

SCHOOL DISTRICT

OF

HOPE TOWNSHIP

**Hope Township School District
Board of Education
Hope, Warren County
New Jersey**

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

Comprehensive Annual

Financial Report

of the

Hope Township School District

Board of Education

Hope, New Jersey

For the Fiscal Year Ending June 30, 2016

Prepared by

Hope Township School District

Board of Education

Finance Department

OUTLINE OF CAFR

INTRODUCTORY SECTION

	<u>Page</u>
Letter of Transmittal	1
Organizational Chart	2
Roster of Officials	3
Consultants and Advisors	4

FINANCIAL SECTION

Independent Auditor's Report	7-9
Required Supplementary Information – Part I Management's Discussion and Analysis	12-19
Basic Financial Statements	
A. District-Wide Financial Statements:	
A-1 Statement of Net Position	22
A-2 Statement of Activities	23
B. Fund Financial Statements:	
Governmental Funds:	
B-1 Balance Sheet	25
B-2 Statement of Revenues, Expenditures and Changes in Fund Balance	26
B-3 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	27
Proprietary Funds:	
B-4 Statement of Net Position	28
B-5 Statement of Revenues, Expenses and Changes in Fund Net Position	29
B-6 Statement of Cash Flows	30
Fiduciary Funds:	
B-7 Statement of Fiduciary Net Position	31
B-8 Statement of Changes in Fiduciary Net Position	32
Notes to the Financial Statements	34-59
Required Supplementary Information – Part II	
C. Budgetary Comparison Schedules:	
C-1 Budgetary Comparison Schedule - General Fund	62-70
C1a Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	N/A
C-1b Community Block Development Grant (CDBG) – Budget and Actual	N/A
C-2 Budgetary Comparison Schedule - Special Revenue Fund	71
Notes to Required Supplementary Information - Part II	
C-3 Budget-to-GAAP Reconciliation	72

OUTLINE OF CAFR

Required Supplementary Information – Part III	<u>Page</u>
L. Schedules Related to Accounting and Reporting for Pensions (GASB 68)	
L-1/L-3 Schedule of the District's Proportionate Share of the Net Pension Liability	73
L-2 Schedule of District Contributions	74
Notes to Required Supplementary Information - Part III	75
 Other Supplementary Information	
D. School Level Schedules:	
D-1 Combining Balance Sheet	N/A
D-2 Blended Resource Fund – Schedule of Expenditures Allocated by Resource Type – Actual	N/A
D-3 Blended Resource Fund – Schedule of Blended Expenditures – Budget and Actual	N/A
E. Special Revenue Fund:	
E-1 Combining Schedule of Program Revenues and Expenditures, Special Revenue Fund – Budgetary Basis	78
E-2 Schedule(s) of Preschool Education Aid Expenditures – Preschool-All Programs- Budgetary Basis	N/A
F. Capital Projects Fund:	
F-1 Summary Schedule of Project Expenditures	N/A
F-2 Summary Schedule of Revenues and Expenditures	N/A
F-2a Summary Schedule of Revenues and Expenditures-Project Detail	N/A
G. Proprietary Funds	
Enterprise Fund:	
G-1 Combining Statement of Net Position	See B-4
G-2 Combining Statement of Revenues, Expenses and Changes in Fund Net Position	See B-5
G-3 Combining Statement of Cash Flows	See B-6
Internal Service Fund:	
G-4 Combining Statement of Net Position	N/A
G-5 Combining Statement of Revenues, Expenses and Changes in Fund Net Position	N/A
G-6 Combining Statement of Cash Flows	N/A

OUTLINE OF CAFR

Other Supplementary Information-(Continued)		<u>Page</u>
H.	Fiduciary Funds:	
H-1	Combining Statement of Fiduciary Net Position	82
H-2	Combining Statement of Changes in Fiduciary Net Position	83
H-3	Student Activity Agency Fund Schedule of Receipts and Disbursements	84
H-4	Payroll Agency Fund Schedule of Receipts and Disbursements	85
I.	Long-Term Debt:	
I-1	Schedule of Serial Bonds	87
I-2	Schedule of Obligations Under Capital Leases	N/A
I-3	Budgetary Comparison Schedule Debt Service Fund	88

STATISTICAL SECTION (Unaudited)

Introduction to the Statistical Section

Financial Trends

J-1	Net Position by Component	90
J-2	Changes in Net Position	91-92
J-3	Fund Balances - Governmental Funds	93
J-4	Changes in Fund Balances - Governmental Funds	94
J-5	General Fund Other Local Revenue by Source	95

Revenue Capacity

J-6	Assessed Value and Estimated Actual Value of Taxable Property	96
J-7	Direct and Overlapping Property Tax Rates	97
J-8	Principal Property Taxpayers	98
J-9	Property Tax Levies and Collections	99

Debt Capacity

J-10	Ratios of Outstanding Debt by Type	100
J-11	Ratios of General Bonded Debt Outstanding	101
J-12	Direct and Overlapping Governmental Activities Debt	102
J-13	Legal Debt Margin Information	103

Demographic and Economic Information

J-14	Demographic and Economic Statistics	104
J-15	Principal Employers	105

Operating Information

J-16	Full-time Equivalent District Employees by Function/Program	106
J-17	Operating Statistics	107
J-18	School Building Information	108
J-19	Schedule of Required Maintenance Expenditures by School Facility	109
J-20	Insurance Schedule	110

OUTLINE OF CAFR

SINGLE AUDIT SECTION		<u>Page</u>
K-1	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	112-113
K-2	Report on Compliance For Each Major Program and Report on Internal Control Over Compliance Required by New Jersey OMB's circular 15-08	114-115
K-3	Schedule of Expenditures of Federal Awards, Schedule A	N/A
K-4	Schedule of Expenditures of State Financial Assistance, Schedule B	116
K-5	Notes to the Schedules of Awards and Financial Assistance	117-118
K-6	Schedule of Findings and Questioned Costs	119-121
K-7	Summary Schedule of Prior Audit Findings	122

Introductory Section

HOPE TOWNSHIP BOARD OF EDUCATION
320 JOHNSONBURG ROAD, PO BOX 143
HOPE, NJ 07844
PHONE: (908) 459-4702, ext. 230
FAX: (908) 459-4813
E-Mail: dhuff@hope-elem.org

September 1, 2016

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

Dear Board Members and Constituents of Hope:

The comprehensive annual financial report of the Hope Township School District for the fiscal year ended June 30, 2016, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a Roster of Officials. The financial section includes the general purpose financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and NJ OMB's Circular 04-04 OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations are included in the single audit section of this report.

- 1) **REPORTING ENTITY AND ITS SERVICES:** Hope Township School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB) as established by Statement No. 14. All funds and account groups of the District are included in this report. The Hope Township Board of Education and its school constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre-K through 8, and has a sending/receiving relationship with the Belvidere School District and Warren County Technical School for its 9th through 12th grade students. These include regular as well as special education for special needs students. The district completed the 2015-16 fiscal year with an average enrollment of 158 students in our Pre-Kindergarten through 8th Grade program.

2) ECONOMIC CONDITION AND OUTLOOK: The Hope Township area has experienced a leveling off in development over the past several years. There has not been any subdivision development. In housing, growth is relatively flat, consisting of one-family residences. Since there is no substantive expansion of business in Hope Township, there is no material increase in the employment level or tax base (either residential or industrial). This condition is expected to continue which suggests that Hope Township will remain relatively stable. Hope School's enrollment has decreased slightly over the past few years.

MAJOR INITIATIVES: Despite flat state aid, the Hope Township School continued its focus on the school level objectives. Our administration and teachers continue revisions to the curricula to assure that they are aligned with the Common Core State Standards. The district also continued its attention on the NJCCCS in all other subject areas. Student needs were serviced in the areas of Special Education and speech. Our Preschool program continues to serve PSD students and tuition paying general education students. Students continued to be grouped with teachers in clusters. World Language instruction continued weekly for grades K-6 and Spanish instruction occurred daily for grades 7 and 8.

The district continued the identification and service of exceptional students. At risk students were identified by classroom teachers and service plans are developed through an improved Pupil Assistance Committee (PAC). Students eligible for Response to Intervention (RTI) were served in reading, writing, and mathematics. Gifted students are identified through a comprehensive formal process and served in the area of mathematics and language arts. Our technology plans have been modified to ensure that all resources were in place to properly administer the PARCC assessments.

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

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

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

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

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

6) **ACCOUNTING SYSTEM AND REPORTS:** The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB), and in 2015-2016 were inclusive of the new GASB requirements. The accounting system of the District is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements".

7) **FINANCIAL INFORMATION:** A summary of financial information is presented in the section Management's Disclosure and Analysis for The Fiscal Year Ended June 30, 2016.

8) **DEBT ADMINISTRATION:** At June 30, 2016, the District's outstanding debt issues included \$781,775 of general obligation bonds.

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

10) **RISK MANAGEMENT:** The Board carried various forms of insurance, including but not limited to general liability, hazard and theft insurance on property and contents, environmental impairment coverage, worker's compensation and fidelity bonds.

11) **OTHER INFORMATION:**

Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The Board selected the accounting firm of Ardito & Company, 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 and the related OMB Circular A-133 and New Jersey OMB's Circular 04-04. The auditor's report on the general-purpose financial statements, and combining and individual fund statements and schedules, are included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

12) **ACKNOWLEDGMENTS:** We would like to express our appreciation to the members of the Hope Township Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial and support staff.

13) **SERVICE EFFORTS AND ACCOMPLISHMENTS:** This year the district completed several maintenance projects including a boiler replacement, roof repairs and upgrades to the fire alarm system around the school facility. The District continues to provide the appropriate replacement and updating of its facility to provide for a safe, secure and efficient building.

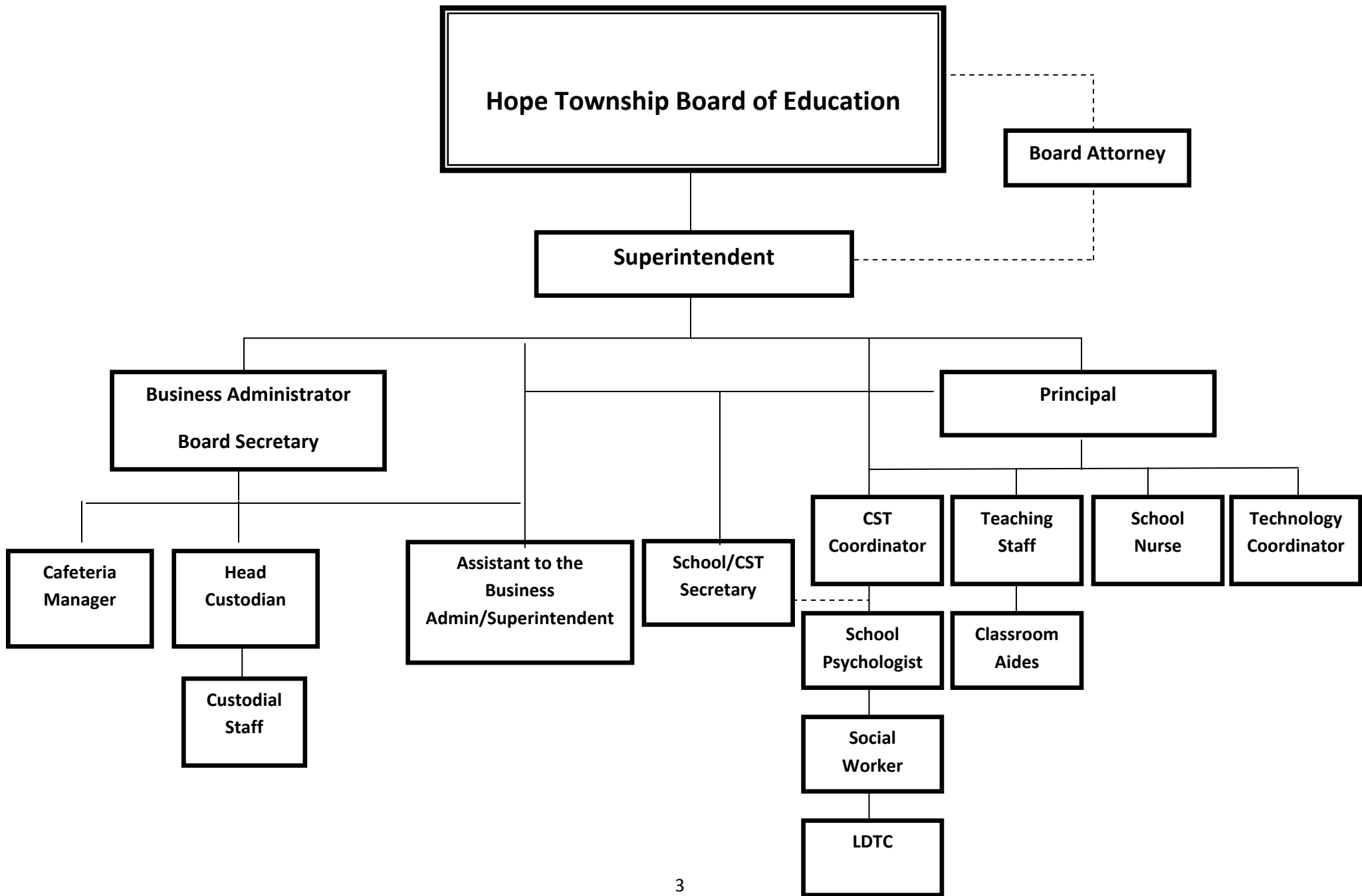
Respectfully submitted,

A handwritten signature in blue ink, appearing to read "MS", with a stylized flourish at the end.

Michael Slattery, Superintendent

A handwritten signature in blue ink, appearing to read "Dawn Huff", with a long horizontal flourish extending to the right.

Dawn Huff, Business Administrator



**HOPE TOWNSHIP SCHOOL DISTRICT
BOARD OF EDUCATION**

ROSTER OF OFFICIALS

June 30, 2016

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Douglas Tighe, <i>President</i>	2017
Sherry Koeppen, <i>Vice-President</i>	2016
John Lucas	2017
Linda Chamberlain	2016
Rosemarie Maguire	2018
Jennifer Wallace	2016
Tina Ritchie	2018

Other Officials

Michael Slattery, *Superintendent*

Dawn Huff, *Board Secretary/School Business Administrator*

John Comegno, *Solicitor*

**HOPE TOWNSHIP SCHOOL DISTRICT
BOARD OF EDUCATION**

CONSULTANTS AND ADVISORS

Architect of Record

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

Audit Firm

**Anthony Ardito
Ardito & Co., LLP
1110 Harrison Street, Suite C
Frenchtown, New Jersey 08825-1192**

Attorney

**John Comegno
Comegno Law Group
521 Pleasant Valley Avenue
Moorsetown, New Jersey 08057**

Official Depository

**Fulton Bank of New Jersey
P.O. Box 281
Hope, New Jersey 07844**

**First Hope Bank
P.O. Box 296
Hope, New Jersey 07844**

Financial Section

Independent Auditor's Report



ARDITO & Co., LLP

1110 Harrison Street, Suite C
Frenchtown, New Jersey 08825-1192
908-996-4711 Fax: 908-996-4688
e-mail: anthony@arditoandcompany.com

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

Independent Auditor's Report

The Honorable President and
Members of the Board of Education
Hope Township School District
County of Warren
Hope, New Jersey 07844

Report on the Financial Statements

We have audited the accompanying financial statements of the government activities, the business-type activities, each major fund and the aggregate remaining fund information of the Hope Township School District Board of Education, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

-Continued-

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension trend information as identified in the table of contents 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 Hope Township School District Board of Education's basic financial statements. The introductory section, combining and individual fund financial statements, long-term debt schedules, statistical section, and schedule of state financial assistance, as required by New Jersey OMB's circular 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.

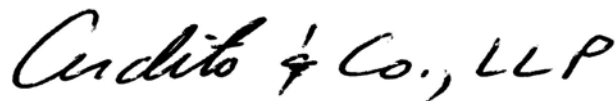
The combining and individual fund financial statement information, long-term debt schedules, and the schedule of state financial assistance, as required by New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the combining and individual fund financial statement information, long-term debt schedules, and schedule of state financial assistance, as required by New Jersey OMB's circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2016, on our consideration of the Hope Township School District Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



ARDITO & CO., LLP
August 31, 2016



Licensed Public School Accountant No. 2369

**Required Supplementary Information -
Part I**

Management's Discussion and Analysis

HOPE TOWNSHIP SCHOOL DISTRICT

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

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

Financial Highlights

Key financial highlights for 2016 are as follows:

- ◆ In total, Net Position increased \$297,761 which represents a 13.2% increase from 2015.
- ◆ General revenues accounted for \$3,810,843 in revenue or 64.9% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$2,060,346 or 35.1% of total revenues of \$5,871,189.
- ◆ Total assets of governmental activities increased by \$142,145, as cash and cash equivalents increased by \$207,639, receivables decreased by \$992, and capital assets decreased by \$65,641.
- ◆ The School District had \$5,573,428 in expenses; only \$2,060,346 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$3,810,843 were available to provide for these programs.
- ◆ Among major funds, the General Fund had \$4,991,224 in revenues and \$4,760,503 in expenditures. The General Fund's surplus balance increased \$230,721 over 2015, which compares favorably to the budgeted decrease of \$287,218.

Using this Generally Accepted Accounting Principals Report (GAAP)

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

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

HOPE TOWNSHIP SCHOOL DISTRICT

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

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

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

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

- Governmental activities--All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.
- Business-type Activity--This service is provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 25. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Special Revenue Fund, and Capital Projects Fund.

HOPE TOWNSHIP SCHOOL DISTRICT

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

Governmental Funds

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

The School District as a Whole

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

Table 1 provides a summary of the School District's Net Position for 2016 compared to 2015.

**Table 1
Net Position**

	<u>2016</u>	<u>2015</u>
Assets		
Current and Other Assets	\$ 1,545,075	\$ 1,337,289
Capital Assets	<u>2,633,948</u>	<u>2,699,589</u>
Total Assets	<u>4,179,023</u>	<u>4,036,878</u>
Deferred Outflows of Resources	<u>149,047</u>	<u>61,458</u>
Liabilities		
Long-Term Liabilities	1,665,455	1,736,102
Other Liabilities	<u>13,350</u>	<u>40,881</u>
Total Liabilities	<u>1,678,805</u>	<u>1,776,983</u>
Deferred Inflows of Resources	<u>101,683</u>	<u>71,532</u>
Net Position		
Invested in Capital Assets, Net of Debt	1,923,948	1,859,589
Restricted	1,367,234	1,146,276
Unrestricted	<u>(743,600)</u>	<u>(756,044)</u>
Total Net Position	<u>\$ 2,547,582</u>	<u>\$ 2,249,821</u>

HOPE TOWNSHIP SCHOOL DISTRICT

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

Total assets of governmental activities increased by \$142,145, as cash and cash equivalents increased by \$207,639, receivables decreased by \$992, and capital assets decreased by \$65,641.

The cash increase was mainly due operational efficiency towards budget and the decrease in capital assets was due to depreciation expense.

Table 2 shows the changes in Net Position from fiscal year 2015.

Table 2
Changes in Net Position

	<u>2016</u>	<u>2015</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 222,786	\$ 227,534
Operating Grants and Contributions	1,837,560	1,756,768
General Revenues:		
Property Taxes	3,804,917	3,732,509
Federal & State Aid on Capital Asset Projects		
Investment Earnings	4,834	4,090
Other	<u>1,092</u>	<u>5,784</u>
Total Revenues	<u>5,871,189</u>	<u>5,726,685</u>
Program Expenses		
Instruction	2,059,875	1,945,268
Support Services:		
Tuition	1,277,998	1,378,210
Pupils and Instructional Staff	591,214	592,736
General Administration, School Administration, Business	489,048	477,825
Operations and Maintenance of Facilities	536,958	560,889
Pupil Transportation	247,476	245,230
Business-Type Activities	208,615	212,611
Interest and Fiscal Charges	<u>162,244</u>	<u>160,788</u>
Total Expenses	<u>5,573,428</u>	<u>5,573,557</u>
Increase in Net Position	<u>\$ 297,761</u>	<u>\$ 153,128</u>

HOPE TOWNSHIP SCHOOL DISTRICT

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

Governmental Activities

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. Property taxes made up 64.8% percent of revenues for governmental activities for the HopeTownship School District for the fiscal year 2016.

Instruction comprises 37.0% of district expenses. Support services expenses make up 56.4% of the expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services compared to 2015. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3

	<u>Total Cost of Services 2016</u>	<u>Net Cost of Services 2016</u>	<u>Total Cost of Services 2015</u>	<u>Net Cost of Services 2015</u>
Instruction	\$ 2,059,875	\$ 1,282,733	\$ 1,945,268	\$ 1,235,790
Support Services:				
Tuition	1,277,998	828,965	1,378,210	901,379
Pupils and Instructional Staff	591,214	388,442	592,736	403,237
General Admin., School Admin., Business	489,048	327,429	477,825	326,998
Operation and Maintenance of Facilities	536,958	359,506	560,889	383,843
Pupil Transportation	247,476	165,691	245,230	167,822
Business-Type Activities	208,615	(1,928)	212,611	9,398
Interest and Fiscal Charges	<u>162,244</u>	<u>162,244</u>	<u>160,788</u>	<u>160,788</u>
Total Expenses	<u>\$ 5,573,428</u>	<u>\$ 3,513,082</u>	<u>\$ 5,573,557</u>	<u>\$ 3,589,255</u>

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

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

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

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

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

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

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

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

The dependence upon tax revenues is apparent. Over 62.3% of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 65.9%. The community, as a whole, is the primary support for the HopeTownship School District.

The School District's Funds

Information about the School District's major funds starts on page 25. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other sources of \$5,252,738 and expenditures of \$5,022,005. The General Fund's surplus balance increased \$230,721 over 2015, which compares favorably to the budgeted decrease of \$287,218.

General Fund Budgeting Highlights

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

During the course of the fiscal 2016 year, the School District amended its General Fund budget as needed. The School District uses program based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management.

For the General Fund, budget basis revenue and other financing sources, excluding on-behalf payments, was \$4,655,348, \$12,370 over original budgeted estimates of \$4,642,978. This difference was due primarily to an increases in tuition based programs.

General fund revenues exceeded expenditures by \$230,721. Again this surplus compares to a budgeted deficit of \$287,218, which was due to the budgeted use of surplus and maintenance reserve needed to balance the 2015-2016 budget. The budgeted deficit was reduced due revenue increases and cost savings in the areas of instruction, admin, transportation, and benefits.

Overall general fund balance (budget basis) was \$1,628,912, and amounts ear-marked and reserved for future purposes were \$1,367,211, creating a surplus in unreserved fund balance of \$251,223. Management believes unreserved fund balance at statutory levels will provide adequate working capital for the district.

HOPE TOWNSHIP SCHOOL DISTRICT

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

Capital Assets

At the end of the fiscal year 2016, the School District had \$2,633,948 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal 2016 balances compared to 2015.

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

	<u>2016</u>	<u>2015</u>
Land	\$ 42,000	\$ 42,000
Land Improvements	-	-
Buildings and Improvements	2,496,640	2,531,243
Machinery and Equipment	<u>95,308</u>	<u>126,346</u>
Totals	<u>\$ 2,633,948</u>	<u>\$ 2,699,589</u>

Overall capital assets decreased \$65,641 from fiscal year 2015 to fiscal year 2016. The decrease in capital assets was due to depreciation expense.

\$94,941 in safety and security upgrades and technology equipment capital improvements were purchased during fiscal year 2016.

Debt Administration

At June 30, 2016, the School District had \$786,368 as outstanding long term debt. Of this amount, \$76,368 is for compensated absences and \$710,000 is for bonds payable outstanding.

At June 30, 2016, the School District's overall legal debt margin was \$6,135,600 and the unvoted debt margin was the same.

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

For the Future

The Hope Township School District is in very good financial condition presently. A concern, however, is that future expense increases will put further upward pressure on local property taxes. Future finances will therefore present challenges if the student community continues to grow and state funding does not increase.

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

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information contact Dawn Huff, School Business Administrator/Board Secretary at Hope Township School District, P.O. Box 143, Hope, NJ, 07844, or E-mail at dhuff@hope-elem.org.

Basic Financial Statements

DISTRICT-WIDE FINANCIAL STATEMENTS

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

HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET POSITION

June 30, 2016

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>	<u>TOTAL</u>
ASSETS			
Cash and Cash Equivalents	\$ 646,692	\$ 9,256	\$ 655,948
Receivables from Other Governments	6,088	470	6,558
Inventory		2,044	2,044
Restricted Assets:			
Capital Reserve Account - Cash	634,972		634,972
Emergency Reserve Account - Cash	80,553		80,553
Tuition Reserve Account - Cash	165,000		165,000
Capital Assets, Net (Note 6):	2,633,948		2,633,948
Total Assets	<u>4,167,253</u>	<u>11,770</u>	<u>4,179,023</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Deferred Outflows	<u>149,047</u>		<u>149,047</u>
LIABILITIES			
Accounts Payable		1,548	1,548
Deferred Revenue		1,063	1,063
Accrued Interest	10,739		10,739
Net Pension Liability (Note 8):	879,087		879,087
Noncurrent Liabilities (Note 7):			
Due Within One Year	135,000		135,000
Due Beyond One Year	651,368		651,368
Total Liabilities	<u>1,676,194</u>	<u>2,611</u>	<u>1,678,805</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Deferred Inflows	<u>101,683</u>		<u>101,683</u>
NET POSITION			
Invested in Capital Assets, Net of Related Debt	1,923,948		1,923,948
Restricted for:			
Debt Service Fund	23		23
Other Purposes	1,367,211		1,367,211
Unrestricted	(752,759)	9,159	(743,600)
Total Net Position	<u>\$ 2,538,423</u>	<u>\$ 9,159</u>	<u>\$ 2,547,582</u>

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

HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit A-2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	PROGRAM REVENUES			NET(EXPENSE) REVENUE AND CHANGES IN NET POSITION		TOTAL
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	
Functions/Programs						
Governmental Activities:						
Instruction:						
Regular	\$ 1,720,729		\$ 665,063		\$ (1,055,666)	\$ (1,055,666)
Special Education	185,963		61,456		(124,507)	(124,507)
Other Special Instruction	153,183		50,623		(102,560)	(102,560)
Support Services:						
Tuition	1,277,998	\$ 26,686	422,347		(828,965)	(828,965)
Student & Instruction Related Services	591,214		202,772		(388,442)	(388,442)
School Administrative Services	169,571		56,039		(113,532)	(113,532)
General and Business Admin. Services	319,477		105,580		(213,897)	(213,897)
Plant Operations and Maintenance	536,958		177,452		(359,506)	(359,506)
Pupil Transportation	247,476		81,785		(165,691)	(165,691)
Interest and Other Fiscal Charges	39,205				(39,205)	(39,205)
Unallocated Depreciation	123,039				(123,039)	(123,039)
Total Governmental Activities	5,364,813	26,686	1,823,117		(3,515,010)	(3,515,010)
Business-Type Activities:						
Food Service	43,858	31,343	14,443		\$ 1,928	1,928
Shared Services	164,757	164,757				
Total Business-Type Activities	208,615	196,100	14,443		1,928	1,928
Total Primary Government	\$ 5,573,428	\$ 222,786	\$ 1,837,560		\$ (3,515,010)	\$ 1,928
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, Net				\$ 3,647,197		\$ 3,647,197
Taxes Levied for Debt Service				157,720		157,720
Investment Earnings				4,821	\$ 13	4,834
Miscellaneous Income				415	677	1,092
Total General Revenues, Special Items, Extraor. Items and Transfers				3,810,153	690	3,810,843
Change in Net Position				295,143	2,618	297,761
Net Position—Beginning (As restated)				2,243,280	6,541	2,249,821
Net Position—Ending				\$ 2,538,423	\$ 9,159	\$ 2,547,582

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

FUND FINANCIAL STATEMENTS

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

HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit B-1

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	<u>GENERAL FUND</u>	<u>DEBT SERVICE FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS			
Cash and Cash Equivalents	\$ 1,527,194	\$ 23	\$ 1,527,217
Receivables from Other Governments	6,088		6,088
TOTAL ASSETS	<u>\$ 1,533,282</u>	<u>\$ 23</u>	<u>\$ 1,533,305</u>
LIABILITIES AND FUND BALANCES			
Fund Balances:			
<u>Restricted for:</u>			
Capital Reserve Account	634,972		634,972
Emergency Reserve	80,553		80,553
Tuition Reserve	165,000		165,000
Excess Surplus	281,340		281,340
Excess Surplus - Designated for Subsequent Year's Expenditures	205,346		205,346
<u>Assigned to:</u>			
Year-End Encumbrances	10,478		10,478
Debt Service Fund		23	23
<u>Unassigned:</u>			
General Fund	155,593		155,593
Total Fund Balances	<u>1,533,282</u>	<u>23</u>	<u>1,533,305</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,533,282</u>	<u>\$ 23</u>	<u>\$ 1,533,305</u>

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 \$4,525,240 and the accumulated depreciation is \$1,891,292.

\$ 2,633,948

Deferred Outflows related to pension contributions subsequent to the Net Pension Liability measurement date and other deferred items are not current financial resources and therefore are not reported in the fund statements. (See Note 8)

149,047

Deferred Inflows related to pension actuarial gains from experience and differences in actual return and assumed returns and other deferred items are not reported as liabilities in the fund statements. (See Note 8)

(101,683)

Long-term liabilities, including Net Pension Liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 8)

(879,087)

Accrued Interest on Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 7)

(10,739)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 7)

(786,368)

Net position of governmental activities

\$ 2,538,423

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

HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit B-2

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Local sources:				
Local Tax Levy	\$ 3,647,197		\$ 157,720	\$ 3,804,917
Tuition	26,686			26,686
Interest Earned on Capital Reserve Funds	2,422			2,422
Miscellaneous	2,814			2,814
Total - Local Sources	3,679,119		157,720	3,836,839
State Sources	1,312,105			1,312,105
Federal Sources		\$ 103,794		103,794
Total Revenues	4,991,224	103,794	157,720	5,252,738
EXPENDITURES				
Current:				
Regular Instruction	1,006,185	77,504		1,083,689
Special Education Instruction	120,154			120,154
Other Special Instruction	98,974			98,974
Support services and undistributed costs:				
Tuition	1,277,998			1,277,998
Student and Instruction Related Services	374,604	7,390		381,994
School Administrative Services	109,563			109,563
Other Administrative Services	201,189			201,189
Plant Operations and Maintenance	346,201			346,201
Pupil Transportation	247,476			247,476
Unallocated Benefits	834,908			834,908
Transfer to Charter School	57,218			57,218
Debt Service:				
Principal			130,000	130,000
Interest and Other Charges			27,708	27,708
Capital Outlay	86,033	18,900		104,933
Total Expenditures	4,760,503	103,794	157,708	5,022,005
Excess (Deficiency) of Revenues Over Expenditures	230,721	-	12	230,733
Net Change in Fund Balances	230,721	-	12	230,733
Fund Balance—July 1	1,302,561		11	1,302,572
Fund Balance—June 30	\$ 1,533,282		\$ 23	\$ 1,533,305

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ 230,733

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

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

	Depreciation Expense	\$ (131,255)	
	Net Book Value of Disposals	(29,327)	
	Capital Outlays	<u>94,941</u>	(65,641)

Pension contributions are reported in governmental funds as expenditures. However, in the statement of activities, the contributions are adjusted for actuarial valuation adjustments, including service and interest costs, administrative costs, investment returns, and experience/assumption. This is the amount by which net pension liability and deferred inflows/outflows related to pension changed during the period. (7,387)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities. 130,000

In the statement of activities, compensated absences is accrued regardless of when paid. In the governmental funds, compensated absences are reported when paid. This is the amount by which the current year's compensated absence payments exceed the current year's amount earned. 5,472

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. This is the amount by which current year's amount of interest accrual exceeds the prior year's amount. 1,966

Change in Net Position of Governmental Activities (A-2) \$ 295,143

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

HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit B-4

STATEMENT OF PROPRIETARY NET POSITION
PROPRIETARY FUNDS

June 30, 2016

	Business-Type Activities- Enterprise Funds	
	Food Service	Totals
ASSETS		
Current assets:		
Cash and Cash Equivalents	\$ 9,256	\$ 9,256
Accounts Receivable	470	470
Inventories	2,044	2,044
Total Current Assets	<u>11,770</u>	<u>11,770</u>
Noncurrent Assets:		
Furniture, Machinery and Equipment	4,197	4,197
Less Accumulated Depreciation	(4,197)	(4,197)
Total Noncurrent Assets	<u>-</u>	<u>-</u>
Total Assets	<u>\$11,770</u>	<u>\$11,770</u>
LIABILITIES		
Current liabilities:		
Accounts Payable	\$1,548	\$1,548
Deferred Revenue	1,063	1,063
Total Current Liabilities	<u>2,611</u>	<u>2,611</u>
Total Liabilities	<u>2,611</u>	<u>2,611</u>
NET POSITION		
Invested in Capital Assets, Net of Related Debt	9,159	9,159
Unrestricted	2,000	2,000
Total Net Position	<u>\$ 9,159</u>	<u>\$ 9,159</u>

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

	Business-type Activities- Enterprise Fund		
	Food Service	Shared Services	Total Enterprise
Operating Revenues:			
Charges for Services:			
Daily Sales - Reimbursable	\$ 25,514		\$ 25,514
Daily Sales - Non-Reimb.	5,829		5,829
Interest Income	13		13
Miscellaneous	677	\$ 164,757	165,434
Total Operating Revenues	32,033	164,757	196,790
Operating Expenses:			
Cost of Sales	22,119		22,119
Salaries	9,867	164,757	174,624
Employee Benefits	2,546		2,546
Supplies	2,326		2,326
Other Purchased Professional Services	7,000		7,000
Total Operating Expenses	43,858	\$ 164,757	208,615
Operating Income (Loss)	(11,825)		(11,825)
Nonoperating Revenues (Expenses):			
State Sources:			
State School Lunch Program	480		480
Federal Sources:			
National School Lunch Program	10,409		10,409
Food Distribution Program	3,554		3,554
Total Nonoperating Revenues (Expenses)	14,443		14,443
Change in Net Position	2,618		2,618
Total Net Position—Beginning	6,541		6,541
Total Net Position—Ending	\$ 9,159		\$ 9,159

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

HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit B-6

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended June 30, 2016

	Business-Type Activities- Enterprise Funds		
	Food Service	Shared Services	Total Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 32,166	\$ 164,757	\$ 196,923
Payments to Employees	(9,867)	(164,757)	(174,624)
Payments for Employee Benefits	(2,546)		(2,546)
Payments to Suppliers	(27,870)		(27,870)
Net Cash Provided by (used for) Operating Activities	(8,117)		(8,117)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State Sources	493		493
Federal Sources	10,754		10,754
Net Cash Provided by (used for) Non-Capital Financing Activities	11,247		11,247
Net Increase (Decrease) in Cash and Cash Equivalents	3,130		3,130
Balances—Beginning of Year	6,126		6,126
Balances—End of Year	\$ 9,256	-	\$ 9,256
Reconciliation of Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:			
Operating Income (Loss)	\$ (11,825)		\$ (11,825)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:			
Federal Commodities	3,554		3,554
(Increase) Decrease in Accounts Receivable	-		-
(Increase) Decrease in Inventories	(1,139)		(1,139)
Increase (Decrease) in Accounts Payable	1,293		1,293
Total Adjustments	3,708		3,708
Net Cash Provided by (used for) Operating Activities	\$ (8,117)	-	\$ (8,117)

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

HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit B-7

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS**

June 30, 2016

	Unemployment Compensation Trust	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 72,151	\$ 24,960
Total Assets	<u>\$ 72,151</u>	<u>\$ 24,960</u>
LIABILITIES		
Accounts Payable		4
Payroll Deductions		14
Payable to Student Groups	-	<u>24,942</u>
Total Liabilities	<u>-</u>	<u>\$ 24,960</u>
NET POSITION		
Held in Trust for Unemployment Claims & Other Purposes	<u>\$ 72,151</u>	<u> </u>

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

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS**

For the Year Ended June 30, 2016

	Unemployment Compensation <u>Trust</u>
ADDITIONS	
Contributions:	
Plan Member	\$ 4,260
Employer	<u>-</u>
Total Contributions	<u>4,260</u>
Investment Earnings:	
Interest	<u>348</u>
Net Investment Earnings	<u>348</u>
Total Additions	<u>4,608</u>
DEDUCTIONS	
Unemployment Claims	<u>-</u>
Total Deductions	<u>-</u>
Change in Net Position	4,608
Net Position—Beginning of the Year	<u>67,543</u>
Net Position—End of the Year	<u>\$ 72,151</u>

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

Notes to Financial Statements

HOPE TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

In addition, the School District has implemented GASB Statement No.37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus, Statement No.38, Certain Financial Statement Note Disclosures, Statement No.40, Deposit and Investment Risk Disclosures, an amendment of GASB Statement No.3, and Statement 44, Economic Condition Reporting: The Statistical Section (GASB 44), an amendment of NCGA Statement 1, Governmental Accounting and Financial Reporting Principles is found in the Introduction, a revised statistical section in the Outline of the CAFR, GASB Statement No. 45, Other Post-retirement Employee Benefits, GASB No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and GASB No. 63 and 65, Deferred Outflows and Inflows and Net Position, and Items Previously Reported as Assets and Liabilities, and GAASB No. 68, Accounting for Pensions, and amendment of GASB No. 27. The implementation of these statements did not effect net position balances as previously reported for the fiscal year ended June 30, 2015.

A. Reporting Entity:

The Hope Township School District is a Type II district located in the County of Warren, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The board is comprised of seven members elected to three-year terms. The purpose of the district is to educate students in grades K-8. The Hope Township School District had an approximate enrollment at June 30, 2016, of 158 students.

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

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

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

HOPE TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, Basis of Accounting:

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

Basis of Presentation

District-wide Statements: The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activity of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees and charged to external parties. The statement of net position presents the financial condition of the governmental and business-type activity of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the District and for each function of the District's governmental

activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the School District.

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

GOVERNMENTAL FUNDS

The District reports the following governmental funds:

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

HOPE TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

GOVERNMENTAL FUNDS (Continued)

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

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

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

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

PROPRIETARY FUNDS

The District reports the following proprietary fund:

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

HOPE TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Additionally, the District reports the following fund type:

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

Basis of Accounting

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

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

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

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

HOPE TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgets/Budgetary Control:

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

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

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

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

D. Encumbrance Accounting:

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

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

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

HOPE TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity:

Cash and Cash Equivalents:

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

Interfund Transactions:

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

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

Inventories:

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

Allowance for Uncollectible Accounts:

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

Capital Assets:

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

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

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

HOPE TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

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

Compensated Absences:

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

District instructional employees are granted sick leave in amounts under the District's contractual policies. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after initial service and become eligible after fifteen years of service and payment is based upon retirement in the state pension system.

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

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

Deferred Revenue:

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations, have been recorded as deferred revenue. Grants and entitlement received before the eligible requirements are met are also recorded as deferred revenue.

Accrued Liabilities and Long-Term Obligations:

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

HOPE TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

Net Position:

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

Fund Balance Reserves:

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

Revenues—Exchange and Nonexchange Transactions

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

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

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

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

HOPE TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

Operating Revenues and Expenses:

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

Allocation of Indirect Expenses:

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

Extraordinary and Special Items:

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

Management Estimates:

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

HOPE TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2: CASH AND CASH EQUIVALENTS

Deposits:

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

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

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

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

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

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the district's accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the municipality would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At June 30, 2016, all of the district's deposits were collateralized by securities held in its name and, accordingly, not exposed to custodial credit risk. The district does not have a policy for custodial credit risk.

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

	<u>Cash and Cash Equivalents (A-1)</u>	<u>Cash and Cash Equivalents (H-1)</u>
Checking	\$ 1,536,473	\$ 97,111
	<u>\$ 1,536,473</u>	<u>\$ 97,111</u>

The carrying amount of the Board's cash and cash equivalents at June 30, 2016, was \$1,633,584 and the bank balance was \$1,954,731. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes. Of these bank balances, \$500,000 was covered by federal depository insurances and \$1,454,731 was covered by collateral pool.

HOPE TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 3: RECEIVABLES

Receivables at June 30, 2016, consisted of intergovernmental. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	Governmental Fund Financial <u>Statements</u>	Government-Wide Financial <u>Statements</u>
State Aid	\$6,088	\$6,109
Federal Aid	-	449
Gross Receivable	<u>6,088</u>	<u>6,558</u>
Less: Allow. for Uncollectibles	-	-
Total Receivables, Net	<u><u>\$6,088</u></u>	<u><u>\$6,558</u></u>

NOTE 4: INVENTORY

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

Food	\$1,689
Supplies	<u>355</u>
	<u><u>\$2,044</u></u>

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

NOTE 5: DEFERRED BOND ISSUANCE COSTS

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

HOPE TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 6: CAPITAL ASSETS

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

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	Ending <u>Balance</u>
Governmental Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 42,000			\$ 42,000
Total Capital Assets Not Being Depreciated	<u>42,000</u>			<u>42,000</u>
<i>Capital Assets Being Depreciated:</i>				
Land Improvements	40,400			40,400
Buildings and Building Improvements	4,093,547	\$ 72,570		4,166,117
Machinery and Equipment	296,756	22,371	\$ (42,404)	276,723
Total at Historical Cost	<u>4,430,703</u>	<u>94,941</u>	<u>(42,404)</u>	<u>4,483,240</u>
Less Accumulated Depreciation for:				
Land Improvements	(40,400)			(40,400)
Building and Improvements	(1,562,304)	(107,173)		(1,669,477)
Equipment	(170,410)	(24,082)	13,077	(181,415)
Total Accumulated Depreciation	<u>(1,773,114)</u>	<u>(131,255)</u>	<u>13,077</u>	<u>(1,891,292)</u>
Total Capital Assets Being Depreciated, net of Accumulated Depreciation	<u>2,657,589</u>	<u>(36,314)</u>	<u>(29,327)</u>	<u>2,591,948</u>
Government Activity Capital Assets, Net	<u>\$ 2,699,589</u>	<u>\$ (36,314)</u>	<u>\$ (29,327)</u>	<u>\$ 2,633,948</u>

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

Depreciation expense was charged to functions as follows:

Regular Instruction	\$ 2,248
Support/Admin.	5,231
Maintenance/Custodial	737
Unallocated	<u>123,039</u>
Total	<u>\$ 131,255</u>

HOPE TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 7: LONG-TERM OBLIGATIONS

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

A. Long-Term Obligation Activity:

Changes in long-term obligations for the year ended June 30, 2016, are as follows:

	Balance <u>7/1/15</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>6/30/16</u>	Amounts Due Within <u>One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Debt	\$840,000		(\$130,000)	\$710,000	\$135,000
Other Liabilities:					
Compensated Absences Payable	81,840		(5,472)	76,368	
Total	<u>\$921,840</u>	-	<u>(\$135,472)</u>	<u>\$786,368</u>	<u>\$135,000</u>

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

On March 3, 2011, the district advance refunded \$1,252,000 of their series 2001 bonds. Refunding bonds were issued on March 3, 2011 through a private sale in the amount of \$1,300,000. The registered owner of the bonds is First Hope Bank.

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

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

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

For the year ended June 30, 2016, it is not necessary for the Board to establish a liability for arbitrage rebate.

	Government Activities			Balance
	<u>Issue Dates</u>	<u>Interest Rates</u>	<u>Date of Maturity</u>	<u>6/30/16</u>
School Refunding Bonds	3/11/11	3.3%	1/15/21	\$ 710,000
Total Bonds				<u>\$ 710,000</u>

HOPE TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 7: LONG-TERM OBLIGATIONS (Continued)

B. Debt Service Requirements:

Debt Service requirements on serial bonds payable at June 30, 2016, is as follows:

<u>Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 135,000	\$ 23,430	\$ 158,430
2018	135,000	18,975	153,975
2019	140,000	14,520	154,520
2020	150,000	9,900	159,900
2021	150,000	4,950	154,950
	<u>\$ 710,000</u>	<u>\$ 71,775</u>	<u>\$ 781,775</u>

As of June 30, 2016, the District had no authorized but not issued bonds.

NOTE 8: PENSION PLANS

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

Teachers' Pension and Annuity Fund (TPAF) - The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, 100% of employer contributions are made by the State of New Jersey on behalf of the District and the system's other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

Summary of Significant Accounting Policies - 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 Teachers Pension and Annuity Fund (TPAF) and additions to/deductions from the TPAF's fiduciary net position have been determined on the same basis as they are reported by the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

HOPE TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 8: PENSION PLANS (Continued)

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

The employer contributions for the district are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, the district (employer) is considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the district (employer) does not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the district. However, the state's portion of the net pension liability that was associated with the district was \$8,472,610 as measured on June 30, 2015 and \$8,519,749 as measured on June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$517,329 and revenue of \$517,329 for support provided by the State. The measurement period for the pension expense and revenue reported in the district's financial statements (A-2) at June 30, 2016 is based upon changes in the collective net pension liability with a measurement period of June 30, 2014 through June 30, 2015. Accordingly, the pension expense and the related revenue associated with the support provided by the State is based upon the changes in the collective net pension liability between July 1, 2014 and June 30, 2015.

Although the district does not report net pension liability or deferred outflows or inflows related to the TPAF, the following schedule illustrates the collective net pension liability and deferred items and the State's portion of the net pension liability associated with the district. The collective amounts are the total of all New Jersey local governments participating in the TPAF plan.

	<u>6/30/2014</u>	<u>6/30/2015</u>
Collective deferred outflows of resources	\$2,306,623,861	\$7,521,378,257
Collective deferred inflows of resources	\$1,763,205,593	\$554,399,005
Collective net pension liability (Nonemployer-State of New Jersey)	\$53,446,745,367	\$63,204,270,305
State's portion of the net pension liability that was associated with the district	\$8,519,749	\$8,472,610
State's portion of the net pension liability that was associated with the district as a percentage of the collective net pension liability	0.015941%	0.013405%

Actuarial assumptions - The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation:	2.5%
Salary Increases:	Varies based on experience
Investment Rate of Return:	7.90%

HOPE TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 8: PENSION PLANS (Continued)

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

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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%

HOPE TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 8: PENSION PLANS (Continued)

Discount rate. The discount rate used to measure the State's total pension liability was 4.13% and 4.68% as of June 30, 2015 and 2014, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% and 4.29% as of June 30, 2015 and 2014, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers (State of New Jersey) will be made based on the average of the last five years. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determinin;

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. Since the District has no proportionate share of the net pension liability because of the special funding situation, the district would not be sensitive to any changes in the discount rate. Detailed information about the pension plan's sensitivity of the collective net pension liability to changes in the discount rate is available in the separately issued State of New Jersey at <http://www.state.nj.us/treasury/pensions/annrpts.shtml>.

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/financial-rpts-home.shtml>.

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

Summary of Significant Accounting Policies - 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 PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. 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.

HOPE TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 8: PENSION PLANS (Continued)

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

At June 30, 2016, the District reported a liability of \$879,087 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. The District's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2015 and 2014. At June 30, 2015, the District's proportion was 0.00392% which was an decrease of 0.00043 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$38,869. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Differences between expected and actual experience	\$ 20,972	-
Changes of assumptions	94,407	
Net difference between projected and actual earnings on pension plan investments		\$ 14,134
Changes in proportion and differences between District contributions and proportionate share of contributions	-	87,549
District contributions subsequent to the measurement date	33,668	
Total	<u>\$ 149,047</u>	<u>\$ 101,683</u>

\$33,668 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2016, the plan measurement date is June 30, 2015) will be recognized as a reduction of the net pension liability measured as of June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Year Ended June 30:</u>
2016	\$2,493
2017	2,493
2017	2,493
2018	3,971
2019	<u>2,245</u>
Total	<u>\$13,696</u>

	<u>6/30/2014</u>	<u>6/30/2015</u>
Collective deferred outflows of resources	\$952,194,675	\$3,578,755,666
Collective deferred inflows of resources	1,479,224,662	993,410,455
Collective net pension liability (Non State - Local Group)	\$18,722,735,003	\$22,447,996,119
District's portion of net pension liability	\$814,262	\$879,087
District's proportion %	0.00434905%	0.00391610%

HOPE TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 8: PENSION PLANS (Continued)

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

Inflation:	3.04%
Salary Increases:	
2012-2021	2.15%-4.40% based on age
Therafter	3.15%-5.40% based on age
Investment Rate of Return:	7.90%

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

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

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
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 I Absolute	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 liability was 4.90% and 5.39% as of June 30, 2015 and 2014, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% and 4.29% as of June 30, 2015 and 2014, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions.

HOPE TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 8: PENSION PLANS (Continued)

Based on those assumptions, the plan’s fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate. The following presents the District’s proportionate share of the net pension liability measured as of June 30, 2015, calculated using the discount rate of 4.90%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.90%) or 1-percentage-point higher (5.90%) than the current rate:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
	<u>(3.90%)</u>	<u>Discount Rate</u>	<u>(5.90%)</u>
		<u>(4.90%)</u>	
District's proportionate share of the net pension liability	\$ 1,092,598	\$ 879,087	\$ 700,081

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/financial-rprts-home.shtml>.

Defined Contribution Retirement Plan (DCRP) - The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2007 under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et seq.). The DCRP is a cost-sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N. J.S.A. 43:15C-1 et. seq.

The contribution requirements of plan members are determined by state statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. The State Treasurer has the right under current law to make temporary reductions in member rates based on the existence of surplus plan assets in the retirement system; however statute also requires the return to the normal rate when such surplus pension assets no longer exist.

PERS and TPAF Vesting and Benefit Provisions - The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:6C for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/60 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age.

HOPE TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 8: PENSION PLANS (Continued)

The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Significant Legislation - Chapter 78, P.L. 2011, effective June 28, 2011 made various changes to the manner in which the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS) operate and to the benefit provisions of those systems.

Chapter 78's provisions impacting employee pension and health benefits include:

□ New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of ¼ of 1% for each month that the member is under age 65. □ The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members. □ The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. □ Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PES members will take place in July of each subsequent fiscal year.

□ The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law. □ 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 Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary. □ In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Contribution Requirements - The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 (PERS) and N.J.S.A. 18:66 (TPAF) requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 6.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The current TPAF rate is 6.5% and the PERS rate is 6.5% of covered payroll.

Three-Year Trend Information for PERS

<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/2016	\$33,668	100 %	-0-
6/30/2015	\$35,853	100	-0-
6/30/2014	\$33,483	100	-0-

HOPE TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 8: PENSION PLANS (Continued)

<u>Three-Year Trend Information for TPAF (Paid on-behalf of the District)</u>			
<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/2016	\$110,111	100 %	-0-
6/30/2015	\$72,473	100	-0-
6/30/2014	\$67,437	100	-0-

During the fiscal year ended June 30, 2016, the State of New Jersey did contribute \$241,223 to the TPAF for post retirement benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$99,878 during the year ended June 30, 2016, for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. The PERS amounts have been included in the fund-based statements as pension expense and the TPAF on-behalf amounts have been included in fund-based statements as revenues and expenditures. The PERS and TPAF amounts have been modified and included in the District-wide financial statements in accordance with GASB Statement No. 68.

NOTE 9: POST-RETIREMENT BENEFITS

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2015, there were 107,314 retirees receiving post-retirement medical benefits, and the State contributed \$1.25 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical 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.

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

HOPE TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 10: DEFERRED COMPENSATION

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

Lincoln National
EquiVest

NOTE 11: COMPENSATED ABSENCES

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

District instructional employees are granted sick leave in amounts under the District's contractual policies. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after initial service and become eligible after fifteen years of service and payment is based upon retirement in the state pension system.

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

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2016, no liability existed for compensated absences in the proprietary fund types.

HOPE TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 12: RISK MANAGEMENT

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

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

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2015-2016	\$348	\$4,260	\$0	\$72,151
2014-2015	\$330	\$3,453	\$1,450	\$67,543
2013-2014	\$3,327	\$2,248	\$9,634	\$65,210

NOTE 13: CONTINGENT LIABILITIES

GRANT PROGRAMS

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

LITIGATION

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

NOTE 14: FUND BALANCE APPROPRIATED

General Fund (Exhibit B) - Of the \$1,533,282 General Fund fund balance at June 30, 2016, \$634,972 has been reserved in the Capital Reserve Account; \$80,553 has been reserved in the Emergency Reserve Account in accordance with P.L. 2007 c.62; \$165,000 has been reserved in the Tuition Reserve Account; \$10,478 is reserved for encumbrances; \$486,686 is reserved as excess surplus in accordance with N.J.S.A. 18A:7F-7 (\$205,349 of this amount has been appropriated and included as anticipated revenue for the year ending June 30, 2017); and, \$155,593 is unreserved and undesignated.

HOPE TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 15: CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Hope Township School District Board of Education by inclusion of \$1. on August 31, 2000, for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

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

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

Beginning Balance, July 1, 2015	\$ 482,550
Interest Earnings	2,422
Budgeted Withdrawal	-
Deposits: June Board resolution June, 21, 2016	<u>150,000</u>
Ending Balance, June 30, 2016	<u>\$ 634,972</u>

NOTE 16: EMERGENCY RESERVE ACCOUNT

An emergency reserve account was established by the School District Board of Education in fiscal year 2008, for the accumulation of funds for use in accordance with PL 2007 c.62 (A1). The emergency reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

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

Beginning balance July 1, 2015	\$ 80,151
Interest earnings	<u>402</u>
Ending balance June 30, 2016	<u>\$ 80,553</u>

HOPE TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 17: TUITION RESERVE ACCOUNT

A tuition reserve account was established by the School District Board of Education in fiscal year 2015 and 2016, for the accumulation of funds for use in fiscal year 2017 and 2018, respectively, in accordance with NJAC 6A:23A17.1(f). The tuition reserve account is maintained in the general fund and enables the district to reserve fund balance for an anticipated large tuition adjustment for the current contract year. A maximum reserve for the current year is restricted to ten percent of the formal sending/receiving contract amount. Upon certification of rates in the second year following the contract year, full appropriation of the applicable year's reserve must be liquidated and any remaining balance related to that year must be reserved and budgeted for tax relief.

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

Beginning balance July 1, 2015	\$ 180,000
Budgeted as Anticipated Revenue 2015-2016	(90,000)
Deposits: June Board resolution June 21, 2016	<u>75,000</u>
Ending balance June 30, 2016	<u>\$ 165,000</u>

NOTE 18: CALCULATION OF EXCESS SURPLUS

The designation for Reserved Fund Balance – Excess Surplus is a required calculation pursuant to N.J.S.A. 18A:7F-7, as amended. New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2016 is \$281,340.

NOTE 19: INTERFUND RECEIVABLES AND PAYABLES

All interfunds have been liquidated as of June 30, 2016.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 3,647,197		\$ 3,647,197	\$ 3,647,197	
Tuition	15,000		15,000	26,686	\$ 11,686
Interest Earned on Capital Reserve Funds	1,000		1,000	2,422	1,422
Miscellaneous	10,000		10,000	2,814	(7,186)
Total - Local Sources	<u>3,673,197</u>		<u>3,673,197</u>	<u>3,679,119</u>	<u>5,922</u>
State Sources:					
Equalization Aid	684,121		684,121	684,121	
Transportation Aid	103,047		103,047	103,047	
Special Education Aid	155,088		155,088	155,088	
Security Aid	22,505		22,505	22,505	
PARCC Readiness Aid	2,510		2,510	2,510	
Per Pupil Growth Aid	2,510		2,510	2,510	
Non-Public Transportation Aid				1,223	1,223
TPAF Pension (On-Behalf - Non-Budgeted)				104,886	104,886
TPAF Post Retirement Medical (On-Behalf - Non-Budgeted)				131,112	131,112
TPAF Pension Non-contributory Insurance (On-Behalf - Non-Budgeted)				5,225	5,225
TPAF Social Security (Reimbursed - Non-Budgeted)				99,878	99,878
Total State Sources	<u>969,781</u>		<u>969,781</u>	<u>1,312,105</u>	<u>342,324</u>
TOTAL REVENUES	<u>4,642,978</u>		<u>4,642,978</u>	<u>4,991,224</u>	<u>348,246</u>

HOPE TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

Exhibit C-1

Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction:					
Preschool - Salaries of Teachers	26,055	2,618	28,673	28,673	
Kindergarten - Salaries of Teachers	60,326	2,490	62,816	62,816	
Grades 1-5 - Salaries of Teachers	435,426	19,915	455,341	455,341	
Grades 6-8 - Salaries of Teachers	366,931	11,289	378,220	378,220	
Regular Programs - Home Instruction					
Salaries of Teachers	500		500		500
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	36,397	(8,526)	27,871	20,713	7,158
Rentals and Lease Purchases	6,000		6,000	4,806	1,194
Other Purchased Services (400-500 series)	37,500		37,500	26,492	11,008
General Supplies	32,400	(159)	32,241	27,972	4,269
Textbooks	12,925		12,925	1,052	11,873
Other Objects	250		250	100	150
TOTAL REGULAR PROGRAMS - INSTRUCTION	1,014,710	27,627	1,042,337	1,006,185	36,152

HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
SPECIAL EDUCATION - INSTRUCTION					
Multiple Disabilities:					
Salaries of Teachers	58,074		58,074	57,107	967
Other Salaries for Instruction	16,216	1,658	17,874	17,874	
General Supplies	3,000	(651)	2,349	2,349	
Total Multiple Disabilities	77,290	1,007	78,297	77,330	967
Resource Room/Resource Center:					
Salaries of Teachers	50,650	(1,008)	49,642	42,824	6,818
General Supplies	500		500		500
Total Resource Room/Resource Center	51,150	(1,008)	50,142	42,824	7,318
TOTAL SPECIAL EDUCATION - INSTRUCTION	128,440	(1)	128,439	120,154	8,285
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	96,417	(840)	95,577	82,484	13,093
General Supplies	500	840	1,340	1,307	33
Total Basic Skills/Remedial - Instruction	96,917		96,917	83,791	13,126
School Sponsored Co/Extra Curricular Activities:					
Salaries of Teachers	18,250	(26)	18,224	14,248	3,976
Purchased Services (300-500 series)	500	409	909	909	
Supplies and Materials	250	(224)	26	26	
Total School Sponsored Cocurricular Activities	19,000	159	19,159	15,183	3,976
TOTAL INSTRUCTION	1,259,067	27,785	1,286,852	1,225,313	61,539
UNDISTRIBUTED EXPENDITURES					
Instruction:					
Tuition to Other LEAs Within the State-Regular	1,118,519		1,118,519	1,118,519	
Tuition to Other LEAs Within the State-Special	145,195	(55,304)	89,891	89,891	
Tuition to County Vocational School District - Regular	28,975	7,025	36,000	32,575	3,425
Tuition to County Vocational School District - Special	3,600	(3,600)			
Tuition to Private Schools for the Disabled-Within State	61,000	9,285	70,285	37,013	33,272
Total Instruction	1,357,289	(42,594)	1,314,695	1,277,998	36,697

HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Health Services:					
Salaries	75,410	6,855	82,265	82,265	
Purchased Professional and Technical Services	1,950		1,950	1,725	225
Other Purchased Services (400-500 series)	2,000	(234)	1,766	1,370	396
Supplies and Materials	1,500	330	1,830	1,830	
Total Health Services	80,860	6,951	87,811	87,190	621
Other Supp. Services Students-Related Services:					
Salaries	32,323	(32,323)			
Purchased Professional - Educational Services	2,000	42,158	44,158	44,158	
Supplies and Materials	500		500	410	90
Total Other Supp. Services Students-Related Services	34,823	9,835	44,658	44,568	90
Other Supp. Services Students-Extra. Services:					
Salaries	76,160	(2,592)	73,568	30,979	42,589
Purchased Professional and Educational Services	66,000	(2,982)	63,018	56,693	6,325
Total Other Supp. Services Students-Extra. Services	142,160	(5,574)	136,586	87,672	48,914
Other Supp. Services Students-Regular:					
Salaries of Other Professional Staff	4,244	1	4,245	4,245	
Other Purchased Professional - Technical Services	1,000	(1)	999	663	336
Supplies and Materials	1,000		1,000		1,000
Total Other Supp. Services Students-Regular:	6,244		6,244	4,908	1,336
Other Supp. Services Students-Special:					
Salaries of Other Professional Staff	68,772	1,314	70,086	70,086	
Salaries of Secretarial and Clerical Assistants	43,781	1,895	45,676	45,676	
Purchased Professional and Educational Services	4,500	(3,217)	1,283	685	598
Other Purchased Professional - Technical Services	17,500	(2,975)	14,525	12,299	2,226
Supplies and Materials	2,500	2,983	5,483	5,483	
Total Other Supp. Services Students-Special	137,053		137,053	134,229	2,824
Improvement of Instruction:					
Salaries of Supervisor Instruction	4,244	281	4,525	4,525	
Total Improvement of Instruction	4,244	281	4,525	4,525	

HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Educational Media Services/School Library:					
Supplies and Materials	12,000	3,462	15,462	11,485	3,977
Total Educational Media Services/School Library	12,000	3,462	15,462	11,485	3,977
Instructional Staff Training Services:					
Other Purchased Services (400-500 series)	5,000	(146)	4,854	27	4,827
Total Instructional Staff Training Services	5,000	(146)	4,854	27	4,827
Supp. Services - General Administration:					
Salaries	84,244	(1,275)	82,969	56,471	26,498
Legal Services	10,000	963	10,963	10,963	
Audit Fees	11,650	1,176	12,826	12,826	
Architect/Engineer	500	8,600	9,100	6,600	2,500
Other Purchased Professional Services	4,200	427	4,627	4,627	
Communications/Telephone	3,380	20	3,400	3,112	288
BOE Other Purchased Services	3,000	(65)	2,935	2,935	
Other Purchased Services (400-500 series)	10,630	3,046	13,676	13,676	
General Supplies	250		250	230	20
Miscellaneous Expenditures	5,025	360	5,385	5,385	
BOE Membership Dues and Fees		30	30	30	
Total Supp. Services - General Administration	132,879	13,282	146,161	116,855	29,306
Support Services - School Admin:					
Salaries of Principals/Assistant Principals	89,227	(11,868)	77,359	77,359	
Salaries of Secretarial and Clerical Assistants	6,325	(1,928)	4,397	4,397	
Purchased Professional and Technical Services		26,988	26,988	26,987	1
Supplies and Materials	500	(500)			
Other Objects	700	120	820	820	
Total Support Services - School Admin	96,752	12,812	109,564	109,563	1
Central Services:					
Salaries	75,000	8,316	83,316	72,817	10,499
Purchased Professional Services	9,750	23	9,773	9,773	
Other Purchased Services (400-500 series)	200		200	50	150
Supplies and Materials	200	226	426	424	2
Miscellaneous Expenditures	1,200	70	1,270	1,270	
Total Central Services	86,350	8,635	94,985	84,334	10,651

HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Required Maintenance for School Facilities:					
Salaries	23,760		23,760	22,301	1,459
Cleaning, Repair and Maintenance Services	36,860	74,046	110,906	108,481	2,425
Supplies and Materials	7,500	2,811	10,311	10,311	
Total Required Maintenance for School Facilities	68,120	76,857	144,977	141,093	3,884
Other Operations and Maintenance of Plant:					
Salaries	120,539		120,539	117,951	2,588
Salaries of Non-Instructional Aides	3,984	3,080	7,064	7,064	
Cleaning, Repair and Maintenance Services	26,000	(9,058)	16,942	9,693	7,249
Insurance	14,400	476	14,876	14,876	
General Supplies	9,000	(464)	8,536	1,968	6,568
Energy (Electricity)	53,000	(4,993)	48,007	30,015	17,992
Energy (Oil)	42,500	(27,281)	15,219	14,606	613
Other Objects	2,800	1,209	4,009	3,935	74
Total Other Operations and Maintenance of Plant	272,223	(37,031)	235,192	200,108	35,084
Care and Upkeep of Grounds:					
Salaries	5,000		5,000	5,000	
Total Care and Upkeep of Grounds	5,000		5,000	5,000	
Student Transportation Services					
Salaries for Pupil Transp.(Bet.Home and School)-Regular	4,252		4,252	4,245	
Contract Services-Aid in Lieu Payments-Nonpublic Sch.	7,956		7,956	3,536	
Contract Services-Aid in Lieu Payments-Charter Sch.Stud.	4,420		4,420	2,652	1,768
Contracted Services (Between Home and School)-Vendors	208,892		208,892	192,239	16,653
Contract.Serv.(Other than Bet. Home and School)-Vendors	4,000		4,000	766	3,234
Contracted Services (Special Ed. Students)-Joint Agrmts.	60,420	(4,826)	55,594	44,038	11,556
Total Student Transportation Services	289,940	(4,826)	285,114	247,476	37,638

HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
UNALLOCATED BENEFITS					
Social Security Contributions	46,000	3,267	49,267	49,267	
Other Retirement Contributions-Regular	38,000	(3,267)	34,733	33,668	1,065
Workmen's Compensation	23,000	605	23,605	20,105	3,500
Health Benefits	600,800	(78,219)	522,581	373,167	149,414
Tuition Reimbursement	12,000		12,000	9,819	2,181
Other Employee Benefits		7,885	7,885	7,781	104
TOTAL UNALLOCATED BENEFITS	719,800	(69,729)	650,071	493,807	156,264
On-behalf TPAF pension Contrib. (non-budgeted)				104,886	(104,886)
On-behalf TPAF PRM Contrib. (non-budgeted)				131,112	(131,112)
On-behalf TPAF pension Non-contributory Ins. (non-budgeted)				5,225	(5,225)
Reimbursed TPAF Social Security Contrib. (non-budgeted)				99,878	(99,878)
TOTAL ON-BEHALF CONTRIBUTIONS				341,101	(341,101)
TOTAL PERSONAL SERVICES-EMPLOYEE BENEFITS	719,800	(69,729)	650,071	834,908	(184,837)
TOTAL UNDISTRIBUTED EXPENDITURES	3,450,737	(27,785)	3,422,952	3,391,939	31,013
TOTAL GENERAL CURRENT EXPENSE	4,709,804		4,709,804	4,617,252	92,552
Transfer of Funds to Charter Schools	100,929		100,929	57,218	43,711

HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Facilities Acquisition and Construction Services					
Construction Services	100,000		100,000	72,570	27,430
Assessment for Debt Service on SDA Funding	13,463		13,463	13,463	
Total Facilities Acquisition and Construction Services	<u>113,463</u>		<u>113,463</u>	<u>86,033</u>	<u>27,430</u>
TOTAL CAPITAL OUTLAY	<u>113,463</u>		<u>113,463</u>	<u>86,033</u>	<u>27,430</u>
TOTAL EXPENDITURES	<u>4,924,196</u>		<u>4,924,196</u>	<u>4,760,503</u>	<u>163,693</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures					
Other Financing Sources:					
Operating Transfer In/(Out)					
Transfer to Food Service Fund	(6,000)		(6,000)		6,000
Total Other Financing Sources:	<u>(6,000)</u>	<u>-</u>	<u>(6,000)</u>	<u>-</u>	<u>6,000</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)					
Fund Balance, July 1	1,398,191		1,398,191	1,398,191	
Fund Balance, June 30	<u>\$ 1,110,973</u>	<u>-</u>	<u>\$ 1,110,973</u>	<u>\$ 1,628,912</u>	<u>\$ 517,939</u>

HOPE TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

Exhibit C-1

Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Recapitulation:					
Restricted for:					
Capital Reserve				\$ 634,972	
Emergency Reserve				80,553	
Tuition Reserve (Due FY 2018)				75,000	
Tuition Reserve (Due FY 2017)				90,000	
Excess Surplus				281,340	
Excess Surplus - Designated for Subsequent Year's Expenditures				205,346	
Assigned to:					
Year-End Encumbrances				10,478	
Unassigned:					
Unrestricted Fund Balance				<u>251,223</u>	
Fund Balance per Governmental Funds(Budgetary Basis)				1,628,912	
Reconciliation to Governmental Funds Statement(GAAP Basis):					
Last State Aid Payment not recognized on GAAP basis				<u>(95,630)</u>	
Fund Balance per Governmental Funds(GAAP Basis)				<u>\$ 1,533,282</u>	

HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit C-2

**BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND**

For the Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
Federal Sources	\$ 65,000	\$ 38,794	\$ 103,794	\$ 103,794	-
Total Revenues	65,000	38,794	103,794	103,794	-
EXPENDITURES:					
Instruction					
Salaries for Instruction		8,857	8,857	8,857	
Other Salaries for Instruction		1,972	1,972	1,972	
Tuition	43,000	14,512	57,512	57,512	
Supplies & Materials	7,500	1,663	9,163	9,163	
Total Instruction	50,500	27,004	77,504	77,504	-
Support Services					
Personal Services - Employee Benefits		2,208	2,208	2,208	
Purchased Educational Services		3,042	3,042	3,042	
Other Purchased Professional Services	4,500	(2,360)	2,140	2,140	
Total Support Services	4,500	2,890	7,390	7,390	-
Facilities Acq. and Const. Services:					
Instructional Equipment	10,000	8,900	18,900	18,900	
Total Facilities Acq. and Construction Services	10,000	8,900	18,900	18,900	-
Total Expenditures	65,000	38,794	103,794	103,794	-
Total Outflows	\$ 65,000	\$ 38,794	\$ 103,794	\$ 103,794	-
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	<hr/> <hr/>				
Fund Balance per Governmental Funds(Budgetary Basis)					None
Reconciliation to Governmental Funds Statement(GAAP Basis):					
Last State Aid Payment not recognized on GAAP basis					<u>None</u>
Fund Balance per Governmental Funds(GAAP Basis)					<u>None</u>

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE**

For the Fiscal Year Ended June 30, 2016

**Explanation of Differences between Budgetary Inflows and Outflows and
GAAP Revenues and Expenditures**

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources		
Actual amounts (budgetary basis) "revenue"		
from the budgetary comparison schedule (Exhibits C-1 and C-2, respectively)	\$ 4,991,224	\$ 103,794
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	N/A	N/A
Adjustment for: Prior Year Final State Aid Payment not included in Budgetary State Source Revenues and is considered a revenue for GAAP reporting purposes	95,630	N/A
Adjustment for: Current Year Final State Aid Payment included in State Source Revenues that is not considered a revenue for GAAP reporting purposes	<u>(95,630)</u>	<u>N/A</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds. (Exhibit B-2)	<u>\$ 4,991,224</u>	<u>\$ 103,794</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedules (Exhibits C-1 and C-2, respectively)	\$ 4,760,503	\$ 103,794
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.	N/A	N/A
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.	N/A	N/A
Net transfers (outflows) to general fund	<u> </u>	<u> </u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (Exhibit B-2)	<u>\$ 4,760,503</u>	<u>\$ 103,794</u>

Hope School District
 Required Supplementary Information - Part III
 Schedule of the District's Proportionate Share of the Net Pension Liability
 Last Ten Fiscal Years *

Exhibit L-3

Teachers' Pension and Annuity Fund (TPAF)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
District's proportion of the net pension liability (asset) **	N/A	N/A	N/A							
District's proportionate share of the net pension liability (asset) **	N/A	N/A	N/A							
State's proportionate share of the net pension liability (asset) associated with the District	<u>\$ 8,472,610</u>	<u>\$ 8,519,749</u>	<u>\$ 7,564,598</u>							
Total	<u>\$ 8,472,610</u>	<u>\$ 8,519,749</u>	<u>\$ 7,564,598</u>							
District's covered employee payroll	\$ 1,500,303	\$ 1,455,585	\$ 1,353,798							
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A	N/A	N/A							
Plan fiduciary net position as a percentage of the total pension liability	28.71%	33.64%	33.76%							

** Note: TPAF is a special funding situation as defined by GASB Statement No. 68 in which the State of New Jersey is 100% responsible for contributions to the plan. Since the district (employer) does not contribute directly to the plan there is no net pension liability to report in the financial statements of the district.

Exhibit L-1

Public Employees' Retirement System (PERS)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
District's proportion of the net pension liability (asset)	0.3916100%	0.0043491%	0.0044916%							
District's proportionate share of the net pension liability (asset)	<u>\$ 879,087</u>	<u>\$ 814,262</u>	<u>\$ 858,427</u>							
District's covered employee payroll	\$ 513,062	\$ 433,241	\$ 523,504							
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	171.34%	187.95%	163.98%							
Plan fiduciary net position as a percentage of the total pension liability (Local)	47.92%	52.08%	48.72%							

* - Until a full ten year trend is compiled, information will be presented for those years for which information is available.

Hope School District
 Required Supplementary Information - Part III
 Schedule of District Contributions
 Last Ten Fiscal Years *

Exhibit L-2

Teachers' Pension and Annuity Fund (TPAF)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution **	N/A	N/A	N/A							
Contributions in relation to the contractually required contribution **	N/A	N/A	N/A							
Contribution deficiency (excess)	N/A	N/A	N/A							
District's covered employee payroll	\$ 1,500,303	\$ 1,455,585	\$ 1,353,798							
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A							

** Note: TPAF is a special funding situation as defined by GASB Statement No. 68 in which the State of New Jersey is 100% responsible for contributions to the plan. The district (employer) does not contribute to the plan.

Public Employees' Retirement System (PERS)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 33,668	\$ 35,853	\$ 33,483							
Contributions in relation to the contractually required contribution	(33,668)	(35,853)	(33,483)							
Contribution deficiency (excess)	-	-	-							
District's covered employee payroll	\$ 513,062	\$ 433,241	\$ 523,504							
Contributions as a percentage of covered-employee payroll	6.56%	8.28%	6.40%							

* - Until a full ten year trend is compiled, information will be presented for those years for which information is available.

HOPE SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PART III
Pension Schedules

For the Fiscal Year Ended June 30, 2016

Teachers' Pension and Annuity Fund (TPAF)

Changes of benefit terms. The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

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

Public Employees' Retirement System (PERS)

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

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

OTHER SUPPLEMENTARY INFORMATION

**SPECIAL REVENUE FUND
DETAIL STATEMENTS**

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

HOPE TOWNSHIP SCHOOL DISTRICT

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

For the Fiscal Year Ended June 30, 2016

	Title I	Title II Part A	IDEA Basic	IDEA Preschool	REAP	Totals
REVENUES						
Federal Sources	\$ 19,196	\$ 6,214	\$ 57,512	\$ 1,972	\$ 18,900	\$ 103,794
TOTAL REVENUES	19,196	6,214	57,512	1,972	18,900	103,794
EXPENDITURES:						
Instruction:						
Salaries for Instruction	8,857					8,857
Other Salaries for Instruction				1,972		1,972
Tuition			57,512			57,512
Supplies and Materials	8,131	1,032				9,163
Total Instruction	16,988	1,032	57,512	1,972	-	77,504
Support Services:						
Personal Services - Employee Benefits	2,208					2,208
Purchased Educational Services		3,042				3,042
Other Purchased Professional Serv.		2,140				2,140
Total Support Services	2,208	5,182	-	-	-	7,390
Facilities Acq. and Const. Services:						
Instructional Equipment					18,900	18,900
Total Facilities Acq. and Const. Svs	-	-	-	-	18,900	18,900
TOTAL EXPENDITURES	\$ 19,196	\$ 6,214	\$ 57,512	\$ 1,972	\$ 18,900	\$ 103,794
Total Outflows	\$ 19,196	\$ 6,214	\$ 57,512	\$ 1,972	\$ 18,900	\$ 103,794
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)						

**CAPITAL PROJECTS FUND
DETAIL STATEMENTS**

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

N/A

<p style="text-align: center;">PROPRIETARY FUND DETAIL STATEMENTS</p>

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

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

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

<p style="text-align: center;">FIDUCIARY FUND DETAIL STATEMENTS</p>

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

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

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

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

HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit H-1

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2016**

	UNEMPLOYMENT COMPENSATION INSURANCE <u>TRUST</u>		<u>AGENCY FUNDS</u> STUDENT PAYROLL <u>ACTIVITY AGENCY</u>		<u>TOTALS</u>			
ASSETS:								
Cash and Cash Equivalents	\$	72,151	\$	24,942	\$	18	\$	97,111
TOTAL ASSETS	\$	72,151	\$	24,942	\$	18	\$	97,111
LIABILITIES:								
Liabilities:								
Accounts Payable					\$	4	\$	4
Payroll Deductions						14		14
Payable to Student Groups			\$	24,942				24,942
Total Liabilities			\$	24,942	\$	18	\$	24,960
NET POSITION								
Held in Trust for Unemployment Claims and Other Purposes	\$	72,151					\$	72,151
TOTAL LIABILITIES AND NET POSITION	\$	72,151	\$	24,942	\$	18	\$	97,111

HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit H-2

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
 FOR THE FISCAL YEARS ENDED JUNE 30, 2016

	UNEMPLOYMENT COMPENSATION INSURANCE	
	<u>TRUST</u>	<u>TOTALS</u>
ADDITIONS		
Contributions:		
Plan Member	\$ 4,260	\$ 4,260
Employer	<u>-</u>	<u>-</u>
Total Contributions	<u>4,260</u>	<u>4,260</u>
Investment Earnings:		
Interest	<u>348</u>	<u>348</u>
Net Investment Earnings	<u>348</u>	<u>348</u>
Total Additions	<u>4,608</u>	<u>4,608</u>
DEDUCTIONS		
Unemployment Claims/Quarterly Remittance	<u>-</u>	<u>-</u>
Total Deductions	<u>-</u>	<u>-</u>
Change in Net Position	4,608	4,608
Net Position—Beginning of the Year	<u>67,543</u>	<u>67,543</u>
Net Position—End of the Year	<u>\$ 72,151</u>	<u>\$ 72,151</u>

HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit H-3

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

<u>ACTIVITY</u>	<u>BALANCE July 1, 2015</u>	<u>TRANSFERS</u>	<u>CASH RECEIPTS</u>	<u>CASH DISBURSEMENTS</u>	<u>BALANCE June 30, 2016</u>
Yearbook	\$ 2,399		\$ 3,253	\$ 3,036	\$ 2,616
Class of 2016	2,891	\$ 786	2,385	4,805	1,257
Class of 2017	1,785	(786)	9,130		10,129
Class of 2018			15,813	11,662	4,151
Student Government	741		838	617	962
National Junior Honor Society	1,411		519	748	1,182
Class Trips	146		2,733	2,756	123
Sign Fund	70				70
General	2,378		2,146	1,505	3,019
AE	80				80
Stage Account	1,351		2		1,353
	\$ 13,252		\$ 36,819	\$ 25,129	\$ 24,942

HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit H-4

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS
PAYROLL AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	BALANCE				BALANCE	
	<u>July 1, 2015</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>		<u>June 30, 2016</u>	
ASSETS:						
Cash and Cash Equivalents	\$ 18	\$ 2,162,544	\$ 2,162,544	\$	18	
Total Assets	<u>\$ 18</u>	<u>\$ 2,162,544</u>	<u>\$ 2,162,544</u>	<u>\$</u>	<u>18</u>	
LIABILITIES:						
Salaries and Wages		\$ 1,248,483	\$ 1,248,483		-	
Payroll Deductions and Withholdings	\$ 12	914,061	914,059	\$	14	
Accounts Payable	6		2		4	
Total Liabilities	<u>\$ 18</u>	<u>\$ 2,162,544</u>	<u>\$ 2,162,544</u>	<u>\$</u>	<u>18</u>	

LONG-TERM DEBT SCHEDULES

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

HOPE TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF SERIAL BONDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Exhibit I-1

<u>ISSUE</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>ANNUAL MATURITIES</u>		<u>INTEREST RATE</u>	<u>BALANCE July 1, 2015</u>	<u>RETIRED</u>	<u>REFUNDED</u>	<u>BALANCE June 30, 2016</u>
Refunding Bonds - Series 2011	3/3/11	\$ 1,300,000	1/15/17	\$ 135,000	3.30%	\$ 840,000	\$ (130,000)		\$ 710,000
			1/15/18	135,000	3.30%				
			1/15/19	140,000	3.30%				
			1/15/20	150,000	3.30%				
			1/15/21	150,000	3.30%				
Total						\$ 840,000	\$ (130,000)	-	\$ 710,000

HOPE TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND

Exhibit I-3

For the Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative) Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 157,720		\$ 157,720	\$ 157,720	
TOTAL REVENUES	\$ 157,720		\$ 157,720	\$ 157,720	
EXPENDITURES:					
Regular Debt Service:					
Interest	\$ 27,720		\$ 27,720	\$ 27,708	\$ (12)
Redemption of Principal	130,000		130,000	130,000	
Total Regular Debt Service	157,720		157,720	157,708	(12)
TOTAL EXPENDITURES	\$ 157,720		\$ 157,720	\$ 157,708	(12)
Fund Balance, July 1	11		11	11	
Fund Balance, June 30	\$ 11		\$ 11	\$ 23	12
Recapitulation of Excess (Deficiency) of					
<u>Revenues Over (Under) Expenditures</u>					
Budgeted Fund Balance					

Hope Township School District
Statistical Section

<u>Contents</u>	<u>Page</u>
Financial Trends (J-1 thru J-5) These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	90-95
Revenue Capacity (J-6 thru J-9) These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	96-99
Debt Capacity (J-10 thru J-13) These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the district's ability to issue additional debt in the future.	100-103
Demographic and Economic Information (J-14 and J-15) These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	104-105
Operating Information (J-16 thru J-20) These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.	106-110

Sources:

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

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

(accrual basis of accounting)

Exhibit J-1

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities										
Invested in capital assets, net of related debt	\$ 1,539,612	\$ 1,536,682	\$ 1,559,319	\$ 1,728,539	\$ 1,681,185	\$ 1,813,490	\$ 1,837,412	\$ 1,860,187	\$ 1,859,589	\$ 1,923,948
Restricted	466,939	239,290	342,346	300,047	459,671	518,006	751,867	974,306	1,146,276	1,367,234
Unrestricted	(85,256)	146,579	100,608	92,902	156,647	165,470	165,079	78,745	(762,585)	(752,759)
Total governmental activities net position	<u>\$ 1,921,295</u>	<u>\$ 1,922,551</u>	<u>\$ 2,002,273</u>	<u>\$ 2,121,488</u>	<u>\$ 2,297,503</u>	<u>\$ 2,496,966</u>	<u>\$ 2,754,358</u>	<u>\$ 2,913,238</u>	<u>\$ 2,243,280</u>	<u>\$ 2,538,423</u>
Business-type activities										
Invested in capital assets, net of related debt		\$ 3,357	\$ 2,517	\$ 1,677	\$ 837			\$ -	\$ -	\$ -
Restricted								-	-	-
Unrestricted	\$ 15,563	\$ 8,575	\$ 8,351	\$ 7,693	\$ 7,083	\$ 5,673	\$ 6,905	\$ 6,010	\$ 6,541	\$ 9,159
Total business-type activities net position	<u>\$ 15,563</u>	<u>\$ 11,932</u>	<u>\$ 10,868</u>	<u>\$ 9,370</u>	<u>\$ 7,920</u>	<u>\$ 5,673</u>	<u>\$ 6,905</u>	<u>\$ 6,010</u>	<u>\$ 6,541</u>	<u>\$ 9,159</u>
District-wide										
Invested in capital assets, net of related debt	\$ 1,539,612	\$ 1,540,039	\$ 1,561,836	\$ 1,730,216	\$ 1,682,022	\$ 1,813,490	\$ 1,837,412	\$ 1,860,187	\$ 1,859,589	\$ 1,923,948
Restricted	466,939	239,290	342,346	300,047	459,671	518,006	751,867	974,306	1,146,276	1,367,234
Unrestricted	(69,693)	155,154	108,959	100,595	163,730	171,143	171,984	84,755	(756,044)	(743,600)
Total district net position	<u>\$ 1,936,858</u>	<u>\$ 1,934,483</u>	<u>\$ 2,013,141</u>	<u>\$ 2,130,858</u>	<u>\$ 2,305,423</u>	<u>\$ 2,502,639</u>	<u>\$ 2,761,263</u>	<u>\$ 2,919,248</u>	<u>\$ 2,249,821</u>	<u>\$ 2,547,582</u>

Source: CAFR Schedule A-1

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

Exhibit J-2

	<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>
Expenses										
Governmental activities										
Instruction										
Regular	\$ 1,307,855	\$ 1,559,516	\$ 1,332,987	\$ 1,399,343	\$ 1,368,082	\$ 1,385,067	\$ 1,389,314	\$ 1,407,995	\$ 1,591,486	\$ 1,720,729
Special education	170,788	189,048	109,212	100,393	52,016	117,289	144,881	149,658	182,665	185,963
Other special education	71,824	83,250	145,469	122,807	98,263	178,065	148,082	147,110	171,117	153,183
Support Services:										
Tuition	1,021,235	1,133,076	1,220,581	1,321,343	1,265,190	1,173,641	1,142,295	1,308,763	1,378,210	1,277,998
Student & instruction related services	586,471	599,803	641,665	615,959	536,992	488,384	550,495	492,197	592,736	591,214
School administrative services	66,225	71,329	72,103	75,097	125,249	136,283	129,043	133,001	153,146	169,571
General and business administrative services	351,592	347,005	363,124	333,781	322,242	262,219	273,670	295,529	324,679	319,477
Plant operations and maintenance	369,887	418,140	409,727	408,262	417,592	422,613	485,311	528,263	560,889	536,958
Pupil transportation	237,181	236,590	297,273	248,793	278,657	315,392	303,582	271,437	245,230	247,476
Interest on long-term debt	81,642	76,986	67,497	66,840	49,236	41,026	46,318	47,364	43,406	39,205
Unallocated depreciation	88,837	88,837	88,837	95,725	108,269	113,695	142,538	118,837	117,382	123,039
Total governmental activities expenses	<u>4,353,537</u>	<u>4,803,580</u>	<u>4,748,475</u>	<u>4,788,343</u>	<u>4,621,788</u>	<u>4,633,674</u>	<u>4,755,529</u>	<u>4,900,154</u>	<u>5,360,946</u>	<u>5,364,813</u>
Business-type activities:										
Food service	61,393	63,586	67,029	73,064	69,850	67,011	64,053	52,636	50,683	43,858
Total business-type activities expense	<u>61,393</u>	<u>63,586</u>	<u>67,029</u>	<u>73,064</u>	<u>69,850</u>	<u>67,011</u>	<u>64,053</u>	<u>52,636</u>	<u>50,683</u>	<u>43,858</u>
Total district expenses	<u>\$ 4,414,930</u>	<u>\$ 4,867,166</u>	<u>\$ 4,815,504</u>	<u>\$ 4,861,407</u>	<u>\$ 4,691,638</u>	<u>\$ 4,700,685</u>	<u>\$ 4,819,582</u>	<u>\$ 4,952,790</u>	<u>\$ 5,411,629</u>	<u>\$ 5,408,671</u>
Program Revenues										
Governmental activities:										
Charges for services:										
Tuition	\$ 29,208	\$ 2,491	\$ 65,716	\$ 55,360	\$ 30,720	\$ 25,720	\$ 19,284	\$ 28,075	\$ 41,795	\$ 26,686
Operating grants and contributions	\$ 1,481,739	\$ 1,500,518	\$ 1,370,079	\$ 1,359,276	\$ 1,251,581	\$ 1,317,430	\$ 1,334,650	\$ 1,366,547	\$ 1,739,294	1,823,117
Total governmental activities program revenues	<u>1,510,947</u>	<u>1,503,009</u>	<u>1,435,795</u>	<u>1,414,636</u>	<u>1,282,301</u>	<u>1,343,150</u>	<u>1,353,934</u>	<u>1,394,622</u>	<u>1,781,089</u>	<u>1,849,803</u>
Business-type activities:										
Charges for services										
Food service	53,665	49,478	52,058	47,814	46,625	45,343	37,109	27,180	23,811	31,343
Operating grants and contributions	11,140	14,003	13,624	17,619	17,290	18,175	16,334	18,809	17,474	14,443
Total business type activities program revenues	<u>64,805</u>	<u>63,481</u>	<u>65,682</u>	<u>65,433</u>	<u>63,915</u>	<u>63,518</u>	<u>53,443</u>	<u>45,989</u>	<u>41,285</u>	<u>45,786</u>
Total district program revenues	<u>\$ 1,575,752</u>	<u>\$ 1,566,490</u>	<u>\$ 1,501,477</u>	<u>\$ 1,480,069</u>	<u>\$ 1,346,216</u>	<u>\$ 1,406,668</u>	<u>\$ 1,407,377</u>	<u>\$ 1,440,611</u>	<u>\$ 1,822,374</u>	<u>\$ 1,895,589</u>
Net (Expense)/Revenue										
Governmental activities	\$ (2,842,590)	\$ (3,300,571)	\$ (3,312,680)	\$ (3,373,707)	\$ (3,339,487)	\$ (3,290,524)	\$ (3,401,595)	\$ (3,505,532)	\$ (3,579,857)	\$ (3,515,010)
Business-type activities	3,412	(105)	(1,347)	(7,631)	(5,935)	(3,493)	(10,610)	(6,647)	(9,398)	1,928
Total district-wide net expense	<u>\$ (2,839,178)</u>	<u>\$ (3,300,676)</u>	<u>\$ (3,314,027)</u>	<u>\$ (3,381,338)</u>	<u>\$ (3,345,422)</u>	<u>\$ (3,294,017)</u>	<u>\$ (3,412,205)</u>	<u>\$ (3,512,179)</u>	<u>\$ (3,589,255)</u>	<u>\$ (3,513,082)</u>

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

Exhibit J-2

	<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>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 2,763,268	\$ 3,067,833	\$ 3,190,546	\$ 3,256,069	\$ 3,338,754	\$ 3,338,754	\$ 3,436,836	\$ 3,505,573	\$ 3,575,684	\$ 3,647,197
Taxes levied for debt service	183,175	184,926	181,441	153,593	154,768	147,419	146,652	150,640	156,825	157,720
Unrestricted grants and contributions	61,390	23,302	-	67,982	-	-	-	-	-	-
Investment earnings	18,192	20,388	19,287	11,246	4,957	3,457	3,419	3,528	4,082	4,821
Miscellaneous income	127,760	5,378	1,128	4,032	17,023	357	12,038	9,671	2,863	415
Transfers	-	-	-	-	-	-	(4,634)	(5,000)	(7,000)	-
Total governmental activities	<u>3,153,785</u>	<u>3,301,827</u>	<u>3,392,402</u>	<u>3,492,922</u>	<u>3,515,502</u>	<u>3,489,987</u>	<u>3,594,311</u>	<u>3,664,412</u>	<u>3,732,454</u>	<u>3,810,153</u>
Business-type activities:										
Miscellaneous Income	870	756	283	6,133	4,485	1,246	7,208	752	2,929	690
Transfers	-	-	-	-	-	-	4,634	5,000	7,000	-
Total business-type activities	<u>870</u>	<u>756</u>	<u>283</u>	<u>6,133</u>	<u>4,485</u>	<u>1,246</u>	<u>11,842</u>	<u>5,752</u>	<u>9,929</u>	<u>690</u>
Total district-wide	<u>\$ 3,154,655</u>	<u>\$ 3,302,583</u>	<u>\$ 3,392,685</u>	<u>\$ 3,499,055</u>	<u>\$ 3,519,987</u>	<u>\$ 3,491,233</u>	<u>\$ 3,606,153</u>	<u>\$ 3,670,164</u>	<u>\$ 3,742,383</u>	<u>\$ 3,810,843</u>
Change in Net Position										
Governmental activities	\$ 311,195	\$ 1,256	\$ 79,722	\$ 119,215	\$ 176,015	\$ 199,463	\$ 192,716	\$ 158,880	\$ 152,597	\$ 295,143
Business-type activities	4,282	651	(1,064)	(1,498)	(1,450)	(2,247)	1,232	(895)	531	2,618
Total district	<u>\$ 315,477</u>	<u>\$ 1,907</u>	<u>\$ 78,658</u>	<u>\$ 117,717</u>	<u>\$ 174,565</u>	<u>\$ 197,216</u>	<u>\$ 193,948</u>	<u>\$ 157,985</u>	<u>\$ 153,128</u>	<u>\$ 297,761</u>

Source: CAFR Schedule A-2

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

Exhibit J-3

	2007		2008		2009		2010		Fiscal Year Ending June 30,		2011		2012		2013		2014		2015		2016		
General Fund																							
Reserved	\$	97,113	\$	229,290	\$	316,844	\$	245,017	\$	412,774	\$	515,388	\$	751,847	\$	974,286	\$	1,146,265	\$	1,377,689			
Unreserved		324,621		227,819		190,437		163,932		243,536		185,507		186,114		177,601		156,296		155,593			
Total general fund	\$	<u>421,734</u>	\$	<u>457,109</u>	\$	<u>507,281</u>	\$	<u>408,949</u>	\$	<u>656,310</u>	\$	<u>700,895</u>	\$	<u>937,961</u>	\$	<u>1,151,887</u>	\$	<u>1,302,561</u>	\$	<u>1,533,282</u>			
All Other Governmental Funds																							
Reserved																							
Unreserved, reported in:																							
Special revenue fund																							
Capital projects fund	\$	359,826					\$	39,548															
Debt service fund									\$	2,379	\$	2,618	\$	20	\$	20	\$	11	\$	23			
Trust and agency fund		-		-		-		-		-		-		-		-		-		-		-	
Total all other governmental funds	\$	<u>359,826</u>		<u>-</u>		<u>-</u>		<u>39,548</u>	\$	<u>2,379</u>	\$	<u>2,618</u>	\$	<u>20</u>	\$	<u>20</u>	\$	<u>11</u>	\$	<u>23</u>			

Source: CAFR Schedule B-1

**Hope Township School District
Changes in Fund Balances, Governmental Funds,
Last Ten Fiscal Years**

Exhibit J-4

	<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>
Revenues										
Tax levy	\$ 2,946,443	\$ 3,252,759	\$ 3,371,987	\$ 3,409,662	\$ 3,493,522	\$ 3,486,173	\$ 3,583,488	\$ 3,656,213	\$ 3,732,509	\$ 3,804,917
Interest earnings	1,882	2,258	3,341	1,840	1,694	952	1,297	1,685	2,037	2,422
Miscellaneous	173,278	25,999	82,790	68,798	51,006	28,582	33,444	39,589	46,703	29,500
State sources	1,436,461	1,417,360	1,264,890	1,163,055	1,107,020	1,169,065	1,224,950	1,258,175	1,255,476	1,312,105
Federal sources	106,668	106,459	105,189	264,203	144,561	148,365	109,700	108,372	97,848	103,794
Total revenue	4,664,732	4,804,835	4,828,197	4,907,558	4,797,803	4,833,137	4,952,879	5,064,034	5,134,573	5,252,738
Expenditures										
Instruction										
Regular Instruction	982,159	984,296	1,039,252	1,071,376	1,046,167	1,021,426	986,780	1,003,943	1,006,603	1,083,689
Special education instruction	129,687	146,876	85,880	77,025	40,250	86,686	105,465	107,970	117,939	120,154
Other special instruction	54,539	64,679	114,391	94,222	76,036	131,604	107,795	106,132	110,483	98,974
Support Services:										
Tuition	1,021,235	1,133,076	1,220,581	1,321,343	1,265,190	1,173,641	1,142,295	1,308,763	1,378,210	1,277,998
Student & instruction related services	445,334	466,002	504,580	472,585	415,523	360,955	400,728	355,093	382,705	381,994
School administrative services	50,288	55,417	56,699	57,617	96,917	100,724	93,936	95,953	98,880	109,563
Other administrative services	261,749	264,366	280,315	250,857	196,119	188,570	193,985	207,977	204,401	201,189
Plant operations and maintenance	280,135	324,127	321,457	312,496	322,395	311,608	352,541	380,376	361,406	346,201
Pupil transportation	237,181	236,590	297,273	248,793	278,657	315,392	303,582	271,437	245,230	247,476
Unallocated employee benefits	713,361	714,402	640,791	697,867	616,958	742,895	779,486	745,918	781,065	834,908
Transfer to Charter School		14,130	17,648	20,408	41,297	63,416	66,890	53,014	100,982	57,218
Special Revenue										
Capital Outlay	16,716	251,233	15,000	188,161	37,334	144,216	31,044	57,892	32,170	104,933
Debt service:										
Principal	103,605	109,974	111,399	85,000	90,000	110,000	110,000	115,000	125,000	130,000
Interest and other charges	82,303	77,678	72,759	68,593	64,768	37,180	39,250	35,640	31,834	27,708
Total expenditures	4,378,292	4,842,846	4,778,025	4,966,343	4,587,611	4,788,313	4,713,777	4,845,108	4,976,908	5,022,005
Excess (Deficiency) of revenues over (under) expenditures	286,440	(38,011)	50,172	(58,785)	210,192	44,824	239,102	218,926	157,665	230,733
Other Financing Sources (uses)										
Capital leases (non-budgeted)										
Bond proceeds										
EDA grant										
Transfers in		6,716		123,866	(39,548)					
Transfers out	-	(6,716)		(123,866)	39,548		(4,634)	(5,000)	(7,000)	-
Total other financing sources (uses)	-	-	-	-	-	-	(4,634)	(5,000)	(7,000)	-
Net change in fund balances	\$ 286,440	\$ (38,011)	\$ 50,172	\$ (58,785)	\$ 210,192	\$ 44,824	\$ 234,468	\$ 213,926	\$ 150,665	\$ 230,733
Debt service as a percentage of noncapital expenditures	4.3%	4.1%	3.9%	3.2%	3.4%	3.2%	3.2%	3.1%	3.2%	3.2%

Source: CAFR Schedule B-2

HOPE TOWNSHIP SCHOOL DISTRICT
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
UNAUDITED

Exhibit J-5

<u>Fiscal Year Ended June 30,</u>	<u>Interest on Investments</u>	<u>Interest on Capital Reserve Fund</u>	<u>Tuition</u>	<u>Miscellaneous</u>	<u>Total</u>
2007	\$ 16,310	\$ 1,882	\$ 29,208	\$ 10,714	\$ 58,114
2008	18,130	2,258	2,491	5,378	28,257
2009	14,250	5,037	65,716	1,128	86,131
2010	9,406	1,840	55,360	4,032	70,638
2011	3,897	1,060	30,720	14,644	50,321
2012	2,505	952	25,720	357	29,534
2013	2,122	1,297	19,283	12,039	34,741
2014	1,843	1,685	28,075	9,671	41,274
2015	2,045	2,037	41,795	2,863	48,740
2016	2,399	2,422	26,686	415	31,922

SOURCE: District Records

**Hope Township School District
Assessed Value and Actual Value of Taxable Property,
Last Ten Fiscal Years**

Exhibit J-6

<u>Fiscal Year Ended June 30.</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm Reg.</u>	<u>Qfarm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartment</u>	<u>Total Assessed Value</u>	<u>Less: Tax-Exempt Property</u>	<u>Public Utilities a</u>	<u>Net Valuation Taxable</u>	<u>Total Direct School Tax Rate b</u>	<u>Estimated Actual (County Equalized Value)</u>
2007	\$4,881,800	\$105,083,300	\$20,766,900	\$1,810,900	\$7,853,900	\$209,300	\$264,200	\$155,778,164	\$14,157,400	\$750,464	\$141,620,764	\$2.082	\$249,831,108
2008	14,930,000	232,661,200	46,235,700	1,776,714	17,588,500	357,600	523,900	346,349,129	30,978,884	1,296,631	315,370,245	1.032	285,269,848
2009	13,448,400	230,478,500	46,766,400	1,781,524	16,884,900	357,600	523,900	343,931,755	32,351,884	1,338,647	311,579,871	1.082	302,371,153
2010	12,066,700	228,881,600	48,990,300	1,783,324	16,730,500	357,600	523,900	342,851,469	32,358,196	1,159,349	310,493,273	1.098	299,453,703
2011	9,785,450	193,727,900	42,683,600	1,821,800	13,802,600	291,300	449,200	293,103,951	29,383,752	1,158,349	263,720,199	1.325	290,093,507
2012	9,173,650	195,592,600	41,105,600	1,821,400	13,982,200	291,300	449,200	292,138,531	28,639,352	1,083,229	263,499,179	1.323	273,285,370
2013	7,846,500	194,249,100	41,226,100	1,808,500	13,097,400	291,300	449,200	289,531,047	29,465,652	1,097,295	260,065,395	1.378	249,644,770
2014	7,338,500	190,978,600	42,617,200	1,821,800	13,270,000	291,300	449,200	287,654,345	29,869,952	1,017,793	257,784,393	1.418	239,560,956
2015	7,085,000	191,517,700	43,151,200	1,756,600	13,270,000	291,300	449,200	288,432,766	29,869,952	1,041,814	258,562,814	1.444	229,274,110
2016	7,000,700	188,067,900	43,645,300	1,753,200	13,190,800	291,300	449,200	285,662,372	30,057,052	1,206,920	255,605,320	1.489	229,948,565

Source: District records Tax list summary & Municipal Tax Assessor

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

Reassessment occurs when ordered by the County Board of Taxation

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

b Tax rates are per \$100

**Hope Township School District
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years**

Exhibit J-7

(rate per \$100 of assessed value)

Fiscal Year Ended June 30,	Hope Township Board of Education			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Hope Township	Library	Warren County	
2007	\$1.951	\$0.131	\$2.082	\$0.280	\$0.092	\$1.016	\$3.470
2008	\$0.972	\$0.060	\$1.032	\$0.144	\$0.048	\$0.506	\$1.730
2009	\$1.023	\$0.059	\$1.082	\$0.176	\$0.051	\$0.535	\$1.844
2010	\$1.049	\$0.049	\$1.098	\$0.187	\$0.050	\$0.532	\$1.867
2011	\$1.266	\$0.059	\$1.325	\$0.217	\$0.053	\$0.619	\$2.214
2012	\$1.267	\$0.056	\$1.323	\$0.225	\$0.051	\$0.609	\$2.208
2013	\$1.321	\$0.057	\$1.378	\$0.233	\$0.046	\$0.579	\$2.236
2014	\$1.361	\$0.057	\$1.418	\$0.255	\$0.047	\$0.613	\$2.333
2015	\$1.383	\$0.061	\$1.444	\$0.267	\$0.047	\$0.632	\$2.390
2016	\$1.427	\$0.062	\$1.489	\$0.330	\$0.047	\$0.646	\$2.512

Source: District Records and Municipal Tax Collector

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

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

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

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

Exhibit J-8

Taxpayer	2016			2005		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
First Hope Bank	\$2,295,000	1	0.90%	1,191,200	2	0.86%
Individual Taxpayer #1	1,986,600	2	0.78%	935,800	4	0.68%
Individual Taxpayer #2	1,857,100	3	0.73%	658,400	5	0.48%
Individual Taxpayer #3	1,540,300	4	0.60%	557,000	6	0.40%
Individual Taxpayer #4	1,462,600	5	0.57%	521,300	7	0.38%
United Telephone Co. of NJ	1,380,920	6	0.54%	1,340,530	1	0.97%
Individual Taxpayer #5	1,350,000	8	0.53%			
Bardon Goodbody Farm, Co.	1,231,600	7	0.48%			
Individual Taxpayer #6	1,152,900	9	0.45%			
Individual Taxpayer #7	1,105,300	10	0.43%			
B & S Partners				500,000	8	0.36%
Land of Make Believe				500,000	9	0.36%
Inn at Millrace Pond				1,173,100	3	0.85%
Dick Direct Sales				426,200	10	0.31%
Total	\$ 15,362,320		6.01%	\$ 7,803,530		5.65%

Source: District CAFR & Municipal Tax Assessor

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

Exhibit J-9

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2007	\$ 2,946,443	\$ 2,946,443	100.00%	-
2008	\$ 3,252,759	\$ 3,252,759	100.00%	-
2009	\$ 3,371,987	\$ 3,371,987	100.00%	-
2010	\$ 3,409,662	\$ 3,409,662	100.00%	-
2011	\$ 3,493,522	\$ 3,493,522	100.00%	-
2012	\$ 3,486,173	\$ 3,486,173	100.00%	-
2013	\$ 3,583,488	\$ 3,583,488	100.00%	-
2014	\$ 3,656,213	\$ 3,656,213	100.00%	-
2015	\$ 3,732,509	\$ 3,732,509	100.00%	-
2016	\$ 3,804,917	\$ 3,804,917	100.00%	-

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

Note:

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

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

Exhibit J-10

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds ^b	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases				
2007	\$ 1,648,373	-0-	-0-	-0-	-0-	\$ 1,648,373	2.02%	\$ 846.62	
2008	\$ 1,538,399	-0-	-0-	-0-	-0-	\$ 1,538,399	1.80%	\$ 790.95	
2009	\$ 1,427,000	-0-	-0-	-0-	-0-	\$ 1,427,000	1.71%	\$ 729.55	
2010	\$ 1,342,000	-0-	-0-	-0-	-0-	\$ 1,342,000	1.60%	\$ 689.62	
2011	\$ 1,300,000	-0-	-0-	-0-	-0-	\$ 1,300,000	1.48%	\$ 667.01	
2012	\$ 1,190,000	-0-	-0-	-0-	-0-	\$ 1,190,000	1.33%	\$ 614.67	
2013	\$ 1,080,000	-0-	-0-	-0-	-0-	\$ 1,080,000	1.21%	\$ 561.04	
2014	\$ 965,000	-0-	-0-	-0-	-0-	\$ 965,000	1.04%	\$ 504.71	
2015	\$ 840,000	-0-	-0-	-0-	-0-	\$ 840,000	0.90%	\$ 439.56	
2016	\$ 710,000	-0-	-0-	-0-	-0-	\$ 710,000	0.76%	\$ 371.53	

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

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

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

b Includes Early Retirement Incentive Plan (ERIP) refunding

* Current data unavailable

R Revised

Hope Township School District
 Ratios of Net General Bonded Debt Outstanding
 Last Ten Fiscal Years

Exhibit J-11

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2007	\$ 1,648,373	-0-	\$ 1,648,373	1.16%	\$ 847
2008	\$ 1,538,399	-0-	\$ 1,538,399	0.49%	\$ 791
2009	\$ 1,427,000	-0-	\$ 1,427,000	0.46%	\$ 730
2010	\$ 1,342,000	-0-	\$ 1,342,000	0.43%	\$ 690
2011	\$ 1,300,000	-0-	\$ 1,300,000	0.49%	\$ 667
2012	\$ 1,190,000	-0-	\$ 1,190,000	0.45%	\$ 615
2013	\$ 1,080,000	-0-	\$ 1,080,000	0.42%	\$ 561
2014	\$ 965,000	-0-	\$ 965,000	0.37%	\$ 505
2015	\$ 840,000	-0-	\$ 840,000	0.32%	\$ 440
2016	\$ 710,000	-0-	\$ 710,000	0.28%	\$ 372

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

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

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

* Current data unavailalbe

**Hope Township School District
Ratios of Overlapping Governmental Activities Debt
As of June 30, 2016**

Exhibit J-12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes Township of Hope	\$ 530,211	100.000%	\$ 530,211
Other debt Warren County	4,075,000	2.126%	<u>86,642</u>
Subtotal, overlapping debt			616,853
Hope Township School District Direct Debt			<u>710,000</u>
Total direct and overlapping debt			<u><u>\$ 1,326,853</u></u>

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

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

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

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

Exhibit J-13

Legal Debt Margin Calculation for Fiscal Year 2016

	Equalized valuation basis
	2015 \$ 226,999,554
	2014 \$ 230,794,945
	2013 \$ 226,765,522
	[A] <u>\$ 684,560,021</u>
Average equalized valuation of taxable prop	[A/3] \$ 228,186,674
Debt limit (3 % of average equalization value)	[B] \$ 6,845,600
Net bonded school debt	[C] 710,000
Legal debt margin	[B-C] <u>\$ 6,135,600</u>

	Fiscal Year									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Debt limit	\$ 7,436,887	\$ 8,315,014	\$ 8,853,511	\$ 8,887,208	\$ 8,563,870	\$ 8,091,784	\$ 7,619,721	\$ 7,173,839	\$ 6,972,792	\$ 6,845,600
Total net debt applicable to limit	<u>1,648,373</u>	<u>1,538,399</u>	<u>1,427,000</u>	<u>1,342,000</u>	<u>1,300,000</u>	<u>1,190,000</u>	<u>1,080,000</u>	<u>965,000</u>	<u>840,000</u>	<u>710,000</u>
Legal debt margin	<u>\$ 5,788,514</u>	<u>\$ 6,776,615</u>	<u>\$ 7,426,511</u>	<u>\$ 7,545,208</u>	<u>\$ 7,263,870</u>	<u>\$ 6,901,784</u>	<u>\$ 6,539,721</u>	<u>\$ 6,208,839</u>	<u>\$ 6,132,792</u>	<u>\$ 6,135,600</u>
Total net debt applicable to the limit as a percentage of debt limit	22.16%	18.50%	16.12%	15.10%	15.18%	14.71%	14.17%	13.45%	12.05%	10.37%

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

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

**Hope Township School District
Demographic and Economic Statistics
Last Ten Fiscal Years**

Exhibit J-14

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income (thousands of dollars) ^b</u>	<u>Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2007	1,947	\$ 81,622,134	\$41,922 R	4.3%
2008	1,945	\$ 85,301,865	\$43,857 R	5.7%
2009	1,956	\$ 83,507,508	\$42,693 R	10.0%
2010	1,946	\$ 84,041,902	\$43,187 R	10.3%
2011	1,949	\$ 87,543,233	\$44,917 R	9.6%
2012	1,936	\$ 89,388,992	\$46,172 R	9.3%
2013	1,925	\$ 89,502,875	\$46,495 R	8.3%
2014	1,912	\$ 93,009,240	\$48,645 R	6.4%
2015	1,911	\$ 92,960,595	\$48,645 *	5.6%
2016	1,911	\$ 92,960,595	\$48,645 *	*

Source:

^a Population information provided by the NJ Dept of Labor and Workforce Development

^b Personal Income provided by US Dept of Commerce

^c Per Capita provided by US Dept of Commerce

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

R =Revised

* Current data unavailable

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

Exhibit J-15

N/A

Employer	2016			2007		
	Employees	Rank (Optional)	Percentage of Total Employment	Employees	Rank (Optional)	Percentage of Total Employment
		1	0.00%	-		0.00%
		2	0.00%	-		0.00%
		3	0.00%	-		0.00%
		4	0.00%	-		0.00%
		5	0.00%	-		0.00%
		6	0.00%	-		0.00%
		7	0.00%	-		0.00%
		8	0.00%	-		0.00%
		9	0.00%	-		0.00%
		10	0.00%	-		0.00%
	-			-		0.00%
	-			-		0.00%
	-			-		0.00%
	-		0.00%	-		0.00%

Source:
No reliable information for Employer
Data available at Local or County level

**Hope Township School District
Full-time Equivalent District Employees by Function/Program,
Last Ten Fiscal Years**

Exhibit J-16

<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	14	14	14	16	15	16	15	16	16	15
Special education	3	3	3	2	2	2	2	2	2	2
Other special education	3	3	3	2	2	2	2	1	1	1
Support Services:										
General administrative services	2	2	2	1	1	1	2	2	2	2
School administrative services	1	1	1	1	1	1	1	1	1	1
Other administrative services	1	1	1	1	1	1	-	1	1	1
Plant operations and maintenance	3	3	3	3	3	3	3	3	3	3
Pupil transportation	1	1	1	1	1	1	1	1	1	1
Other support services	3	6	7	8	8	7	7	5	5	4
Special Schools	2	2	1	1	1	2	-	-		
Total	33	36	36	36	35	36	33	32	32	30

Source: District Personnel Records

Hope Township School District
 Operating Statistics
 Last Ten Fiscal Years

Exhibit J-17

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio	Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary				
2007	228	\$4,175,668	\$18,314	5.43%	18.7	1:12.2	223.5	214.6	-0.09%	96.0%
2008	202	\$4,389,831	\$21,732	18.66%	18.0	1:11.2	197.8	189.6	-11.50%	95.9%
2009	213	\$4,561,219	\$21,414	-1.46%	20.0	1:10.7	212.6	202.9	7.48%	95.4%
2010	207	\$4,604,181	\$22,242	3.87%	20.0	1:10.4	204.4	194.4	-3.86%	95.1%
2011	203	\$4,354,212	\$21,449	-3.57%	19.0	1:10.7	205.6	195.4	0.59%	95.0%
2012	196	\$4,433,501	\$22,620	5.46%	20.0	1:9.8	193.5	185.5	-5.89%	95.9%
2013	189	\$4,466,593	\$23,633	4.48%	19.0	1:9.9	192.4	183.9	-0.57%	95.6%
2014	181	\$4,583,562	\$25,324	7.15%	19.0	1:9.5	180.8	172.4	-6.03%	95.4%
2015	170	\$4,686,922	\$27,570	8.87%	18.7	1:9.1	169.6	163.0	-6.19%	96.1%
2016	158	\$4,702,146	\$29,760	7.94%	18.0	1:8.8	158.0	151.0	-6.84%	95.6%

Sources: District records, ASSA and Schedules J-2, J-4

Note: Enrollment based on annual October district count.

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

**Includes 29.3 preschool students in ADE and 27.9 preschool students in ADA
 Preschool was not counted in years prior to 2004

**Hope Township School District
School Building Information
Last Ten Fiscal Years**

Exhibit J-18

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>Hope Township School</u>										
Square Feet	42,207	42,207	42,207	42,207	42,207	42,207	42,207	42,207	42,207	42,207
Capacity (students)	269	269	269	269	269	269	269	269	269	269
Enrollment	228	202	213	207	203	196	189	181	170	158

Number of Schools at June 30, 2016
Elementary = 1

Source: District records, ASSA

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

HOPE TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
Last Ten Fiscal Years Ending June 30, 2016

Exhibit J-19

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

<u>School Facilities</u>	<u>Project #</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>Total</u>
Hope Township School	N/A	\$ 51,001	\$ 72,179	\$ 60,149	\$ 67,886	\$ 57,345	\$ 80,905	\$ 108,788	\$ 130,821	\$ 123,328	\$ 141,093	893,495
Total School Facilities		51,001	72,179	60,149	67,886	57,345	80,905	108,788	130,821	123,328	141,093	893,495
Other Facilities		-	-	-	-	-	-	-	-	-	-	-
Grand Total		\$ 51,001	\$ 72,179	\$ 60,149	\$ 67,886	\$ 57,345	\$ 80,905	\$ 108,788	\$ 130,821	\$ 123,328	\$ 141,093	\$ 893,495

HOPE TOWNSHIP SCHOOL DISTRICT

INSURANCE SCHEDULE

June 30, 2016

UNAUDITED

Exhibit J-20

<u>POLICY TYPE</u>	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
SCHOOL PACKAGE POLICY - SAIF		
Property-Blanket Building and Contents	\$250,000,000	\$2,500
Comprehensive General Liability (ACE)	5,000,000	None
ENVIRONMENTAL IMPAIRMENT - SAIF		
Other	1,000,000	10,000
WORKMENS' COMPENSATION POLICY - NJSAIG		
Statutory	5,000,000	
SCHOOL BOARD LEGAL LIABILITY - SAIF		
Directors and Officers Policy	5,000,000	5,000
Crime Coverage	50,000	1,000
Blanket Dishonesty Bond	500,000	1,000
PUBLIC EMPLOYEES' FAITHFUL PERFORMANCE BLANKET POSITION BOND - Selective Insurance		
Board Secretary	160,000	

SOURCE: District Records

Single Audit Section



ARDITO & Co., LLP

1110 Harrison Street, Suite C
 Frenchtown, New Jersey 08825-1192
 908-996-4711 Fax: 908-996-4688
 e-mail: anthony@arditoandcompany.com

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

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

Independent Auditor's Report

Honorable President and
 Members of the Board of Education
 Hope Township School District
 County of Warren
 Hope, New Jersey 07844

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hope Township School District Board of Education in the County of Warren, State of New Jersey, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Hope Township School District Board of Education's basic financial statements, and have issued our report thereon dated August 31, 2016.

Internal Control Over Financial Reporting

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

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

-Continued-

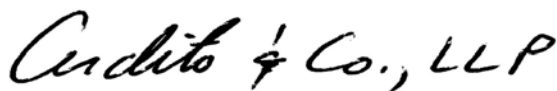
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

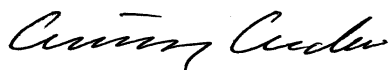
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect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

Purpose of this Report

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



ARDITO & CO., LLP
August 31, 2016



Licensed Public School Accountant No.2369



ARDITO & Co., LLP

1110 Harrison Street, Suite C
 Frenchtown, New Jersey 08825-1192
 908-996-4711 Fax: 908-996-4688
 e-mail: anthony@arditoandcompany.com

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

Report on Compliance For Each Major Program and Report on Internal Control Over Compliance Required by New Jersey OMB circular 15-08

Independent Auditor's Report

Honorable President and
 Members of the Board of Education
 Hope Township School District
 County of Warren
 Hope, New Jersey 07844

Report on Compliance for Each Major State Program

We have audited the Hope Township School District Board of Education's compliance with the types of compliance requirements described in the New Jersey OMB circular 15-08 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the District's major state programs for the year ended June 30, 2016. The Hope Township School District Board of Education's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and New Jersey OMB Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred.

An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

-Continued-

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

Opinion on Each Major State Program

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

Report on Internal Control Over Compliance

Management of the Hope Township School District Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with New Jersey OMB Circular 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 Hope Township School District Board of Education's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of New Jersey OMB circular 15-08, and for New Jersey Department of Education use. Accordingly, this report is not suitable for any other purpose.

ARDITO & Co., LLP

ARDITO & CO., LLP
August 31, 2016

Cynthia Corder

Licensed Public School Accountant No.2369

HOPE TOWNSHIP SCHOOL DISTRICT

K-4

Schedule of Expenditures of State Financial Assistance
for the Fiscal Year ended June 30, 2016

Schedule B

STATE GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE 6/30/2015	CARRY- OVER AMOUNT	CASH RECEIVED	BUDGET. EXPEND.	ADJUST.	REPAYMENT OF PRIOR YEARS' BALANCES	BALANCE AT JUNE 30, 2016			MEMO		
										(ACCTS. RECEIV.)	INTERFUND PAYABLE/ DEFER. REVENUE	DUE TO GRANTOR	BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPENDITURES	
State Department of Education															
General Fund:															
Equalization Aid	16-495-034-5120-078	7/1/15-6/30/16	\$ 684,121			\$ 684,121	\$ (684,121)							\$ 67,461	\$ 684,121
Transportation Aid	16-495-034-5120-014	7/1/15-6/30/16	103,047			103,047	(103,047)							10,161	103,047
Special Education Aid	16-495-034-5120-089	7/1/15-6/30/16	155,088			155,088	(155,088)							15,293	155,088
Security Aid	16-495-034-5120-084	7/1/15-6/30/16	22,505			22,505	(22,505)							2,219	22,505
PARCC Readiness Aid	16-495-034-5120-098	7/1/15-6/30/16	2,510			2,510	(2,510)							248	2,510
Per Pupil Growth Aid	16-495-034-5120-097	7/1/15-6/30/16	2,510			2,510	(2,510)							248	2,510
Non-Public Transportation Aid	15-495-034-5120-044	7/1/14-6/30/15	1,926	\$ (1,926)		1,926									1,926
Non-Public Transportation Aid	16-495-034-5120-044	7/1/15-6/30/16	1,223				(1,223)			\$ (1,223)					1,223
On-Behalf TPAF Pension	16-495-034-5094-002	7/1/15-6/30/16	104,886			104,886	(104,886)								104,886
On-Behalf TPAF Pension PMR	16-495-034-5094-001	7/1/15-6/30/16	131,112			131,112	(131,112)								131,112
On-Behalf TPAF Pension Non-Contrib Ins	16-495-034-5094-004	7/1/15-6/30/16	5,225			5,225	(5,225)								5,225
Reimbursed TPAF Soc.Secur.Contrib.	16-495-034-5094-003	7/1/15-6/30/16	99,878	(4,796)		99,809	(99,878)			(4,865)					99,878
Total General Fund				<u>(6,722)</u>		<u>1,312,739</u>	<u>(1,312,105)</u>	<u>-</u>		<u>(6,088)</u>				<u>95,630</u>	<u>1,314,031</u>
State Department of Agriculture:															
Enterprise Fund:															
Nat.School Lunch Prog.(State Share)	15-100-010-3350-023	7/1/14-6/30/15		(34)		34									
Nat.School Lunch Prog.(State Share)	16-100-010-3350-023	7/1/15-6/30/16	480			459	(480)			(21)					480
Total Enterprise Fund				<u>(34)</u>		<u>493</u>	<u>(480)</u>			<u>(21)</u>					<u>480</u>
Total State Financial Assistance				<u>\$ (6,756)</u>		<u>\$ 1,313,232</u>	<u>\$ (1,312,585)</u>	<u>-</u>		<u>\$ (6,109)</u>				<u>\$ 95,630</u>	<u>\$ 1,314,511</u>
				Less: On-behalf TPAF Pension Amounts				<u>241,223</u>							
				Total State Expenditures Subject to Major Program Determination				<u>\$ (1,071,362)</u>							

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

NOTES TO THE SCHEDULES OF STATE FINANCIAL ASSISTANCE
JUNE 30, 2016

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

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

NOTE 3. RELATIONSHIP TO GENERAL PURPOSE FINANCIAL STATEMENTS

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

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

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

NOTES TO THE SCHEDULES OF STATE FINANCIAL ASSISTANCE
JUNE 30, 2016

NOTE 3. (Continued)

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	-	\$ 1,312,105	\$ 1,312,105
Special Revenue Fund	\$ 103,794	-	103,794
Food Service Fund	<u>13,963</u>	<u>480</u>	<u>14,443</u>
Total Financial Assistance	<u>\$ 117,757</u>	<u>\$ 1,312,585</u>	<u>\$ 1,430,342</u>

NOTE 4. RELATIONSHIP TO STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Section I - Summary of Auditor's Results

Financial Statement Section

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

1) Material weakness(es) identified? ___ Yes __x__ No

2) Were significant deficiencies identified that were not considered to be material weaknesses? ___ Yes __x__ None

Reported

Noncompliance material to financial statements noted? ___ Yes __x__ No

Federal Awards

N/A

Internal control over major programs:

1) Material weakness(es) identified? ___ Yes ___ No

2) Were significant deficiencies identified that were not considered to be material weaknesses? ___ Yes ___ None

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 section .516(a) of ? ___ Yes ___ No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>FEIN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
N/A		

Dollar threshold used to distinguish between Type A and Type B programs: N/A

Auditee qualified as low-risk auditee? ___ yes ___ no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Section II-Financial Statement Findings

N/A

There were no matters of noncompliance or reportable conditions noted, that are required to be reported in accordance with *Government Auditing Standards*.

Section III - State Financial Assistance Findings and Questioned Costs

N/A

This section identifies audit findings required to be reported by NJOMB Circular Letter 15-08, as applicable. There were no state financial assistance findings or questioned costs that are required to be reported in accordance with NJOMB Circular 15-08.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

STATUS OF PRIOR YEAR FINDINGS

N/A

In accordance with *government auditing standards* , our procedures included a review of all prior year recommendations. There were no prior year findings.