11,787)
Total Preschool Disabilities - Part-Time	92,853	94,243	187,096	198,882	(11,786)
Preschool Disabilities - Full-Time					
Salaries of Teachers	89,214	3,525	92,739	89,315	3,424
Other Salaries for Instruction	102,667	(1,735)	100,932	104,348	(3,416)
General Supplies	1,500	280	1,780	1,735	45
Other Objects	500	-	500	432	68
Total Preschool Disabilities - Full-Time	193,881	2,070	195,951	195,830	121
Total Special Education	3,671,105	448,005	4,119,110	3,765,789	353,321
Basic Skills/Remedial					
Salaries of Teachers	118,262	21,579	139,841	139,840	1
Textbooks	500	475	975	823	152
Total Basic Skills/Remedial	118,762	22,054	140,816	140,663	153
Bilingual Education					
Salaries of Teachers	93,331	16,905	110,236	110,235	1
General Supplies	400	-	400	-	400
Textbooks	250	-	250	250	-
Total Bilingual Education	93,981	16,905	110,886	110,485	401
School Sponsored Co-Curricular Activities					
Salaries of Teachers	202,910	187,122	390,032	390,031	1
Supplies and Materials	100	4,114	4,214	1,171	3,043
Other Objects	-	1,200	1,200	410	790
Total Co-Curricular Activities	203,010	192,436	395,446	391,612	3,834
School Sponsored Athletics					
Salaries	267,737	29,021	296,758	296,758	-
Other Purchased Services	26,250	(11,300)	14,950	11,667	3,283
Supplies and Materials	64,005	14,480	78,485	73,634	4,851
Other Objects	13,900	(1,000)	12,900	12,729	171
Transfer to Cover Deficit	53,005	-	53,005	38,800	14,205
Total School Sponsored Athletics	424,897	31,201	456,098	433,588	22,510
Other Instruction Programs					
Salaries	10,710	171	10,881	-	10,881
Supplies and Materials	2,000	-	2,000	2,000	-
Total Other Instruction Programs	12,710	171	12,881	2,000	10,881
Total Instruction	14,699,008	1,557,206	16,256,214	15,262,345	993,869

**HOPATCONG BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final To Actual
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures					
Instruction					
Tuition to Other LEA's Within State - Special	\$ 413,832	\$ (186,250)	\$ 227,582	\$ 200,688	\$ 26,894
Tuition to County Vocational - Regular	157,500	(29,901)	127,599	108,807	18,792
Tuition to CSSD and Regional Day Schools	-	37,550	37,550	37,550	-
Tuition to Private School for the Disabled W/ State	780,392	35,875	816,267	710,688	105,579
Tuition - State Facilities	32,306	16,349	48,655	32,255	16,400
Total Instruction	1,384,030	(126,377)	1,257,653	1,089,988	167,665
Attendance and Social Work Services					
Salaries	35,615	645	36,260	36,260	-
Purchased Professional and Technical Services	5,500	3,152	8,652	-	8,652
Total Attendance and Social Work Services	41,115	3,797	44,912	36,260	8,652
Health Services					
Salaries	364,041	14,473	378,514	368,259	10,255
Purchased Professional and Technical Services	44,628	10,644	55,272	53,790	1,482
Supplies and Materials	7,475	7,575	15,050	8,837	6,213
Other Objects	1,050	-	1,050	351	699
Total Health Services	417,194	32,692	449,886	431,237	18,649
Speech, OT, PT and Related Services					
Salaries	452,054	(2,220)	449,834	449,825	9
Purchased Professional Educational Services	90,000	151,313	241,313	223,549	17,764
Supplies and Materials	3,000	40	3,040	2,876	164
Other Objects	500	-	500	298	202
Total Speech, OT, PT and Related Services	545,554	149,133	694,687	676,548	18,139
Other Supp. Svcs.-Guidance					
Salaries of Other Professional Staff	617,004	25,118	642,122	611,789	30,333
Salaries of Secretarial and Clerical Assistants	72,991	7,258	80,249	80,117	132
Purchased Professional and Technical Services	100	97	197	126	71
Other Purchased Services	2,000	9,028	11,028	1,882	9,146
Supplies and Materials	8,675	(5,600)	3,075	2,364	711
Other Objects	3,700	(592)	3,108	2,880	228
Total Other Support Services-Guidance	704,470	35,309	739,779	699,158	40,621
Other Supp. Svcs.-Child Study Teams					
Salaries of Other Professional Staff	1,218,808	(160,911)	1,057,897	1,057,698	199
Salaries of Secretarial and Clerical Assistants	81,004	(1,684)	79,320	79,320	-
Purchased Professional and Technical Services	12,000	(9,910)	2,090	2,085	5
Other Purchased Services	-	18,679	18,679	17,734	945
Supplies and Materials	8,700	3,776	12,476	10,689	1,787
Other Objects	15,800	(9,250)	6,550	6,443	107
Total Other Support Services-Child Study Teams	1,336,312	(159,300)	1,177,012	1,173,969	3,043
Improvement of Instruction					
Salaries of Other Professional Staff	368,131	101,329	469,460	469,459	1
Salaries of Secretarial and Clerical Assist.	81,850	(12,872)	68,978	68,978	-
Other Purchased Services	14,000	699	14,699	14,286	413
Supplies and Materials	11,750	7,052	18,802	18,528	274
Other Objects	2,500	4,942	7,442	7,389	53
Total Improvement of Instruction	478,231	101,150	579,381	578,640	741
Educational Media Services/ School Library					
Salaries	97,882	(13,158)	84,724	84,715	9
Purchased Professional and Technical Services	2,500	-	2,500	-	2,500
Supplies and Materials	13,469	(1,141)	12,328	9,399	2,929
Total Educational Media Services/ School Library	113,851	(14,299)	99,552	94,114	5,438

**HOPATCONG BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final To Actual
CURRENT EXPENDITURES (Continued)					
Instructional Staff Training Services					
Purchased Professional and Educational Services	\$ 34,500	\$ 40,835	\$ 75,335	\$ 69,386	\$ 5,949
Other Purchased Services	2,000	9,600	11,600	11,050	550
Supplies and Materials	-	44	44	-	44
Other Objects	-	7,500	7,500	7,259	241
Total Instructional Staff Training Services	36,500	57,979	94,479	87,695	6,784
Support Services General Administration					
Salaries	273,835	66,346	340,181	291,246	48,935
Legal Services	90,000	157,147	247,147	260,725	(13,578)
Audit Fees	56,100	(1,600)	54,500	52,435	2,065
Other Purchased Professional Services	12,380	9,343	21,723	18,676	3,047
Communications/Telephone	119,834	(48,173)	71,661	62,051	9,610
BOE Other Purchased Services	8,700	149	8,849	7,501	1,348
Other Purchased Services	6,578	11,700	18,278	15,420	2,858
Supplies and Materials	5,500	6,030	11,530	8,976	2,554
BOE In-House Training/Meeting Supplies	700	-	700	206	494
Miscellaneous Expenses	-	12,345	12,345	11,928	417
BOE Membership Dues and Fees	17,825	470	18,295	18,295	-
Total Support Services General Administration	591,452	213,757	805,209	747,459	57,750
Support Services School Administration					
Salaries of Principals and Assistant Principals	1,101,605	170,680	1,272,285	1,272,284	1
Salaries of Secretarial and Clerical Assistants	254,463	(19,227)	235,236	235,236	-
Other Purchased Services	900	200	1,100	255	845
Supplies and Materials	7,300	194	7,494	6,944	550
Other Objects	6,165	2,851	9,016	7,911	1,105
Total Support Services School Administration	1,370,433	154,698	1,525,131	1,522,630	2,501
Central Services					
Salaries	337,602	69,789	407,391	407,390	1
Purchased Professional Services	30,175	6,096	36,271	35,925	346
Purchased Technical Services	1,475	-	1,475	575	900
Other Purchased Services	2,100	-	2,100	559	1,541
Supplies and Materials	6,148	1,387	7,535	7,318	217
Miscellaneous Expenditures	2,400	(600)	1,800	1,479	321
Total Central Services	379,900	76,672	456,572	453,246	3,326
Admin. Info. Tech.					
Salaries	191,301	7,797	199,098	193,598	5,500
Supplies and Materials	4,250	-	4,250	3,150	1,100
Total Undistributed Expenditures - Admin. Info. Technology	195,551	7,797	203,348	196,748	6,600
Required Maintenance for School Facilities					
Salaries	199,437	29,118	228,555	235,315	(6,760)
Cleaning, Repair and Maintenance Services	170,000	563,862	733,862	595,822	138,040
General Supplies	397,500	114,394	511,894	477,043	34,851
Other Objects	14,485	13,600	28,085	27,661	424
Total Required Maint for School Facilities	781,422	720,974	1,502,396	1,335,841	166,555

**HOPATCONG BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final To Actual
CURRENT EXPENDITURES (Continued)					
Custodial Services					
Salaries	\$ 1,130,838	\$ 156,304	\$ 1,287,142	\$ 1,332,729	\$ (45,587)
Salaries of Non-Instructional Aides	70,664	(12,690)	57,974	61,982	(4,008)
Purchased Professional and Technical Services	225,700	(52,680)	173,020	172,958	62
Cleaning, Repair and Maintenance Services	36,000	120	36,120	30,164	5,956
Lease Purchase Payments - Energy Savings		93,754	93,754	93,754	-
Other Purchased Property Services	144,400	(35,247)	109,153	100,537	8,616
Property Insurance	216,000	(4,000)	212,000	212,000	-
Travel		616	616	586	30
General Supplies	10,500	73,191	83,691	74,936	8,755
Energy (Electricity)	160,000	86,599	246,599	196,738	49,861
Energy (Oil)	464,028	(359,375)	104,653	104,653	-
Total Custodial Services	2,458,130	(53,408)	2,404,722	2,381,037	23,685
Student Transportation Services					
Salaries of Non-Instructional Aides	39,895	4,843	44,738	50,692	(5,954)
Salaries for Pupil Trans (Bet Home & Sch)-Regular	160,545	(82,968)	77,577	70,068	7,509
Salaries for Pupil Trans (Bet Home & Sch)-Sp Ed.	97,130	(83,685)	13,445	13,445	-
Salaries for Pupil Trans (Other than Bet Home & Sch).	4,200	15,172	19,372	1,408	17,964
Cleaning, Repair and Maintenance Services	2,500	(2,379)	121	-	121
Rental Payments - School Buses	2,500	(2,500)	-	-	-
Contr Serv(Bet Home &Sch)-Vend	935,313	(62,458)	872,855	803,244	69,611
Contr Serv(Oth. Than Bet Home &Sch)-Vend	170,868	-	170,868	100,914	69,954
Contr Serv(Regular Students)-ESC's	180,584	14,925	195,509	195,509	-
Contr Serv(Special Education)-ESC's	577,500	127,844	705,344	678,578	26,766
Aid in Lieu Payments - Non-Public Students	60,201	(12,418)	47,783	30,866	16,917
Aid in Lieu Payments - School Choice Students	10,982	16,054	27,036	26,520	516
Aid in Lieu Payments - Charter School	1,768	884	2,652	2,652	-
Miscellaneous Purch. Services- Transportation	50,261	(42,976)	7,285	6,203	1,082
General Supplies	1,250	-	1,250	986	264
Transportation Supplies	70,125	(2,652)	67,473	20,726	46,747
Other Objects	150	1,413	1,563	-	1,563
Total Student Transportation Services	2,365,772	(110,901)	2,254,871	2,001,811	253,060
Unallocated Employee Benefits					
Social Security Contributions	432,458	31,808	464,266	421,680	42,586
Other Retirement Contributions - PERS	475,407	-	475,407	473,241	2,166
Other Retirement Contributions - Regular	20,808	21,491	42,299	29,461	12,838
Unemployment Compensation	164,814	(46,898)	117,916	89,176	28,740
Workman's Compensation	314,092	6,002	320,094	310,732	9,362
Health Benefits	6,149,640	(1,475,917)	4,673,723	4,457,778	215,945
Tuition Reimbursements	69,000	8,229	77,229	65,125	12,104
Other Employee Benefits	255,950	29,629	285,579	285,578	1
Total Unallocated Employee Benefits	7,882,169	(1,425,656)	6,456,513	6,132,771	323,742
On-Behalf TPAF					
Pension System Contributions-Normal & Accrued Liability	-	-	-	1,160,030	(1,160,030)
NCGL Premium	-	-	-	57,785	(57,785)
Post Retirement Benefits	-	-	-	1,450,081	(1,450,081)
Social Security Reimbursements	-	-	-	1,122,208	(1,122,208)
Total TPAF Pension and Social Security Contributions	-	-	-	3,790,104	(3,790,104)
Total Undistributed Expenditures	21,082,086	(335,983)	20,746,103	23,429,256	(2,683,153)
Total Current Expenditures	35,781,094	1,221,223	37,002,317	38,691,601	(1,689,284)

**HOPATCONG BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final To Actual
CAPITAL OUTLAY					
Interest Deposit to Capital Reserve	\$ 100	-	\$ 100		\$ 100
Equipment					
Instructional	-	\$ 10,826	10,826	\$ 10,826	-
Required Maintenance for School Facilities		44,185	44,185	44,185	-
School Buses - Special		91,064	91,064	91,064	-
Non-Instructional	-	90,058	90,058	81,250	8,808
Total Equipment	100	236,133	236,233	227,325	8,908
Facilities Acquisition and Construction Services					
Architectural and Engineering Services	-	33,500	33,500	25,687	7,813
Construction Services		261,249	261,249	143,326	117,923
Other Objects	1,114	-	1,114	1,114	-
Total Facilities Acquisition and Construction Services	1,114	294,749	295,863	170,127	125,736
Total Expenditures - Capital Outlay	1,214	530,882	532,096	397,452	134,644
Transfer of Funds to Charter Schools	975,907	20,141	996,048	916,266	79,782
Total Expenditures - General Fund	36,758,215	1,772,246	38,530,461	40,005,319	(1,474,858)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(610,851)	(1,772,246)	(2,383,097)	(70,683)	2,312,414
Other Financing Sources (Uses) Transfers In	-	-	-	8,605	8,605
Total Other Financing Sources (Uses)	-	-	-	8,605	8,605
Excess (Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(610,851)	(1,772,246)	(2,383,097)	(62,078)	2,321,019
Fund Balance, Beginning of Year	5,329,093	-	5,329,093	5,329,093	-
Fund Balance, End of Year	\$ 4,718,242	\$ (1,772,246)	\$ 2,945,996	\$ 5,267,015	\$ 2,321,019

Recapitulation of Fund Balance

Nonspendable	
Prepaid Item	\$ 105,627
Restricted	
Capital Reserve	602,075
Capital Reserve - Designated for Subsequent Year's Expenditures	941,975
Maintenance Reserve	331,541
Emergency Reserve	50,000
Excess Surplus	1,162,748
Excess Surplus - Designated for Subsequent Year's Expenditures (2016/17 Budget)	698,518
SEMI - FY14 Cost Settlement	27,383
Assigned	
Year End Encumbrances	599,021
Unassigned	748,127
Fund Balance (Budgetary Basis)	5,267,015

Reconciliation to Governmental Fund Statements (GAAP)

2015/2016 State Aid Payments Not Recognized on a GAAP Basis	(1,123,023)
2015/2016 Extraordinary Aid Not Recognized on a GAAP Basis	(113,661)
	<u>\$ 4,030,331</u>

**HOPATCONG BOARD OF EDUCATION
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
BUDGET (NON-GAAP) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Budget Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES					
Intergovernmental					
Federal	\$ 727,795	\$ 219,177	\$ 946,972	\$ 946,562	\$ (410)
State	-	35,000	35,000	35,000	-
Total Revenues	<u>727,795</u>	<u>254,177</u>	<u>981,972</u>	<u>981,562</u>	<u>(410)</u>
EXPENDITURES					
Instruction					
Salaries of Teachers	224,371	(6,343)	218,028	218,028	-
Purchased Professional and Technical Services	-	267	267	266	1
Other Purchased Services	461,983	114,667	576,650	576,650	-
General Supplies	-	77,366	77,366	77,366	-
Total Instruction	<u>686,354</u>	<u>185,957</u>	<u>872,311</u>	<u>872,310</u>	<u>1</u>
Support Services					
Salaries of Other Professional Staff	24,846	18,910	43,756	43,756	-
Employee Benefits	-	54,912	54,912	54,503	409
Purchased Professional and Technical Services	-	8,925	8,925	8,925	-
Other Purchased Services	-	500	500	500	-
Supplies and Materials	16,595	(15,027)	1,568	1,568	-
Total Support Services	<u>41,441</u>	<u>68,220</u>	<u>109,661</u>	<u>109,252</u>	<u>409</u>
Total Expenditures	<u>727,795</u>	<u>254,177</u>	<u>981,972</u>	<u>981,562</u>	<u>410</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - PART II

**HOPATCONG BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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

The following presents a reconciliation of the General and Special Revenue Funds from the budgetary basis of accounting as presented in the Budgetary Comparison Schedule - General Fund and Special Revenue Fund to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.

	General Fund		Special Revenue Fund
Sources/Inflows of Resources			
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedules	C-1 \$ 39,934,636	C-2	\$ 981,562
Difference - Budget to GAAP:			
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.			
Add: June 30, 2015 Encumbrances			11,770
Less: June 30, 2016 Encumbrances			(11,261)
State Aid payments recognized for GAAP Statements, not recognized for budgetary purposes.	1,260,150		
State Aid payments recognized for budgetary purposes, not recognized for GAAP statements.	<u>(1,236,684)</u>		<u>-</u>
 Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	 B-2 \$ <u>39,958,102</u>	 B-2	 \$ <u>982,071</u>
Uses/Outflows of Resources			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	C-1 \$ 40,005,319	C-2	\$ 981,562
Differences - Budget to GAAP			
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.			
Add: June 30, 2015 Encumbrances			11,770
Less: June 30, 2016 Encumbrances	<u>-</u>		<u>(11,261)</u>
 Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	 B-2 \$ <u>40,005,319</u>	 B-2	 \$ <u>982,071</u>

REQUIRED SUPPLEMENTARY INFORMATION - PART III

**HOPATCONG BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

Public Employees Retirement System

Last Three Fiscal Years*

	<u>2016</u>		<u>2015</u>		<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0.05497	%	0.05372	%	0.05423
					%
District's Proportionate Share of the Net Pension Liability (Asset)	\$12,341,816		\$10,058,400		\$10,364,659
District's Covered-Employee Payroll	\$ 3,474,446		\$ 3,764,850		\$ 3,721,026
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	355.22%		267.17%		278.54%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	47.93%		52.08%		48.72%

* The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**HOPATCONG BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS**

Public Employees Retirement System

Last Three Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 472,677	\$ 442,884	\$ 408,621
Contributions in Relation to the Contractually Required Contribution	<u>472,677</u>	<u>442,884</u>	<u>408,621</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$3,474,446	\$3,764,850	\$3,721,026
Contributions as a Percentage of Covered-Employee Payroll	13.60%	11.76%	10.98%

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**HOPATCONG BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

Teachers Pension and Annuity Fund

Last Three Fiscal Years*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0%	0%	0%
District's Proportionate Share of the Net Pension Liability (Asset)	\$0	\$0	\$0
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	<u>\$ 96,562,596</u>	<u>\$ 82,640,839</u>	<u>\$ 79,734,594</u>
Total	<u>\$ 96,562,596</u>	<u>\$ 82,640,839</u>	<u>\$ 79,734,594</u>
District's Covered-Employee Payroll	\$ 14,642,439	\$ 14,979,215	\$ 15,003,720
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	0%	0%	0%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	28.71%	33.76%	33.76%

* The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**HOPATCONG BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
AND SCHEDULE OF DISTRICT CONTRIBUTIONS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Change of Benefit Terms: None.

Change of Assumptions: Assumptions used in calculating the net pension liability and statutorily required employer contribution are presented in Note 4.

SPECIAL REVENUE FUND

**HOPATCONG BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>No Child Left Behind</u>		<u>IDEA</u>		<u>Blended</u>	<u>NJ</u>	<u>Total</u>
	<u>Title I</u>	<u>Title IIA</u>	<u>Part B Preschool</u>	<u>Part B Basic</u>	<u>Early Learning Competitive Grant</u>	<u>Achievement Coaches Grant</u>	
REVENUES							
Federal Sources	\$ 226,868	\$ 48,206	\$ 19,838	\$ 576,650	\$ 75,000		\$ 946,562
State Sources	-	-	-	-	-	\$ 35,000	35,000
Total Revenues	<u>\$ 226,868</u>	<u>\$ 48,206</u>	<u>\$ 19,838</u>	<u>\$ 576,650</u>	<u>\$ 75,000</u>	<u>\$ 35,000</u>	<u>\$ 981,562</u>
EXPENDITURES							
Instruction:							
Salaries of Teachers	\$ 178,516	\$ 38,583				\$ 929	\$ 218,028
Purchased Professional and Technical Services					\$ 266		266
Other Purchased Services	-			\$ 576,650			576,650
General Supplies	5,886	-	\$ 11,500	-	59,980	-	77,366
Total Instruction	<u>184,402</u>	<u>38,583</u>	<u>11,500</u>	<u>576,650</u>	<u>60,246</u>	<u>929</u>	<u>872,310</u>
Support Services							
Salaries of Other Professional Staff					13,099	30,657	43,756
Employee Benefits	42,466	9,623				2,414	54,503
Purchased Professional and Technical Services	-		7,500		1,425		8,925
Other Purchased Services	-		500				500
Supplies and Materials	-	-	338	-	230	1,000	1,568
Total Support Services	<u>42,466</u>	<u>9,623</u>	<u>8,338</u>	<u>-</u>	<u>14,754</u>	<u>34,071</u>	<u>109,252</u>
Total Expenditures	<u>\$ 226,868</u>	<u>\$ 48,206</u>	<u>\$ 19,838</u>	<u>\$ 576,650</u>	<u>\$ 75,000</u>	<u>\$ 35,000</u>	<u>\$ 981,562</u>

**HOPATCONG BOARD OF EDUCATION
SPECIAL REVENUE FUND
PRESCHOOL EDUCATION AID
SCHEDULE OF EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOT APPLICABLE

CAPITAL PROJECTS FUND

(NOT APPLICABLE)

PROPRIETARY FUND

**HOPATCONG BOARD OF EDUCATION
 PROPRIETARY FUNDS - NONMAJOR
 COMBINING STATEMENT OF NET POSITION
 AS OF JUNE 30, 2016**

	Business-Type Activities Enterprise Funds			Totals
	Food Service	Preschool	Day Plus Services	
ASSETS				
Cash and Cash Equivalents	\$ (33,370)	\$ -	\$ 234,720	\$ 201,350
Intergovernmental Accounts Receivable				
State	233			233
Federal	8,493			8,493
Due from Other Funds	50,316			50,316
Inventory	10,824	-	-	10,824
Total Current Assets	36,496	-	234,720	271,216
Capital Assets				
Machinery and Equipment	387,602	-		387,602
Less: Accumulated Depreciation	347,406	-	-	347,406
Total Capital Assets	40,196	-	-	40,196
Total Assets	76,692	-	234,720	311,412
LIABILITIES				
Current Liabilities				
Accounts Payable	1,316	-	-	1,316
Unearned Revenue	5,094	-	-	5,094
Total Current Liabilities	6,410	-	-	6,410
DEFERRED INFLOWS OF RESOURCES				
Deferred Commodities Revenue	3,131	-	-	3,131
Total Deferred Inflows of Resources	3,131	-	-	3,131
Total Liabilities & Deferred Inflows of Resources	9,541	-	-	9,541
NET POSITION				
Net Investment in Capital Assets	40,196	-		40,196
Unrestricted	26,955	-	234,720	261,675
Total Net Position	\$ 67,151	\$ -	\$ 234,720	\$ 301,871

**HOPATCONG BOARD OF EDUCATION
 PROPRIETARY FUNDS - NONMAJOR
 COMBINING STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET POSITION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Business-Type Activities
 Enterprise Funds**

	Food Service	Preschool	Day Plus Services	Totals
OPERATING REVENUES				
Charges for Services				
School Lunch Program - Reimbursable Program	\$ 215,574			\$ 215,574
School Lunch Program - Non Reimbursable Program	144,326			144,326
Miscellaneous	7,558			7,558
Program Fees	-	\$ -	\$ 249,252	249,252
Total Operating Revenues	367,458	-	249,252	616,710
OPERATING EXPENSES				
Salaries and Wages and Benefits	279,891		179,085	458,976
Cost of Sales - Reimbursable Program	208,896			208,896
Cost of Sales - Non Reimbursable Program	32,434			32,434
Other Purchased Services	13,954		1,980	15,934
Supplies	23,271		19,892	43,163
Miscellaneous	37,692		42,519	80,211
Depreciation	10,628	-	-	10,628
Total Operating Expenses	606,766	-	243,476	850,242
Operating Income (Loss)	(239,308)	-	5,776	(233,532)
NONOPERATING REVENUES				
State Sources				
State School Lunch Program	6,000			6,000
Federal Sources				
Federal School Lunch Program	185,711			185,711
Food Distribution Program	35,756			35,756
School Breakfast Program	24,475			24,475
Interest Income	256	-	177	433
Total Nonoperating Revenues	252,198	-	177	252,375
Operating Transfer Out	-	(8,605)		(8,605)
Change in Net Position	12,890	(8,605)	5,953	10,238
Net Position, Beginning of Year	54,261	8,605	228,767	291,633
Net Position, End of Year	\$ 67,151	\$ -	\$ 234,720	\$ 301,871

**HOPATCONG BOARD OF EDUCATION
 PROPRIETARY FUNDS - NONMAJOR
 STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Business-Type Activities Enterprise Funds			Totals
	Food Service	Preschool	Day Plus Services	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	\$ 372,552	\$ -	\$ 249,252	\$ 621,804
Payments for Employees	(279,891)		(181,259)	(461,150)
Payments to Suppliers	(285,339)	-	(64,391)	(349,730)
Net Cash Provided By (Used For) Operating Activities	(192,678)	-	3,602	(189,076)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Cash Payments/Receipts for Interfund Transactions State and Federal Sources	(50,316) 227,000	(8,605) -	108,695 -	49,774 227,000
Net Cash Provided By (Used for) Non-Capital Financing Activities	176,684	(8,605)	108,695	276,774
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received	256	-	177	433
Net Cash Provided By Investing Activities	256	-	177	433
Net Increase (Decrease) in Cash and Cash Equivalents	(15,738)	(8,605)	112,474	88,131
Cash and Cash Equivalents, Beginning of Year	(17,632)	8,605	122,246	113,219
Cash and Cash Equivalents, End of Year	\$ (33,370)	\$ -	\$ 234,720	\$ 201,350
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Operating Income (Loss)	\$ (239,308)	\$ -	\$ 5,776	\$ (233,532)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities				
Depreciation	10,628	-		10,628
Federal Food Distribution Program	35,756			35,756
Changes in Assets, Liabilities and Deferred Inflows of Resources (Increase) Decrease in Inventories	(1,743)			(1,743)
Increase (Decrease) in Deferred Revenue	5,094	-		5,094
Increase (Decrease) in Accounts Payable	(6,236)	-	(2,174)	(8,410)
Increase (Decrease) in Deferred Inflows of Resources	3,131	-	-	3,131
Total Adjustments	46,630	-	(2,174)	44,456
Net Cash Provided By (Used For) Operating Activities	\$ (192,678)	\$ -	\$ 3,602	\$ (189,076)
Non-Cash Investing, Capital and Financing Activities Value Received for Food Distribution Program	\$ 38,887			

FIDUCIARY FUNDS

**HOPATCONG BOARD OF EDUCATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF AGENCY ASSETS AND LIABILITIES
AS OF JUNE 30, 2016**

	<u>Student Activity</u>	<u>Payroll</u>	<u>Total Agency Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 114,753	\$ 325,089	\$ 439,842
Total Assets	<u>\$ 114,753</u>	<u>\$ 325,089</u>	<u>\$ 439,842</u>
LIABILITIES			
Accrued Salaries and Wages		\$ 18,614	\$ 18,614
Payroll Deductions and Withholdings		303,421	303,421
Due to Student Groups	\$ 114,753		114,753
Reserve for Flexible Spending	<u>-</u>	<u>3,054</u>	<u>3,054</u>
Total Liabilities	<u>\$ 114,753</u>	<u>\$ 325,089</u>	<u>\$ 439,842</u>

**HOPATCONG BOARD OF EDUCATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOT APPLICABLE

**HOPATCONG BOARD OF EDUCATION
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Balance</u> <u>July 1, 2015</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disburse-</u> <u>ments</u>	<u>Balance</u> <u>June 30, 2016</u>
ELEMENTARY SCHOOLS				
Tulsa Trail	\$ 2,794	\$ 4,834	\$ 6,175	\$ 1,453
Durban Avenue	19,684	2,374	18,117	3,941
Hudson Maxim	2,608	11,795	10,411	3,992
	<u>25,086</u>	<u>19,003</u>	<u>34,703</u>	<u>9,386</u>
MIDDLE SCHOOL	<u>13,480</u>	<u>35,879</u>	<u>37,256</u>	<u>12,103</u>
SENIOR HIGH SCHOOL	<u>91,864</u>	<u>105,435</u>	<u>120,724</u>	<u>76,575</u>
ATHLETIC ACCOUNT	<u>7,695</u>	<u>85,201</u>	<u>76,207</u>	<u>16,689</u>
TOTAL ALL SCHOOLS	<u>\$ 138,125</u>	<u>\$ 245,518</u>	<u>\$ 268,890</u>	<u>\$ 114,753</u>

**HOPATCONG BOARD OF EDUCATION
FIDUCIARY FUNDS
PAYROLL AGENCY FUND
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Balance, July 1, <u>2015</u>	<u>Increases</u>	<u>Decreases</u>	Balance, June 30, <u>2016</u>
ASSETS				
Cash	\$ 190,524	\$ 24,186,064	\$ 24,051,499	\$ 325,089
Due from Other Funds	<u>72,034</u>	<u>-</u>	<u>72,034</u>	<u>-</u>
Total Assets	<u>\$ 262,558</u>	<u>\$ 24,186,064</u>	<u>\$ 24,123,533</u>	<u>\$ 325,089</u>
LIABILITIES				
Payroll Deductions and Withholdings	\$ 241,221	\$ 10,566,483	\$ 10,504,283	\$ 303,421
Accrued Salaries and Wages	17,791	13,593,095	13,592,272	18,614
Reserve for Flexible Spending	<u>3,546</u>	<u>26,486</u>	<u>26,978</u>	<u>3,054</u>
Total Liabilities	<u>\$ 262,558</u>	<u>\$ 24,186,064</u>	<u>\$ 24,123,533</u>	<u>\$ 325,089</u>

LONG-TERM DEBT

**HOPATCONG BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOT APPLICABLE

**HOPATCONG BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES/LEASE PURCHASE AGREEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<u>Purpose</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Balance, July 1, 2015</u>	<u>Issued</u>	<u>Paid</u>	<u>Balance, June 30, 2016</u>
Governmental Activities:						
Lease Purchase Agreement						
Energy Savings Equipment	\$ 1,058,403	3.170%	\$ 355,159	-	\$ 82,495	\$ 272,664
Various Equipment	93,156	2.348%	73,156	-	17,657	55,499
Total Governmental Activities			428,315	-	100,152	328,163
Business-Type Activities:						
Vehicle	20,097	4.90%	10,040	-	3,442	6,598
Vehicles (2)	107,718	2.23%	102,043	-	20,597	81,446
Total Business-Type Activities			112,083	-	24,039	88,044
			<u>\$ 540,398</u>	<u>\$ -</u>	<u>\$ 124,191</u>	<u>\$ 416,207</u>

**HOPATCONG BOARD OF EDUCATION
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOT APPLICABLE

STATISTICAL SECTION

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

Contents

Exhibits

Financial Trends

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

J-1 to J-5

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

J-6 to J-9

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government'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 government's financial activities take place.

J-14 and J-15

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government 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 for the relevant year.

HOPATCONG BOARD OF EDUCATION
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities										
Net Investment In Capital Assets	\$ 7,043,323	\$ 6,883,872	\$ 6,880,203	\$ 7,132,386	\$ 6,962,957	\$ 7,198,903	\$ 6,969,390	\$ 5,095,319	\$ 4,727,555	\$ 4,725,970
Restricted	771,393	282,040	152,550	263,997	550,000	781,541	1,281,541	1,306,641	1,606,741	1,925,591
Unrestricted	(1,691,779)	(1,613,601)	(1,830,295)	(1,539,466)	(24,983)	(365,159)	(324,461)	(10,138,146)	(8,375,312)	(9,438,339)
Total Governmental Activities Net Position	\$ 6,122,937	\$ 5,552,311	\$ 5,202,458	\$ 5,856,917	\$ 7,487,974	\$ 7,615,285	\$ 7,926,470	\$ (3,736,186)	\$ (2,041,016)	\$ (2,786,778)
Business-Type Activities										
Net Investment In Capital Assets	\$ 5,725	\$ 73,106	\$ 207,157	\$ 309,819	\$ 275,892	\$ 234,946	\$ 174,825	\$ 223,680	\$ 130,130	\$ 118,374
Unrestricted	903,674	1,197,077	1,086,119	1,143,045	1,326,802	1,279,016	1,462,755	1,584,764	1,696,485	1,623,550
Total Business-Type Activities Net Position	\$ 909,399	\$ 1,270,183	\$ 1,293,276	\$ 1,452,864	\$ 1,602,694	\$ 1,513,962	\$ 1,637,580	\$ 1,808,444	\$ 1,826,615	\$ 1,741,924
District-Wide										
Net Investment In Capital Assets	\$ 7,049,048	\$ 6,956,978	\$ 7,087,360	\$ 7,442,205	\$ 7,238,849	\$ 7,433,849	\$ 7,144,215	\$ 5,318,999	\$ 4,857,685	\$ 4,844,344
Restricted	771,393	282,040	152,550	263,997	550,000	781,541	1,281,541	1,306,641	1,606,741	1,925,591
Unrestricted	(788,105)	(416,524)	(744,176)	(396,421)	1,301,819	913,857	1,138,294	(8,553,382)	(6,678,827)	(7,814,789)
Total District Net Position	\$ 7,032,336	\$ 6,822,494	\$ 6,495,734	\$ 7,309,781	\$ 9,090,668	\$ 9,129,247	\$ 9,564,050	\$ (1,927,742)	\$ (214,401)	\$ (1,044,854)

Note - Net Position at June 30, 2014 is restated to reflect the implementation of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions"

Source: District's financial statements

HOPATCONG BOARD OF EDUCATION
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

	Fiscal Year Ended June 30.									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental Activities										
Instruction										
Regular	\$ 13,862,525	\$ 14,444,214	\$ 13,254,299	\$ 13,902,752	\$ 12,345,351	\$ 13,412,642	\$ 13,071,673	\$ 13,761,723	\$ 16,206,563	\$ 18,788,436
Special Education	5,023,640	5,541,889	5,434,707	5,723,488	6,013,061	6,431,473	6,701,360	7,814,101	7,678,460	8,218,599
Other Special Instruction	250,139	319,533	288,760	304,964	332,974	356,389	357,159	637,136	659,314	696,128
Other Instruction	675,338	640,186	572,854	561,692	518,569	519,255	574,548	624,175	828,497	1,192,189
Support Services										
Tuition	1,080,164	1,162,193	1,071,923	1,230,195	1,311,153	1,832,766	1,597,291	-		
Student And Instruction Related Services	5464308	5615025	5,153,975	5,292,807	5,074,553	5,037,583	4,648,101	4,881,753	5,857,003	6,268,661
School Administrative Services	1,761,816	2,056,473	2,144,465	2,029,131	2,275,692	2,310,205	2,636,127	2,746,791	2,439,729	2,728,876
General Administrative Services	988,415	939,841	787,282	789,890	767,632	733,565	815,909	792,286	1,013,778	911,246
Central Services/Admin Info Technology	942,424	729,579	642,945	680,485	788,688	882,332	908,391	963,976	1,024,495	986,165
Plant Operations And Maintenance	3,550,874	4,011,730	4,383,947	3,897,821	3,847,245	4,737,246	4,616,222	4,353,475	4,333,282	4,494,623
Pupil Transportation	1,987,796	2,185,958	2,128,095	2,133,535	1,970,453	2,034,204	2,144,137	2,028,486	1,930,920	2,074,842
Capital Outlay										
Charter Schools	173,637	174,484	108,254	262,288	253,373	245,349	370,039			
Interest On Long-Term Debt	49,910	43,010	36,110	29,210	22,310	15,410		18,320	13,793	12,976
Unallocated Depreciation	703,871	521,897	485,821	455,894	456,042	426,919	326,203			
Total Governmental Activities Expenses	36,514,837	38,386,012	36,493,437	37,294,152	35,977,096	38,975,338	38,775,670	38,622,222	41,985,834	46,372,741
Business-Type Activities:										
Food Service	746,394	765,063	734,383	729,273	661,809	663,523	660,736	692,094	645,457	606,766
Transportation Services	15,301,122	19,777,350	21,845,879	21,186,621	21,227,427	21,317,987	20,980,079	23,212,039	24,575,426	27,666,306
Preschool										
Day Plus Services	101,836	131,454	226,511	227,171	208,514	197,966	103,146	129,729	211,586	243,476
Total Business-Type Activities Expense	16,149,352	20,673,867	22,806,773	22,143,065	22,097,750	22,179,476	21,743,961	24,033,862	25,432,469	28,516,548
Total District Expenses	\$ 52,664,209	\$ 59,059,879	\$ 59,300,210	\$ 59,437,217	\$ 58,074,846	\$ 61,154,814	\$ 60,519,631	\$ 62,656,084	\$ 67,418,303	\$ 74,889,289
Program Revenues										
Governmental Activities:										
Charges For Services:										
Instruction (Tuition)	\$ 92,321	\$ 91,570	\$ 91,807					\$ 17,610	\$ 1,300	\$ 4,895
Operating Grants And Contributions	7,613,657	7,838,861	4,908,635	5,310,555	5,238,968	5,342,559	6,090,704	5,754,539	10,004,225	11,672,241
Capital Grants And Contributions	2,106			93,690						
Total Governmental Activities Program Revenues	7,708,084	7,930,431	5,000,442	5,404,245	5,238,968	5,342,559	6,090,704	5,772,149	10,005,525	11,677,136
Business-Type Activities:										
Charges For Services:										
Food Service	525,669	533,321	523,004	491,262	443,416	409,700	359,216	339,865	405,177	367,458
Transportation Services	15,545,137	20,083,930	21,927,859	21,382,482	21,369,571	21,272,405	21,203,087	23,477,114	24,351,710	27,571,151
Preschool									8,600	-
Day Plus Services	185,242	182,217	157,290	192,758	211,312	187,717	163,898	137,308	212,217	249,252
Operating Grants And Contributions	224,507	232,753	220,996	235,654	222,904	220,715	208,101	168,110	214,563	251,942
Total Business Type Activities Program Revenues	16,480,555	21,032,221	22,829,149	22,302,156	22,247,203	22,090,537	21,934,302	24,122,397	25,192,267	28,439,803
Total District Program Revenues	\$ 24,188,639	\$ 28,962,652	\$ 27,829,591	\$ 27,706,401	\$ 27,486,171	\$ 27,433,096	\$ 28,025,006	\$ 29,894,546	\$ 35,197,792	\$ 40,116,939

HOPATCONG BOARD OF EDUCATION
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net (Expense)/Revenue										
Governmental Activities	\$ (28,806,773)	\$ (30,455,581)	\$ (31,492,995)	\$ (31,889,907)	\$ (30,738,128)	\$ (33,632,779)	\$ (32,684,966)	\$ (32,850,073)	\$ (31,980,309)	\$ (34,695,605)
Business-Type Activities	331,203	358,354	22,376	159,091	149,453	(88,939)	190,341	88,535	(240,202)	(76,745)
Total District-Wide Net Expense	<u>\$ (28,475,570)</u>	<u>\$ (30,097,227)</u>	<u>\$ (31,470,619)</u>	<u>\$ (31,730,816)</u>	<u>\$ (30,588,675)</u>	<u>\$ (33,721,718)</u>	<u>\$ (32,494,625)</u>	<u>\$ (32,761,538)</u>	<u>\$ (32,220,511)</u>	<u>\$ (34,772,350)</u>
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes	\$ 18,891,056	\$ 19,406,698	\$ 19,882,966	\$ 20,708,854	\$ 22,023,170	\$ 22,023,170	\$ 22,964,246	\$ 23,423,531	\$ 24,149,801	\$ 24,391,299
Taxes Levied for Debt Service	131,949	127,421	122,892	118,364	122,780	122,780	113,011	97,755	-	-
State Aid for Debt Service								40,350	-	-
Federal and State Aid Not Restricted	9,714,616	10,062,096	10,876,951	11,448,087	9,951,658	9,951,658	9,725,611	9,322,282	9,378,596	9,380,401
Investment Earnings	252,106	173,754	38,937	22,975	20,389	20,389	21,270	9,803	9,751	8,442
Miscellaneous Income	122,084	114,986	221,396	246,086	251,188	251,188	172,014	188,685	395,183	161,096
Transfers	(7,500)							-	(257,852)	8,605
Total Governmental Activities	<u>29,104,311</u>	<u>29,884,955</u>	<u>31,143,142</u>	<u>32,544,366</u>	<u>32,369,185</u>	<u>32,369,185</u>	<u>32,996,152</u>	<u>33,082,406</u>	<u>33,675,479</u>	<u>33,949,843</u>
Business-Type Activities:										
Investment Earnings	\$ 4,207	\$ 2,430	\$ 717	\$ 497	\$ 377	\$ 377	\$ 181	\$ 193	\$ 521	\$ 659
Transfers	7,500							-	257,852	(8,605)
Total Business-Type Activities	<u>11,707</u>	<u>2,430</u>	<u>717</u>	<u>497</u>	<u>377</u>	<u>377</u>	<u>(66,723)</u>	<u>193</u>	<u>258,373</u>	<u>(7,946)</u>
Total District-Wide	<u>\$ 29,116,018</u>	<u>\$ 29,887,385</u>	<u>\$ 31,143,859</u>	<u>\$ 32,544,863</u>	<u>\$ 32,369,562</u>	<u>\$ 32,369,562</u>	<u>\$ 32,929,429</u>	<u>\$ 33,082,599</u>	<u>\$ 33,933,852</u>	<u>\$ 33,941,897</u>
Change in Net Position										
Governmental Activities	\$ 297,538	\$ (570,626)	\$ (349,853)	\$ 654,459	\$ 1,631,057	\$ (1,263,594)	\$ 311,186	\$ 232,333	\$ 1,695,170	\$ (745,762)
Business-Type Activities	342,910	360,784	23,093	159,588	149,830	(88,562)	123,618	88,728	18,171	(84,691)
Total District	<u>\$ 640,448</u>	<u>\$ (209,842)</u>	<u>\$ (326,760)</u>	<u>\$ 814,047</u>	<u>\$ 1,780,887</u>	<u>\$ (1,352,156)</u>	<u>\$ 434,804</u>	<u>\$ 321,061</u>	<u>\$ 1,713,341</u>	<u>\$ (830,453)</u>

Source: District's financial statements

**HOPATCONG BOARD OF EDUCATION
FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Unaudited)
(modified accrual basis of accounting)**

	Fiscal Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Nonspendable								\$ 8,927	\$ 25,855	\$ 105,627
Restricted/Reserved	\$ 773,813	\$ 289,763	\$ 152,550	\$ 239,444	\$ 550,000	\$ 781,541	\$ 1,281,541	1,908,565	2,907,183	3,814,240
Unreserved (Deficit)	325,363	159,684	(398,060)	(236,493)						
Committed										
Assigned					1,226,164	794,345	764,413	561,649	1,696,061	599,021
Unassigned								(410,669)	(560,156)	(488,557)
Total General Fund	<u>\$ 1,099,176</u>	<u>\$ 449,447</u>	<u>\$ (245,510)</u>	<u>\$ 2,951</u>	<u>\$ 1,776,164</u>	<u>\$ 1,575,886</u>	<u>\$ 2,045,954</u>	<u>\$ 2,068,472</u>	<u>\$ 4,068,943</u>	<u>\$ 4,030,331</u>
All Other Governmental Funds										
Reserved/Restricted				\$ 24,533						
Unreserved, Reported in:										
Special Revenue Fund	\$ (2,420)	\$ (7,723)								
Capital Projects Fund										
Debt Service Fund										
Total All Other Governmental Funds	<u>\$ (2,420)</u>	<u>\$ (7,723)</u>	<u>\$ -</u>	<u>\$ 24,533</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Beginning with 2010/11 Fiscal Year, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Type Definitions." The Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. This Statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds. Reclassification of prior year fund balance amounts to comply with Statement No. 54 is not required

Source: District's financial statements

HOPATCONG BOARD OF EDUCATION
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

(Unaudited)
(modified accrual basis of accounting)

Fiscal Year Ended June 30.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Tax Levy	\$ 19,023,005	\$ 19,534,119	\$ 20,005,858	\$ 20,827,218	\$ 22,145,950	\$ 22,631,863	\$ 23,077,257	\$ 23,521,286	\$ 24,149,801	\$ 24,391,299
Tuition Charges	92,321	91,570	91,807					17,610	1,300	4,895
Interest Earned on Investments	249,688	172,497	37,655	22,975	20,389	21,270	12,474	9,803	9,751	8,342
Interest Earned on Capital Reserve Funds	2,418	1,257	1,282							100
Miscellaneous	122,084	114,986	221,396	246,086	251,188	247,904	180,809	189,184	396,183	161,096
State Sources	16,411,947	17,004,118	14,840,028	14,524,570	14,009,998	14,802,974	14,673,594	14,183,400	14,779,327	15,432,968
Federal Sources	918,432	896,839	945,558	2,327,762	1,180,628	1,398,638	1,142,721	933,272	981,618	941,473
Total Revenues	36,819,895	37,815,386	36,143,584	37,948,611	37,608,153	39,102,649	39,086,855	38,854,555	40,317,980	40,940,173
Expenditures										
Instruction										
Regular Instruction	10,070,688	10,275,037	9,991,535	10,082,544	8,790,339	9,824,074	8,846,597	13,624,450	14,021,137	15,775,805
Special Education Instruction	3,638,780	3,956,645	4,096,660	4,229,696	4,379,149	4,522,562	4,726,267	7,744,199	6,897,746	7,139,528
Other Special Instruction	176,261	220,212	210,041	216,612	239,532	240,552	239,851	639,980	588,927	599,110
Other Instruction	500,366	481,732	453,563	436,132	404,540	384,256	432,160	611,526	826,207	1,136,255
Support Services										
Tuition	1,080,164	1,162,193	1,071,923	1,230,195	1,311,153	1,832,766	1,597,291			
Student & Inst. Related Services	3,947,902	4,045,022	3,909,445	3,835,893	3,613,294	3,374,611	3,252,799	4,829,037	5,232,667	5,393,596
General Administrative Services	826,142	740,498	774,094	688,379	688,728	648,931	695,581	787,351	1,003,845	879,633
School Administrative Services	1,359,157	1,476,691	1,547,071	1,499,395	1,498,210	1,509,412	1,726,807	2,714,682	2,109,125	2,244,565
Central Services/Admin Info Technology	528,966	527,272	529,511	527,624	543,165	621,463	621,197	953,484	1,004,074	920,438
Plant Operations and Maintenance	3,292,722	3,518,727	3,642,886	3,212,019	3,174,440	4,107,147	4,073,712	4,329,678	4,283,935	4,328,837
Pupil Transportation	1,911,766	2,080,808	2,034,869	2,087,525	1,852,861	1,912,262	2,017,522	2,025,907	1,925,556	2,060,157
Unallocated Benefits	8,628,319	9,398,875	7,857,682	8,505,207	8,454,685	8,995,995	9,459,123			
Charter Schools	173,637	174,484	108,254	262,288	253,373	245,349	370,039			
Debt Service:										
Principal	150,000	150,000	150,000	150,000	150,000	150,000	150,000	212,495	99,956	100,152
Interest And Other Charges	51,060	44,160	37,260	30,360	23,460	16,560	9,660	19,355	13,793	12,976
Capital Outlay	1,258,537	670,953	416,024	820,676	482,564	916,987	398,181	339,893	145,845	396,338
Total Expenditures	37,594,467	38,923,309	36,830,818	37,814,545	35,859,493	39,302,927	38,616,787	38,832,037	38,152,813	40,987,390
Excess (Deficiency) Of Revenues										
Over (Under) Expenditures	(774,572)	(1,107,923)	(687,234)	134,066	1,748,660	(200,278)	470,068	22,518	2,165,167	(47,217)
Other Financing Sources (Uses)										
Capital Leases (Non-Budgeted)	1,258,537	452,891		138,948					93,156	-
Transfers In				140,535						8,605
Transfers Out	(7,500)			(140,535)					(257,852)	-
Total Other Financing Sources (Uses)	1,251,037	452,891	-	138,948	-	-	-	-	(164,696)	8,605
Net Change In Fund Balances	\$ 476,465	\$ (655,032)	\$ (687,234)	\$ 273,014	\$ 1,748,660	\$ (200,278)	\$ 470,068	\$ 22,518	\$ 2,000,471	\$ (38,612)
Debt Service As A Percentage Of										
Noncapital Expenditures	0.54%	0.50%	0.51%	0.48%	0.49%	0.43%	0.42%	0.60%	0.30%	0.28%

* Noncapital expenditures are total expenditures less capital outlay.

Source: District's financial statements

**HOPATCONG BOARD OF EDUCATION
GENERAL FUND OTHER LOCAL REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(Unaudited)**

Fiscal Year Ended June 30	Interest	Tuition	Prior Year Appropriation Refunds/Donations	Special/ Community Projects	Rentals	Prior Year Accounts Payable Cancelled	Miscellaneous	Total
2007	\$ 252,106	\$ 92,321	\$ 13,171		\$ 67,743		\$ 41,170	\$ 466,511
2008	173,754	91,570	33,798		70,168		11,020	380,310
2009	38,937	91,807	7,647	\$ 100,000	72,508	\$ 8,000	33,241	352,140
2010	22,975		7,689	70,000	75,116	34,452	58,829	269,061
2011	20,389		36,045	70,000	77,825	10,792	56,526	271,577
2012	21,270		62,210	70,000	79,255	11,050	25,389	269,174
2013	12,474		28,049		82,112		70,648	193,283
2014	9,803	17,610	43,284		88,211	12,133	45,057	216,098
2015	9,751	1,300	-		92,400	-	302,783	406,234
2016	8,442	4,895	-		-	-	161,096	174,433

Source: District financial records

**HOPATCONG BOARD OF EDUCATION
 ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN YEARS
 (Unaudited)**

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Total Assessed Value	Public Utilities	Net Valuation Taxable	Tax-Exempt Property	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate ^a
2007 *	\$44,950,700	\$ 1,916,714,600	\$ 2,295,400	\$ 1,906,200	\$ 108,771,800	\$ 486,800	\$ 2,075,125,500	\$ 1,378,353	\$ 2,076,503,853	\$ 98,598,500	\$ 1,734,782,768	\$ 2.15
2008	44,278,050	1,912,868,400	2,295,400	247,600	96,350,000	486,800	2,056,526,250	1,463,435	2,057,989,685	98,519,200	1,858,757,494	0.93
2009	42,912,500	1,912,360,300	2,295,400	247,600	89,741,900	486,800	2,048,044,500	1,558,691	2,049,603,191	98,712,100	1,927,858,579	0.96
2010	40,926,100	1,914,150,400	2,980,800	249,500	88,509,500	486,800	2,047,303,100		2,047,303,100	100,050,600	1,896,190,997	1.00
2011	38,205,400	1,907,643,400	3,344,700	255,800	87,506,900	486,800	2,037,443,000		2,037,443,000	102,205,800	1,845,166,470	1.05
2012	37,531,500	1,875,303,700	3,320,700	255,800	79,589,300	421,100	1,996,422,100		1,996,422,100	102,385,600	1,748,802,573	1.10
2013 *	20,393,000	1,305,041,400	2,561,100	277,300	71,189,800	345,500	1,399,808,100		1,399,808,100	74,886,300	1,650,911,782	1.664
2014	18,550,400	1,302,275,200	3,012,800	281,700	72,203,200	345,500	1,396,668,800		1,396,668,800	76,555,200	1,601,317,129	1.706
2015	18,332,200	1,302,892,800	3,012,800	250,300	76,078,400	345,500	1,400,912,000		1,400,912,000	76,713,800	1,606,957,427	1.733
2016	15,936,800	1,302,854,200	3,012,800	250,300	76,113,100	345,500	1,398,512,700		1,398,512,700	77352800	1,636,821,275	1.744

* Revaluation Year

Source: County Abstract of Ratables

^a Tax rates are per \$100

**HOPATCONG BOARD OF EDUCATION
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
PER \$100 OF ASSESSED VALUATION
LAST TEN FISCAL YEARS
(Unaudited)**

<u>Assessment Year</u>	<u>Hopatcong Board of Education Direct Rate</u>			<u>Overlapping Rates</u>		<u>Total</u>
	<u>Basic Rate a</u>	<u>General Obligation Debt Service b</u>	<u>Total Direct</u>	<u>Hopatcong Borough</u>	<u>Sussex County</u>	
2007 *	\$ 2.13	\$ 0.02	\$ 2.15	\$ 0.95	\$ 0.73	\$ 3.83
2008	0.92	0.01	0.93	0.42	0.33	1.68
2009	0.95	0.01	0.96	0.47	0.34	1.77
2010	0.99	0.01	1.00	0.52	0.36	1.88
2011	1.04	0.01	1.05	0.56	0.37	1.98
2012	1.09	0.01	1.10	0.58	0.39	2.07
2013 *	1.654	0.010	1.664	0.885	0.547	3.096
2014	1.696	0.010	1.706	0.908	0.618	3.232
2015	1.733	-	1.733	0.917	0.593	3.243
2016	1.744	-	1.744	0.926	0.648	3.318

* Revaluation Year

a The District's basic tax rate is calculated from the A4f Form which is submitted with the budget and the Net Valuation Table.

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

Source: Municipal Tax Assessor

HOPATCONG BOARD OF EDUCATION
 PRINCIPAL PROPERTY TAXPAYERS
 CURRENT YEAR AND NINE YEARS AGO
 (Unaudited)

Taxpayer	2016		2007	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
Weldon Quarry Corporation	\$ 15,005,100	1.07%		
Individual Taxpayer #1	5,864,000	0.42%		
Heller Property Partners, LP	4,255,600	0.30%		
IAT Reinsurance Company	4,157,300	0.30%		
Durling Realty, LLC	2,615,500	0.19%		
RPC Andover, LLC	2,491,500	0.18%		
Locor Realty Corp	2,445,100	0.17%		
BJ Properties	2,377,300	0.17%		
River Styx Properties, LLC	1,900,000	0.14%		
Individual Taxpayer #2	1,858,900	0.13%		
Total	42,970,300	3.07%	\$ -	0.00%

INFORMATION NOT AVAILABLE

Source: Municipal Tax Assessor

**HOPATCONG BOARD OF EDUCATION
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(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	\$ 19,023,005	\$ 19,023,005	100.00%	-
2008	19,534,119	19,534,119	100.00%	-
2009	20,005,858	20,005,858	100.00%	-
2010	20,827,218	20,827,218	100.00%	-
2011	22,145,950	22,145,950	100.00%	-
2012	22,631,863	22,631,863	100.00%	-
2013	23,077,257	23,077,257	100.00%	-
2014	23,521,286	23,521,286	100.00%	-
2015	24,149,801	24,149,801	100.00%	-
2016	24,391,299	24,391,299	100.00%	-

Source: District financial records

HOPATCONG BOARD OF EDUCATION
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year Ended June 30,	Governmental Activities		Business-Type Activities	Total District	Population	Per Capita
	General Obligation Bonds	Capital Leases/Lease Purchase	Capital Leases			
2007	\$ 1,035,000	\$ 1,199,024	\$ 39,056	\$ 2,273,080	15,636	\$ 145
2008	885,000	1,297,263	70,384	2,252,647	15,574	145
2009	735,000	973,587	51,568	1,760,155	15,521	113
2010	585,000	955,832	57,403	1,598,235	15,137	106
2011	435,000	835,852	10,892	1,281,744	15,056	85
2012	285,000	602,612		887,612	14,932	59
2013	135,000	512,610	16,494	664,104	14,791	45
2014	-	435,115	13,482	448,597	14,683	31
2015	-	428,315	112,083	540,398	14,510	37
2016	-	328,163	88,044	416,207	14,510	29

Source: District records

**HOPATCONG BOARD OF EDUCATION
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(Unaudited)**

Fiscal Year Ended June 30,	General Bonded Debt Outstanding		Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value a of Property	Per Capita b
	General Obligation Bonds	Deductions			
2007	\$ 1,035,000	-	\$ 1,035,000	0.050%	\$ 70.72
2008	885,000	-	885,000	0.043%	56.83
2009	735,000	-	735,000	0.036%	47.36
2010	585,000	-	585,000	0.029%	38.65
2011	435,000	-	435,000	0.021%	28.89
2012	285,000	-	285,000	0.014%	19.09
2013	135,000	-	135,000	0.010%	9.13
2014	-	-	NONE	0.000%	-
2015	-	-	NONE	0.000%	-
2016	-	-	NONE	0.000%	-

Source: District records

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

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

**HOPATCONG BOARD OF EDUCATION
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT
 AS OF DECEMBER 31, 2015
 (Unaudited)**

Net Direct Debt of School District as of June 30, 2016		\$ -
Net Overlapping Debt of School District		
Borough of Hopatcong	\$ 8,644,960	
County of Sussex General Obligation Debt	<u>10,729,903</u>	
		<u>19,374,863</u>
 Hopatcong Board of Education Direct Debt		 -
 Total Direct and Overlapping Debt as of June 30, 2016		 <u>\$ 19,374,863</u>

- (A) The debt for this entity was apportioned by dividing the Municipality's 2015 equalized value by the total 2015 equalized value for Sussex County.
- (B) Overlapping debt was computed based upon usage

Sources:

- (1) Borough of Hopatcong 2015 Annual Debt Statement
- (2) Sussex County 2015 Annual Debt Statement
- (3) Sussex County Utilities Authority

HOPATCONG BOARD OF EDUCATION
 LEGAL DEBT MARGIN INFORMATION
 LAST TEN FISCAL YEARS

	Fiscal Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt Limit	\$ 60,619,278	\$ 68,099,281	\$ 73,774,186	\$ 76,330,808	\$ 74,693,436	\$ 72,275,667	\$ 71,061,741	\$ 68,365,919	\$ 65,932,970	\$ 65,214,745
Total Net Debt Applicable To Limit	1,035,000	885,000	735,000	585,000	435,000	285,000	135,000	-	-	-
Legal Debt Margin	\$ 59,584,278	\$ 67,214,281	\$ 73,039,186	\$ 75,745,808	\$ 74,258,436	\$ 71,990,667	\$ 70,926,741	\$ 68,365,919	\$ 65,932,970	\$ 65,214,745
Total net debt applicable to the limit as a percentage of debt limit	1.71%	1.30%	1.00%	0.77%	0.58%	0.39%	0.19%	0.00%	0.00%	0.00%

Legal Debt Margin Calculation for Fiscal Year 2016

Equalized Valuation Basis

2015	\$ 1,638,876,930
2014	1,601,317,129
2013	1,650,911,782
	<u>\$ 4,891,105,841</u>

Average Equalized Valuation of Taxable Property

\$ 1,630,368,614

Debt Limit (4 % of Average Equalization Value)

65,214,745

Total Net Debt Applicable to Limit

Legal Debt Margin

\$ 65,214,745

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

**HOPATCONG BOARD OF EDUCATION
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
(Unaudited)**

<u>Year</u>	<u>Population</u>	<u>County Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2007	15,636	\$ 45,638	5.7%
2008	15,574	47,416	5.4%
2009	15,521	46,021	6.9%
2010	15,137	46,659	11.4%
2011	15,056	48,471	12.1%
2012	14,932	50,169	11.8%
2013	14,791	50,534	11.7%
2014	14,683	52,851	9.4%
2015	14,510	52,851 Est.	6.6%
2016	14,510 Est.	52,851 Est.	5.6%

Source: New Jersey State Department of Education

Est. - Estimated

HOPATCONG BOARD OF EDUCATION
 PRINCIPAL EMPLOYERS,
 CURRENT YEAR AND NINE YEARS AGO
 (Unaudited)

<u>2016</u>			<u>2007</u>	
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>

INFORMATION NOT AVAILABLE

**HOPATCONG BOARD OF EDUCATION
 FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS
 (Unaudited)**

<u>Function/Program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Instruction										
Regular	204	202	202	178	157	152	152	161	173	174
Support Services										
Student and Instruction Related Services	36	37	37	40	40	34	41	37	41	41
School Administrative Services	13	13	13	14	13	13	17	13	14	15
General and Business Administrative Services	8	8	8	7	7	7	12.5	10	10	10
Plant Operations and Maintenance	28	27	27	27	27	27	26.5	27	26	27
Total	<u>289</u>	<u>287</u>	<u>287</u>	<u>266</u>	<u>244</u>	<u>233</u>	<u>249</u>	<u>248</u>	<u>264</u>	<u>267</u>

Source: District Personnel Records

HOPATCONG BOARD OF EDUCATION
 OPERATING STATISTICS
 LAST TEN FISCAL YEARS
 (Unaudited)

Fiscal Year	Enrollment	Operating Expenditures (A)	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Teacher/Pupil Ratio			Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School	High School				
2007	2,488	\$ 36,134,870	14,524	8.07%	243	1:12	1:11	1:11	2,488	2,335	-2.28%	93.85%
2008	2,433	38,058,196	15,642	7.70%	243	1:12	1:11	1:11	2,433	2,240	-2.21%	92.07%
2009	2,287	36,227,534	15,841	1.27%	243	1:12	1:11	1:11	2,287	2,153	-6.00%	94.14%
2010	2,195	36,813,509	16,772	5.88%	218	1:12	1:10	1:11	2,195	2,047	-4.02%	93.26%
2011	2,110	35,203,469	16,684	-0.52%	197	1:21	1:17	1:17	2,110	1,985	-3.87%	94.08%
2012	2,021	38,219,380	18,911	13.35%	186	1:22	1:18	1:18	2,021	1,903	-4.22%	94.16%
2013	1,886	38,058,946	20,180	6.71%	193	1:08	1:09	1:10	1,886	1,790	-6.68%	94.91%
2014	1,818	38,260,294	21,045	11.29%	198	1:21	1:18	1:19	1,818	1,721	-10.04%	94.66%
2015	1,742	37,893,219	21,753	7.79%	186	1:20	1:17	1:18	1,672	1,581	-11.35%	94.56%
2016	1,588	40,477,924	25,490	21.12%	186	1:20	1:17	1:18	1,600	1,517	-11.99%	94.81%

Sources: District records

(A) Includes General and Special Revenue Funds

**HOPATCONG BOARD OF EDUCATION
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
(Unaudited)**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<u>District Building</u>										
<u>High School</u>										
Square Feet	196,855	196,855	196,855	196,855	196,855	196,855	196,855	196,855	196,855	196,855
Capacity (students)	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Enrollment	787	791	748	729	713	673	622	574	574	592
<u>Durban Avenue School</u>										
Square Feet	55,065	55,065	55,065	55,065	55,065	55,065	55,065	55,065	55,065	55,065
Capacity (students)	487	487	487	487	487	487	487	487	487	487
Enrollment	389	380	344	329	312	303	274	257	257	214
<u>Middle School</u>										
Square Feet	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000
Capacity (students)	791	791	791	791	791	791	791	791	791	791
Enrollment	613	612	600	528	518	483	449	398	398	294
<u>Hudson Maxim School</u>										
Square Feet	33,660	33,660	33,660	33,660	33,660	33,660	33,660	33,660	33,660	33,660
Capacity (students)	490	490	490	490	490	490	490	490	490	490
Enrollment	339	310	296	313	267	283	288	274	274	257
<u>Tulsa Trail School</u>										
Square Feet	32,184	32,184	32,184	32,184	32,184	32,184	32,184	32,184	32,184	32,184
Capacity (students)	500	500	500	500	500	500	500	500	500	500
Enrollment	360	340	323	296	300	279	253	252	252	231
<u>Other</u>										
<u>Administration Building</u>										
Square Feet	12,735	12,735	12,735	12,735	12,735	12,735	12,735	12,735	12,735	12,735
<u>Field House</u>										
Square Feet	3,840	3,840	3,840	3,840	3,840	3,840	3,840	3,840	3,840	3,840
<u>Maintenance Sheds</u>										
Square Feet	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
<u>Garage</u>										
Square Feet	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
<u>Storage Building</u>										
Square Feet	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Number of Schools at June 30, 2016										
Elementary =	3									
Middle School =	1									
High School =	1									
Other =	5									

Source: District Records

**HOPATCONG BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
LAST TEN YEARS
(Unaudited)**

<u>School</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>
High School	\$ 390,163	\$ 511,791	\$ 423,254	\$ 432,226	\$ 345,823	\$ 832,018	\$ 650,711	\$ 474,901	\$ 353,020	\$ 617,966
Durban Avenue School	109,137	143,160	118,394	120,904	96,735	232,735	182,019	132,841	98,747	172,858
Middle School	168,468	220,986	182,757	186,631	149,323	359,257	280,970	205,058	152,430	266,830
Hudson Maxim School	66,713	87,511	72,372	73,906	59,132	142,266	111,264	81,203	60,362	105,664
Tulsa Trail School	63,788	83,673	69,198	70,665	56,539	136,027	106,385	77,642	57,715	101,031
Administration Building	25,240	33,109	27,381	27,962	22,372	53,825	42,096	30,722	22,837	39,976
Field House	7,611	9,983	8,256	8,431	6,746	16,230	12,693	9,264	6,886	12,054
Maintenance Sheds	7,928	10,399	8,600	8,782	7,027	16,906	13,222	9,650	7,173	12,556
Garage	2,378	3,120	2,580	2,635	2,108	5,072	3,967	2,895	2,152	3,767
Storage Building	<u>1,982</u>	<u>2,600</u>	<u>2,150</u>	<u>2,195</u>	<u>1,757</u>	<u>4,227</u>	<u>3,306</u>	<u>2,412</u>	<u>1,793</u>	<u>3,139</u>
Grand Total	<u>\$ 843,408</u>	<u>\$ 1,106,332</u>	<u>\$ 914,942</u>	<u>\$ 934,337</u>	<u>\$ 747,562</u>	<u>\$ 1,798,563</u>	<u>\$ 1,406,633</u>	<u>\$ 1,026,588</u>	<u>\$ 763,115</u>	<u>\$ 1,335,841</u>

**HOPATCONG BOARD OF EDUCATION
SCHEDULE OF INSURANCE
JUNE 30, 2016
(Unaudited)**

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy - School Alliance Insurance Fund		
Building and Personal Property	\$ 250,000,000	\$ 2,500
Inland Marine - Auto Physical Damage		
General Liability including Auto, Employee Benefits:	5,000,000	
Benefits:		
Each Occurrence		
General Aggregate	100,000,000	Fund Agg.
Product/Completed Ops		
Personal Injury		
Fire Damage	2,500,000	
Medical Expenses (excluding students taking part in athletics)	10,000	
Automobile Coverage		
Combined Single Limit		
Hired/Non-owned		
Environmental Impairment Liability	1,000,000/25,000,000	Fund Agg. 5,000
Crime Coverage	50,000	1,000
Blanket Dishonesty Bond	500,000	1,000
Boiler and Machinery	100,000,000	2,500
Excess Liability (AL/GL)	5,000,000	
School Board Legal		
Excess SLPL	5,000,000/5,000,000	10,000
Workers' Compensation	Statutory	
Employer's Liability	5,000,000	
Supplemental Indemnity	Statutory	
Public Official's Bond		
Treasurer of School Monies	300,000	
Business Administrator/Board Secretary	300,000	

Source: School District's records

SINGLE AUDIT SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-1

DIETER P. LERCH, CPA, RMA, PSA
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SHERYL M. NICOLosi, CPA
ROBERT AMPONSAH, CPA

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR’S REPORT

Honorable President and Members
of the Board of Trustees
Hopatcong Board of Education
Hopatcong, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hopatcong Board of Education as of and for the fiscal year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the Hopatcong Board of Education’s basic financial statements and have issued our report thereon dated November 22, 2016.

Internal Control Over Financial Reporting

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

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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2016-001 and 2016-002 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hopatcong Board of Education'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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey and which are described in the accompanying schedule of findings and questioned costs as items 2016-001 and 2016-002

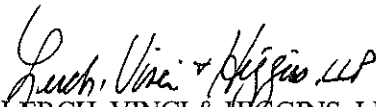
We also noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the Hopatcong Board of Education in a separate report entitled, "Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance" dated November 22, 2016.


Hopatcong Board of Education's Responses to Findings

The Hopatcong Board of Education's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Hopatcong Board of Education's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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 Hopatcong Board of Education'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 Hopatcong Board of Education's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants


Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
November 22, 2016



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-2

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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE U.S. UNIFORM GUIDANCE-AND
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE REQUIRED BY NEW JERSEY OMB
CIRCULAR 15-08**

INDEPENDENT AUDITOR’S REPORT

Honorable President and Members
of the Board of Trustees
Hopatcong Board of Education
Hopatcong, New Jersey

Report on Compliance for Each Major Federal and State Program

We have audited the Hopatcong Board of Education’s compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement and the New Jersey OMB Circular 15-08 State Aid/ Grant Compliance Supplement that could have a direct and material effect on each of Hopatcong Board of Education’s major federal and state programs for the fiscal year ended June 30, 2016. The Hopatcong Board of Education’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 federal and state statutes, regulations, and the terms and conditions of its federal awards and state financial assistance applicable to its federal and state programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the Hopatcong Board of Education’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; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; 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 New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards, U.S. Uniform Guidance and New Jersey Circular 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 Hopatcong Board of Education’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 Hopatcong Board of Education's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the Hopatcong Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the U.S. Uniform Guidance and New Jersey OMB Circular 15-08 and which are described in the accompanying schedule of findings and questioned costs as items 2016-003, 2016-004 and 2016-005. Our opinion on each major federal and state program is not modified with respect to these matters.

The Hopatcong Board of Education's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Hopatcong Board of Education's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the Hopatcong Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Hopatcong Board of Education'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 U.S. Uniform Guidance and New Jersey OMB Circular 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 Hopatcong Board of Education's internal control over compliance.


A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-003 that we consider to be significant deficiencies.

The Hopatcong Board of Education's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Hopatcong Board of Education's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Schedules of Expenditures of Federal Awards Required by the U.S. Uniform Guidance and Schedule of Expenditures of State Financial Assistance Required by New Jersey OMB Circular 15-08

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hopatcong Board of Education, as of and for the fiscal year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements. We issued our report thereon dated November 22, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards as required by the U.S. Uniform Guidance and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.


LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants


Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
November 22, 2016

HOPKINGTON BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Federal CFDA Number	FAIN Number	Grant Period	Award Amount	(Accounts Receivable)	Balance June 30, 2016 Unearned Revenue	Due to Grantor	Due Rev Carryover	A/R Carryover	Cash Received	Budgetary Expenditures	Adjustment	Accounts Receivable	Unearned Revenue	Due to Grantor	Memorandum GAAP Reservable	
Special Revenue Funds																
84-010	8010A150030	7/01/15-6/30/16	\$ 220,930	\$ (121,860)	\$ 10,479	\$ -	\$ 5,938	\$ (5,938)	\$ 184,729	\$ 220,938	(4,540)	\$ (42,139)	\$ -	\$ (42,139)		
84-010	8367A150029	7/01/15-6/30/15	214,892	(25,706)	10,127	-	5,938	(5,938)	41,714	48,206	(10,127)	(6,901)	409	(6,902)		
84-367A		7/01/14-6/30/15	49,074	-	-	-	(1)	1	25,705	-	-	-	-	-		
84-027	6027A150100	7/01/15-6/30/16	576,650	-	-	-	-	-	552,740	576,650	-	(23,910)	-	(23,910)		
84-173	H173A150114	7/01/15-6/30/16	19,838	(10,929)	-	-	-	-	11,838	19,838	-	(6,000)	-	(6,000)		
84-173		7/01/14-6/30/15	19,525	(10,929)	-	-	-	-	574,526	596,488	-	(31,910)	-	(31,910)		
84-413	16E00039	9/1/15-8/31/16	75,000	-	-	-	-	-	46,377	75,000	-	(26,623)	-	(26,623)		
84-413A		9/1/14-11/30/15	19,474	(19,474)	663	-	-	-	18,811	-	-	(663)	-	-		
Total Special Revenue Fund																
				(177,060)	21,269	-	-	-	1,007,856	946,562	(14,667)	(109,573)	409	(109,164)		
U.S.D.A. Department of Agriculture Passed Through State Department of Education																
16-535	51GINT04N106	7/01/15-6/30/16	\$ 38,887	\$ (16,308)	-	-	\$ -	\$ 38,887	\$ 35,756	-	-	-	\$ 3,131	-		
16-535	71014-638015		189,062	-	-	-	-	16,308	189,062	-	-	-	-	-		
16-535	51GINT04N106	7/01/15-6/30/16	185,711	(2,502)	-	-	-	178,340	185,711	-	-	(7,171)	-	(7,171)		
16-535	71014-638015		24,475	-	-	-	-	23,153	24,475	-	-	(1,322)	-	(1,322)		
16-535	51GINT04N106	7/01/15-6/30/16	24,475	-	-	-	-	-	-	-	-	-	-	-		
Total Enterprise Fund				(18,810)	-	-	-	-	239,390	245,242	-	(8,493)	3,131	(8,493)		
U's Department of Health and Human Services- Passed through State Department of Human Services																
93-778	1603NUSMAP	7/01/15-6/30/14	27,365	-	-	-	-	-	26,792	27,385	-	(7,385)	-	(7,385)		
93-778		7/01/15-6/30/16	30,176	-	-	-	-	-	30,166	30,166	-	(3,964)	-	(3,964)		
Total Federal Financial Awards				(195,870)	21,269	-	-	-	1,294,038	1,250,645	(14,667)	(664)	(664)	(149,046)	(149,046)	

a cancelled encumbrances
b prior year adjustments

Note - FAIN numbers are only applicable for current year grant awards

HOPATCONG BOARD OF EDUCATION
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

State Department of Education	Grant or State Project Number	Grant	Award Amount	Balance June 30, 2015	Carryover Amount	Cash Received	Budgetary Expenditures	Cancellation	Repayment of Prior Year Balances	Balance June 30, 2016			Memorandum		
										(Accts. Receivable)	Unearned Revenue	Due to Grantor	GAAP Receivable	Budgetary Expenditures	
General Fund:															
Transportation Aid	15-495-034-5120-014	7/1/14-6/30/15	\$ 668,951	\$ (66,220)		\$ 66,220									
Transportation Aid	16-495-034-5120-014	7/1/15-6/30/16	668,951			602,955	\$ 668,951			\$ (65,996)				\$ 668,951	
Nonpublic Transportation Costs	15-495-034-5120-014	7/1/14-6/30/15	20,149	(20,149)		20,149									
Nonpublic Transportation Costs	16-495-034-5120-014	7/1/15-6/30/16	23,823				23,823			(23,823)				\$ (23,823)	23,823
Total Transportation Aid Cluster				(86,369)		689,324	692,774			(89,819)				(23,823)	692,774
Equalization Aid	15-495-034-5120-078	7/1/14-6/30/15	5,217,357	(516,468)		516,468									
Equalization Aid	16-495-034-5120-078	7/1/15-6/30/16	5,217,357			4,702,631	5,217,357			(514,726)					5,217,357
Special Education Categorical Aid	15-495-034-5120-089	7/1/14-6/30/15	1,104,933	(109,378)		109,378									
Special Education Categorical Aid	16-495-034-5120-089	7/1/15-6/30/16	1,104,933			995,924	1,104,933			(109,009)					1,104,933
Security Aid	15-495-034-5120-084	7/1/14-6/30/15	232,021	(22,968)		22,968									
Security Aid	16-495-034-5120-084	7/1/15-6/30/16	232,021			209,131	232,021			(22,890)					232,021
Adjustment Aid	15-495-034-5120-085	7/1/14-6/30/15	4,126,103	(408,445)		408,445									
Adjustment Aid	16-495-034-5120-085	7/1/15-6/30/16	4,126,103			3,719,037	4,126,103			(407,066)					4,126,103
PARCC Readiness Aid	15-495-034-5120-098	7/1/14-6/30/15	16,905	(1,673)		1,673									
PARCC Readiness Aid	16-495-034-5120-098	7/1/15-6/30/16	16,905			15,237	16,905			(1,668)					16,905
Per Pupil Growth Aid	15-495-034-5120-097	7/1/14-6/30/15	16,905	(1,673)		1,673									
Per Pupil Growth Aid	16-495-034-5120-097	7/1/15-6/30/16	16,905			15,237	16,905			(1,668)					16,905
Total State Aid - Public Cluster				(1,060,605)		10,717,802	10,714,224			(1,057,027)					10,714,224
District Reimbursement for Extraordinary Costs	15-100-034-5120-473	7/1/14-6/30/15	133,325	(133,325)		133,325									
District Reimbursement for Extraordinary Costs	16-100-034-5120-473	7/1/15-6/30/16	113,661				113,661			(113,661)					113,661
On-Behalf TPAF Pension System-NCGI Prem.	16-495-034-5094-007	7/1/15-6/30/16	57,785			57,785									57,785
On-Behalf TPAF Pension Benefit Contributions Normal	16-495-034-5094-006	7/1/15-6/30/16	1,160,030			1,160,030	1,160,030								1,160,030
On-Behalf TPAF Post Retirement-Medical	16-495-034-5094-001	7/1/15-6/30/16	1,450,081			1,450,081	1,450,081								1,450,081
Reimbursed TPAF Social Security Contributions	14-495-034-5095-002	7/1/13-6/30/14	1,036,821	(52,365)		52,365									
Reimbursed TPAF Social Security Contributions	16-495-034-5094-003	7/1/15-6/30/16	1,122,208			1,089,343	1,122,208			(32,865)				(32,865)	1,122,208
Total General Fund				(1,332,664)		15,350,055	15,310,763			(1,293,372)				(56,688)	15,310,763
Special Revenue Fund:															
NJ Achievement Coaches	15E00131	2/1/15-12/31/15	35,000			35,000	35,000								35,000
Total Special Revenue Fund						35,000	35,000								35,000
Enterprise Fund:															
State School Lunch Program	15-100-010-3350-023	7/1/14-6/30/15	6,515	(730)		730									
State School Lunch Program	16-100-010-3350-023	7/1/15-6/30/16	6,000			5,767	6,000			(233)				(233)	6,000
Total State Financial Assistance Subject to Single Audit Determination				(1,333,394)		15,391,552	15,351,763			(1,293,605)				(56,921)	15,351,763
Less On-Behalf TPAF Pension and Annuity Aid															
On-Behalf TPAF Pension System-NCGI Prem.	16-495-034-5095-007	7/1/15-6/30/16	57,785			57,785	57,785								\$ 57,785
On-Behalf TPAF Pension Benefit Contributions Normal	16-495-034-5095-006	7/1/15-6/30/16	1,160,030			1,160,030	1,160,030								1,160,030
On-Behalf TPAF Post Retirement-Medical	16-495-034-5095-001	7/1/15-6/30/16	1,450,081			1,450,081	1,450,081								1,450,081
Subject to Single Audit						2,667,896	2,667,896								2,667,896
Total for State Financial Assistance Major Program Determination				(1,333,394)		12,723,656	12,683,867			(1,293,605)				(56,921)	12,683,867

**HOPATCONG BOARD OF EDUCATION
 NOTES TO THE SCHEDULES OF EXPENDITURES OF
 FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 GENERAL

The accompanying schedules present the activity of all federal and state financial assistance programs of the Hopatcong Board of Education. The Board of Education is defined in Note 1(A) to the Board's financial statements. All federal financial assistance received directly from federal agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedules of expenditures of federal awards and state financial assistance.

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedules are prepared and presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These basis of accounting are described in Notes 1(C) to the Board's financial statements. The information in these schedules is presented in accordance with the requirements of 2 CFR 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (U.S. Uniform Guidance) and New Jersey OMB Circular 15-08, “Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid”. Therefore, some amounts presented in these schedules may differ from the amounts presented in, or used in the preparation of, the financial statements.

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on a modified accrual basis with the exception of the revenue recognition of the delayed state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes, those payments are not recognized until the subsequent year due to the state deferral and recording of certain 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 revenues, which may include the delayed state aid payments, whereas the GAAP basis does not. The special revenue fund also recognizes the delayed state aid payments in the current budget year, consistent with N.J.S.A. 18A:22-44.2.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is an increase of \$23,466 for the general fund and an increase of \$509 for the special revenue fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 58,141	\$ 15,334,229	\$ 15,392,370
Special Revenue Fund	947,071	35,000	982,071
Food Service Fund	245,942	6,000	251,942
	<hr/>	<hr/>	<hr/>
Total Financial Assistance	<u>\$ 1,251,154</u>	<u>\$ 15,375,229</u>	<u>\$ 16,626,383</u>

**HOPATCONG BOARD OF EDUCATION
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules may not necessarily agree with the amounts reported in the related federal and state financial reports due to timing differences between the District's fiscal year and grant program years.

NOTE 5 OTHER INFORMATION

Revenues and expenditures reported under the Food Distribution Program as non-cash assistance represent current year value received and current year distributions, respectively. TPAF Social Security contributions in the amount of \$1,122,208 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2016. The amount reported as TPAF Pension System Contributions in the amount of \$1,217,815 and TPAF Post-Retirement Medical Benefits Contributions in the amount of \$1,450,081 represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2016.

NOTE 6 ON-BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT

On-behalf State Programs for TPAF Pension and Post-Retirement Medical Benefits Contributions are not subject to a State single audit and, therefore, are excluded from major program determination. The Schedule of State Financial Assistance provides a reconciliation of State financial assistance reported in the District's financial statements and the amount subject to State single audit and major program determination.

NOTE 7 DE MINIMIS INDIRECT COST RATE

The District has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**HOPATCONG BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Part I – Summary of Auditor’s Results

Financial Statement Section

Type of auditors' report issued on financial statements Unmodified

Internal control over financial reporting:

1) Material weakness(es) identified: _____ yes X no

2) Significant deficiencies identified that are not considered to be material weaknesses? X yes _____ no

Noncompliance material to the basic financial statements noted? X yes _____ no

Federal Awards Section

Internal Control over major programs:

1) Material weakness(es) identified: _____ yes X no

2) Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X no

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? _____ yes X no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>FAIN Number</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027</u>	<u>H027A150100</u>	<u>IDEA, Part B Basic</u>
<u>84.173</u>	<u>H173A150114</u>	<u>IDEA, Part B Preschool</u>
_____	_____	_____
_____	_____	_____

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? _____ yes X no

HOPATCONG BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Part I – Summary of Auditor’s Results

State Awards Section

Internal Control over major programs:

(1) Material weakness(es) identified yes X no

(2) Significant deficiencies identified that are not considered to be material weakness(es) X yes no

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with N.J. Circular Letter 15-08? X yes no

Identification of major state programs:

<u>GMIS Number(s)</u>	<u>Name of State Program</u>
<u>495-034-5120-078</u>	<u>Equalization Aid</u>
<u>495-034-5120-089</u>	<u>Special Education Aid</u>
<u>495-034-5120-084</u>	<u>Security Aid</u>
<u>495-034-5120-085</u>	<u>Adjustment Aid</u>
<u>495-034-5120-098</u>	<u>PARCC Readiness Aid</u>
<u>495-034-5120-097</u>	<u>Per Pupil Growth Aid</u>
<u>495-034-5094-003</u>	<u>Reimbursed TPAF Social Security Contributions</u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? yes X no

**HOPATCONG BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Part 2 – Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements and abuse related to the financial statements in accordance with Government Auditing Standards.

Finding 2016-001

Finding – Our audit noted the following:

- Open encumbrances totaling \$206,558 represented orders where goods/services were received prior to June 30, 2016 and should have been classified as accounts payable.
- There was an amount classified as an accounts payable at year end in the amount of \$17,483 that should have been classified as a reserve for encumbrance.
- There were unrecorded purchase orders at June 30, 2016 in the amount of \$51,599 that should have been recorded as accounts payable.

Criteria or specific requirement

State Department of Education’s GAAP Technical Systems Manual, Generally Accepted Accounting Principles.

Condition

Reserve for encumbrances and accounts payable balances were not properly stated at June 30, 2016.

Questioned Costs

None.

Context

See Finding 2016-001.

Effect

Reserve for encumbrances and accounts payable balances were not properly stated in the District’s financial records.

Recommendation

It is recommended that year end closing procedures be reviewed and enhanced to ensure open purchase orders are complete and properly classified as accounts payable or encumbrances.

Views of Responsible Officials and Planned Corrective Action

Management has reviewed this finding and has indicated it will review and revise its procedures to ensure corrective action is taken.

**HOPATCONG BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Part 2 – Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements and abuse related to the financial statements in accordance with Government Auditing Standards.

Finding 2016-002:

Our audit of the District's year end bank reconciliation balances revealed the District's Sussex Regional Cooperative Transportation Services cash balance was in an overdraft position of \$844,688 at June 30, 2016.

Criteria or specific requirement:

The State Department of Education's GAAP Technical Systems Manual

Condition:

The Transportation services reconciled cash balance was in an overdraft position.

Questioned Costs:

None.

Context:

It appears that most checks with a check list dated June 30, 2016 were not actually issued until after late July 2016.

Effect:

The transportation services reconciled cash balance was in an overdraft position of \$844,688 at June 30, 2016.

Recommendation:

Internal controls be enhanced to ensure cash balances are monitored to prevent cash overdrafts from occurring.

Views of Responsible Officials and Planned Corrective Action Plan:

Management has reviewed this finding and has indicated it will review its procedures to ensure corrective action is taken.

**HOPATCONG BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by U.S. Uniform Guidance and New Jersey OMB's Circular 15-08.

CURRENT YEAR FEDERAL AWARDS

There are none.

**HOPATCONG BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by U.S. Uniform Guidance and New Jersey OMB's Circular 15-08.

CURRENT YEAR STATE AWARDS

Finding 2016-003

Our audit noted the following with regards to compliance with the Public School Contracts Law:

- There were three instances where the District was unable to provide proof that quotes were obtained.
- There were several instances where a Business Registration Form or Political Contribution Disclosure Form was not on file at the time the contract was awarded. All but three Public Contribution Disclosure Forms were subsequently received.
- There were three instances where the advertisement for a professional service contract awarded was not done.
- There were two instances where aggregate purchases for a vendor exceeded \$36,000 for which bids were not obtained.
- There was one instance where bid documents were not available for audit.
- Cooperative agreement purchases that exceed the bid threshold are not approved by Board resolution.

State Program Information

Equalization Aid	495-034-5120-078
Special Education Aid	495-034-5120-089
Security Aid	495-034-5120-084
Adjustment Aid	495-034-5120-085
PARCC Reading Aid	495-034-5120-098
Per Pupil Growth Aid	495-034-5120-067

Criteria or Specific Requirement

State Grant Compliance Supplements
N.J.S.A. 18:18A-4 Contracts and Agreements Requiring Advertising
N.J.S.A. 52:15C-10

Condition

See Finding 2016-003.

Questioned Cost

Undeterminable.

Context

- Quotes were not obtained for the following:
 - Installation of Lockers - \$33,000
 - Plumbing repairs - \$28,996
 - Boiler Repairs - \$25,746
- Purchases exceeding \$36,000 for which bids were not obtained for uniforms and flooring.

**HOPATCONG BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by U.S. Uniform Guidance and New Jersey OMB's Circular 15-08.

CURRENT YEAR STATE AWARDS (Continued)

Finding 2016-003 (Continued)

Context (Continued)

- Political Contribution Forms were not obtained for locker installation, door repairs and boiler repairs.
- Contracts were not approved by resolution for the purchases made under cooperative purchasing agreements.
- The bid documents for windows could not be located.

Effect

It appears that the District is not in compliance with Public School Contracts Law.

Recommendation

- Bids and/or quotations be obtained whenever a purchase exceeds the limit set forth by the Public School Contracts Law.
- Business Registration and Political Contribution Disclosure Forms be on file when required.
- All contracts/purchases in excess of the bid threshold made under cooperative purchasing agreements be approved by Board resolution.
- All bid documents be available for audit.
- All professional service contracts be advertised when awarded.

Views of Responsible Officials and Planned Corrective Action

Management has reviewed this finding and has indicated it will review and revise its procedures to ensure corrective action is taken.

**HOPATCONG BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by U.S. Uniform Guidance and New Jersey OMB's Circular 15-08.

CURRENT YEAR STATE AWARDS

Finding 2016-004

With respect to travel and expense reimbursements, our audit noted the following:

- There were several instances where a purpose or relevance form was not completed.
- The travel maximum for 2015-16 was not approved by resolution.

State program information:

State Aid - Public

Criteria or specific requirement:

N.J. Department of Education - Grant Compliance Supplement

Condition:

Certain travel expense procedures and policies are not in accordance with state travel expense guidelines.

Questioned Costs:

None.

Context:

See Condition.

Effect:

Certain travel expense procedures and policies were not in compliance with State travel expense guidelines.

Cause:

Unknown.

Recommendation:

Internal controls over travel and expense reimbursements be reviewed and enhanced to ensure a travel maximum is properly approved by Board resolution and post travel reports are obtained and attached to a reimbursement request.

Views of Responsible Officials and Planned Corrective Action:

Management has reviewed this finding and has indicated it will review and revise its procedures to ensure corrective action is taken.

**HOPATCONG BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by U.S. Uniform Guidance and New Jersey OMB's Circular 15-08, as amended.

CURRENT YEAR STATE AWARDS

Finding 2016-005:

The monthly and year to date 10% transfer reports were not submitted to the Executive County Superintendent for approval. We noted certain budget transfers that required Executive County Superintendent approval.

State Program Information:

Equalization Aid	495-034-5120-078
Education Adequacy Aid	495-034-5120-083
Special Education Aid	495-034-5120-089
Security Aid	495-034-5120-084
PARCC Readiness Aid	495-034-5120-098
Per Pupil Growth Aid	495-034-5120-097

Criteria or Specific Requirement

State of New Jersey Grant Compliance Supplement – State Aid Public

Condition:

Certain budget categories exceeded the minimum allowable transfer amount as required, but the monthly 10% transfer report was not prepared and submitted to the Executive County Superintendent for approval.

Questioned Costs:

Unknown.

Context:

The monthly 10% transfer reports were not prepared or submitted to the County for approval during the year.

Effect:

The District is not in compliance with State Aid Grant program requirements.

Cause:

Unknown.

**HOPATCONG BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by U.S. Uniform Guidance and New Jersey OMB's Circular 15-08, as amended.

CURRENT YEAR STATE AWARDS

Finding 2016-005: (Continued)

Recommendation:

The monthly and year to date 10% transfer reports be prepared and remitted to the Executive County Superintendent, and specific approval be sought for transfers exceeding the maximum allowable amount.

Views of Responsible Officials and Planned Corrective Action:

Management has reviewed this finding and indicated it will review and revise its procedures to ensure corrective action is taken.

**HOPATCONG BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. Uniform Guidance and New Jersey OMB's Circular 15-08.

STATUS OF PRIOR YEAR FINDINGS

Finding 2015-001:

Our audit of the general ledger account balances revealed numerous adjusting journal entries were required to reconcile the Board records to agree with subsidiary records and supporting documentation. We noted certain instances where receipts, revenue and budget account charges were misclassified.

Current Status

Corrective action has been taken.

Finding 2015-002:

The Board converted to a different accounting software program during the 2014/15 year. Our audit revealed that during the conversion process, numerous errors were made in entering the data from the previous system to certain budgetary revenue and expense accounts as well as general ledger accounts in the new system.

Current Status:

Corrective action has been taken.

Finding 2015-003:

Our audit of the Treasurer's Report and bank reconciliations revealed the following:

- There were numerous inter-account reconciling items on the various bank reconciliations that were not in agreement.
- There were two instances of duplicate checks on the outstanding check list on the operating account bank reconciliation.
- The transactions of the Day Plus account, although reconciled, were not on the Treasurer's Report cover page.

Current Status:

Corrective action has been taken.

Finding 2015-004:

Our audit revealed that certain budgetary line items were overexpended and budget appropriation transfers were not always approved in a timely manner.

Current Status:

Corrective action has been taken.

**HOPATCONG BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. Uniform Guidance and New Jersey OMB's Circular 15-08.

STATUS OF PRIOR YEAR FINDINGS (Continued)

Finding 2015-005:

Our audit noted the following with regards to compliance with the Public School Contracts Law:

- There were five instances where the District was unable to provide proof that quotes were obtained.
- There was one instance where a Business Registration Form and seven instances where a Political Contribution Disclosure Form was not on file.
- There were three instances where a contract was not approved in the minutes by resolution.

Current Status:

See Finding 2016-003.

Finding 2015-006:

With respect to travel and expense reimbursements, our audit noted the following:

- There were several instances when a purpose or relevance form was not attached to the purchase order.
- There were certain instances where a travel and expense reimbursement purchase order was not available for audit.

Current Status:

See Finding 2016-004.

Finding 2015-007:

During our audit it was noted that the District misclassified the Director of Special Services' salary to Child Study Team – Salaries of Other Professional Staff. The salary should be charged as an administrative salary to School Administration – Salaries of Other Professional Staff. In addition, it was noted that a certain Resource Room teacher's salary was misclassified to Grades 6-8 Salaries of Teachers.

Current Status:

Corrective action has been taken.