

Hopewell Valley

Regional School District

Hopewell Valley Regional Board of Education
Pennington, New Jersey 08534

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



Hopewell Valley Regional School District

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

Hopewell Valley Regional School District
Pennington, New Jersey

Prepared by Hopewell Valley Regional School District
Business Office
Robert Colavita
Business Administrator, Board Secretary

Table of Contents (continued)

	<u>Page</u>
INTRODUCTORY SECTION	
Letter of Transmittal	1
Organizational Chart	7
Roster of Officials	8
Independent Auditors and Advisors	9
Certificate of Excellence	10
FINANCIAL SECTION	
Independent Auditors' Report	11
Required Supplementary Information – Part I	
Management's Discussion and Analysis	14
Basic Financial Statements	
Government-wide Financial Statements:	
A-1 Statement of Net Position	22
A-2 Statement of Activities	23
Fund Financial Statements:	
Governmental Funds:	
B-1 Balance Sheet	24
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balances	25
B-3 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	26
Proprietary Funds:	
B-4 Combining Statements of Net Position	27
B-5 Combining Statements of Revenues, Expenses and Changes in Fund Net Position	28
B-6 Combining Statements of Cash Flows	29
Fiduciary Funds:	
B-7 Statement of Fiduciary Net Position	30
B-8 Statement of Changes in Fiduciary Net Position	31
Notes to the Basic Financial Statements	32

Table of Contents (continued)

	Page
FINANCIAL SECTION (continued)	
Required Supplementary Information – Part II	
Schedule of the District’s Proportionate Share of the Net Pension Liability – Public Employee’s Retirement System (PERS)	67
Schedule of District Contributions – Public Employee’s Retirement System (PERS)	68
Schedule of State’s Proportionate Share of the Net Pension Liability Associated with the District – Teacher’s Pension and Annuity Fund (TPAF)	69
Required Supplementary Information – Part III	
Budgetary Comparison Schedules:	
C-1 Budgetary Comparison Schedule – General Fund – Budgetary Basis	70
C-1a Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Budgetary Basis - Not Applicable	N/A
C-1b Community Development Block Grant – Budget and Actual – Not Applicable	N/A
C-2 Budgetary Comparison Schedule – Special Revenue Fund – Budgetary Basis	78
Note to the Required Supplementary Information	
C-3 Budget to GAAP Reconciliation	79
Supplementary Information	
D School Based Budget Schedules - Not Applicable	N/A
Special Revenue Fund:	
E-1 Combining Schedule of Program Revenues and Expenditures – Budgetary Basis	80
E-2 Schedule of Preschool Education Aid Expenditures – Budgetary Basis– Not Applicable	N/A
Capital Projects Fund:	
F-1 Summary Schedule of Project Revenues, Expenditures, Project Balance and Project Status – Budgetary Basis	82
F-1a- Schedule of Project Revenues, Expenditures, Project Balance and	
F-1c Project Status – Budgetary Basis	83
F-2 Summary Schedule of Project Expenditures – Not Applicable	N/A

Table of Contents (continued)

	Page
FINANCIAL SECTION (continued)	
Supplementary Information (continued)	
Enterprise Funds:	
G-1 Combining Statement of Net Position – Not Applicable	N/A
G-2 Combining Statement of Revenues, Expenses, and Changes in Fund Net Position – Not Applicable	N/A
G-3 Combining Statement of Cash Flows – Not Applicable	N/A
Fiduciary Funds:	
H-1 Combining Statement of Fiduciary Net Position	86
H-2 Combining Statement of Changes in Fiduciary Net Position – Not Applicable	N/A
H-3 Schedule of Cash Receipts and Cash Disbursements – Student Activity Agency Fund	87
H-4 Schedule of Cash Receipts and Cash Disbursements – Payroll Agency Fund	88
Long-Term Debt:	
I-1 Schedule of Serial Bonds Payable	89
I-2 Schedule of Obligations Under Capital Leases	90
I-3 Budgetary Comparison Schedule – Debt Service Fund	91
 STATISTICAL SECTION (Unaudited)-Other Information	
Financial Trends:	
J-1 Net Position by Component	92
J-2 Changes in Net Position	93
J-3 Fund Balances, Governmental Funds	94
J-4 Changes in Fund Balances – Governmental Funds	95
J-5 General Fund Other Local Revenues by Source	96
Revenue Capacity:	
J-6 Assessed Value and Actual Value of Taxable Property	97
J-7 Property Tax Rates – Direct and Overlapping Governments	98
J-8 Principal Property Tax Payers	99
J-9 Property Tax Levies and Collections	100
Debt Capacity:	
J-10 Ratios of Outstanding Debt by Type	101
J-11 Ratios of Net General Bonded Debt Outstanding	102
J-12 Ratios of 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	N/A

Table of Contents (continued)

STATISTICAL SECTION (Unaudited)-Other Information – (continued)

J-16	Full-Time Equivalent District Employees by Function/Program Operating Information:	105
J-17	Operating Statistics	106
J-18	School Building Information	107
J-19	Schedule of Required Maintenance for School Facilities	108
J-20	Insurance Schedule	109

SINGLE AUDIT SECTION

K-1	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	110
K-2	Report on Compliance For Each Major Federal and State Program and on Internal Control Over Compliance Required by the Uniform Guidance and New Jersey OMB 15-08	112
K-3	Schedule A – Schedule of Expenditures of Federal Awards- Supplementary Information	115
K-4	Schedule B – Schedule of Expenditures of State Financial Assistance-Supplementary Information	116
K-5	Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance	117
K-6	Schedule of Findings and Questioned Costs – Part I – Summary of Auditors' Results	120
K-7	Schedule of Findings and Questioned Costs – Parts II and III – Schedule of Financial Statement Findings and Schedule of Federal Award and State Financial Assistance Findings and Questioned Costs	123
K-8	Summary Schedule of Prior Year Audit Findings	124

Introductory Section

Hopewell Valley Regional School District

Administrative Offices
425 South Main Street
Pennington, NJ 08534
www.hvrds.org



November 10, 2016

Honorable President and Members
of the Board of Education
Hopewell Valley Regional School District
Pennington, New Jersey
County of Mercer

Dear Board Members and Constituents:

The Comprehensive Annual Financial Report (CAFR) of the Hopewell Valley Regional School District (hereinafter, the District) as of and for the year ended June 30, 2016, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information at June 30, 2016, and the respective changes in financial position and cash flows, where applicable, for the year then ended. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The CAFR is presented in four sections: introductory, financial, statistical, and single audit. The introductory section includes this transmittal letter (designed to complement Management's Discussion and Analysis and should be read in conjunction with it), the District's organizational chart, a roster of officials, independent auditors and advisors and the certificate of excellence in financial reporting. The financial section includes Management's Discussion and Analysis, basic financial statements, required supplementary information and other supplementary information, as well as the auditors' report therein. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis and is unaudited. The District is required to undergo an annual single audit in conformity with the provisions of the Title 2 U.S. Code of Federal regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance) and the New Jersey OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid Payments." Information related to this single audit, including the independent auditors' reports on internal control and compliance with applicable laws and regulations and findings and questioned costs, is included in the single audit section of this report.

1. Reporting Entity and Its Services

The Hopewell Valley Regional School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB). All funds and the government-wide financial statements of the District are included in this report. The Hopewell Valley Regional School District Board of Education and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels PK through 12. These include regular education as well as special education for handicapped students. The District sends its vocational students to county vocational schools, which are more suited to provide that type of educational program. The District completed the 2015-16 fiscal year with an average daily enrollment of 3,654 students, which is 19 students less than the previous year's average daily enrollment. The following chart details the changes in the average daily student enrollment of the District over the last five years:

Average Daily Enrollment

Fiscal Year	Student Enrollment	Percent Change
2015-16	3,654	(0.51)%
2014-15	3,673	(0.41)
2013-14	3,688	(1.05)
2012-13	3,727	(1.77)
2011-12	3,794	(1.76)

2. Economic Condition and Outlook

Hopewell Valley serves the two boroughs of Pennington and Hopewell and the much larger Hopewell Township, a sending area of nearly 60 square miles with a population exceeding 20,000. Six schools comprise the district -- four elementary schools, a middle school and a high school. Average daily enrollment for the 2015-2016 year was 3,654, a slight decline from 2014-2015. The economy in the Hopewell Valley communities is reflective of the national economy and remains sluggish with slight decline in ratables. Most of the undeveloped land in the Valley is in Hopewell Township. There is an understanding that there is little room for additional development in either commercial or residential projects within the Boroughs. It is believed that there may be some commercial and residential growth potential in Hopewell Township. Capital Health Medical Center Hospital, a large employer, relocated into the community in 2012. As we understand it, new housing subdivisions are being considered in Hopewell Township that will likely bring additional students into the District's schools, but not in the upcoming school year.

3. Major Initiatives

Facilities Improvement Plan

The Board budgets funds for minor maintenance work throughout the District in each budget year. The District's annual budget cannot afford the expense of any large maintenance projects without negatively impacting the educational program. Through aggressive planning, the Board has been able to build its capital reserve fund balance over the past several years. As a result, the Board was able to address many

needed capital maintenance projects in 2015-16. A few such projects were the renovation of the Hopewell Elementary Playground for ADA accessibility, resurfacing of the Timberlane Middle School track and tennis courts, installation of a photovoltaic system at Central High School, roof repairs, and district-wide paving and concrete work. Additional projects are planned for 2016-17 and beyond. The majority of the projects were completed with budgeted capital reserve funds. A \$35.8 million referendum passed by the community on September 27, 2016 will address more extensive capital needs and infrastructure upgrades. The list of projects completed were approved by the New Jersey Department of Education as well as included in the District's Long Range Facility Plan.

Personnel Management

The Human Resources Department continued to use an established protocol to ensure that all candidates were properly credentialed and certified. To find the best possible candidates, District staff attended job fairs across the mid-Atlantic region. Additionally, a software program, *AppliTrack*, was used successfully, again this past year, to manage job applications. Human Resources handbooks are used by administrators to provide better oversight of the supervision/evaluation process; by new hires to aid in their orientation to District policies, procedures, and expectations; and by mentors to improve upon the State's process for initiating new hires to the teaching profession. In collaboration with the Curriculum and Instruction Office, Human Resources provided professional development activities so that teachers and support staff could meet District and State requirements (20 hours and Professional Improvement Plans). Personnel policies and specified job descriptions were reviewed and revised as necessary. The Danielson Model of supervision and evaluation has been implemented as the evaluation tool for teachers and the Stronge model is being used for administrators. The District has kept abreast of all new regulations related to the new laws regarding evaluation and acquisition of tenure.

Educational Program

The mission of the Hopewell Valley Regional School District is to provide a comprehensive, caring educational experience which nurtures the unique talents of each individual; creates fulfilled, socially responsible, life-long learners; develops confidence and capabilities to face the challenges of a rapidly changing world; and promotes a culture of respect that values diversity. We pursue this mission through a strong and varied curriculum, superb teaching staff and an array of extracurricular opportunities designed to enrich the learning experience of all students.

In preparing our students for success, we offer a diverse and innovative curriculum guided by the Common Core Standards as well as the New Jersey Core Curriculum Content Standards and supplemented with a wide variety of courses designed to prepare our youth to compete successfully in their post-graduate years. Eligible students, who exhaust the extensive course offerings at Central High School, can take classes at nearby universities including Princeton and Rider, and for those interested in niche subjects, online learning is available through several web providers. Students are also experiencing a one to one learning environment using chromebooks to enhance our inquiry-based learning approach. A video projection system, linking all classrooms at Central High School and Timberlane Middle School, provides teachers with fresh opportunities to strengthen instruction with web-based resources and gives students new capabilities to create multimedia presentations.

Our commitment to STEM education is evidenced by the newly developed elementary STEM magnet program open to in-district students as well as selected out of district students through the New Jersey Choice program. This concentrated studies program provides interested students an opportunity to participate in a dynamic learning environment that complements their learning style.

A longstanding and important element of our curriculum is our visual and performing arts program. Hopewell Valley's extraordinary commitment to music education continues to be recognized by the nation's foremost music educators and advocates; including the American Music Conference, which has saluted Hopewell Valley as among the 100 Best Communities in America for music education. Our student musicians and vocalists continue to collect trophies through a wide variety of national competitions, as well as win distinction as selected members of highly competitive regional chorus, band, and orchestra ensembles. We most recently added a performing arts concentration which will result in a specialized diploma for students who chose to take performing arts credits beyond the graduation requirements.

Student success in Hopewell Valley is measured in a variety of ways. While they represent just one measure of student learning; SAT Reasoning test scores of Hopewell Valley students far exceed state and national averages, as do the results of the SAT Subject Tests. Average scores in Hopewell Valley remain solidly higher than those of comparable, high achieving suburban districts in New Jersey. In 2016, CHS students achieved an average SAT Reasoning test score of 565 in Critical Reading, 584 in Mathematics and 556 in Writing. All of these scores were significantly higher than state and national averages. Each year, more and more students are also choosing to take the ACT. This policy of inclusion is proudly upheld throughout the district, which strives to help every student learn optimally, regardless of ability or special need.

In the consistently popular Advanced Placement Program, 20+ courses are offered in subjects ranging from Latin to Studio Art, making it one of the largest high school menus in New Jersey. Student performance on AP exams continues to track upward at a remarkable pace. Of the 686 tests taken last year, more than 89 percent scored a 3 or better -- enough to win college credit. Hopewell Valley's high overall achievement is annually recognized by the College Board, which continues to honor dozens of students every year as AP Scholars and the National Merit Scholarship Corporation, which named 19 CHS students as Commended Scholars in 2016.

Professional development continues to be a high priority in Hopewell Valley where rigorous standards, an extensive offering of workshops, and a mentoring system for our newest teachers reflect the district's belief that good teaching is the single largest factor in students' classroom success. The high caliber of the faculty is demonstrated in other ways as well. Teachers have collected regional and national honors, including being published in professional journals and authoring textbooks.

4. Internal Control

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

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

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

5. Budgetary Controls

In addition to internal control, 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 and State Department of Education. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section. The over-expenditure in the general fund is due to the inclusion of the non-budgeted on-behalf payments made by the State of New Jersey as District expenditures. These amounts are offset by related revenues and, as such; **do not** represent over-expenditures in this budget.

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 are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at year-end.

6. Accounting System and Reports

The District's accounting records reflect accounting principles generally accepted in the United States, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds and a government-wide presentation is also included. These funds and government-wide statements are explained in "Notes to the Basic Financial Statements," Note 1.

7. Other Information

Independent Audit: State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Wiss and Company, LLP was selected by the Board of Education to perform auditing services. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Federal Uniform Guidance and New Jersey OMB Circular 15-08. The auditors' report on the basic financial statements, required supplementary information, and other supplementary information are included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

Awards: The District had applied to the Association of School Business Officials (ASBO) International for the "Certificate of Excellence in Financial Reporting" for its comprehensive annual financial report for the fiscal year ended June 30, 2015, and was granted the award. In order to be awarded this certificate, the District published an easily readable and efficiently organized comprehensive annual

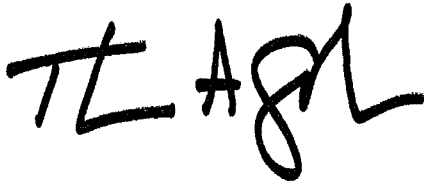
financial report and satisfied both generally accepted accounting principles and applicable legal requirements. This is the fourth year the District has received this award.

We believe that our current comprehensive annual financial report continues to meet the Program's rigorous requirements, and we are submitting it to ASBO to determine its eligibility for the fiscal year 2015-16 award.

8. Acknowledgments

We would like to express our appreciation to the members of the Hopewell Valley Regional School District Board of Education for its concern in providing fiscal accountability to the citizens and taxpayers of the District and thereby contributing full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial and accounting staff.

Respectfully submitted,

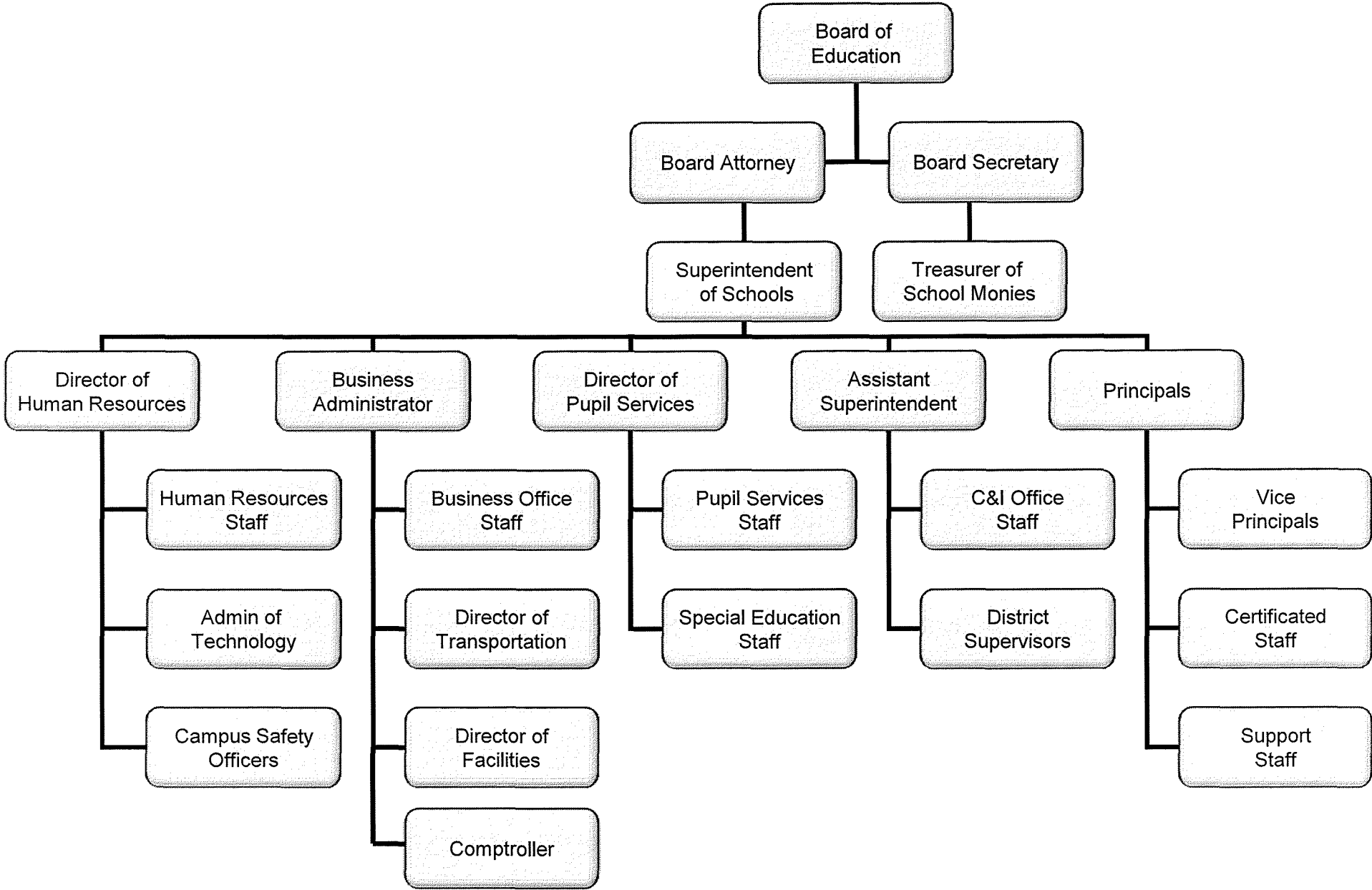


Dr. Thomas A. Smith
Superintendent



Robert Colavita
Business Administrator/Board Secretary

Hopewell Valley Regional School District Organizational Chart June 30, 2016



Hopewell Valley Regional School District
Pennington, New Jersey

Roster of Officials

June 30, 2016

Members of the Board of Education

Term Expires

Lisa Wolff, President	2018
Leigh Ann Peterson, Vice President	2018
Roy G. Dollard	2017
Bruce Gunther	2016
Gordon Lewis	2016
Joanna Long	2018
Michael Markulec	2016
Alyce Murray	2017
Adam J. Sawicki, Jr.	2017

Other Officials

Dr. Thomas Smith, Superintendent of Schools

Robert Colavita, Business Administrator/Board Secretary

James Bartolomei, Treasurer

Mr. Paul Green, Esq., Solicitor

Hopewell Valley Regional School District
Pennington, New Jersey

Independent Auditors and Advisors

Independent Auditors

Wiss and Company, LLP
354 Eisenhower Parkway, Suite 1850
Livingston, New Jersey 07039

Attorney

Schenck, Price, Smith, & King, LLP
220 Park Avenue
Post Office Box 991
Florham Park, NJ 07932

Architect

Fraytak, Veisz, Hopkins, Duthie P.C.
1515 Lower Ferry Road
Post Office Box 7371
Trenton, New Jersey 08628

Fiscal Agents

Depository Trust Company
Seven Hanover Street
New York, NY 10004

Official Depository

Northfield Bank
4 Route 31 South
Pennington, NJ 08534



**ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**

**The Certificate of Excellence in Financial Reporting Award
is presented to**

HOPEWELL VALLEY REGIONAL SCHOOL DISTRICT

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2015.**

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards.



Brenda Burkett

Brenda R. Burkett, CPA, CSBA, SFO
President

John D. Musso

John D. Musso, CAE, RSBA
Executive Director

Financial Section

Independent Auditors' Report

Honorable President and Members
of the Board of Education
Hopewell Valley Regional School District
County of Mercer
Pennington, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hopewell Valley Regional School District, County of Mercer, New Jersey (the "District"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express

no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of the District's proportionate share of the net pension liability-PERS, schedule of District contributions-PERS, schedule of the State's proportionate share of the net pension liability associated with the District-TPAF and budgetary comparison 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

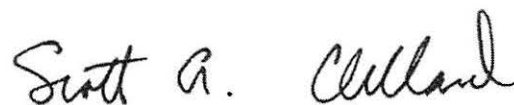
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual fund financial statements, long-term debt schedules and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively, and are also not a required part of the basic financial statements.

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

The introductory 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 November 10, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.



Scott A. Clelland
Licensed Public School Accountant
No. 1049



WISS & COMPANY, LLP

November 10, 2016
Livingston, New Jersey

Required Supplementary Information
Part I

Management's Discussion and Analysis

Hopewell Valley Regional School District Management's Discussion and Analysis

Year ended June 30, 2016
(Unaudited)

As management of the Hopewell Valley Regional School District, we offer readers of the District's financial statements this narrative discussion, overview, and analysis of the financial activities of the District for the year ended June 30, 2016. We encourage readers to consider the information presented, in conjunction with additional information that we have furnished in our letter of transmittal.

Management's Discussion and Analysis (MD&A) is Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain comparative information between the current fiscal year and the prior fiscal year is presented in the MD&A as required by GASB Statement No. 34.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This document also contains required and other supplementary information and other information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the assets, deferred outflows of resources, deferred inflows of resources and liabilities of the District, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the net position of the District changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation and sick leave).

The government-wide financial statements can be found on pages 22-23 of this report.

Fund financial statements. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, special revenue fund, capital projects fund and debt service fund, all of which are considered to be major funds.

The District adopts an annual appropriated budget for its general fund, special revenue fund and debt service fund. Budgetary comparison statements have been provided as required supplementary information for the general fund and special revenue fund and as supplementary information for the debt service fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 24-26 of this report.

Proprietary funds. The District maintains one proprietary fund type as enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses an enterprise fund to account for the operations of its food service, driver education, and kindergarten extension programs. The basic enterprise fund financial statements can be found on pages 27-29 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District uses trust funds to account for the activity of the private-purpose scholarship fund and unemployment compensation trust fund. The District uses agency funds to account for resources held for student activities and groups, and payroll related liabilities. The basic fiduciary fund financial statements can be found on pages 30-31 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the basic financial statements can be found on pages 32-66 of this report.

Other information. The required supplementary information related to pensions and the individual and combining statements referred to earlier in connection with governmental funds are presented immediately following the notes to the financial statements. Required supplementary information and combining and individual fund statements and schedules can be found on pages 67-91 of this report.

Financial Highlights

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$22,172,392 (net position) at the close of 2016 and our overall financial position has improved in the current year, as a result of better than expected general fund revenues and expenditures. The following table provides a summary of net position relating to the District's governmental and business-type activities at June 30, 2016 and 2015:

	2016			2015		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$10,787,818	\$ 347,635	\$ 11,135,453	\$ 8,386,811	\$ 564,420	\$ 8,951,231
Capital assets, net	61,314,323	138,336	61,452,659	62,390,470	162,155	62,552,625
Total assets	72,102,141	485,971	72,588,112	70,777,281	726,575	71,503,856
Deferred outflows of resources	6,137,723		6,137,723	3,203,865		3,203,865
Current liabilities	6,551,644	188,737	6,740,381	6,687,339	99,115	6,786,454
Long-term liabilities outstanding	23,276,696		23,276,696	27,036,953		27,036,953
Net pension liability	25,231,324		25,231,324	20,302,690		20,302,690
Total liabilities	55,059,664	188,737	55,248,401	54,026,982	99,115	54,126,097
Deferred inflows of resources	1,305,042		1,305,042	1,209,930		1,209,930
Net position:						
Net investment in capital assets	36,138,255	138,336	36,276,591	33,969,867	162,155	34,132,022
Restricted	4,959,888		4,959,888	4,312,975		4,312,975
Unrestricted (Deficit)	(19,222,985)	158,898	(19,064,087)	(19,538,608)	465,305	(19,073,303)
Total net position	\$21,875,158	\$297,234	\$22,172,392	\$ 18,744,234	\$ 627,460	\$ 19,371,694

The largest portion of the District's net position is its net investment in capital assets. The increase in the District's net investment in capital assets is due to ongoing capital projects combined with paying down the related debt. Restricted net position includes assets that are subject to external restrictions (e.g., for capital reserve, maintenance reserve, and debt service).

The (deficit) unrestricted net position in the governmental funds decreased, mainly attributable to better than expected general fund revenues and expenditures. The unrestricted net position decreased in the business-type activities due to the transfer of the kindergarten extension program net position balance to the General Fund due to the elimination of the program. Capital assets

decreased in the current year as a result of current year depreciation expense, partially offset by the various ongoing capital projects being completed at the District.

Deferred outflows of resources represent deferred losses on refunded debt associated with the District's outstanding debt issuances and deferred pension costs associated with the District's net pension liability. Deferred inflows of resources represent the District's proportionate share of earnings and assumptions associated with the District's net pension liability and deferred gains on refunded debt. Long-term liabilities decreased due to the current year bond payments.

Government-wide activities. The key elements of the District's changes in net position for the years ended June 30, 2016 and 2015 are as follows:

	Year ended June 30,					
	2016			2015		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 348,231	\$1,394,609	\$1,742,840	\$ 393,004	\$ 1,720,143	\$ 2,113,147
Operating grants and contributions	1,167,590	153,185	1,318,775	1,174,991	140,305	1,315,296
Capital grants and contributions				222,058		222,058
General revenues:						
Property taxes	73,601,264		73,601,264	72,074,537		72,074,537
Federal and state aid not restricted to specific purposes	21,308,429		21,308,429	17,294,614		17,294,614
Investment earnings	32,998		32,998	28,112		28,112
Miscellaneous	607,722		607,722	605,313		605,313
Total revenues	97,066,234	1,547,794	98,614,028	91,792,629	1,860,448	93,653,077
Expenses:						
Instructional services	57,698,045		57,698,045	53,243,800		53,243,800
Support services	35,388,576	1,515,587	36,904,163	33,187,594	1,787,924	34,975,518
Special schools	281,701		281,701	299,101		299,101
Interest on long-term debt	929,421		929,421	1,141,961		1,141,961
Total expenses	94,297,743	1,515,587	95,813,330	87,872,456	1,787,924	89,660,380
Increase in net position before transfers	2,768,491	32,207	2,800,698	3,920,173	72,524	3,992,697
Transfers	362,433	(362,433)	-			
Change in net position	3,130,924	(330,226)	2,800,698	3,920,173	72,524	3,992,697
Net position-beginning of year	18,744,234	627,460	19,371,694	34,591,692	554,936	35,146,628
Restatement				(19,767,631)		(19,767,631)
Net position-beginning of year (as restated)	18,744,234	627,460	19,371,694	14,824,061	554,936	15,378,997
Net position – end of year	\$21,875,158	\$297,234	\$22,172,392	\$ 18,744,234	\$ 627,460	\$ 19,371,694

Property tax revenue increased due to an increase in the current year property tax levy.

Federal and state aid not restricted for a specific purpose increased due to an increase in the on-behalf TPAF pension contributions associated with the GASB Statement Nos. 68 and 71.

Governmental instructional and support services expenses increased due to the allocation of pension expense to these functions as required by GASB Statement Nos. 68 and 71.

Business-type activities revenues decreased due to the cessation of the kindergarten extension program.

Financial Analysis of the District's Funds

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

Governmental funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,764,050, while total fund balance was \$9,214,572. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 2.2% of the total general fund expenditures while total fund balance represents 11.45% of that same amount.

The fund balance of the District's general fund increased by \$2,064,777 during the current fiscal year. Factors in this increase include the impact fiscal conservatism had on expenditures mainly in the areas of general administration, health benefits and student transportation as well as transfers in to the General Fund from the terminated Kindergarten Extension Program Enterprise Fund and from the Capital Projects Fund, where unspent funds were returned to the General Fund's Capital Reserve.

The District experienced a slight decrease in Special Revenue Fund revenue, mostly driven by an increase in local source revenue offset by slight declines in federal and state source revenue.

Capital Projects fund revenues decreased from the prior year as there were no grant funds earned during the period under audit.

The debt service fund has a total fund balance of \$10,563, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year was \$7,497, which is mainly attributable to realized revenues exceeding expenditures. The District received \$4,760,126 from the local tax levy and paid \$3,645,000 and \$1,116,438 in principal and interest on bonds, respectively. The District also refunded a portion of its outstanding debt during the 2016 fiscal year resulting in future costs savings.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedule presents a summary of the General Fund, Special Revenue Fund and Debt Service Fund revenues for the fiscal year ended June 30, 2016, and the increases and decreases in relation to the prior year.

Revenue	Amount	Percent of Total	Increase (Decrease) from 2015	Percent of Increase (Decrease)
Local sources	\$ 74,616,715	85.3%	\$ 1,506,479	2.1 %
State sources	11,779,408	13.5	1,801,734	18.1
Federal sources	1,043,700	1.2	(7,516)	(0.7)
Total	\$ 87,439,823	100.0%	\$ 3,300,697	3.9%

The increase in local sources is due to an increase in the local tax levy.

The increase in state sources is mainly attributable to an increase in on-behalf TPAF pension contributions paid by the State.

The following schedule presents a summary of General Fund, Special Revenue Fund and Debt Service Fund expenditures for the fiscal year ended June 30, 2016, and the increases and decreases in relation to the prior year.

Expenditures	Amount	Percent of Total	Increase (Decrease) from 2015	Percent of Increase (Decrease)
Current expenditures:				
Instruction	\$ 35,189,644	40.6%	\$ 1,355,971	4.0%
Support services	44,641,384	51.6	2,508,362	6.0
Capital outlay	1,677,574	1.9	(351,928)	(17.3)
Special schools	165,711	0.2	(21,612)	(11.5)
Debt service:				
Principal	3,645,000	4.2	(92,209)	(2.5)
Interest and costs	1,277,528	1.5	26,899	2.2
Total	\$ 86,596,841	100.0%	\$ 3,425,483	4.1%

The increase in instruction is attributable mainly to the increase in salaries and the increase in the cost to provide a comprehensive education.

The increase in support services is attributable mainly to the increased cost of undistributed instruction and the increase in on-behalf pension and social security contributions made by the State on behalf of the District.

The decrease in capital outlay is due to less construction and maintenance projects occurring during the current period as compared to the prior period.

General Fund Budgetary Highlights

Overall, there were no additional appropriations made to the original budget as compared to the final budget. During the year, revenues exceeded budgetary estimates and expenditures were under budgetary estimates, thus eliminating the need to draw upon any additional existing fund balance.

Tuition revenues exceeded anticipated revenues by \$47,588 as a result of an increase in student enrollment. State sources exceeded anticipated revenues by \$8,950,045 as a result of the District not anticipating revenues related to Extraordinary Aid, Non-public transportation aid, State on-behalf TPAF pension contributions, and State reimbursed TPAF social security contributions.

Budgetary transfers were made between budgetary line items and approved by the Board for various reasons including:

- Instruction – regular programs – an increase of \$476,336 occurred in the budget mainly due to increases in salaries grades 6 – 8 and 9 - 12 and other salaries for instruction.
- Instruction – Basic skills/remedial – a decrease of \$290,020 occurred in the budget due to less salaries expended than originally budgeted for.
- Undistributed expenditures – general administration – judgments against the district - an increase of \$776,452 occurred in the budget due to settlement of litigation not provided for in the original budget.
- Undistributed expenditures – operation and maintenance of plant service – decreases of \$194,817 and \$140,874 for electricity and natural gas energy cost, respectively.

The District also experienced significant variations between the final amended budget and the actual expenditures for various reasons including:

- Instruction – regular programs – a remaining balance of \$280,107. Fiscal restraint with respect to purchased professional-educational services, other purchased services, general supplies and textbooks resulted in a favorable balance.
- Undistributed expenditures – instruction – tuition - a remaining balance of 339,333. Fiscal restraint with respect to tuition to CSSD and regional day schools and state facilities.
- Undistributed expenditures – child study teams – a remaining balance of \$473,025. Fiscal restraint with respect to salaries of other professional staff and other purchased professional services and technical services resulted in a favorable balance.
- Undistributed expenditures – operation and maintenance of plant services – a remaining balance of \$366,583. Fiscal restraint with respect to custodial salaries and energy costs resulted in a favorable balance.
- Undistributed expenditures – student transportation services – a remaining balance of \$365,552. Fiscal restraint with respect to contracted services and supplies resulted in a favorable balance.

Capital Assets

At the end of the fiscal years ended June 30, 2016 and 2015, the District had \$61,452,659 and \$62,552,625, respectively, invested in land, construction in progress, land improvements, building and building improvements and machinery and equipment, net of accumulated depreciation or amortization.

	Capital Assets (Net of Depreciation)			
	Governmental Activities		Business-type Activities	
	2016	2015	2016	2015
Land	\$ 2,546,691	\$ 2,546,691		
Construction in progress	90,484	2,494,459		
Land improvements	3,142,527	2,479,791		
Building and building improvements	53,987,827	53,462,719		
Machinery and equipment	1,546,794	1,406,810	\$ 138,336	\$ 162,155
Total	<u>\$ 61,314,323</u>	<u>\$ 62,390,470</u>	<u>\$ 138,336</u>	<u>\$ 162,155</u>

The decrease in capital assets is due to depreciation expense exceeding the current year expenditures related to construction in progress and machinery and equipment. For more detailed information, please refer to Note 4 to the basic financial statements.

Debt Administration

At June 30, 2016, the District had \$53,079,286 of outstanding long-term liabilities. Of this amount, \$25,231,324 represents the District's net pension liability, \$2,256,070 is for compensated absences; \$501,680 for capital leases; \$23,030,000 of serial bonds; and \$2,060,212 is for the unamortized premium on bonds. For more detailed information, refer to Note 5 of the basic financial statements.

Economic Factors and Next Year's Budget

- Local and State aid has remained relatively flat.
- The cost of providing employee health benefits are expected to continue to increase.
- The District budgeted \$1,841,569 of its 2016 fund balance to partially fund the 2016/2017 operations, an increase of \$661,287 from the prior year.

All of the above factors were considered in preparing the District's 2016-17 fiscal year budget.

Requests for Information

This financial report is designed to provide a general overview of the Hopewell Valley Regional School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the School Business Administrator, 425 South Main Street, Pennington, New Jersey 08534.

Basic Financial Statements

Government-wide Financial Statements

The government-wide financial statements provide a financial overview of the District's operations. These financial statements present the financial position and operating results of all governmental activities and business-type activities as of and for the year ended June 30, 2016.

Hopewell Valley Regional School District

Statement of Net Position

June 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 4,640,806	\$ 288,808	\$ 4,929,614
Accounts receivable	1,187,124	21,128	1,208,252
Inventories		37,699	37,699
Restricted assets:			
Cash and cash equivalents	4,959,888		4,959,888
Capital assets, non-depreciable	2,637,175		2,637,175
Capital assets, depreciable, net	58,677,148	138,336	58,815,484
Total assets	<u>72,102,141</u>	<u>485,971</u>	<u>72,588,112</u>
Deferred Outflow of Resources			
Pension deferrals	5,587,675		5,587,675
Deferred loss on refunding of debt	550,048		550,048
	<u>6,137,723</u>		<u>6,137,723</u>
Liabilities			
Accounts payable	1,698,545	118,181	1,816,726
Accrued interest payable	195,717		195,717
Intergovernmental payables:			
Federal	2,401		2,401
State	19,740		19,740
Unearned revenue	63,975	70,556	134,531
Net pension liability	25,231,324		25,231,324
Current portion of long-term obligations	4,571,266		4,571,266
Noncurrent portion of long-term obligations	23,276,696		23,276,696
Total liabilities	<u>55,059,664</u>	<u>188,737</u>	<u>55,248,401</u>
Deferred Inflows of Resources			
Pension deferrals	405,671		405,671
Deferred gain on refunding of debt	134,224		134,224
Deferred tax levy	765,147		765,147
	<u>1,305,042</u>		<u>1,305,042</u>
Net position			
Net investment in capital assets	36,138,255	138,336	36,276,591
Restricted for:			
Capital reserve	4,871,220		4,871,220
Maintenance reserve	88,668		88,668
Unrestricted	(19,222,985)	158,898	(19,064,087)
Total net position	<u>\$ 21,875,158</u>	<u>\$ 297,234</u>	<u>\$ 22,172,392</u>

Hopewell Valley Regional School District

Statement of Activities

Year ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities						
Instruction	\$ 57,698,045	\$ 267,681	\$ 1,005,700	\$ (56,424,664)		\$ (56,424,664)
Support services:						
Instruction	2,563,473			(2,563,473)		(2,563,473)
Attendance/social work	93,118			(93,118)		(93,118)
Health services	1,032,512			(1,032,512)		(1,032,512)
Other support services	6,737,869		161,890	(6,575,979)		(6,575,979)
Improvement of instruction	2,588,198			(2,588,198)		(2,588,198)
School library	1,633,244			(1,633,244)		(1,633,244)
General administration	1,743,813			(1,743,813)		(1,743,813)
School administration	3,529,509			(3,529,509)		(3,529,509)
Central services	1,628,818			(1,628,818)		(1,628,818)
Admin info technology	351,678			(351,678)		(351,678)
Required maintenance of plant services	2,166,532			(2,166,532)		(2,166,532)
Operation of plant	5,723,026			(5,723,026)		(5,723,026)
Care & upkeep of grounds	427,796			(427,796)		(427,796)
Security	314,368			(314,368)		(314,368)
Student transportation	4,854,622	80,550		(4,774,072)		(4,774,072)
Special Schools	281,701			(281,701)		(281,701)
Interest and other charges on long-term debt	929,421			(929,421)		(929,421)
Total governmental activities	94,297,743	348,231	1,167,590	(92,781,922)		(92,781,922)
Business-type activities						
Enterprise Funds	1,515,587	1,394,609	153,185		\$ 32,207	32,207
Total business-type activities	1,515,587	1,394,609	153,185		32,207	32,207
Total primary government	\$ 95,813,330	\$ 1,742,840	\$ 1,318,775	(92,781,922)	32,207	(92,749,715)
General revenues:						
Property taxes, levied for general purposes				68,841,138		68,841,138
Property taxes, levied for debt service				4,760,126		4,760,126
State sources				21,308,429		21,308,429
Investment earnings				32,998		32,998
Miscellaneous income				607,722		607,722
Transfers				362,433	(362,433)	-
Total general revenues and transfers				95,912,846	(362,433)	95,550,413
Change in net position				3,130,924	(330,226)	2,800,698
Net position—beginning				18,744,234	627,460	19,371,694
Net position—ending				\$ 21,875,158	\$ 297,234	\$ 22,172,392

See accompanying notes to the basic financial statements.

Fund Financial Statements

Governmental Funds

Hopewell Valley Regional School District
Governmental Funds

Balance Sheet

June 30, 2016

	Major Funds				Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	
Assets					
Cash and cash equivalents	\$ 4,286,561	182,233		\$ 172,012	\$ 4,640,806
Accounts receivable:					
Intergovernmental:					
State	665,323				665,323
Federal		139,951			139,951
Other	366,045	15,805			381,850
Interfund receivable	272,521				272,521
Restricted cash and cash equivalents	4,959,888				4,959,888
Total assets	<u>\$ 10,550,338</u>	<u>\$ 337,989</u>	<u>\$ -</u>	<u>\$ 172,012</u>	<u>\$ 11,060,339</u>
Liabilities, deferred inflows of resources and fund balances					
Liabilities:					
Accounts payable	\$ 690,563	\$ 20,857			\$ 711,420
Intergovernmental payables:					
State		19,740			19,740
Federal		2,401			2,401
Interfunds payable		272,521			272,521
Unearned revenue	41,505	22,470			63,975
Total liabilities	<u>732,068</u>	<u>337,989</u>			<u>1,070,057</u>
Deferred inflows of resources	603,698			\$ 161,449	765,147
Fund balances:					
Restricted for:					
Capital reserve	4,871,220				4,871,220
Maintenance reserve	88,668				88,668
Debt service				10,563	10,563
Assigned to:					
Designated for subsequent year expenditures	1,841,569				1,841,569
Other purposes	649,065				649,065
Unassigned	1,764,050				1,764,050
Total fund balances	<u>9,214,572</u>	<u>-</u>	<u>-</u>	<u>10,563</u>	<u>9,225,135</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,550,338</u>	<u>\$ 337,989</u>	<u>\$ -</u>	<u>\$ 172,012</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 \$97,209,960 and the accumulated depreciation is \$35,895,637.	\$ 61,314,323
Accrued interest on long-term debt is not due and payable in the current period and therefore is not reported as a liability in the funds.	(195,717)
Deferred pension costs in governmental activities are not financial resources and are therefore not reported in the funds.	5,182,004
Losses and gains arising from the issuance of refunding bonds that are a result of the difference in the carrying value of the refunded bonds and the new bonds are deferred and amortized over the life of the new bonds.	415,824
Net pension liability is not due and payable in the current period and therefore is not reported as a liability in the funds.	(25,231,324)
Accrued pension contributions for the June 30, 2016 plan year end are not paid with current economic resources and are therefore not reported as a liability in the funds, but are included in accounts payable in the government-wide statement of net position.	(987,125)
Leases, compensated absences and unamortized premium on bonds are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(27,847,962)
Net position of governmental activities	<u>\$ 21,875,158</u>

Hopewell Valley Regional School District
Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2016

	Major Funds				Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	
Revenues:					
Local sources:					
Local tax levy	\$ 68,841,138			\$ 4,760,126	\$ 73,601,264
Tuition	267,681				267,681
Interest on investments	28,488				28,488
Interest earned on investments - reserve funds	4,510				4,510
Transportation	80,550				80,550
Miscellaneous	598,913	\$ 26,500		8,809	634,222
Total local sources	69,821,280	26,500		4,768,935	74,616,715
State sources	11,682,018	97,390			11,779,408
Federal sources		1,043,700			1,043,700
Total revenues	81,503,298	1,167,590		4,768,935	87,439,823
Expenditures:					
Current:					
Instruction	34,183,944	1,005,700			35,189,644
Support services:					
Instruction	2,469,773				2,469,773
Attendance/social work	56,595				56,595
Health services	618,581				618,581
Support services	4,149,453	161,890			4,311,343
Improvement of instruction	1,527,506				1,527,506
School library	993,025				993,025
General administration	1,528,948				1,528,948
School administration	2,091,891				2,091,891
Central services	1,022,890				1,022,890
Administration information technology	213,423				213,423
Required maintenance of plant services	1,682,559				1,682,559
Operation of plant-custodial services	3,927,004				3,927,004
Care & upkeep of grounds	281,239				281,239
Security	184,334				184,334
Student transportation	3,776,463				3,776,463
Employee benefits	11,552,487				11,552,487
On-behalf pension contributions	5,601,577				5,601,577
On-behalf TPAF social security contributions	2,801,746				2,801,746
Special Schools	165,711				165,711
Capital outlay	1,677,574				1,677,574
Debt Service:					
Principal				3,645,000	3,645,000
Interest				1,116,438	1,116,438
Costs of issuance				161,090	161,090
Total expenditures	80,506,723	1,167,590		4,922,528	86,596,841
Excess (deficiency) of revenues over (under) expenditures	996,575	-		(153,593)	842,982
Other financing sources (uses):					
Transfers in	616,567				616,567
Transfers out			\$ (254,134)		(254,134)
Payment to refunding bond escrow agent				(17,911,317)	(17,911,317)
Refunding bonds issued				16,290,000	16,290,000
Premium on bond refunding				1,782,407	1,782,407
Capital leases (non-budgeted)	451,635				451,635
Total other financing sources (uses)	1,068,202	-	(254,134)	161,090	975,158
Net change in fund balances	2,064,777	-	(254,134)	7,497	1,818,140
Fund balances, July 1	7,149,795	-	254,134	3,066	7,406,995
Fund balances, June 30	\$ 9,214,572	\$ -	\$ -	\$ 10,563	\$ 9,225,135

The reconciliation of the fund balances of governmental funds to the net position of governmental activities in the statement of activities is presented in an accompanying schedule (B-3).

Hopewell Valley Regional School District
Governmental Funds

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities

Year ended June 30, 2016

Total net change in fund balances - governmental funds (from B-2)		\$ 1,818,140
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 depreciation expense exceeded capital additions in the period.		
Capital additions	\$ 1,201,737	
Depreciation expense	<u>(2,277,884)</u>	(1,076,147)
Proceeds from lease purchase payables and capital leases are a financing source in the governmental funds. They are not revenue in the statement of activities; lease purchase payables and capital leases increase long-term liabilities in the statement of net assets.		
Obligations Under Capital Leases	<u>(180,000)</u>	(180,000)
Repayments of bond principal and capital lease obligations are expenditures 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.		
Serial Bonds Payable	3,645,000	
Obligations Under Capital Leases	<u>122,970</u>	3,767,970
The issuance of long-term debt for general and refunding purposes provides current financial resources to governmental funds, however has no effect on net position.		
Refunding Bonds Issued	(16,290,000)	
Bonds Refunded	<u>17,535,000</u>	1,245,000
Governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences.		
Premium on Bond Issuance	(1,782,407)	
Amortization of Premium on Bonds	568,725	
Deferred Interest on Bond Refunding	(137,095)	
Amortization of Deferred Interest Costs	<u>(237,658)</u>	(1,588,435)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Pension expense		(970,783)
In the statement of activities, interest on long-term debt/capital leases is accrued, regardless of when due. In the governmental funds, interest is reported when due. The amount presented is the change from prior year.		
		258,816
In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid).		
		(143,637)
Change in net position of governmental activities (A-2)		<u><u>\$ 3,130,924</u></u>

Proprietary Funds

Hopewell Valley Regional School District
Proprietary Funds

Combining Statements of Net Position

June 30, 2016

	Major Funds			Totals
	Business Type Activities -			
	Enterprise Funds			
	Food Service	Driver Education	Kindergarten Extension	
Assets				
Current assets:				
Cash and cash equivalents	\$ 207,156	\$ 81,652		\$ 288,808
Accounts receivable:				
State	522			522
Federal	6,733			6,733
Other	13,873			13,873
Inventories	37,699			37,699
Total current assets	265,983	81,652		347,635
Non-current assets:				
Capital assets:				
Equipment	612,805			612,805
Accumulated depreciation	(474,469)			(474,469)
Total capital assets, net	138,336			138,336
Total assets	404,319	81,652		485,971
Liabilities				
Current liabilities:				
Accounts payable	117,025	1,156		118,181
Unearned revenue	70,556			70,556
Total current liabilities	187,581	1,156		188,737
Net position				
Net investment in capital assets	138,336			138,336
Unrestricted	78,402	80,496		158,898
Total net position	\$ 216,738	\$ 80,496	\$ -	\$ 297,234

Hopewell Valley Regional School District
Proprietary Funds

Combining Statements of Revenues, Expenses and
Changes in Fund Net Position

Year ended June 30, 2016

	Major Funds Business Type Activities - Enterprise Funds			Totals
	Food Service	Driver Education	Kindergarten Extension	
Operating revenues:				
Local sources:				
Daily food sales-reimbursable programs	\$ 594,191			\$ 594,191
Daily food sales- non reimbursable programs	778,988			778,988
Fees		\$ 23,430		23,430
Total operating revenues	1,373,179	23,430		1,396,609
Operating expenses:				
Salaries	408,545	13,481		422,026
Employee benefits	110,990	1,025		112,015
Supplies and materials	75,248			75,248
Depreciation	23,819			23,819
Insurance	39,642			39,642
Cost of sales - reimbursable programs	527,391			527,391
Cost of sales - non reimbursable programs	229,933			229,933
Management and administrative fees	77,084			77,084
Other	4,454	3,975		8,429
Total operating expenses	1,497,106	18,481		1,515,587
Operating (loss) income	(123,927)	4,949		(118,978)
Nonoperating revenues (expenses):				
State sources:				
State school lunch program	6,528			6,528
Federal sources:				
National school lunch program	83,731			83,731
Food donation program	62,926			62,926
Cancellation of prior year's receivable			\$ (2,000)	(2,000)
Total nonoperating revenues (expenses)	153,185	-	(2,000)	151,185
Income (loss) before transfers	29,258	4,949	(2,000)	32,207
Transfer out - General Fund			(362,433)	(362,433)
Change in net position	29,258	4,949	(364,433)	(330,226)
Total net position-beginning	187,480	75,547	364,433	627,460
Total net position-ending	\$ 216,738	\$ 80,496	\$ -	\$ 297,234

See accompanying notes to the basic financial statements.

Hopewell Valley Regional School District
Proprietary Funds

Combining Statements of Cash Flows

Year ended June 30, 2016

	Major Funds			Totals
	Business Type Activities - Enterprise Funds			
	Food Service	Driver Education	Kindergarten Extension	
Cash flows from operating activities:				
Receipts from customers	\$ 1,378,645	\$ 23,430	\$ 1,600	\$ 1,403,675
Payments to employees	(408,545)	(12,326)		(420,871)
Payments for employee benefits	(110,990)	(1,025)		(112,015)
Payments to suppliers	(868,066)	(5,087)	-	(873,153)
Net cash (used in) provided by operating activities	(8,956)	4,992	1,600	(2,364)
Cash flows from noncapital financing activities:				
Cash received from state and federal reimbursements	89,036			89,036
Cash received from food donation program	60,508			60,508
Transfer to general fund			(362,433)	(362,433)
Net cash provided by (used in) noncapital financing activities	149,544		(362,433)	(212,889)
Net increase (decrease) in cash and cash equivalents	140,588	4,992	(360,833)	(215,253)
Cash and cash equivalents, beginning of year	66,568	76,660	360,833	504,061
Cash and cash equivalents, end of year	\$ 207,156	\$ 81,652	\$ -	\$ 288,808
Reconciliation of operating (loss) income to net cash (used in) provided by operating activities				
Operating (loss) income	\$ (123,927)	\$ 4,949	\$ -	\$ (118,978)
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:				
Depreciation	23,819			23,819
Change in assets and liabilities:				
Decrease in accounts receivable	4,618		1,600	6,218
(Increase) in inventory	(5,463)			(5,463)
Increase in accounts payable	88,731	43		88,774
Increase in unearned revenue	3,266		-	3,266
Net cash (used in) provided by operating activities	\$ (8,956)	\$ 4,992	\$ 1,600	\$ (2,364)

Noncash noncapital financing activities:

The District received \$60,508 of food commodities from the U.S. Department of Agriculture for the year ended June 30, 2016.

Fiduciary Funds

Hopewell Valley Regional School District
Fiduciary Funds

Statement of Fiduciary Net Position

June 30, 2016

	Private- Purpose Scholarship Trust Funds	Unemployment Compensation Trust Fund	Agency Funds
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and cash equivalents	\$ 31,040		\$ 1,641,887
Total assets	<u>31,040</u>		<u><u>\$ 1,641,887</u></u>
Liabilities			
Payroll deductions and withholdings payable			\$ 1,288,899
Due to student groups			352,988
Total liabilities		<u>-</u>	<u><u>\$ 1,641,887</u></u>
Net position			
Held in trust for scholarships	<u>\$ 31,040</u>		
Held in trust for unemployment claims		<u>\$ -</u>	

Hopewell Valley Regional School District
Fiduciary Funds

Statement of Changes in Fiduciary Net Position

Year ended June 30, 2016

	Private- Purpose Scholarship Trust Funds	Unemployment Compensation Trust Fund
Additions		
Contributions:		
Board contributions		\$ 160,801
Plan member contributions		116,397
Scholarship donations	\$ 20,005	
Total additions	20,005	277,198
Deductions		
Unemployment benefit payments		277,198
Scholarship payments	12,350	
Total deductions	12,350	277,198
Change in net position	7,655	-
Net position-beginning	23,385	-
Net position-ending	\$ 31,040	\$ -

Hopewell Valley Regional School District

Notes to the Basic Financial Statements

Year ended June 30, 2016

1. Summary of Significant Accounting Policies

The financial statements of the Board of Education (Board) of the Hopewell Valley Regional School District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the District's accounting policies are disclosed below:

A. Reporting Entity

The financial reporting entity consists of a) the primary government, b) organizations for which the primary government is financially accountable, and c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

The District, as the primary government for financial reporting entity purposes, has oversight responsibility and control over all activities related to the Hopewell Valley Regional School District in Pennington, New Jersey. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

The District has no component units that are required to be included within the reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards.

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

1. Summary of Significant Accounting Policies (continued)

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise funds are reported as separate columns in the fund financial statements. The New Jersey Department of Education requires that all funds be reported as major to promote consistency of reporting among the school districts in the State of New Jersey.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

1. Summary of Significant Accounting Policies (continued)

For this purpose, the District considers all revenues, except property taxes, to be available if they are collected within 60 days of the end of the current fiscal year. Property taxes are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and net pension liability are recorded only when payment is due.

Property taxes, interest, and state equalization monies associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when the District receives cash.

The District has reported the following major governmental funds:

General Fund: The general fund is the general operating fund of the District and is used to account for all 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.

Special Revenue Fund: The District maintains one special revenue fund, which includes the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Capital Projects Fund: The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to an expenditure for capital outlays, including the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds, state and local funds 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 accounts for and reports financial resources that are restricted, committed, or assigned to an expenditure for the principal and interest on long-term general obligation debt of governmental funds.

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

1. Summary of Significant Accounting Policies (continued)

The District reports the following major proprietary funds:

Enterprise Funds (Food Service, Driver Education, and Kindergarten Extension): The enterprise funds account for all revenues and expenses pertaining to cafeteria, driver education, and kindergarten extension operations and are utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses including depreciation and indirect costs) of providing goods and services to the students or other entities on a continuing basis are financed or recovered primarily through user charges. The kindergarten extension program was permanently discontinued during the 2016 fiscal year.

Additionally, the District reports the following fiduciary fund types:

Fiduciary Funds of the District include the unemployment compensation trust fund, private-purpose scholarship trust funds and agency funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurements of results of operations. The following is a description of the fiduciary funds of the District:

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

Trust Funds: The unemployment compensation and private-purpose scholarship funds are accounted for using the economic resources measurement focus. The unemployment compensation fund is used to account for contributions from the District and employees and interest earned on the balance as well as payments to the State for reimbursement of unemployment claims. The private-purpose scholarship fund is utilized to provide scholarships to students and to account for the related transactions.

Agency Funds (Payroll and Student Activity Fund): Agency funds are used to account for the assets that the District holds on behalf of others as their agent. Agency funds are custodial in nature and do not involve measurement of results of operations. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) fees charged to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

1. Summary of Significant Accounting Policies (continued)

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges for sales of food, tuition for the driver education program and rental fees. Operating expenses for the enterprise fund include the cost of sales, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District reports unearned revenue on its balance sheet and statement of net position. Unearned revenue arises when resources are received by the District before it has legal claim to them, as when federal assistance is received prior to the incurrence of qualifying expenditures. In subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and statement of net position and revenue is recognized.

Ad Valorem (Property) taxes are susceptible to accrual as, under New Jersey State Statute, a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable."

The County Board of Taxation is responsible for the assessment of properties and the Municipal Tax Collectors are responsible for the collection of taxes. Assessments are certified and taxes are levied on January 1; taxes are due on February 1, May 1, August 1, and November 1. Unpaid taxes are considered delinquent the following January 1 and are then subject to lien.

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

1. Summary of Significant Accounting Policies (continued)

D. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds and submitted to the county office. In accordance with P.L. 2011, c.202, which became effective January 17, 2012, the District elected to move the April school board election to the date of the November general election thereby eliminating the vote on the annual base budget. Budgets are prepared using the modified accrual basis of accounting and the special revenue fund uses a non-GAAP budget (budgetary basis). 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 referred in N.J.A.C. 6A:23. The over-expenditure in the general fund is due to the inclusion of the non-budgeted on-behalf payments made by the State of New Jersey as District expenditures. These amounts are offset by related revenues and as such do not represent budgetary over-expenditures. All budget amendments must be approved by School Board resolution and certain other matters require approval by the County Superintendent of Schools. Budgetary transfers were made during the current year in accordance with statutory guidelines.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States with the exception of the legally mandated revenue recognition of the last state aid payments 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.

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

1. Summary of Significant Accounting Policies (continued)

E. Cash, Cash Equivalents and Investments

Cash and cash equivalents include petty cash, amounts on deposit, and money market accounts with original maturities of three months or less.

F. Interfund Receivables/Payables

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

G. Inventories

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

The food service enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. At June 30, 2016, the unused Food Donation Program commodities of \$612 are reported as unearned revenue in the food service enterprise fund.

H. Capital Assets

Capital assets, which include land, property, plant and equipment and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or through estimation procedures. Donated capital assets are valued at their estimated fair value on the date of donation.

The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend the assets lives are not capitalized.

Property, plant and equipment of the District is depreciated using the straight line method. The following estimated useful lives are used to compute depreciation:

	<u>Years</u>
Land improvements	20
Buildings and building improvements	7-60
Machinery and equipment	3-20
Vehicles	5-10
Computer software	5

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

1. Summary of Significant Accounting Policies (continued)

I. Compensated Absences

A liability for compensated absences that are attributable to services already rendered and that are 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. The District uses the "vesting method" for estimating its accrued sick and vacation leave liability.

District employees are granted vacation and sick leave in varying amounts under the District's personnel policies and collective bargaining agreements. In the event of termination, an employee is reimbursed for accumulated vacation. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after one year of service.

The liability for vested compensated absences of the District is recorded in the government-wide financial statements amounted to \$2,256,070 at June 30, 2016. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

J. Unearned Revenue

Unearned revenue in the general fund represents tuition paid in advance. Unearned revenue in the special revenue fund represents cash which has been received but not yet earned. Unearned revenue in the enterprise fund consists of student deposits made for the use of purchasing food to be consumed in a future period and unused donated food commodities.

K. Deferred Outflows / Inflows or Resources

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category, including deferred amounts related to pensions, deferred gain on the refunding of debt and local tax levies received in advance.

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

1. Summary of Significant Accounting Policies (continued)

L. Deferred Loss/Gain on Defeasances of Debt

Deferred losses on refunding of debt are recorded as deferred outflows of resources. Deferred gain on refunding of debt is recorded as a deferred inflow of resources. They are amortized in a systematic and rational manner over the duration of the related debt as a component of interest and other charges on long-term debt. The net amortization expense for the year ended June 30, 2016 amounted to \$237,658. As of June 30, 2016, the District has recorded an unamortized balance of \$550,048 and \$134,224 as deferred outflow of resources and deferred inflow of resources, respectively.

M. Long-Term Obligations

In the government-wide financial statements, and enterprise funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or enterprise fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as either capital projects fund or debt service fund expenditures in the year of issuance.

N. Fund Balances

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB 54") established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under GASB 54, fund balances in the governmental funds financial statements are reported under the modified accrual basis of accounting and classified into the following five categories, as defined below:

- 1) Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

1. Summary of Significant Accounting Policies (continued)

N. Fund Balances (continued)

2. Restricted - includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. Committed - includes amounts that can be used only for the specific purposes imposed by a formal action of the government's highest level of decision-making authority. The District's highest level of decision-making authority is the Board of Education (the "Board") and formal action is taken by resolution of the Board at publicly held meetings. Once committed, amounts cannot be used for other purposes unless the Board revises or changes the specified use by taking the same action (resolution) taken to originally commit these funds.
4. Assigned – amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Intent is expressed by either the Board or Business Administrator, to whom the Board has delegated the authority to assign amounts to be used for specific purposes, including the encumbering of funds.
5. Unassigned - includes all spendable amounts not contained in the other classifications in the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. In the other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. For the unrestricted fund balance, the District first spends committed funds, then assigned funds, and finally, unassigned funds.

Of the \$9,214,572 of fund balance in the General Fund, \$4,871,220 has been restricted in the capital reserve account, \$88,668 has been restricted in the maintenance reserve account, \$1,841,569 has been assigned to designated for subsequent year expenditures, \$649,065 of encumbrances are assigned to other purposes and \$1,764,050 is unassigned. Of the \$10,563 of fund balance in the Debt Service Fund, \$1,754 has been budgeted for use in the 2016-17 budget and is included in restricted for debt service.

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

Summary of Significant Accounting Policies (continued)

O. Calculation of Excess Surplus

The designation for restricted 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 fund balance of the general fund at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in its subsequent years' budget. The District did not generate any excess fund balance during the 2016 fiscal year.

P. Net Position

GASB Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* became effective for financial statements for periods beginning after December 15, 2011 and established standards for reporting deferred outflows of resources, deferred inflows of resources and net position. The adoption of this statement resulted in a change in the presentation of the statement of net assets to what is now referred to as the statement of net position and the term "net assets" is changed to "net position" throughout the financial statements.

Net position represents the difference between assets, deferred inflows of resources, deferred outflows of resources and liabilities in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net positions are reported as restricted in the government-wide financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Q. GASB Pronouncements

GASB Pronouncements implemented in the 2016 Fiscal Year

In February, 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application* ("GASB 72"). The objective of this Statement is to provide guidance for applying fair value for certain assets and liabilities and disclosures related to all fair value measurements. The requirements of this Statement mandate the use of valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. The District has adopted GASB No. 72 during the year ended June 30, 2016 and it did not have a significant impact on the District's financial statements.

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

1. Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncements

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (“GASB No. 75”). The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local government employers about financial support for OPEB that is provided by other entities. The Statement will become effective for the District in the 2018 fiscal year. Management has not yet determined the impact of this Statement on the financial statements.

GASB Statement No. 77, *Tax Abatement Disclosures* (“GASB No. 77”). This Statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The Statement will become effective for the District in the 2017 fiscal year. Management has not yet determined the impact of this Statement on financial statement note disclosures.

R. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

S. On-Behalf Payments

Revenues and expenditures of the general fund include payments made by the State of New Jersey for social security contributions and post-retirement medical and pension benefits for certified members of the New Jersey Teachers Pension and Annuity Fund. Additionally, revenues and expenses related to on-behalf pension contributions in the government-wide financial statements have been increased by \$9,626,411 to adjust for the full accrual basis expense incurred by the State of New Jersey during the most recent measurement period. The amounts are not required to be included in the District’s annual budget.

T. Subsequent Events

Management has reviewed and evaluated all events and transactions that occurred between June 30, 2016 and November 10, 2016, the date that the financial statements were available for issuance, for possible disclosure and recognition in the financial statements, and, other than the disclosures which follow, no items have come to the attention of the District that would require disclosure.

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

1. Summary of Significant Accounting Policies (continued)

On September 27, 2016, the voters of the Hopewell Valley Regional School District approved a bond referendum in the amount of \$35,855,000 that will allow the District to address immediate facilities needs including roofs, windows, safety, security, ADA accessibility and HVAC.

2. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The detail of this \$27,847,962 difference is as follows:

Bonds payable	\$	23,030,000
Premium on bonds		2,060,212
Capital leases payable		501,680
Compensated absences		2,256,070
Net adjustment to reduce fund balance-total governmental funds to arrive at net position – governmental activities	\$	<u>27,847,962</u>

3. Deposits and Investments

Investments are stated at fair value in accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, “Accounting and Financial Reporting for Certain Investments and for External Investment Pools” and Statement No. 72, “Fair Value Measurement and Application.” The Board classifies certificates of deposit, which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments and are stated at cost. All other investments are stated at fair value.

New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts. Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

3. Deposits and Investments (continued)

Deposit Protection Act (“GUDPA”). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include savings and loan institutions, banks (both state and national banks) and savings banks, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

Deposits

New Jersey statutes require that school districts deposit public funds in public depositories located in New Jersey that 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 and the New Jersey Asset and Rebate 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.

The District’s cash and cash equivalents are classified below to inform financial statement users about the extent to which a government’s deposits and investments are exposed to custodial credit risk. Pursuant to GASB Statement No. 40, “Deposit and Investment Risk Disclosures” (“GASB 40”), the District’s operating cash and money market accounts are

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

3. Deposits and Investments (continued)

profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the District would not be able to recover the value of its deposits and investments). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by the pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. The District does not have a policy for the management of custodial credit risk, other than depositing all of its funds in banks covered by GUDPA. At least five percent of the District's deposits were fully collateralized by funds held by financial institutions, but not in the name of the District. Due to the nature of GUDPA, further information is not available regarding the full amount that is collateralized.

At June 30, 2016, the District's carrying value of its deposits was \$11,562,429 and the bank balance was \$12,405,575. Of the bank balance, \$250,000 was secured by federal depository insurance. The New Jersey Governmental Unit Deposit Protection Act (GUDPA) covered the bank balance of \$10,493,319. \$1,662,256 held in the District agency accounts are not covered by GUDPA.

Investments

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

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank for Cooperatives which have a maturity date not greater than twelve months from the date of purchase.
- c. New Jersey Cash Management Fund and New Jersey Asset and Rebate Management Fund.

The District did not have any investments as of June 30, 2016.

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

4. Capital Assets

The following schedule is a summarization of the governmental activities changes in capital assets for the year ended June 30, 2016.

	Beginning Balance	Increases	Deletions/ Transfers	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 2,546,691			\$ 2,546,691
Construction in progress	2,494,459	\$ 90,484	\$ 2,494,459	90,484
Total capital assets, not being depreciated	5,041,150	90,484	2,494,459	2,637,175
Capital assets, being depreciated				
Land improvements	3,425,279	857,847		4,283,126
Buildings and building improvements	80,531,323	2,193,837		82,725,160
Machinery, equipment, and vehicles	7,010,471	554,028		7,564,499
Total capital assets being depreciated	90,967,073	3,605,712		94,572,785
Less accumulated depreciation for:				
Land improvements	945,488	195,111		1,140,599
Buildings and building improvements	27,068,604	1,668,729		28,737,333
Machinery, equipment, and vehicles	5,603,661	414,044		6,017,705
Total accumulated depreciation	33,617,753	2,277,884		35,895,637
Total capital assets, being depreciated, net	57,349,320	1,327,828		58,677,148
Governmental activities capital assets, net	\$ 62,390,470	\$ 1,418,312	\$ 2,494,459	\$ 61,314,323

Depreciation expense was charged to functions/programs of the District for the year ended June 30, 2016 as follows:

Instruction	\$1,428,756
Attendance/social work	2,147
Health services	23,468
Other support services	163,567
Improvement of instruction	57,952
School library	37,674
General administration	58,007
School administration	79,364
Central services	38,807
Information technology	8,097
Required maintenance of plant services	63,834
Operation of plant	148,986
Care & upkeep of grounds	10,670
Security	6,993
Student transportation	143,275
Special Schools	6,287
	<u>\$2,277,884</u>

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

4. Capital Assets (continued)

The following schedule is a summarization of business-type activities changes in capital assets for the year ended June 30, 2016:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Ending Balance</u>
Business-type activities			
Capital assets, being depreciated:			
Equipment	\$ 612,805	\$ -	\$ 612,805
Less accumulated depreciation for:			
Equipment	450,650	23,819	474,469
Total business-type activities capital assets, net	<u>\$ 162,155</u>	<u>\$ (23,819)</u>	<u>\$ 138,336</u>

5. Long-Term Liabilities

Bonds Payable

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

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending June 30:			
2017	\$ 3,790,000	\$ 711,420	\$ 4,501,420
2018	3,960,000	756,338	4,716,338
2019	4,105,000	615,538	4,720,538
2020	4,255,000	451,400	4,706,400
2021	3,380,000	261,500	3,641,500
2022	3,540,000	88,500	3,628,500
	<u>\$ 23,030,000</u>	<u>\$ 2,884,696</u>	<u>\$ 25,914,696</u>

Bonds payable at June 30, 2016 are comprised of the following issues:

\$20,080,000, 2005 refunding bonds, due in a final annual installment of \$1,430,000 on August 15, 2016 at an interest rate of 5.00%.

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

5. Long-Term Liabilities (continued)

Bonds Payable (continued)

\$13,265,000, 2010 refunding bonds, due in a final annual installment of \$1,435,000 on August 15, 2016 at an interest rate of 4.00%.

\$5,665,000, 2012 refunding bonds, due in annual installments ranging from \$925,000 to \$1,015,000 through January 15, 2020 at interest rates ranging from 3.00% to 4.00%.

\$16,290,000, 2016 refunding bonds, due in annual installments ranging from \$3,010,000 to \$3,540,000 through August 15, 2021 at interest rates ranging from 3.00% to 5.00%.

Defeased Debt

In March 2012, the District issued \$5,665,000 of refunding bonds to provide resources to refund \$4,755,000 of the District's 2004 bonds. As of June 30, 2016, none of the defeased debt remained outstanding.

On May 3, 2016, the District issued \$16,290,000 of refunding bonds to provide resources to refund a portion of the District's outstanding debt. As a result, \$17,535,000 of refunded bonds are considered defeased and the liability has been removed from the basic financial statements. This advance refunding was undertaken to reduce the total debt service payments over the next five years by \$1,437,443 and resulted in a net present value savings of \$1,397,570. As of June 30, 2016, no defeased debt remains outstanding. The difference between the re-acquisition price of the defeased debt of \$17,911,317 and the net carrying value amount of the old bonds of \$17,774,222 is being amortized over the remaining life of the defeased debt.

Bonds Authorized But Not Issued

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

Capital Leases Payable

In March 2014, the District entered into a capital lease for maintenance equipment in the amount of \$665,000. The equipment is being leased with an interest rate of 1.52%. In August, 2014, the District entered into a capital lease for cardiac emergency equipment in the amount of \$48,610. The equipment is being leased with an interest rate of 3.33%. In March, 2016, the District entered into a capital lease for the acquisition of buses. The equipment is being leased with an interest rate of 2.93%.

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

5. Long-Term Liabilities (continued)

Capital Leases Payable (continued)

The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2016:

	Amount
Year:	
2017	\$ 168,072
2018	174,555
2019	109,335
2020	39,544
2021	40,139
Total minimum lease payments	531,645
Less amounts representing interest	(29,965)
Present value of net minimum lease payments	\$ 501,680

Changes in Long-term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental activities:					
Bonds payable	\$ 27,920,000	\$16,290,000	\$21,180,000	\$ 23,030,000	\$ 3,790,000
Premium on bonds	846,530	1,782,407	568,725	2,060,212	403,682
Capital leases	444,650	180,000	122,970	501,680	157,884
Compensated absences	2,112,433	197,986	54,349	2,256,070	219,700
Subtotal	31,323,613	18,450,393	21,926,044	27,847,962	4,571,266
Net pension liability	20,302,690	4,928,634		25,231,324	
Total governmental activity long-term liabilities	\$51,626,303	\$23,379,027	\$21,926,044	\$53,079,286	\$4,571,266

Compensated absences, the net pension liability and capital lease liabilities are liquidated by expenditures charged to the general fund. Bonds payable are liquidated by expenditures charged to the debt service fund.

6. Pension Plans

Description of Systems

Substantially all of the District's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employees' Retirement

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

6. Pension Plans (continued)

System (PERS). These systems are sponsored and administered by the State of New Jersey.

The Teachers' Pension and Annuity Fund Retirement System is considered a cost-sharing multiple-employer plan, with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the District and the system's other related non-contributing employers. The Public Employees' Retirement System is considered a cost-sharing multiple-employer plan.

Teachers' Pension and Annuity Fund

The Teachers' Pension and Annuity Fund was established in January 1955 under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time public school employees in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for health care coverage. Age eligibility and benefit provisions were affected by Chapters 92 and 103, P.L. 2007, Chapter 89, P.L. 2008, Chapter 1, P.L. 2010, and Chapter 78, P.L. 2011. Members are classified into one of five tiers dependent upon the date of their enrollment. Tier 1, 2 and 3 members are eligible to retire at age 60, 60, and 62, respectively with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. Tier 4 and 5 members are eligible to retire at age 62 and 65, respectively, with an annual benefit generally determined to be 1/60th of the average annual compensation for the highest five fiscal years' compensation for each year of membership during years of credited service. Anyone who retires early and is under their respective tier's retirement age receives retirement benefits as calculated in the above mentioned formulas but at a reduced rate in accordance with applicable New Jersey Statute based upon their tier.

Public Employee's Retirement System

The Public Employees' Retirement System was established in January 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county, municipality, school Board or public agency provided the employee is not a member of another State-administered retirement system. Age eligibility and benefit provisions were affected by Chapters 92 and 103, P.L. 2007, Chapter 89, P.L. 2008, Chapter 1, P.L. 2010, and Chapter 78, P.L. 2011. Members are classified into one of five tiers dependent upon the date of their enrollment. Tier 1, 2 and 3 members are eligible to retire at age 60, 60, and 62, respectively with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. Tier 4 and 5 members are eligible to retire at age 62 and 65, respectively with an annual benefit generally determined to be 1/60th of the average annual compensation for the highest five fiscal

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

6. Pension Plans (continued)

years' compensation for each year of membership during years of credited service. Anyone who retires early and is under their respective tier's retirement age receives retirement benefits as calculated in the above mentioned formulas but at a reduced rate in accordance with applicable New Jersey Statute based upon their tier.

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

Funding Policy

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing members. Plan member and employer contributions may be amended by State of New Jersey legislation. Under the provisions of Chapter 78, P.L. 2011, employee contribution rates for TPAF and PERS increased from 5.5% to 6.5% of employees' annual compensation. An additional increase is to be phased in annually through July, 2018 that will bring the total pension contribution rate to 7.5% of employees' annual compensation. Employers are required to contribute at an actuarially determined rate in both the TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the Board is a non-contributing employer of the TPAF.

During the year ended June 30, 2016, the State of New Jersey contributed \$5,601,577 to the TPAF for post-retirement medical benefits and pensions on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66, the State of New Jersey reimbursed the District \$2,801,746 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. These amounts have been included in the government-wide and fund financial statements.

The District's actuarially determined contributions to PERS for the years ended June 30, 2016, 2015 and 2014 were \$966,330, \$893,593, and \$867,788 respectively, equal to the required contributions for each year.

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

6. Pension Plans (continued)

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

Public Employee's Retirement System (PERS)

At June 30, 2016, the District reported a liability of \$25,231,324 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation July 1, 2014, which was rolled forward to June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District's proportion was 0.1123990058 percent, which was an increase of 0.0039603061 from its proportion measured as of June 30, 2014. For the year ended June 30, 2015, the District recognized full accrual pension expense of \$970,783 in the government-wide financial statements. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 601,931	\$ -
Changes of assumptions	2,709,643	-
Net difference between projected and actual earnings on pension plan investments	-	405,671
Changes in proportion and differences between District contributions and proportionate share of contributions	1,288,976	-
District contributions subsequent to the measurement date	987,125	-
	<u>\$ 5,587,675</u>	<u>\$ 405,671</u>

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

6. Pension Plans (continued)

\$987,125 is reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ 813,433
2018	813,433
2019	813,436
2020	1,115,915
2021	638,662
	<u>\$ 4,194,879</u>

Actuarial Assumptions

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

Inflation rate	3.04%
Salary increases	
2012-2021	2.15 - 4.40% based on age
Thereafter	3.15 - 5.40% based on age
Investment rate of return	7.90%

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

Mortality Rates

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

6. Pension Plans (continued)

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expecting future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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 Markets	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds / Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%
	100.00%	

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

6. Pension Plans (continued)

Discount rate

The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the 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 as of June 30, 2015 calculated using the discount rate as disclosed above 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 percent) or 1-percentage-point higher (5.90 percent) than the current rate:

	At 1% Decrease (3.90%)	At Current Discount Rate (4.90%)	At 1% Increase (5.90%)
State's proportionate share of the net pension liability associated with the District	\$ 31,359,449	\$ 25,231,324	\$ 20,093,549

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report for the State of New Jersey Public Employees Retirement System.

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

6. Pension Plans (continued)

Additional Information

Collective balances at June 30, 2015 are as follows:

Collective deferred outflows of resources	\$	3,578,755,666
Collective deferred inflows of resources	\$	993,410,455
Collective net pension liability - Local Group	\$	22,447,996,119
District's Proportion		0.1123990580%

Collective pension expense for the Local Group for the measurement period ended June 30, 2015 is \$1,481,308,816.

The average of the expected remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined at July 1, 2014 (the beginning of the measurement period ended June 30, 2015) is 5.72 years and 6.44 years for the measurement period ended June 30, 2014.

Teachers Pensions and Annuity Fund (TPAF)

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

The State's proportionate share of the TPAF net pension liability associated with the District as of June 30, 2015 was \$199,534,274. The District's proportionate share was \$0.

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The State's proportionate share of the net pension liability associated with the District was based on a projection of the State's long-term contributions to the pension plan associated with the District relative to the projected contributions by the State associated with all participating school districts, actuarially determined. At June 30, 2015, the State's proportionate share of the TPAF net pension liability associated with the District was 0.3156974568 percent, which was a decrease of 0.0020501976 from its proportion measured as of June 30, 2014.

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

6. Pension Plans (continued)

For the year ended June 30, 2016, the District recognized on-behalf pension expense and revenue in the government wide financial statements of \$12,183,364 for contributions incurred by the State.

Actuarial assumptions

The actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	Inflation rate	2.50%
	Salary increases	
	2012-2021	Varies based on experience
<i>Mortality Rates</i>	Thereafter	Varies based on experience
	Investment rate of return	7.90%

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

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

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

6. Pension Plans (continued)

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, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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 Market 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%
	<u>100.00%</u>	

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

6. Pension Plans (continued)

Discount Rate

The discount rate used to measure the total pension liability was 4.13% as of June 30, 2015. This single blended discount rate was based on the long-term rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the State's proportionate share of the net pension liability associated with the District to changes in the discount rate

The following presents the State's proportionate share of the net pension liability associated with the District as of June 30, 2015 calculated using the discount rate as disclosed above as well as what the State's proportionate share of the net pension liability associated with the District would be if it were calculated using a discount rate that is 1-percentage-point lower (3.13 percent) or 1-percentage-point higher (5.13 percent) than the current rate:

	At 1% Decrease (3.13%)	At Current Discount Rate (4.13%)	At 1% Increase (5.13%)
State's proportionate share of the net pension liability associated with the District	\$ 237,139,027	\$ 199,534,274	\$ 167,135,530

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

Additional Information

Collective balances at June 30, 2015 are as follows:

Collective deferred outflows of resources	\$ 7,522,890,856
Collective deferred inflows of resources	\$ 623,365,110
Collective net pension liability - Local Group	\$ 63,204,270,305

State's proportionate share associated with the District 0.3156974568%

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

6. Pension Plans (continued)

Collective pension expense for the plan for the measurement period ended June 30, 2015 is \$3,854,529,453.

The average of the expected remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined at July 1, 2014 (the beginning of the measurement period ended June 30, 2015) is 8.3 years and 8.5 years for the measurement period ended June 30, 2014.

7. Post-Retirement Benefits

Plan Description

The School District contributes to the New Jersey School Employees Health Benefits Program (the "SEHBP"), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the State of New Jersey Division of Pension and Benefits. SEHBP provide medical, prescription drug, mental health/substance abuse and Medicare Part B reimbursement to retirees and their covered dependents. The State Health Benefits Program Act is found in New Jersey Statutes Annotated. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pension and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SEHBP. That report may be obtained by writing to Division of Pension and Benefits, PO Box 295, Trenton, NJ 08625-0295.

Funding Policy

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

The State is also responsible for the cost attributable to P.L. 1992 C.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

7. Post-retirement Benefits (continued)

\$214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in fiscal year 2015.

The State will set the contribution rate based on the *annual required contribution of the employers* (ARC), an amount actuarially determined in accordance with parameters of GASB 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the SEHBP Fund for TPAF retirees' post-retirement benefits on behalf of the District for the years ended June 30, 2016, 2015 and 2014 were, \$3,044,624, \$2,709,509 and \$2,203,986, respectively, which equaled the required contributions for each year. The State's contributions to the SEHBP Fund for PERS retirees' post-retirement benefits on behalf of the District was not determined or made available by the State of New Jersey.

8. Risk Management

The District is exposed to various risks of loss related to torts; theft, damage or destruction of assets; errors or omissions; employee health and accident claims; and natural disasters.

Property, Liability and Health Insurance

The District maintains commercial insurance coverage for property, liability, health, student and other accident claims and surety bonds and does not retain risk of loss. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. There have been no significant reductions in insurance coverage from the prior year and no settlements have exceeded insurance coverages over the past three years.

New Jersey Unemployment Compensation Insurance

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Contributory Method." Under this plan, the District has a quarterly contribution due based on the amount of wages paid for the quarter and remits these funds with the employee withholdings to the State.

9. Deferred Compensation

The District offers its employees a choice of deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). The plans, which are administered by the District and various insurance companies, permit participants to defer a portion of

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

9. Deferred Compensation (continued)

their salary until future years. Amounts deferred under the plan are not available to employees until termination, retirement, death or unforeseeable emergency.

Participants' rights under the plan are equal to those of general creditors in an amount equal to the fair market value of the deferred account of each participant. The District has no liability for losses under the plan.

The plan members' contributions to the deferred compensation plans for the years ended June 30, 2016, 2015 and 2014 were \$1,101,092, \$1,244,057, and \$1,200,953, respectively. The District does not contribute to these plans on behalf of plan members.

10. Interfund Receivables and Payables

The total interfund accounts receivable and payable for the District at June 30, 2016 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 272,521	
Special Revenue Fund		\$ 272,521
	<u>\$ 272,521</u>	<u>\$ 272,521</u>

The interfund between the general fund and the special revenue fund represents an allocation of internally pooled cash from the general fund and represents a short-term loan.

All interfunds are expected to be repaid within one year.

11. Economic Dependency

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

12. Contingent Liabilities

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

12. Contingent Liabilities (continued)

any money received may be required and the collectability of any related receivable at June 30, 2016 may be impaired. In addition, the District is receiving funding from the New Jersey Schools Development Authority (NJSDA), in connection with capital projects. The costs associated with the funding received from the NJSDA are subject to a final review of eligible costs and compliance by the New Jersey Department of Education and the NJSDA. To the extent that the District has not complied with the rules and regulations governing the NJSDA funds or has not met the final eligible costs requirements, refunds of any money received may be required and the collectability of any related receivable at June 30, 2016 may be impaired.

In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations or final eligible cost requirements governing the respective grants or funding; therefore, no provisions have been recorded in the accompanying basic financial statements for such contingencies.

The District is involved in several claims and lawsuits incidental to its operations. In the opinion of the administration and legal counsel, the ultimate resolution of these matters will not have a material adverse effect on the financial position of the District.

13. Capital Reserve Account

A capital reserve account was established by the District on October 10, 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 (June 1 to June 30) 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:23A-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

13. Capital Reserve Account (continued)

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	\$	3,970,353
Deposit:		
Approved by board resolution in June 2016		1,532,625
Interest on Capital Reserve		4,330
Capital Projects Fund Completed And Unused Funding Returned		254,134
Withdrawals:		
Approved by June 2, 2016 Board resolution		(127,222)
Approved in 2015-16 adopted budget		(763,000)
Ending balance, June 30, 2016	\$	4,871,220

The June 30, 2016 LRFPP balance of local support costs of uncompleted capital projects exceeded the amount in the capital reserve.

14. Transfers

The following presents a reconciliation of transfers during the 2016 fiscal year:

	Transfers In	Transfers Out
General Fund	\$616,567	
Capital Projects Fund		\$254,134
Enterprise Fund – Kindergarten Extension		362,433
	\$616,567	\$616,567

The transfer of \$362,433 from the Enterprise Fund to the General Fund was to remit the ending net position of the kindergarten extension program, which ceased operations during the 2015-16 school year. The transfer from the Capital Projects Fund to the General Fund was to transfer unspent funds from completed capital projects back to the Capital Reserve.

15. Restricted Assets

The money set aside in the District’s capital and maintenance reserves are classified as restricted assets (cash and cash equivalents) as they are restricted to payments relating to funds set-aside in a capital reserve and maintenance reserve.

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

16. Commitments

The District has contractual commitments at June 30, 2016 for various purposes, which are recorded in the general fund as fund balance assigned to other purposes in the amount of \$649,065.

Required Supplementary Information
Part II

Hopewell Valley Board of Education
Schedule of the District's Proportionate Share of the Net Pension Liability
Public Employee's Retirement System

Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
District's proportion of the net pension liability (asset) - Local Group	0.1123990058%	0.1084386997%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
District's proportionate share of the net pension liability (asset)	\$ 25,231,324	\$ 20,302,690	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
District's covered-employee payroll	\$ 7,569,463	\$ 7,614,532	\$ 7,708,670	\$ 7,399,294	\$ 7,048,273	\$ 7,203,027	\$ 7,722,995	\$ 7,470,775	\$ 6,818,472	\$ 5,978,038
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	333.33%	266.63%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Plan fiduciary net position as a percentage of the total pension liability - Local Group	47.93%	52.08%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

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

Notes to Required Supplementary Information

Benefit Changes

There were none.

Changes of Assumptions

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

Hopewell Valley Board of Education
Schedule of District Contributions
Public Employee's Retirement System

Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 735,000	\$ 709,412	\$ 710,507	\$ 662,255	\$ 583,482	\$ 527,005	\$ 537,886	\$ 537,386	\$ 494,263	\$ 395,877
Contributions in relation to the contractually required contribution	(735,000)	(709,412)	(710,507)	(662,255)	(583,482)	(527,005)	(537,886)	(537,386)	(494,263)	(395,877)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 7,614,532	\$ 7,708,670	\$ 7,399,294	\$ 7,048,273	\$ 7,203,027	\$ 7,722,995	\$ 7,470,775	\$ 6,818,472	\$ 5,978,038	\$ 5,978,038
Contributions as a percentage of covered-employee payroll	9.65%	9.20%	9.60%	9.40%	8.10%	6.82%	7.20%	7.88%	8.27%	6.62%

Hopewell Valley Board of Education
 Schedule of the State's Proportionate Share of the Net Pension
 Liability Associated with the District
 Teachers' Pension and Annuity Fund

Last Ten Fiscal Years*

	2016	2015
State's proportion of the net pension liability (asset) associated with the District - Local Group	0.3156974568%	0.3177476544%
District's proportionate share of the net pension liability (asset)	\$ -	\$ -
State's proportionate share of the net pension liability (asset) associated with the District	\$ 199,534,274	\$ 169,825,780
Total proportionate share of the net pension liability (asset) associated with the District	\$ 199,534,274	\$ 169,825,780
Plan fiduciary net position as a percentage of the total pension liability	28.71%	33.64%

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

* This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, governments should present information for those years for which information is available.

Covered payroll information is not presented since the Teachers' Pension and Annuity Fund is a special funding situation in which the District does not make a contribution to this plan.

Notes to Required Supplementary Information

Benefit Changes

There were none.

Changes of Assumptions

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

Required Supplementary Information
Part III

Budgetary Comparison Schedules

Hopewell Valley Regional School District
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)
Year ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Local sources:					
Local tax levy	\$ 68,841,138		\$ 68,841,138	\$ 68,841,138	
Tuition	220,093		220,093	267,681	\$ 47,588
Interest earned on emergency reserve funds				180	180
Interest earned on capital reserve funds				4,330	4,330
Interest on investments				28,488	28,488
Transportation	158,000		158,000	80,550	(77,450)
Miscellaneous	513,000		513,000	598,913	85,913
Total revenues - local sources	69,732,231		69,732,231	69,821,280	89,049
State sources:					
School choice aid	176,202		176,202	176,202	
Special education categorical aid	2,087,038		2,087,038	2,087,038	
Security categorical aid	54,445		54,445	54,445	
Transportation categorical aid	349,130		349,130	349,130	
Extraordinary aid				494,174	494,174
PARCC Readiness aid	35,060		35,060	35,060	
Per pupil growth aid	35,060		35,060	35,060	
Non-public transportation aid				52,548	52,548
On-behalf TPAF pension contributions				5,601,577	5,601,577
Reimbursed TPAF social security contributions				2,801,746	2,801,746
Total - state sources	2,736,935		2,736,935	11,686,980	8,950,045
Federal sources:					
Medicaid reimbursement	17,201		17,201		(17,201)
Total - Federal sources	17,201		17,201		(17,201)
Total revenues	72,486,367		72,486,367	81,508,260	9,021,893
Expenditures					
Current expenditures:					
Instruction - regular programs:					
Salaries of teachers:					
Preschool/kindergarten	459,266	\$ 301,864	761,130	761,103	27
Grades 1-5	7,943,718	433,884	8,377,602	8,358,240	19,362
Grades 6-8	5,602,038	(163,922)	5,438,116	5,414,114	24,002
Grades 9-12	6,953,352	111,255	7,064,607	7,032,902	31,705
Home instruction:					
Salaries of teachers	60,000	(8,950)	51,050	49,190	1,860
Purchased professional-educational services	20,000	(7,070)	12,930	11,778	1,152
Support services:					
Other salaries for instruction	2,385,005	(9,447)	2,375,558	2,319,495	56,063
Purchased professional-educational services	339,462	(87,513)	251,949	249,296	2,653
Purchased technical services	22,000	13	22,013	20,563	1,450
Other purchased services	410,632	(33,735)	376,897	358,685	18,212
General supplies	2,094,369	(56,490)	2,037,879	1,927,848	110,031
Textbooks	131,629	(2,464)	129,165	128,487	678
Other objects	25,126	(1,089)	24,037	11,125	12,912
Total instruction - regular programs	26,446,597	476,336	26,922,933	26,642,826	280,107
Special education:					
Autism:					
Salaries of teachers	126,228	1,520	127,748	127,736	12
Total autism	126,228	1,520	127,748	127,736	12
Learning and/or language disabilities:					
General supplies	1,000	1,944	2,944	2,792	152
Total learning and/or language disabilities	1,000	1,944	2,944	2,792	152

Hopewell Valley Regional School District
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)
Year ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Current expenditures (continued):					
Special education (continued):					
Multiple disabilities:					
Salaries of teachers	\$ 341,612	\$ (72,171)	\$ 269,441	\$ 269,441	
General supplies		994	994	964	\$ 30
Total multiple disabilities	341,612	(71,177)	270,435	270,405	30
Resource room/center:					
Salaries of teachers	4,234,418	83,919	4,318,337	4,318,072	265
Other salaries for instruction	47,109	(21,202)	25,907	25,907	
Other purchased services	1,032		1,032	1,020	12
General supplies	24,875	(1,344)	23,531	21,996	1,535
Textbooks	4,000	(562)	3,438	3,297	141
Total resource room/center	4,311,434	60,811	4,372,245	4,370,292	1,953
Preschool disabilities - part - time					
Salaries of teachers	379,492	(40,743)	338,749	338,736	13
General supplies	6,275	(2,043)	4,232	3,401	831
Total preschool disabilities - part - time	385,767	(42,786)	342,981	342,137	844
Total special education	5,166,041	(49,688)	5,116,353	5,113,362	2,991
Bilingual education:					
Salaries of teachers	70,985	819	71,804	71,789	15
General supplies	500		500	109	391
Total bilingual education	71,485	819	72,304	71,898	406
Basic skills/remedial instruction:					
Salaries of teachers	1,367,832	(289,408)	1,078,424	1,065,620	12,804
General supplies	8,500	(612)	7,888	7,432	456
Textbooks	500		500	500	
Total basic skills/remedial instruction	1,376,832	(290,020)	1,086,812	1,073,552	13,260
School-sponsored cocurricular activities:					
Salaries	146,234	51,347	197,581	191,595	5,986
Purchased services	23,930	674	24,604	23,285	1,319
Supplies and materials	37,086	8,767	45,853	44,600	1,253
Other objects	25,372	35,757	61,129	60,130	999
Total school-sponsored cocurricular activities	232,622	96,545	329,167	319,610	9,557

Hopewell Valley Regional School District
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)
Year ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Current expenditures (continued):					
School-sponsored athletics - instruction:					
Salaries	\$ 654,600	\$ 35,407	\$ 690,007	\$ 690,007	
Purchased services	191,219	(49,214)	142,005	142,005	
Supplies and materials	91,600	56,239	147,839	102,170	\$ 45,669
Other objects	19,520	9,123	28,643	28,514	129
Total school-sponsored athletics - instruction	956,939	51,555	1,008,494	962,696	45,798
Total instruction	34,250,516	285,547	34,536,063	34,183,944	352,119
Support services:					
Instruction:					
Tuition to county voc. school dist.-special	65,500		65,500	57,500	8,000
Tuition to CSSD and regional day schools	642,598	(31,098)	611,500	457,179	154,321
Tuition to private school for the disabled - within state	1,806,479	5,884	1,812,363	1,765,488	46,875
Tuition to private school for the disabled and other LEAs-special-outside state	39,943	13,268	53,211	53,211	
Tuition - state facilities	281,532	(15,000)	266,532	136,395	130,137
Total instruction	2,836,052	(26,946)	2,809,106	2,469,773	339,333
Attendance and social work services:					
Salaries	40,752	17,322	58,074	51,500	6,574
Other purchased services	255	4,840	5,095	5,095	
Total attendance and social work service	41,007	22,162	63,169	56,595	6,574
Health services:					
Salaries	593,614	6,110	599,724	599,054	670
Purchased services		11,892	11,892	11,892	
Supplies and materials	12,124	(2,041)	10,083	7,154	2,929
Other objects	1,300		1,300	481	819
Total health services	607,038	15,961	622,999	618,581	4,418
Speech, OT, PT & related services:					
Salaries	759,617	(3,900)	755,717	738,732	16,985
Purchased professional educational services		1,900	1,900	1,900	
Supplies and materials	3,250	(1,267)	1,983	1,162	821
Total speech, OT, PT & related services	762,867	(3,267)	759,600	741,794	17,806

Hopewell Valley Regional School District
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)
Year ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Current expenditures (continued):					
Undistributed expenditures (continued):					
Guidance:					
Salaries of other professional staff	\$1,190,199		\$1,190,199	\$ 1,066,774	\$ 123,425
Unused sick and vacation days		\$ 25,345	25,345	25,345	
Salaries of secretarial and clerical assistants	124,283		124,283	81,214	43,069
Other purchased services	853		853	701	152
Supplies and materials	3,100		3,100	1,766	1,334
Total guidance	1,318,435	25,345	1,343,780	1,175,800	167,980
Child study teams:					
Salaries of other professional staff	1,590,527	(88,247)	1,502,280	1,398,677	103,603
Salaries of secretarial and clerical assistants	191,740	4	191,744	186,075	5,669
Purchased professional and educational services	110,000	(5,500)	104,500	62,137	42,363
Other purchased professional and technical services	824,315	(3,415)	820,900	510,862	310,038
Miscellaneous purchased services	29,101	1,847	30,948	25,445	5,503
Supplies and materials	51,483	1,891	53,373	47,562	5,811
Other objects	1,139		1,139	1,101	38
Total child study teams	2,798,305	(93,421)	2,704,884	2,231,859	473,025
Improvement of instructional services:					
Salaries of supervisors of instruction	1,506,514	(20,916)	1,485,598	1,369,633	115,965
Salaries of other professional staff	52,500		52,500	52,500	
Salaries of secretarial and clerical assistants	82,336		82,336	80,125	2,211
Other purchased services	9,100		9,100	2,629	6,471
Supplies and materials	8,500	(159)	8,341	3,678	4,663
Other objects	19,584		19,584	18,941	643
Total improvement of instructional services	1,678,534	(21,075)	1,657,459	1,527,506	129,953
Educational media services/school library:					
Salaries	481,667		481,667	448,639	33,028
Salaries of technology coordinators	467,160	10,000	477,160	454,065	23,095
Purchased professional and technical services	30,000	3,871	33,871	33,871	
Supplies and materials	66,390	(575)	65,815	56,256	9,559
Other objects	1,080	(650)	430	194	236
Total educational media services/school library	1,046,297	12,646	1,058,943	993,025	65,918

Hopewell Valley Regional School District
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)
Year ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Current expenditures (continued):					
Undistributed expenditures (continued):					
Support services-general administration:					
Salaries	\$ 258,737	\$ 696	\$ 259,433	\$ 234,997	\$ 24,436
Other purchased professional services	228,500	11,117	239,617	183,745	55,872
Architectural/engineering services	200,000	(82,450)	117,550	51,320	66,230
Communications/telephone	211,741	(51,030)	160,711	124,136	36,575
Other purchased services	118,152		118,152	109,495	8,657
General supplies	3,000		3,000	1,273	1,727
Judgments against the district		776,452	776,452	776,452	
Miscellaneous expenditures	48,145	590	48,735	47,530	1,205
Total support services-general administration	1,068,275	655,375	1,723,650	1,528,948	194,702
Support services-school administration:					
Salaries of principals/ assistant principals	1,372,509		1,372,509	1,296,604	75,905
Salaries of secretarial and clerical assistants	755,470		755,470	738,267	17,203
Accrued sick and vacation		9,210	9,210	9,210	
Other purchased services	41,005	(9,543)	31,462	14,033	17,429
Supplies and materials	27,600	(4,485)	23,115	17,036	6,079
Other objects	19,430	(1,500)	17,930	16,741	1,189
Total support services-school administration	2,216,014	(6,318)	2,209,696	2,091,891	117,805
Central services:					
Salaries	865,992	(2,273)	863,719	849,635	14,084
Accrued sick and vacation		2,273	2,273		2,273
Purchased professional services	50,000		50,000	34,706	15,294
Purchased technical services	37,612		37,612	36,660	952
Miscellaneous purchased services	87,495	(10,000)	77,495	71,639	5,856
Supplies and materials	26,520	(5,900)	20,620	17,649	2,971
Miscellaneous expenditures	11,600	1,295	12,895	12,601	294
Total support services-central services	1,079,219	(14,605)	1,064,614	1,022,890	41,724
Administration information technology:					
Salaries	191,584	3,416	195,000	194,997	3
Other purchased services	20,876	(1,014)	19,862	18,426	1,436
Total administration information technology	212,460	2,402	214,862	213,423	1,439
Operation and maintenance of plant services:					
Required maintenance for school facilities:					
Salaries	762,665	11,235	773,900	735,630	38,270
Accrued sick and vacation		18,886	18,886	18,886	
Cleaning, repair and maintenance services	634,072	174,905	808,977	676,213	132,764
General supplies	196,550	71,950	268,500	251,830	16,670
Total required maintenance for school facilities	1,593,287	276,976	1,870,263	1,682,559	187,704

Hopewell Valley Regional School District
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)
Year ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Current expenditures (continued):					
Undistributed expenditures (continued):					
Operation and maintenance of plant services					
Custodial services:					
Salaries	\$ 1,894,428	\$ (42,486)	\$ 1,851,942	\$ 1,731,881	\$ 120,061
Accrued sick and vacation		3,232	3,232	3,232	
Cleaning, repair and maintenance services		228,070	228,070	168,493	59,577
Other purchased property services	489,429	(228,642)	260,787	208,762	52,025
Insurance	297,155	7,521	304,676	304,676	
Travel	12,750	(6,970)	5,780	2,430	3,350
General supplies	166,500	44,913	211,413	194,093	17,320
Energy (electricity)	1,227,519	(194,817)	1,032,702	1,016,835	15,867
Energy (natural gas)	519,414	(140,874)	378,540	286,675	91,865
Other objects	15,799	646	16,445	9,927	6,518
Total custodial services	4,622,994	(329,407)	4,293,587	3,927,004	366,583
Care & upkeep of grounds:					
Salaries	268,459	(39,056)	229,403	203,579	25,824
Cleaning, repair and maintenance services	14,000		14,000		14,000
General supplies	122,000	(2,000)	120,000	77,660	42,340
Total care & upkeep of grounds	404,459	(41,056)	363,403	281,239	82,164
Security:					
Salaries	185,909		185,909	184,334	1,575
Total security	185,909		185,909	184,334	1,575
Total operations and maintenance of plant	6,806,649	(93,487)	6,713,162	6,075,136	638,026
Student transportation services:					
Salaries of non-instructional aides	224,548	44,994	269,542	267,109	2,433
Salaries for pupil transportation:					
Between home and school - regular	374,444	26,638	401,082	374,654	26,428
Between home and school - special	757,917	5,469	763,386	761,032	2,354
Other than between home and school	39,716	22,036	61,752	61,752	
Management fee - ESC & CTSA trans. program	2,500	5,374	7,874	5,977	1,897
Other purchased professional and technical services	19,575	5,900	25,475	20,156	5,319
Cleaning repair and maintenance services	64,500	32,056	96,556	61,991	34,565
Rental payments - school buses	3,000		3,000		3,000
Lease purchase payments - school buses	122,458	(51,365)	71,093	45,334	25,759
Contracted services:					
Between home and school - vendors	1,454,401	(130,217)	1,324,184	1,324,158	26
Other than between home and school - vendors	298,655	55,189	353,844	295,927	57,917
Between home and school - joint agreements	1,500	11,022	12,522	12,190	332
Special ed stds- vendors	122,871	(81,417)	41,454		41,454
Special ed stds- joint agreements	5,000	(2,000)	3,000		3,000
Special ed stds- ESC & CTSAAs	101,740		101,740	100,170	1,570
Aid in lieu of payments	205,531	44,143	249,674	249,674	
Travel	2,750	1,900	4,650	3,740	910
Transportation supplies	324,937	25,000	349,937	192,199	157,738
Other objects	1,250		1,250	400	850
Total student transportation services	4,127,293	14,722	4,142,015	3,776,463	365,552

Hopewell Valley Regional School District
General Fund

Budgetary Comparison Schedule

(Budgetary Basis)
Year ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Current expenditures (continued):					
Undistributed expenditures (continued):					
Unallocated benefits - employee benefits:					
Social security contributions	\$ 977,341	\$ (24,518)	\$ 952,823	\$ 918,014	\$ 34,809
Other retirement contributions - PERS	1,027,458	(61,128)	966,330	966,330	
Other retirement contributions - regular	30,000	(2,085)	27,915	22,681	5,234
Unemployment	167,298	(5,062)	162,236	160,801	1,435
Workers' compensation	425,934	(38,693)	387,241	387,241	
Health benefits	9,197,671	(319,191)	8,878,480	8,878,480	
Tuition reimbursement	165,000	36,633	201,633	199,548	2,085
Other employee benefits	90,000	(70,608)	19,392	19,392	
Total unallocated benefits	12,080,702	(484,652)	11,596,050	11,552,487	43,563
On-behalf TPAF pension contributions (non-budgeted)				5,601,577	(5,601,577)
Reimbursed TPAF social security (non-budgeted) contributions				2,801,746	(2,801,746)
Total on-behalf payments				8,403,323	(8,403,323)
Total undistributed expenditures	38,679,147	4,843	38,683,989	44,479,494	(5,795,505)
Total expenditures - current	72,929,663	290,390	73,220,052	78,663,438	(5,443,386)
Capital outlay:					
Equipment:					
Regular programs - instruction:					
Undistributed expenditures - instruction	417,108	(19,731)	397,377	369,948	27,429
Undistributed expenditures - pupil services	15,580		15,580	4,821	10,759
Total equipment	432,688	(19,731)	412,957	374,769	38,188
Facilities acquisition and construction services:					
Construction services	763,000	142,465	905,465	750,102	155,363
Other objects - debt service assessment	101,068		101,068	101,068	
Total facilities acquisition and construction services	864,068	142,465	1,006,533	851,170	155,363
Assets acquired under capital leases (Non-budgeted)				451,635	(451,635)
Total expenditures - capital outlay	1,296,756	122,734	1,419,490	1,677,574	(258,084)

Hopewell Valley Regional School District
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)
Year ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Special schools:					
Summer school - instruction:					
Salaries of teachers	\$ 172,500		\$ 172,500	\$ 164,354	\$ 8,146
Purchased professional educational services	29,230	\$ (2)	29,228		29,228
General supplies	1,500	2	1,502	1,357	145
Total summer school - instruction	203,230	-	203,230	165,711	37,519
Total expenditures	74,429,649	413,124	74,842,772	80,506,723	(5,663,951)
(Deficiency) excess of revenues (under) over expenditures	(1,943,282)	(413,124)	(2,356,405)	1,001,537	3,357,942
Other financing sources:					
Transfers in from Enterprise Fund				362,433	362,433
Transfers in from Capital Projects Fund				254,134	254,134
Capital leases - (non-budgeted)				451,635	451,635
Total other financing sources	-	-	-	1,068,202	1,068,202
(Deficiency) excess of revenues (under) over expenditures and other financing sources	(1,943,282)	(413,124)	(2,356,405)	2,069,739	4,426,144
Fund balances, July 1	7,360,540	-	7,360,540	7,360,540	
Fund balances, June 30	\$ 5,417,259	\$ (413,124)	\$ 5,004,135	\$ 9,430,279	\$ 4,426,144
Recapitulation of fund balance:					
Capital reserve account - restricted				\$ 4,871,220	
Maintenance reserve account - restricted				88,668	
Designated for subsequent year's expenditures - assigned				1,841,569	
Year end encumbrances - assigned				649,065	
Unassigned				1,979,757	
				9,430,279	
Reconciliation to Government Funds statements (GAAP):					
Last state aid payments not recognized on GAAP basis				(215,707)	
Fund balance per Governmental Funds (GAAP)				\$ 9,214,572	

Hopewell Valley Regional School District
Special Revenue Fund

Budgetary Comparison Schedule
(Budgetary Basis)
Year ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
State sources	\$ 101,889	\$ 15,241	\$ 117,130	\$ 97,390	\$ (19,740)
Federal sources	870,636	205,846	1,076,482	1,044,015	(32,467)
Local sources		51,010	51,010	26,500	(24,510)
Total revenues	<u>972,525</u>	<u>272,097</u>	<u>1,244,622</u>	<u>1,167,905</u>	<u>(76,717)</u>
Expenditures					
Current expenditures:					
Instruction:					
Salaries of teachers	67,557	44,590	112,147	102,832	9,315
Other purchased services	739,753	163,321	903,074	878,035	25,039
General supplies	9,781	(5,581)	4,200	3,938	262
Textbooks	23,499	(2,200)	21,299	20,895	404
Other Objects	12,254	(12,254)			
Total instruction	<u>852,844</u>	<u>187,876</u>	<u>1,040,720</u>	<u>1,005,700</u>	<u>35,020</u>
Support services:					
Salaries	3,622	2,463	6,085	6,085	
Personal services—employee benefits	5,041	1,289	6,330	6,330	
Purchased professional services	32,628	29,582	62,210	37,700	24,510
Other purchased professional services	78,390	43,941	122,331	105,145	17,186
Supplies and materials		6,946	6,946	6,945	1
Total support services	<u>119,681</u>	<u>84,221</u>	<u>203,902</u>	<u>162,205</u>	<u>41,697</u>
Total expenditures	<u>972,525</u>	<u>272,097</u>	<u>1,244,622</u>	<u>1,167,905</u>	<u>76,717</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Hopewell Valley Regional School District
Note to Required Supplementary Information

Budget to GAAP Reconciliation

Year ended June 30, 2015

	General Fund	Special Revenue Fund
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule (C-1, C-2)	\$ 81,508,260	\$ 1,167,905
Differences - Budgetary to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Current year		(315)
Prior year		-
State aid payments recognized for budgetary purposes, not recognized for GAAP statements.		
Prior year	210,745	
Current year	(215,707)	
<hr/>		
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (B-2)	<u>\$ 81,503,298</u>	<u>\$ 1,167,590</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule (C-1, C-2)	\$ 80,506,723	\$ 1,167,905
Differences - budgetary to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Current year		(315)
Prior year		-
<hr/>		
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)	<u>\$ 80,506,723</u>	<u>\$ 1,167,590</u>

Supplementary Information

Special Revenue Fund

Hopewell Valley Regional School District
Special Revenue Fund

Combining Schedule of Program Revenues and Expenditures
Budgetary Basis

Year ended June 30, 2016

	<u>Nonpublic Aid</u>					
	<u>Textbooks</u>	<u>Nursing</u>	<u>Technology</u>	<u>Transportation</u>	<u>Examination & Classification</u>	<u>Security</u>
Revenues:						
State sources	\$ 20,895	\$ 48,073	\$ 8,749	\$ 1,326	\$ 15,847	\$ 2,500
Federal sources						
Local sources						
Total revenues	<u>\$ 20,895</u>	<u>\$ 48,073</u>	<u>\$ 8,749</u>	<u>\$ 1,326</u>	<u>\$ 15,847</u>	<u>\$ 2,500</u>
Expenditures:						
Instruction:						
Salaries of teachers						
Other purchased services						
General supplies						
Textbooks	<u>\$ 20,895</u>					
Total instruction	20,895					
Support services:						
Salaries						
Personal services—employee benefits						
Purchased professional services						
Other purchased professional services		\$ 48,073	\$ 8,749	\$ 1,326	\$ 15,847	\$ 2,500
Supplies and materials						
Total support services		<u>48,073</u>	<u>8,749</u>	<u>1,326</u>	<u>15,847</u>	<u>2,500</u>
Total expenditures	<u>\$ 20,895</u>	<u>\$ 48,073</u>	<u>\$ 8,749</u>	<u>\$ 1,326</u>	<u>\$ 15,847</u>	<u>\$ 2,500</u>

Hopewell Valley Regional School District
Special Revenue Fund

Combining Schedule of Program Revenues and Expenditures
Budgetary Basis

Year ended June 30, 2016

	<u>Title I A</u>	<u>Title II A</u>	<u>Title III</u>	<u>I.D.E.A.</u>			<u>Totals</u>
	<u>Current</u>	<u>Current</u>	<u>Current</u>	<u>Part B</u>	<u>Preschool</u>	<u>Other</u>	
Revenues:							
State sources							\$ 97,390
Federal sources	\$ 111,676	\$ 43,799	\$ 10,505	\$ 853,933	\$ 24,102		1,044,015
Local sources						\$ 26,500	26,500
Total revenues	\$ 111,676	\$ 43,799	\$ 10,505	\$ 853,933	\$ 24,102	\$ 26,500	\$ 1,167,905
Expenditures:							
Instruction:							
Salaries of teachers	\$ 97,096		\$ 5,736				\$ 102,832
Other purchased services				\$ 853,933	\$ 24,102		878,035
General supplies	3,938						3,938
Textbooks							20,895
Total instruction	101,034		5,736	853,933	24,102		1,005,700
Support services:							
Salaries		\$ 1,824	4,261				6,085
Personal services—employee benefits	5,682	140	508				6,330
Purchased professional services		37,700					37,700
Other purchased professional		2,150				\$ 26,500	105,145
Supplies and materials	4,960	1,985					6,945
Total support services	10,642	43,799	4,769			26,500	162,205
Total expenditures	\$ 111,676	\$ 43,799	\$ 10,505	\$ 853,933	\$ 24,102	\$ 26,500	\$ 1,167,905

Capital Projects Fund

Hopewell Valley Regional School District
Capital Projects Fund

Summary Schedule of Project Revenues, Expenditures,
Project Balance and Project Status

(Budgetary Basis)

Year ended June 30, 2016

Revenues

State Sources - SDA/ROD Grants

Other local sources

Total revenues

Expenditures

Construction services

Total expenditures

(Deficiency) of revenues under expenditures

Other financing (uses):

Transfer to general fund capital reserve

\$ (254,134)

Total other financing (uses)

(254,134)

(Deficiency) of revenues and other financing sources
under expenditures and other financing (uses)

(254,134)

Fund Balance, July 1

254,134

Fund Balance, June 30

\$ -

Hopewell Valley Regional School District
Capital Projects Fund

Schedule of Project Revenues, Expenditures, Project Balance and Project Status
(Budgetary Basis)

2009/2010 ROD Grant Projects

Year ended June 30, 2016

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and other financing sources				
State Sources - SDA/ROD Grants	\$ 128,669	\$ -	\$ 128,669	\$ 128,669
Transfer from Capital Reserve	201,172		201,172	201,172
Other local sources	20,220		20,220	20,220
Total revenues and other financing sources	<u>350,061</u>	<u>-</u>	<u>350,061</u>	<u>350,061</u>
Expenditures and other financing uses				
Purchased professional and technical services				
Construction services	285,963		285,963	312,482
Equipment				
Miscellaneous				
Transfer to Capital Reserve	37,579	26,519	64,098	37,579
Total expenditures and other financing uses	<u>323,542</u>	<u>26,519</u>	<u>350,061</u>	<u>350,061</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 26,519</u>	<u>\$ (26,519)</u>	<u>\$ -</u>	<u>\$ -</u>
Additional project information				
Project numbers	2280-0XX-09-OZXX-00			
Grant dates	Various			
Bond authorization date	N/A			
Bonds authorized	N/A			
Bonds issued	N/A			
Original authorized cost		\$ 376,440		
Additional authorized cost		(26,379)		
Revised authorized cost		<u>\$ 350,061</u>		
Percentage decrease over original authorized cost		-7.01%		
Percentage completion		100.00%		
Original target completion date		6/30/2011		
Revised target completion date		Complete		

Hopewell Valley Regional School District
Capital Projects Fund

Schedule of Project Revenues, Expenditures, Project Balance and Project Status
(Budgetary Basis)

2010/2011 ROD Grant Projects

From Inception and for the year ended June 30, 2016

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and other financing sources				
State Sources - SDA/ROD Grants	\$ 417,103	\$ -	\$ 417,103	\$ 430,303
Transfer from Capital Reserve	1,053,397		1,053,397	1,053,397
Other local sources	83,327		83,327	83,327
Total revenues and other financing sources	<u>1,553,827</u>	<u>-</u>	<u>1,553,827</u>	<u>1,567,027</u>
Expenditures and other financing uses				
Purchased professional and technical services				
Construction services	1,399,690	-	1,399,690	1,567,027
Equipment				
Miscellaneous				
Transfer to Capital Reserve		154,137	\$ 154,137	154,137
Total expenditures and other financing uses	<u>1,399,690</u>	<u>154,137</u>	<u>1,553,827</u>	<u>1,567,027</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 154,137</u>	<u>\$ (154,137)</u>	<u>\$ -</u>	<u>\$ -</u>
Additional project information				
Project numbers	Various			
Grant dates	Various			
Bond authorization date	N/A			
Bonds authorized	N/A			
Bonds issued	N/A			
Original authorized cost	\$ 1,365,088			
Additional authorized cost	201,939			
Revised authorized cost	<u>\$ 1,567,027</u>			
Percentage increase over original authorized cost	14.79%			
Percentage completion	100.00%			
Original target completion date	6/30/2012			
Revised target completion date	Complete			

Hopewell Valley Regional School District
Capital Projects Fund

Schedule of Project Revenues, Expenditures, Project Balance and Project Status
(Budgetary Basis)

HVAC

From Inception and for the year ended June 30, 2016

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and other financing sources				
State Sources - SDA/ROD Grants	\$ 241,978	\$ -	\$ 241,978	\$ 241,978
Transfer from Capital Reserve	408,787		408,787	408,787
Other local sources				
Total revenues and other financing sources	<u>650,765</u>	<u>-</u>	<u>650,765</u>	<u>650,765</u>
Expenditures and other financing uses				
Purchased professional and technical services				
Construction services	577,287		577,287	577,287
Equipment				
Miscellaneous				
Transfer to Capital Reserve		73,478	73,478	73,478
Total expenditures and other financing uses	<u>577,287</u>	<u>73,478</u>	<u>650,765</u>	<u>650,765</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 73,478</u>	<u>\$ (73,478)</u>	<u>\$ -</u>	<u>\$ -</u>
Additional project information				
Project numbers		Various		
Grant dates		Various		
Bond authorization date		N/A		
Bonds authorized		N/A		
Bonds issued		N/A		
Original authorized cost	\$ 667,000			
Additional authorized cost	<u>(16,235)</u>			
Revised authorized cost	\$ 650,765			
Percentage decrease over original authorized cost		-2.43%		
Percentage completion		100.00%		
Original target completion date		Complete		
Revised target completion date		Complete		

Fiduciary Funds Detail Statements

Hopewell Valley Regional School District
Trust and Agency Funds

Combining Statement of Fiduciary Net Position

June 30, 2016

	Trust			Agency		
	Private Purpose Scholarship Funds	Unemployment Compensation	Total Trust	Student Activity	Payroll	Total Agency
Assets						
Cash and cash equivalents	\$ 31,040		\$ 31,040	\$ 352,988	\$ 1,288,899	\$ 1,641,887
Total assets	<u>31,040</u>	-	<u>31,040</u>	<u>\$ 352,988</u>	<u>\$ 1,288,899</u>	<u>\$ 1,641,887</u>
Liabilities						
Payroll deductions and withholdings payable					\$ 1,288,899	\$ 1,288,899
Due to student groups				\$ 352,988		352,988
Total liabilities				<u>\$ 352,988</u>	<u>\$ 1,288,899</u>	<u>\$ 1,641,887</u>
Net position						
Held in trust for scholarship funds	31,040		31,040			
Total net position	<u>\$ 31,040</u>	\$ -	<u>\$ 31,040</u>			

Hopewell Valley Regional School District
Student Activity Agency Fund

Schedule of Cash Receipts and Cash Disbursements

Year ended June 30, 2016

	Balance July 1, 2015	Cash Receipts	Cash Disbursements	Balance June 30, 2016
Elementary Schools:				
Bear Tavern	\$ 1,508	\$ 8,761	\$ 8,376	\$ 1,893
Hopewell	8,266	17,791	19,290	6,767
Stony Brook	125		43	82
Toll Gate	13,234	17,995	15,119	16,110
Junior High School:				
Timberlane	5,733	149,494	112,340	42,887
High School:				
Student Fund	401,036	577,605	693,392	285,249
Total all schools	<u>\$ 429,902</u>	<u>\$ 771,646</u>	<u>\$ 848,560</u>	<u>\$ 352,988</u>

Hopewell Valley Regional School District
Payroll Agency Fund

Schedule of Cash Receipts and Cash Disbursements

Year ended June 30, 2016

	Balance July 1, 2015	Cash Receipts	Cash Disbursements	Balance June 30, 2016
Assets				
Cash and equivalents	\$ 1,190,047	\$ 77,606,236	\$ 77,507,384	\$ 1,288,899
Total assets	<u>\$ 1,190,047</u>	<u>\$ 77,606,236</u>	<u>\$ 77,507,384</u>	<u>\$ 1,288,899</u>
Liabilities				
Payroll deductions and withholdings payable	\$ 1,190,047	\$ 77,606,236	\$ 77,507,384	\$ 1,288,899
Total liabilities	<u>\$ 1,190,047</u>	<u>\$ 77,606,236</u>	<u>\$ 77,507,384</u>	<u>\$ 1,288,899</u>

Long-Term Debt

Hopewell Valley Regional School District
Long-Term Debt

Schedule of Serial Bonds Payable

Year Ended June 30, 2016

Issue	Date of Issue	Amount of Issue	Annual Maturities		Interest Rate	Balance	Issued	Retired	Refunded	Balance
			Date	Amount		July 1, 2015				June 30, 2016
2005 Refunding of October 2001 Bonds for the Construction of New School and Additions & Renovations to Bear Tavern & the Hopewell Valley Central High Schools	9/15/05	\$ 20,080,000	8/15/2016	\$ 1,430,000	5.000%	\$19,295,000		\$ 330,000	\$ 17,535,000	\$ 1,430,000
2010 Refunding of March 2001 Refunding Bonds	5/4/10	13,265,000	8/15/2016	1,435,000	4.000%	3,855,000		2,420,000		1,435,000
2012 Refunding of December 2004 and January 2005 Bonds	3/15/12	5,665,000	1/15/2017	925,000	3.000%	4,770,000		895,000		3,875,000
			1/15/2018	950,000	3.500%					
			1/15/2019	985,000	3.750%					
			1/15/2020	1,015,000	4.000%					
2016 Refunding of 2005 Refunding Bonds	5/20/2016	16,290,000	8/15/2017	3,010,000	3.000%		\$ 16,290,000			16,290,000
			8/15/2018	3,120,000	4.000%					
			8/15/2019	3,240,000	4.000%					
			8/15/2020	3,380,000	5.000%					
			8/15/2021	3,540,000	5.000%					
						<u>\$27,920,000</u>	<u>\$ 16,290,000</u>	<u>\$ 3,645,000</u>	<u>\$ 17,535,000</u>	<u>\$ 23,030,000</u>

Hopewell Valley Regional School District
Long-Term Debt

Schedule of Obligations Under Capital Leases

Year ended June 30, 2016

	Interest Rate	Amount of Original Issue	Balance Outstanding June 30, 2015	Issued	Retired	Balance Outstanding June 30, 2016
Various Equipment	1.52%	\$ 665,000	\$ 405,136		\$ 113,571	\$ 291,565
Emergency Cardiac Equipment	3.33%	48,610	39,514		9,399	30,115
Buses	2.93%	180,000	\$	180,000		180,000
			\$ 444,650	\$ 180,000	\$ 122,970	\$ 501,680

Hopewell Valley Regional School District
Debt Service Fund

Budgetary Comparison Schedule

Year ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues:					
Local sources:					
Local tax levy	\$ 4,760,126		\$ 4,760,126	\$ 4,760,126	
Miscellaneous				8,809	\$ 8,809
Total revenues	<u>4,760,126</u>		<u>4,760,126</u>	<u>4,768,935</u>	<u>8,809</u>
Expenditures:					
Principal on bonds	3,645,000		3,645,000	3,645,000	
Interest on bonds	1,116,438		1,116,438	1,116,438	
Cost of issuance				161,090	161,090
Total expenditures	<u>4,761,438</u>		<u>4,761,438</u>	<u>4,922,528</u>	<u>161,090</u>
(Deficiency) of revenues (under) expenditures	(1,312)		(1,312)	(153,593)	(152,281)
Other financing sources (uses):					
Payment to refunding bond escrow agent				(17,911,317)	(17,911,317)
Refunding bonds issued				16,290,000	16,290,000
Premium on bond refunding				1,782,407	1,782,407
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>161,090</u>	<u>161,090</u>
Net change in fund balance	(1,312)	-	(1,312)	7,497	8,809
Fund balance, July 1	3,066	-	3,066	3,066	-
Fund balance, June 30	<u>\$ 1,754</u>	<u>\$ -</u>	<u>\$ 1,754</u>	<u>\$ 10,563</u>	<u>\$ 8,809</u>

Statistical Section

(Unaudited)

**Statistical Section
Unaudited**

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.

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

Hopewell Valley Regional School District
 Net Position by Component
 Last Ten Fiscal Years
(accrual basis of accounting)
 Unaudited

	June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities										
Net investment in capital assets	\$ 10,620,407	\$ 11,454,652	\$ 15,655,759	\$ 17,581,226	\$ 19,808,415	\$ 21,552,025	\$ 26,145,876	\$ 30,755,627	\$ 33,969,867	\$ 36,138,255
Restricted	3,876,011	2,592,635	1,728,390	1,054,122	4,940,503	4,486,124	2,571,167	2,618,421	4,312,975	4,959,888
Unrestricted (deficit)	4,441,737	4,917,580	2,987,704	3,902,541	(649,001)	1,372,735	1,587,725	1,217,644	(19,538,608)	(19,222,985)
Total governmental activities net position	<u>\$ 18,938,155</u>	<u>\$ 18,964,867</u>	<u>\$ 20,371,853</u>	<u>\$ 22,537,889</u>	<u>\$ 24,099,917</u>	<u>\$ 27,410,884</u>	<u>\$ 30,304,768</u>	<u>\$ 34,591,692</u>	<u>\$ 18,744,234</u>	<u>\$ 21,875,158</u>
Business-type activities										
Net investment in capital assets					\$ 297,117	\$ 249,788	\$ 217,906	\$ 186,399	\$ 162,155	\$ 138,336
Restricted						6,000				
Unrestricted	\$ 437,884	\$ 451,060	\$ 570,404	\$ 774,727	524,775	378,323	212,550	368,537	465,305	158,898
Total business-type activities net position	<u>\$ 437,884</u>	<u>\$ 451,060</u>	<u>\$ 570,404</u>	<u>\$ 774,727</u>	<u>\$ 821,892</u>	<u>\$ 634,111</u>	<u>\$ 430,456</u>	<u>\$ 554,936</u>	<u>\$ 627,460</u>	<u>\$ 297,234</u>
District-wide										
Net investment in capital assets	\$ 10,620,407	\$ 11,454,652	\$ 15,655,759	\$ 17,581,226	\$ 20,105,532	\$ 21,801,813	\$ 26,363,782	\$ 30,942,026	\$ 34,132,022	\$ 36,276,591
Restricted	3,876,011	2,592,635	1,728,390	1,054,122	4,940,503	4,492,124	2,571,167	2,618,421	4,312,975	4,959,888
Unrestricted (deficit)	4,879,621	5,368,640	3,558,108	4,677,268	(124,226)	1,751,058	1,800,275	1,586,181	(19,073,303)	(19,064,087)
Total district net position	<u>\$ 19,376,039</u>	<u>\$ 19,415,927</u>	<u>\$ 20,942,257</u>	<u>\$ 23,312,616</u>	<u>\$ 24,921,809</u>	<u>\$ 28,044,995</u>	<u>\$ 30,735,224</u>	<u>\$ 35,146,628</u>	<u>\$ 19,371,694</u>	<u>\$ 22,172,392</u>

Source: CAFR Schedule A-1 and District records.

GASB 63 was implemented in the 2013 fiscal year, which required the reclassification of balances previously reported as net assets to net position.

GASB 68 was implemented during the 2015 fiscal year, which required the restatement of beginning net position in the amount of \$(19,767,631).

This amount is not reflected in the June 30, 2014 Net Position, above.

Hopewell Valley Regional School District
 Changes in Net Position, Last Ten Fiscal Years
 (occurring basis of accounting)

Unaudited

	Year ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities										
Instruction										
Regular	\$ 23,169,833	\$ 25,056,229	\$ 25,649,031	\$ 25,369,974	\$ 38,474,095	\$ 38,348,315	\$ 40,154,834	\$ 38,474,839	\$ 46,088,795	\$ 50,156,927
Special Education	270,270	3,511,503	3,849,353	3,937,730	4,098,629	3,896,521	4,327,908	4,505,729	4,805,029	5,113,362
Other Special Education	615,585	577,360	642,476	865,459	1,176,851	1,255,196	1,314,999	1,251,839	1,175,825	1,465,060
Other Instruction	966,133	992,828	1,088,269	1,015,542	992,587	1,025,751	1,094,548	1,093,794	1,174,151	962,696
Support Services:										
Tuition	3,273,947	2,948,865	3,315,547	3,051,668	2,363,433	3,156,898	2,860,047	3,039,226	2,193,302	2,469,773
Student Instruction Related Services	6,112,212	6,397,211	6,674,157	7,051,312	11,734,782	9,640,544	9,895,406	9,642,213	11,834,793	12,178,641
School Administrative Services	2,102,846	2,176,308	2,154,697	2,276,639	2,307,087	3,077,089	3,044,680	3,056,317	3,501,032	3,529,509
General & Business Administrative Services	2,187,344	2,389,404	2,269,402	1,829,313	1,817,961	2,691,751	2,578,362	2,539,152	2,872,114	3,724,309
Plant Operations & Maintenance	5,270,821	5,760,698	5,804,510	5,503,697	5,625,781	7,092,165	7,229,580	7,512,004	7,900,372	8,631,722
Pupil Transportation	3,803,673	3,723,208	3,857,662	3,621,103	3,574,367	4,315,962	4,443,311	4,575,819	4,885,981	4,854,622
Unallocated Benefits	13,224,354	14,473,823	13,668,256	14,880,721						
Special Schools	150,163	94,793	225,068	223,387	204,354	275,885	267,396	306,639	299,101	281,701
Amortization of Debt Issuance Costs		84,827	84,828	74,282						
Transfer to Charter schools		94,101	22,967							
Interest on long-term debt	2,462,986	2,255,606	2,152,114	2,023,644	1,612,892	1,552,917	1,428,558	1,540,050	1,141,961	929,421
Unallocated Loss on Revaluation of Fixed Assets				(9,649)						
Unallocated Depreciation	2,398,465	2,128,671	2,125,291	2,216,991						
Total governmental activities expenses	<u>\$ 66,008,632</u>	<u>\$ 72,665,435</u>	<u>\$ 73,583,628</u>	<u>\$ 73,931,813</u>	<u>\$ 73,982,819</u>	<u>\$ 76,328,994</u>	<u>\$ 78,639,629</u>	<u>\$ 77,537,621</u>	<u>\$ 87,872,456</u>	<u>\$ 94,297,743</u>
Business-type activities:										
Enterprise Funds	1,267,501	1,305,424	1,432,034	1,438,982	1,545,845	1,673,819	1,870,915	1,899,054	1,787,924	1,515,587
Total business-type activities expense	<u>1,267,501</u>	<u>1,305,424</u>	<u>1,432,034</u>	<u>1,438,982</u>	<u>1,545,845</u>	<u>1,673,819</u>	<u>1,870,915</u>	<u>1,899,054</u>	<u>1,787,924</u>	<u>1,515,587</u>
Total district expenses	<u>\$ 67,276,133</u>	<u>\$ 73,970,859</u>	<u>\$ 75,015,662</u>	<u>\$ 75,370,795</u>	<u>\$ 75,528,664</u>	<u>\$ 78,002,813</u>	<u>\$ 80,510,544</u>	<u>\$ 79,436,675</u>	<u>\$ 89,660,380</u>	<u>\$ 95,813,330</u>
Program Revenues										
Governmental activities:										
Charges for services	\$ 254,427	\$ 270,270	\$ 290,043	\$ 313,796	\$ 255,912	\$ 375,680	\$ 406,890	\$ 477,057	\$ 393,004	\$ 348,231
Operating grants and contributions	1,740,316	1,088,881	1,083,915	1,160,809	1,975,135	1,046,906	1,119,982	1,107,751	1,174,991	1,167,590
Capital grants and contributions					195,683	251,944	31,935	137,586	222,058	
Total governmental activities program revenues	<u>\$ 1,994,743</u>	<u>\$ 1,359,151</u>	<u>\$ 1,373,958</u>	<u>\$ 1,474,605</u>	<u>\$ 2,426,730</u>	<u>\$ 1,674,530</u>	<u>\$ 1,558,807</u>	<u>\$ 1,722,394</u>	<u>\$ 1,790,053</u>	<u>\$ 1,515,821</u>
Business-type activities:										
Charges for services	\$ 1,161,241	\$ 1,258,312	\$ 1,217,014	\$ 1,277,425	\$ 1,551,416	\$ 1,501,886	\$ 1,537,045	\$ 1,675,203	\$ 1,720,143	\$ 1,394,609
Operating grants and contributions	143,321	149,058	146,790	191,341	169,568	176,099	150,312	148,331	140,305	153,185
Total business-type activities program revenues	<u>1,304,562</u>	<u>1,407,370</u>	<u>1,363,804</u>	<u>1,468,766</u>	<u>1,720,984</u>	<u>1,677,985</u>	<u>1,687,357</u>	<u>1,823,534</u>	<u>1,860,448</u>	<u>1,547,794</u>
Total district program revenues	<u>\$ 3,299,305</u>	<u>\$ 2,766,521</u>	<u>\$ 2,737,762</u>	<u>\$ 2,943,371</u>	<u>\$ 4,147,714</u>	<u>\$ 3,352,515</u>	<u>\$ 3,246,164</u>	<u>\$ 3,545,928</u>	<u>\$ 3,650,501</u>	<u>\$ 3,063,615</u>
Net (Expense)/Revenue										
Governmental activities	\$ (64,013,889)	\$ (71,306,284)	\$ (72,209,670)	\$ (72,457,208)	\$ (71,556,089)	\$ (74,654,464)	\$ (77,080,822)	\$ (75,815,227)	\$ (86,082,403)	\$ (92,781,922)
Business-type activities	37,061	101,946	(68,230)	29,784	175,139	4,166	(183,558)	(75,520)	72,524	32,207
Total government-wide net expense	<u>\$ (63,976,828)</u>	<u>\$ (71,204,338)</u>	<u>\$ (72,277,900)</u>	<u>\$ (72,427,424)</u>	<u>\$ (71,380,950)</u>	<u>\$ (74,650,298)</u>	<u>\$ (77,264,380)</u>	<u>\$ (75,890,747)</u>	<u>\$ (86,009,879)</u>	<u>\$ (92,749,715)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 55,061,914	\$ 57,921,491	\$ 59,554,967	\$ 61,332,166	\$ 62,360,557	\$ 63,295,965	\$ 64,435,292	\$ 65,955,801	\$ 68,227,094	\$ 68,841,138
Property taxes levied for debt service	4,766,504	4,289,009	4,814,862	3,940,662	4,266,500	4,788,911	4,558,625	4,746,743	3,847,443	4,760,126
Governmental units other than LEAs							500,000			
Unrestricted grants and contributions	8,903,831	9,758,592	8,412,237	8,322,621	5,692,215	7,568,775	9,677,242	8,700,418	17,294,614	21,308,429
Investment earnings						13,583	28,284	27,369	28,112	32,998
Miscellaneous income	1,716,729	1,017,033	834,590	1,364,258	798,845	2,303,346	872,927	871,820	605,313	607,722
Transfers	(15,000)					(5,149)	(97,664)	(200,000)		
Gain/(Loss) on revalue of fixed assets	(1,252,025)	(1,653,129)								362,433
Total governmental activities	<u>70,433,978</u>	<u>71,332,996</u>	<u>73,616,636</u>	<u>74,959,707</u>	<u>73,118,117</u>	<u>77,965,431</u>	<u>79,974,706</u>	<u>80,102,151</u>	<u>90,002,576</u>	<u>95,912,846</u>
Business-type activities:										
Interest earnings	8,731	37,840	103,803	281,401						
Transfers	15,000					5,149	97,664	200,000		(362,433)
Total business-type activities	<u>23,731</u>	<u>37,840</u>	<u>103,803</u>	<u>281,401</u>	<u>5,149</u>	<u>97,664</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>	<u>(362,433)</u>
Total government-wide	<u>\$ 70,448,978</u>	<u>\$ 71,332,996</u>	<u>\$ 73,720,439</u>	<u>\$ 75,241,108</u>	<u>\$ 73,118,117</u>	<u>\$ 77,970,580</u>	<u>\$ 80,072,370</u>	<u>\$ 80,302,151</u>	<u>\$ 90,002,576</u>	<u>\$ 95,550,413</u>
Change in Net Position										
Governmental activities	\$ 6,420,089	\$ 26,712	\$ 1,406,986	\$ 2,502,499	\$ 1,562,028	\$ 3,310,967	\$ 2,893,884	\$ 4,286,924	\$ 3,920,173	\$ 3,130,924
Business-type activities	52,061	101,946	35,573	311,185	175,139	9,315	(85,894)	124,480	72,524	(330,226)
Total district	<u>\$ 6,472,150</u>	<u>\$ 128,658</u>	<u>\$ 1,442,559</u>	<u>\$ 2,813,684</u>	<u>\$ 1,737,167</u>	<u>\$ 3,320,282</u>	<u>\$ 2,807,990</u>	<u>\$ 4,411,404</u>	<u>\$ 3,992,697</u>	<u>\$ 2,800,698</u>

Source: CAFR Schedule A-2 and District records.

* Commencing in the 2011 fiscal year, depreciation and unallocated benefits were allocated to various expense lines, when in past years the amounts remained unallocated.

GASB 63 was implemented in the 2013 fiscal year, which required the reclassification of balances previously reported as net assets to net position.

Hopewell Valley Regional School District
 Fund Balances, Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

Unaudited

	June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Reserved	\$ 5,615,018	\$ 5,128,631	\$ 3,950,291	\$ 4,957,858						
Unreserved	1,496,910	1,670,516	1,160,423	1,119,135						
Restricted					\$ 2,920,640	\$ 3,270,750	\$ 1,609,971	\$ 1,975,635	\$ 4,058,841	\$ 4,959,888
Assigned					796,063	2,017,979	2,235,500	1,649,292	1,465,284	2,490,634
Unassigned					1,618,340	1,478,156	1,683,208	1,601,661	1,625,670	1,764,050
Total general fund	<u>\$ 7,111,928</u>	<u>\$ 6,799,147</u>	<u>\$ 5,110,714</u>	<u>\$ 6,076,993</u>	<u>\$ 5,335,043</u>	<u>\$ 6,766,885</u>	<u>\$ 5,528,679</u>	<u>\$ 5,226,588</u>	<u>\$ 7,149,795</u>	<u>\$ 9,214,572</u>
All Other Governmental Funds										
Reserved	\$ 1,042,700		\$ 10,000	\$ 13,000						
Reserved, reported in:										
Capital projects fund	458,313	\$ 1,172,237	928,766	1,017,780						
Debt service fund	835,675	183,360	30,405	3,554						
Restricted for										
Capital Projects					\$ 1,811,952	\$ 1,003,774	\$ 948,863	\$ 221,434	\$ 254,134	
Debt service					250,398	211,600	12,333	918,482	3,066	\$ 10,563
Total all other governmental funds	<u>\$ 2,336,688</u>	<u>\$ 1,355,597</u>	<u>\$ 969,171</u>	<u>\$ 1,034,334</u>	<u>\$ 2,062,350</u>	<u>\$ 1,215,374</u>	<u>\$ 961,196</u>	<u>\$ 1,139,916</u>	<u>\$ 257,200</u>	<u>\$ 10,563</u>

Source: CAFR Schedule B-1 and District records.

The change in the reserved fund balance is the result of capital project fund expenditures incurred for projects in which the funding was received in prior years through the issuance of bonds or SDA grants.

GASB 54 was implemented in the 2011 fiscal year, which required the presentation of fund balances to be reported in different classifications from those presented in prior years. (See footnote 1 in the basic financial statements). Prior years have not been restated above, nor are they required to be.

Hopewell Valley Regional School District
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years

Unaudited

	Year ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Tax levy	\$ 59,828,418	\$ 62,210,500	\$ 64,369,829	\$ 65,272,828	\$ 66,627,057	\$ 68,084,876	\$ 68,993,917	\$ 70,702,544	\$ 72,074,537	\$ 73,601,264
Governmental units other than LEAs							500,000			
Tuition charges	254,427	270,270	290,043	313,796	255,912	301,560	289,469	355,645	312,585	267,681
Miscellaneous	1,716,729	1,017,033	1,064,590	1,380,964	837,861	2,397,424	1,024,762	1,042,211	723,114	747,770
State sources	9,786,366	9,971,035	8,547,670	8,459,557	5,956,739	7,743,517	9,776,450	8,929,487	10,199,732	11,779,408
Federal sources	857,781	876,438	948,482	1,023,873	1,867,278	1,117,733	1,046,579	994,658	1,051,216	1,043,700
Total revenue	72,443,721	74,345,276	75,220,614	76,451,018	75,544,847	79,645,110	81,631,177	82,024,545	84,361,184	87,439,823
Expenditures										
Instruction										
Regular Instruction	23,792,960	25,615,848	26,098,757	25,732,584	25,742,391	24,360,440	26,293,465	26,685,545	26,678,668	27,648,526
Special Education Instruction	3,152,694	3,511,503	3,849,353	3,937,730	4,098,629	3,896,521	4,327,908	4,505,729	4,805,029	5,113,362
Other Special Instruction	615,585	577,360	642,476	865,459	1,176,851	1,255,196	1,314,999	1,251,839	1,175,825	1,145,450
Other Instruction	966,133	992,828	1,088,269	1,015,542	992,587	1,025,751	1,094,548	1,093,794	1,174,151	1,282,306
Support Services:										
Tuition	3,273,947	2,948,865	3,315,547	3,051,668	2,363,433	3,996,670	2,751,131	2,921,329	2,115,895	2,469,773
Student Instruction Related Services	6,112,212	6,397,211	6,674,157	7,051,312	6,749,694	6,860,038	7,018,387	6,961,331	7,517,274	7,507,050
School Administration	2,102,846	2,176,308	2,154,697	2,276,639	2,307,087	2,156,209	2,104,952	2,139,668	2,180,114	2,091,891
General & Business Admin. Services	2,187,344	2,389,404	2,269,402	1,829,313	1,817,961	2,121,536	1,985,448	1,962,691	2,044,312	2,765,261
Plant Operations & Maintenance	5,270,821	5,760,698	5,804,510	5,503,697	5,625,781	5,767,119	5,824,184	6,210,284	6,036,988	6,075,136
Pupil Transportation	3,803,673	3,723,208	3,857,662	3,621,103	3,574,367	3,683,525	3,778,793	3,968,789	3,774,863	3,776,463
Other Support Services	13,152,151	14,369,436	13,501,639	14,842,674	15,386,075	16,803,758	18,008,482	17,536,370	18,463,576	20,116,900
Special Schools	150,163	94,793	225,068	223,387	204,354	197,188	188,702	230,581	187,323	165,711
Capital outlay	9,632,972	2,018,657	3,808,648	500,199	1,054,224	1,491,616	3,576,631	2,385,029	2,227,447	1,677,574
Debt service:										
Principal	2,546,000	2,665,000	2,780,000	2,895,000	3,170,000	3,160,000	3,315,000	3,405,000	3,737,209	3,645,000
Interest and other charges	2,416,546	2,303,929	2,190,615	2,073,269	1,614,285	1,714,197	1,443,267	1,353,700	1,250,629	1,116,438
Total expenditures	79,176,047	75,545,048	78,260,800	75,419,576	75,877,719	78,489,764	83,025,897	82,611,679	83,369,303	86,596,841
Excess (Deficiency) of revenues over (under) expenditures	(6,732,326)	(1,199,772)	(3,040,186)	1,031,442	(332,872)	1,155,346	(1,394,720)	(587,134)	991,881	842,982
Other financing sources (uses)										
Transfer to cover deficits:										
Food Services	(15,000)						(97,664)	(200,000)		
Performing Arts Center						(5,149)				
Transfer to Charter School		(94,101)	(22,967)							
Payment to Escrow Agent						(6,171,175)				(17,911,317)
Proceeds from Borrowing						5,665,000				16,290,000
Premium on Bond Refunding						602,437				1,782,407
Capital Leases (non-budgeted)	287,250		988,294		293,808			663,763	48,610	451,635
Transfers in	146,382	27,605	2,798	1,201,928	1,587,517	191,279			8,587	616,567
Transfers out	(146,382)	(27,605)	(2,798)	(1,201,928)	(1,587,517)	(191,279)			(8,587)	(254,134)
Total other financing sources (uses)	272,250	(94,101)	965,327	-	293,808	91,113	(97,664)	463,763	48,610	975,158
Net change in fund balances	\$ (6,460,076)	\$ (1,293,873)	\$ (2,074,859)	\$ 1,031,442	\$ (39,064)	\$ 1,246,459	\$ (1,492,384)	\$ (123,371)	\$ 1,040,491	\$ 1,818,140
Debt service as a percentage of noncapital expenditures	7.1%	6.8%	6.7%	6.6%	6.4%	6.3%	6.0%	5.9%	6.1%	5.6%

Source: CAFR Schedule B-2

Hopewell Valley Regional School District
 General Fund Other Local Revenues by Source
 Last Ten Fiscal Years
 Unaudited

Fiscal Year Ended June 30,	Tuition	Summer School Program Fees	Transportation Fees	Interest Earned	Other Refunds	Refunded Prior Year Expenditures	Refund of Health Insurance Premium	Rental Of Facilities	Health Insurance Cobra	Scholastic Fees and Parking	Misc.	Total
2007	\$ 254,427	\$ 19,433		\$ 503,547		\$ 64,061		\$ 28,446	\$ 93,302		\$ 24,310	\$ 987,526
2008	263,705	6,565	\$ 63,892	410,417		32,749		62,427	105,723	\$ 112,950	57,270	1,115,698
2009	270,693	19,350	61,571	98,147	\$ 55,429	284,873		106,332	93,726	115,000	216,695	1,321,816
2010	304,761	9,035	84,360	31,545				152,241	93,225	113,720	831,120	1,620,007
2011	255,912		80,373	23,377				152,142	121,556	162,025	245,138	1,040,523
2012	301,560		74,120	13,583	82,732	96,967	\$ 1,428,967	175,616	129,356	167,130	222,352	2,692,383
2013	289,469		117,421	28,284		87,180		150,124	79,177	168,700	387,371	1,307,726
2014	355,645		121,412	27,369		50,612		200,335	65,596	169,475	301,164	1,291,608
2015	312,585		80,419	28,112		84,422		230,808	70,135		218,195	1,024,676
2016	267,681		80,550	32,998		77,738		252,396	35,047		233,732	980,142

Source: District records.

**HOPEWELL VALLEY REGIONAL SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
UNAUDITED**

FISCAL YEAR ENDED JUNE 30,	VACANT LAND	RESIDENTIAL	FARM REG.	QFARM	COMMERCIAL	INDUSTRIAL	APARTMENT	TOTAL ASSESSED VALUE	TAX EXEMPT PROPERTY	PUBLIC UTILITIES	NET VALUATION TAXABLE	TOTAL DIRECT SCHOOL TAX RATE	ACTUAL (COUNTY EQUALIZED) VALUE
Borough of Hopewell													
2016	\$ 5,370,400	\$ 266,880,300	\$ 1,748,100	\$ 28,600	\$ 39,022,000	\$ 1,270,100	\$ 1,503,200	\$ 315,822,700	\$ 22,391,500	\$ 1,897,655	\$ 317,720,355	\$ 1.54	\$ 322,070,594
2015	4,586,800	268,494,600	1,748,100	28,700	39,022,000	1,270,100	1,503,200	316,653,500	22,391,500	1,897,655	318,551,155	1.53	320,593,148
2014	5,528,900	278,896,700	1,890,200	28,900	48,322,600	857,700	1,697,900	337,222,900	24,499,300	1,897,655	339,120,555	1.40	314,986,120
2013	5,549,000	281,632,600	1,890,200	28,000	49,329,900	857,700	1,697,900	342,882,955	24,499,300	1,897,655	342,882,955	1.36	314,372,549
2012	5,251,100	285,641,000	1,890,200	28,000	49,958,300	857,700	1,697,900	345,324,200	24,499,300	1,897,655	347,221,855	1.29	329,715,622
2011	5,344,500	288,293,900	1,890,200	28,900	50,221,900	857,700	1,697,900	350,232,655	24,499,300	1,897,655	350,232,655	1.23	314,751,062
2010	5,531,800	294,090,700	2,032,500	28,800	53,135,255	857,700	1,697,900	357,374,655	24,992,100	1,897,655	359,272,310	1.18	320,364,996
2009	4,512,700	296,872,200	2,032,500	28,700	51,614,400	857,700	2,322,900	358,241,100	25,390,700	1,897,655	360,138,755	1.18	334,375,220
2008	4,177,000	300,098,300	2,079,800	28,000	53,868,400	857,700	2,322,900	363,432,100	25,390,700	1,897,655	365,329,755	1.18	362,149,155
2007	4,323,900	301,240,200	2,032,500	28,000	50,635,300	857,700	2,322,900	361,440,500	24,446,900	1,746,450	363,186,950	1.12	342,696,137
Borough of Pennington													
2016	\$ 1,645,800	\$ 429,968,800			\$ 55,552,700	\$ 6,633,300	\$ 818,400	\$ 494,619,000	\$ 59,685,400	\$ 1,750,730	\$ 496,369,730	\$ 1.55	\$ 511,228,881
2015	1,654,600	429,608,400	-	-	55,752,700	6,633,300	818,400	494,467,400	59,313,000	1,600,418	496,067,818	1.55	501,194,021
2014	1,713,600	430,813,400	-	-	56,604,900	6,633,300	818,400	496,583,600	59,309,100	1,710,251	498,293,851	1.49	501,198,918
2013	1,712,500	433,816,000	-	-	56,674,200	6,633,300	818,400	499,655,000	59,355,200	1,884,914	501,539,914	1.41	493,891,906
2012	2,020,300	434,578,600	-	-	49,894,800	6,633,300	818,400	493,945,400	86,852,200	2,481,413	496,426,813	1.38	492,619,487
2011	1,782,600	436,168,000	-	-	50,486,900	6,633,300	818,400	495,889,200	72,753,900	2,246,505	498,135,705	1.37	502,330,276
2010	2,294,000	436,728,800	-	-	50,844,600	6,633,300	1,729,100	498,229,800	72,778,900	2,523,765	500,753,565	1.33	494,093,543
2009	2,568,100	456,274,500	-	-	53,672,000	7,594,900	1,729,100	521,838,600	73,149,200	2,510,108	524,348,708	1.20	518,981,236
2008	2,416,800	455,363,500	-	-	54,101,600	7,594,900	1,630,800	521,107,600	72,833,500	2,354,625	523,462,225	1.17	506,721,797
2007	3,324,400	452,711,100	-	-	51,354,100	7,417,400	1,728,800	516,535,800	73,333,000	1,712,252	518,248,052	1.10	481,492,643
Township of Hopewell													
2016	\$ 40,845,500	\$ 2,744,443,000	\$ 261,476,000	\$ 5,377,600	\$ 493,931,400	\$ 402,089,000	\$ 5,204,700	\$ 3,953,697,800	\$ 534,355,700	\$ 5,364,053	\$ 3,958,731,853	\$ 1.55	\$ 4,054,739,536
2015	47,397,200	2,742,115,000	260,810,600	5,329,400	502,637,700	399,286,800	5,320,200	3,962,896,900	531,478,900	5,579,058	3,968,475,958	1.52	3,983,615,416
2014	45,419,400	2,739,937,800	261,480,900	5,330,800	525,123,300	400,165,600	5,320,200	3,982,778,000	513,532,400	5,426,768	4,006,497,207	1.48	3,915,117,682
2013	48,281,400	2,750,531,200	263,373,600	5,339,400	523,657,700	402,985,600	5,621,400	3,999,790,300	511,021,000	6,706,907	4,006,497,207	1.45	3,929,681,004
2012	54,584,900	2,784,798,700	267,518,400	5,397,400	529,848,000	403,178,400	5,621,400	4,050,947,200	507,402,000	6,828,000	4,057,775,200	1.41	4,003,841,822
2011	54,450,500	2,903,055,600	268,462,800	5,620,600	533,613,400	406,027,400	5,033,800	4,176,452,489	351,462,600	7,188,189	4,183,452,489	1.35	4,073,248,162
2010	57,451,500	3,021,846,700	275,012,100	5,693,500	559,276,600	407,811,400	5,065,000	4,332,156,800	355,210,100	9,703,188	4,341,859,988	1.27	4,159,076,020
2009	73,046,500	3,133,774,300	277,719,300	5,840,500	585,026,000	401,139,500	5,231,600	4,481,777,700	338,169,800	7,222,300	4,489,000,000	1.21	4,322,023,148
2008	74,087,600	3,212,378,300	274,180,900	5,685,000	581,069,700	391,819,200	5,231,600	4,544,452,300	333,056,600	6,124,267	4,550,576,567	1.16	4,379,444,863
2007	75,740,200	3,237,955,500	266,468,900	5,714,700	582,520,300	378,220,600	5,831,600	4,552,451,800	328,295,000	5,711,534	4,558,163,334	1.12	4,200,442,082

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

Source: Municipal Tax Assessor and County Abstract of Ratables.

**HOPEWELL VALLEY REGIONAL SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(Rate per \$100 of Assessed Value)
UNAUDITED**

FISCAL YEAR ENDED JUNE 30,	REGIONAL SCHOOL	TOTAL DIRECT	OVERLAPPING RATES					MUNICIPAL OPEN SPACE	TOTAL DIRECT AND OVERLAPPING TAX RATE
			BOROUGH OR TOWNSHIP	MERCER COUNTY	LIBRARY	FIRE DISTRICT	COUNTY OPEN SPACE		
Borough of Hopewell									
2016	\$ 1.54	\$ 1.54	\$ 0.54	\$ 0.60	\$ 0.03	\$ 0.06	\$ 0.03	\$ 0.01	2.80
2015	1.53	1.53	0.52	0.58	0.03	0.06	0.03	0.01	2.76
2014	1.40	1.40	0.48	0.55	0.03	0.06	0.02	0.01	2.55
2013	1.36	1.36	0.46	0.53	0.03	0.06	0.02	0.01	2.46
2012	1.29	1.29	0.44	0.50	.032	0.05	0.02	0.01	2.31
2011	1.23	1.23	0.41	0.44	.031	-	0.02	0.01	2.11
2010	1.18	1.18	0.41	0.42	-	-	0.03		2.04
2009	1.18	1.18	0.40	0.42	-	0.04	0.03	0.01	2.08
2008	1.18	1.18	0.27	0.44	-	0.04	-	0.01	1.94
2007	1.12	1.12	0.27	0.44	-	0.04	-	0.01	1.88
Borough of Pennington									
2016	\$ 1.55	\$ 1.55	\$ 0.43	\$ 0.61	\$ 0.03	\$ 0.04	\$ 0.03	\$ 0.01	2.70
2015	1.55	1.55	0.42	0.58	0.03	0.04	0.01	0.01	2.64
2014	1.49	1.49	0.40	0.60	0.03	0.04	0.03	0.01	2.60
2013	1.41	1.41	0.40	0.56	.033	0.03	0.02	0.01	2.44
2012	1.38	1.38	0.30	0.54	.033	0.03	0.02	0.01	2.28
2011	1.37	1.37	0.42	0.49	-	0.03	0.02	0.01	2.34
2010	1.33	1.33	0.43	0.51	-	0.03	0.03		2.33
2009	1.20	1.20	0.42	0.45	-	0.03	0.03	0.01	2.14
2008	1.17	1.17	0.42	0.42	-	0.03	0.03		2.07
2007	1.10	1.10	0.41	0.41	-	0.03	0.03	-	1.98
Township of Hopewell									
2016	\$ 1.55	\$ 1.55	\$ 0.36	\$ 0.60	\$ 0.06	\$ 0.09	\$ 0.03	\$ 0.03	2.71
2015	1.52	1.52	0.36	0.58	0.06	0.08	0.03	0.03	2.65
2014	1.48	1.48	0.34	0.58	0.06	0.08	0.02	0.02	2.58
2013	1.45	1.45	0.32	0.57	0.06	0.07	0.02	0.03	2.52
2012	1.41	1.41	0.30	0.54	0.06	0.05	0.02	0.03	2.27
2011	1.35	1.35	0.29	0.47	0.05	0.06	0.02	0.03	2.27
2010	1.27	1.27	0.30	0.51	-	0.06	0.02	0.02	2.18
2009	1.21	1.21	0.27	0.43	0.04	0.05	0.03	0.03	2.06
2008	1.16	1.16	0.29	0.46	-	0.05	0.03		1.99
2007	1.12	1.12	0.27	0.44	-	0.05	0.03	-	1.91

Source: Municipal Tax Collector

**HOPEWELL VALLEY REGIONAL SCHOOL DISTRICT
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND TEN YEARS AGO
UNAUDITED**

Taxpayer	2016		2007	
	TAXABLE ASSESSED VALUE	% OF TOTAL DISTRICT NET ASSESSED VALUE	TAXABLE ASSESSED VALUE	% OF TOTAL DISTRICT NET ASSESSED VALUE
Borough of Hopewell				
Freedman, Gerald	\$3,208,200	1.01%	Freedman, Gerald H., et al.	\$3,554,000 0.99%
Hopewell Village Square	2,048,900	0.64%	Hopewell Village Square	2,431,800 0.67%
Verizon	1,897,655	0.60%	Bell Atlantic	2,419,945 0.67%
Rockwell Automation	1,444,100	0.45%	Rosa Acres Inc	2,123,100 0.67%
Ranpd LLC	1,340,600	0.42%	PNC Bank	1,748,400 0.42%
Brick Farm Market,LLC	1,276,400	0.40%	Klesney, Frank Jr & Anita	1,377,100 0.34%
Magliacano, Maria	1,057,100	0.32%	Runyon, Mary Evelyn	1,362,500 0.31%
PNC Bank	1,029,600	0.32%	McAlinden, Gerard & Hilary	1,283,700 0.30%
Pashley, Peter & Katharine	1,027,400	0.32%	Hannold, Francis	1,279,500 0.29%
Jeffers James	1,019,500	0.32%	Jeffers James & Raquel	1,234,100 0.28%
Total	\$15,349,455	4.80%	\$18,814,145	4.94%
Borough of Pennington				
143 West Franklin Ave., LLC	\$7,600,000	1.53%	Mercer Mutal	\$5,319,500 1.03%
Mercer Mutual	5,319,500	1.07%	Straube Center	5,028,700 0.97%
Pennington Square Shop. Cntr.	3,900,000	0.79%	McNulty, James E & Nancy L	4,538,000 0.88%
Pennington Investments	3,700,000	0.75%	Pennington Court, Inc.	3,350,900 0.65%
Straube Center	3,649,500	0.74%	ECS Holding LLC	3,122,800 0.60%
Straube Regional Center	3,531,800	0.71%	Montpen SC LLC	3,038,300 0.59%
ECS Holding LLC	3,000,000	0.60%	Straube Regional Center	2,936,700 0.57%
NJ Bell	2,475,730	0.50%	First States Investors	2,827,600 0.55%
Helene Fuld Medical Center	2,231,800	0.45%	Pennington Investments	2,242,000 0.43%
Pennington Court, Inc.	2,078,200	0.42%	Helene Fuld Medical Center	2,231,600 0.43%
Total	\$37,486,530	7.56%	\$34,636,100	6.70%
Township of Hopewell				
Bristol Myers Squibb	\$233,797,800	5.91%	Merrill Lynch	\$391,141,700 8.58%
ARC DB5PROP001 LLC	108,762,504	2.75%	Bristol Myers Squibb	223,903,796 4.91%
AREP Hopewell LLC	102,563,200	2.59%	Janssen Pharmaceutical	86,506,596 1.90%
Cole Hopewell Twp	92,400,000	2.33%	Hopewell TC Assoc	24,312,600 0.53%
Janssen Pharmaceutical	91,230,100	2.30%	Carter Road LLC	22,700,000 0.50%
Carter Road LLC	25,296,200	0.64%	Hopewell Valley GC	14,448,400 0.32%
Hopewell TC Associates	24,646,100	0.62%	Carter Road III LLC	18,900,000 0.41%
Trap Rock Industries Inc	22,280,300	0.56%	Montpen SC LLC	14,050,000 0.31%
Transco Gas Pipeline	13,842,100	0.35%	Transco Gae Pipeline	13,992,100 0.31%
Montpen SC LLC	13,036,500	0.33%	Trap Rock Industries	13,420,500 0.29%
Total	\$727,854,804	18.38%	\$823,375,692	18.06%

Source: Municipal Tax Assessor

**HOPEWELL VALLEY REGIONAL SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
UNAUDITED**

FISCAL YEAR ENDED JUNE 30,	TAXES LEVIED FOR THE FISCAL YEAR	COLLECTED WITHIN THE FISCAL YEAR OF THE LEVY		COLLECTIONS IN SUBSEQUENT YEARS
		AMOUNT	PERCENTAGE OF LEVY	
2016	\$ 73,601,264	\$ 74,366,411	100.00%	-
2015	72,074,537	72,074,537	100.00%	-
2014	70,702,544	70,702,544	100.00%	-
2013	68,993,917	68,993,917	100.00%	-
2012	68,084,876	68,084,876	100.00%	-
2011	66,627,057	66,627,057	100.00%	-
2010	65,272,828	65,272,828	100.00%	-
2009	64,369,829	64,369,829	100.00%	-
2008	62,210,500	62,210,500	100.00%	-
2007	59,828,418	59,828,418	100.00%	-

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

**HOPEWELL VALLEY REGIONAL SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
UNAUDITED**

FISCAL YEAR ENDED JUNE 30,	<u>GOVERNMENTAL ACTIVITIES</u>			TOTAL DISTRICT	PERCENTAGE OF PERSONAL INCOME	PER CAPITA
	GENERAL OBLIGATION BONDS	CAPITAL LEASES				
2016	\$ 23,030,000	\$ 501,680	\$	23,531,680	1.65%	\$ 1,017
2015	27,920,000	444,650	\$	28,364,650	2.12%	1,303
2014	31,445,000	608,249	\$	32,053,249	2.56%	1,405
2013	34,850,000	154,691	\$	35,004,691	3.47%	1,605
2012	38,165,000	208,731	\$	38,373,731	3.71%	1,741
2011	41,419,000	286,781	\$	42,265,401	4.08%	1,918
2010	44,589,000	484,533	\$	45,633,153	4.71%	2,198
2009	47,859,000	847,143	\$	49,265,763	4.98%	2,175
2008	50,639,000	291,869	\$	51,490,489	5.35%	2,310
2007	53,304,000	851,489	\$	54,155,489	5.79%	2,599

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

**HOPEWELL VALLEY REGIONAL SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
UNAUDITED**

FISCAL YEAR ENDED JUNE 30,	GENERAL BONDED DEBT OUTSTANDING			NET GENERAL BONDED DEBT OUTSTANDING	PERCENTAGE OF ACTUAL TAXABLE VALUE OF PROPERTY	PER CAPITA
	GENERAL OBLIGATION BONDS	DEDUCTIONS	LESS DEBT SERVICE FUND			
2016	\$23,030,000	-	\$10,563	\$23,019,437	0.481%	\$995
2015	27,920,000	-	3,066	27,916,934	0.584%	1,282
2014	31,445,000	-	918,482	30,526,518	0.630%	1,338
2013	34,850,000	-	12,333	34,837,667	0.718%	1,581
2012	38,165,000	-	211,600	37,953,400	0.703%	1,736
2011	41,419,000	-	200,398	41,218,602	0.758%	1,871
2010	44,589,000	-	N/A	44,589,000	0.820%	2,148
2009	47,859,000	-	N/A	47,859,000	0.880%	2,113
2008	50,639,000	-	N/A	50,639,000	0.931%	2,272
2007	53,304,000	-	N/A	53,304,000	0.980%	2,558

**RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2016**

GOVERNMENTAL UNIT	DEBT OUTSTANDING	ESTIMATED PERCENTAGE APPLICABLE	SHARE OF OVERLAPPING DEBT
Debt Repaid With Property Taxes:			
Borough of Hopewell	\$1,526,774	100.000%	\$1,526,774
Borough of Pennington	2,404,033	100.000%	2,404,033
Township of Hopewell	19,099,193	100.000%	19,099,193
Total	<u>\$23,030,000</u>		
County of Mercer - Regional Share (Total Debt \$458,836,911)			
Borough of Hopewell		0.741%	3,400,985
Borough of Pennington		1.159%	5,316,874
Township of Hopewell		9.210%	42,259,848
Subtotal, Overlapping Debt			74,007,707
Hopewell Valley Regional School District Direct Debt			<u>23,030,000</u>
Total Direct & Overlapping Debt			<u>\$97,037,707</u>

Sources: Assessed value data used to estimate applicable percentages provided by Hopewell Borough,
Debt outstanding data provided by each governmental unit.

HOPEWELL VALLEY REGIONAL SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(Dollars in Thousands)
UNAUDITED

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Debt Limit	\$ 192,329,924	\$190,328,677	\$190,605,668	\$185,358,213	\$196,499,481	\$203,641,887	\$206,646,828	\$206,079,201	\$200,014,638	\$184,487,661
Total Net Debt Applicable to Limit	23,030,000	27,920,000	31,445,000	34,850,000	38,165,000	41,419,000	31,324,000	47,859,000	50,639,000	53,304,000
Legal Debt Margin	\$169,299,924	\$162,408,677	\$159,160,668	\$150,508,213	\$158,334,481	\$162,222,887	\$175,322,828	\$158,220,201	\$149,375,638	\$131,183,661
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	11.97%	14.67%	16.50%	18.80%	19.42%	20.34%	15.16%	23.22%	25.32%	28.89%

Legal Debt Margin Calculation for Fiscal Year 2016

	Equalized Valuation Basis
	2016 \$ 4,888,039,011
	2015 4,805,402,585
	2014 4,731,302,720
	<u>\$ 14,424,744,316</u>
Average Equalized Valuation of Taxable Property	<u>\$ 4,808,248,105</u>
Debt Limit (4% of Average Equalization Value)	\$ 192,329,924
Net Bonded School Debt	<u>23,030,000</u>
Legal Debt Margin	<u>\$ 169,299,924</u>

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

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

**HOPEWELL VALLEY REGIONAL SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED**

YEAR	POPULATION (a)	PER CAPITA PERSONAL INCOME (b)	UNEMPLOYMENT RATE (c)
Borough of Hopewell			
2016	1,929	\$52,180	4.9%
2015	1,917	53,455	5.0%
2014	1,922	50,910	5.9%
2013	1,921	52,294	8.3%
2012	2,035	49,986	1.0%
2011	2,035	49,986	1.0%
2010	1,992	50,590	1.0%
2009	2,022	38,413	1.3%
2008	2,544	38,413	1.1%
2007	2,035	38,413	1.1%
Borough of Pennington			
2016	2,598	\$60,545	4.9%
2015	2,587	56,962	5.3%
2014	2,585	56,004	5.9%
2013	2,583	56,962	8.3%
2012	2,696	63,990	2.6%
2011	2,696	63,990	2.6%
2010	2,661	60,376	2.6%
2009	2,656	45,843	4.6%
2008	2,696	43,120	1.1%
2007	2,696	43,947	1.1%
Township of Hopewell			
2016	18,606	\$62,979	4.9%
2015	17,265	62,979	5.0%
2014	18,302	55,219	5.0%
2013	17,304	43,947	7.4%
2012	17,304	43,947	8.3%
2011	17,304	43,947	8.3%
2010	16,105	43,947	7.7%
2009	17,968	43,947	3.4%
2008	17,051	43,947	1.2%
2007	16,105	45,843	1.2%

Source:

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

(b) Per Capita information provided by the US Dept of Commerce, Bureau of Economic Analysis

(c) Unemployment data provided by the NJ Dept of Labor and Workforce Development

EXHIBIT J-15 IS NOT AVAILABLE

J-16

**HOPEWELL VALLEY REGIONAL SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
UNAUDITED**

Function/Program	June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Instruction:										
Regular	337.30	340.87	336.34	338.33	339.50	346.40	331.06	342.97	373.61	299.60
Special Education	68.38	66.39	63.64	59.14	57.90	50.20	55.04	55.04	54.27	66.25
Other Instruction								0.40	0.40	0.40
Support Services:										
Student & Instruction Related Services	113.83	110.38	109.06	107.92	94.60	94.90	102.08	116.95	92.99	146.24
School Administrative Services	24.60	24.60	24.55	23.55	27.70	24.20	25.20	25.80	25.60	25.40
General & Business Administrative Services	23.09	22.49	22.49	18.48	12.40	12.00	13.78	16.03	17.23	14.43
Plant Operations & Maintenance	47.00	48.00	47.00	53.00	52.20	52.00	52.45	54.45	55.75	55.75
Pupil Transportation	55.00	54.00	54.00	54.00	51.70	52.00	52.36	53.00	50.50	45.32
Total	669.20	666.73	657.08	654.42	636.00	631.70	631.97	664.64	670.35	653.39

Source: District Personnel Records

**HOPEWELL VALLEY REGIONAL SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED**

FISCAL YEAR	ENROLLMENT	OPERATING EXPENDITURES (a)	COST PER PUPIL	PERCENTAGE CHANGE	TEACHING STAFF (b)	PUPIL/TEACHER RATIO			AVERAGE DAILY ENROLLMENT (ADE) (c)	AVERAGE DAILY ATTENDANCE (ADA) (c)	% CHANGE IN AVERAGE DAILY ENROLLMENT	STUDENT ATTENDANCE PERCENTAGE
						ELEMENTARY	MIDDLE SCHOOL	SENIOR HIGH SCHOOL				
2016	3,661	\$ 80,157,829	\$21,895	4.65%	406	10.1:1	10.1:1	12.1:1	3,654	3,478	-0.51%	95.18%
2015	3,640	76,154,018	20,921	5.04%	407	10.1:1	10.1:1	12.1:1	3,673	3,497	-0.41%	95.94%
2014	3,686	73,418,555	19,918	1.78%	395	10.1:1	10.1:1	12.1:1	3,688	3,542	-1.05%	96.04%
2013	3,735	73,093,370	19,570	3.05%	389	9.1:1	10.1:1	11.1:1	3,727	3,575	-1.77%	95.92%
2012	3,798	72,123,951	18,990	4.14%	383	9.1:1	10.1:1	11.1:1	3,794	3,658	-1.76%	96.42%
2011	3,841	70,039,210	18,235	3.10%	387	10.1:1	10.1:1	11.1:1	3,862	3,700	-2.40%	95.81%
2010	3,955	69,951,108	17,687	1.72%	411	10.1:1	10.1:1	11.1:1	3,955	3,779	-1.02%	95.55%
2009	3,996	69,481,537	17,388	1.96%	398	9.1:1	10.1:1	11.1:1	3,996	3,822	-0.60%	95.65%
2008	4,025	68,557,462	17,054	-0.05%	427	10.1:1	10.1:1	11.1:1	4,020	3,864	0.49%	96.12%
2007	4,063	64,580,529	17,063	14.34%	392	10.1:1	10.1:1	9.1:1	4,058	3,907	0.84%	96.28%

Sources: District records

Note: Enrollment based on annual October district count.

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

**HOPEWELL VALLEY REGIONAL SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED**

DISTRICT BUILDINGS	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Elementary Schools:										
Bear Tavern Elementary (1961):										
Square Feet	69,940	69,940	69,940	69,940	69,940	69,940	69,940	69,940	69,940	69,940
Capacity (Students)	550	550	550	550	550	550	550	550	550	550
Enrollment		407	407	407	439	475	541	576	529	529
Toll Gate Grammar (1928):										
Square Feet	61,736	61,736	61,736	61,736	61,736	61,736	61,736	61,736	61,736	61,736
Capacity (Students)	354	354	354	354	354	354	354	354	354	354
Enrollment (a)		287	287	287	297	305	306	324	312	312
Hopewell Elementary (1926):										
Square Feet	97,048	97,048	97,048	97,048	97,048	97,048	97,048	97,048	97,048	97,048
Capacity (Students)	546	546	546	546	546	546	546	546	546	546
Enrollment		468	468	468	479	475	452	470	520	520
Stony Brook Elementary (2002):										
Square Feet	76,400	76,400	76,400	76,400	76,400	76,400	76,400	76,400	76,400	76,400
Capacity (Students)	550	550	550	550	550	550	550	550	550	550
Enrollment		428	428	428	412	452	460	488	522	522
Middle School:										
Timberlane Middle School (1961):										
Square Feet	169,066	169,066	169,066	169,066	169,066	169,066	169,066	169,066	169,066	144,101
Capacity (Students)	997	997	997	997	997	997	997	997	997	997
Enrollment		928	928	928	952	961	964	960	951	951
High School:										
Central High School (1958):										
Square Feet	215,507	215,507	215,507	215,507	215,507	215,507	215,507	215,507	215,507	215,507
Capacity (Students)	1,215	1,215	1,215	1,215	1,215	1,215	1,215	1,215	1,215	1,215
Enrollment		1,217	1,217	1,217	1,215	1,194	1,226	1,200	1,167	1,167
Other Buildings:										
After School Program Building (1946):										
Square Feet	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Central Administration (1926):										
Square Feet	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Facilities Building (1946) (b):										
Square Feet	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000
Number of Schools at June 30, 2016:										
Elementary = 4										
Middle School = 1										
Senior High School = 1										
Other = 3										

Source: District Facilities Office

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

**HOPEWELL VALLEY REGIONAL SCHOOL DISTRICT
SCHEDULE OF REQUIRED MAINTENANCE
LAST TEN FISCAL YEARS
UNAUDITED**

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

School Facilities	PROJECT NUMBERS	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Bear Tavern	N/A	\$ 159,698	\$ 229,992	\$ 172,689	\$ 245,415	\$ 179,623	\$ 300,476	\$ 73,630	\$ 161,763	\$ 236,854	\$ 85,706
Toll Gate	N/A	142,304	158,284	197,767	256,768	142,431	117,584	379,750	184,323	122,724	64,984
Central High School	N/A	673,453	415,330	373,789	449,019	311,861	309,514	248,792	339,625	326,692	113,006
Stony Brook	N/A	239,628	140,485	161,157	134,442	127,291	137,528	73,424	150,694	136,201	57,885
Hopewell	N/A	145,013	164,353	268,391	141,445	160,686	150,490	206,951	203,496	133,085	95,258
Timberlane	N/A	322,463	443,771	410,626	325,010	637,001	580,134	524,345	285,890	353,404	105,123
Total School Facilities		\$ 1,682,559	\$ 1,552,215	\$ 1,584,419	\$ 1,552,099	\$ 1,558,893	\$1,595,726	\$ 1,506,892	\$ 1,325,791	\$ 1,308,960	\$ 521,962

Source: District records

HOPEWELL VALLEY REGIONAL SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2016
UNAUDITED

	COVERAGE	DEDUCTIBLE
Property- NJSIG:		
Blanket Building & Contents	\$172,809,419	\$ 5,000
Extra Expenses	50,000,000	-
Liability-NJSIG		
Bodily Injury & Property Damage		
Each Occurrence	16,000,000	-
Aggregate	16,000,000	-
Fire Damage	16,000,000	-
Employee Benefit Programs		
Each Occurrence	15,000,000	-
Boiler & Machinery - NJSIG	172,809,419	
Crime-NJSIG		
Employee Dishonesty	500,000	
Musical Instruments	134,066	
Athletic Equipment	192,311	
Mobile Equipment	9,000	1,000
EDP	2,234,671	1,000
Automobile-NJSIG		
Bodily Injury & Property	16,000,000	1,000
Personal Injury Protection	Statutory	-
Medical Payments	10,000	1,000
Uninsured/Underinsured	1,000,000	1,000
Workers Compensation-NJSIG		
Section "A"	Statutory	-
Section "B"	-	-
Each Accident	2,000,000	-
Each Employee	2,000,000	-
Aggregate	2,000,000	-
Supplemental Indemnity		
Maximum Weekly Benefit	\$1,750	
Bonds-Selective		
Board Sec/Bus Adm	120,000	-
Treasurer of School Monies	400,000	-
Student Accident-Bollinger		
Maximum Limit	5,000,000	-
Environmental Policy-AIG		
Limit of Liability	1,000,000	10,000
Aggregate	1,000,000	-
Mold Deductible		25,000
School Leaders- NJSIG		
Limit of Liability	16,000,000	-
Retention	10,000	-
CAP - Fireman's Fund		
Limit of liability	50,000,000	
International Policy - Ace		
Each Occurrence	1,000,000	
Aggregate	2,000,000	
Employee Benefits	1,000,000	
Contingent Auto Liability	1,000,000	

Single Audit Section

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

Independent Auditors' Report

Honorable President and Members
of the Board of Education
Hopewell Valley Regional School District
Pennington, New Jersey
County of Mercer

We have audited, in accordance with the auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hopewell Valley Regional School District, in the County of Mercer, New Jersey (the "District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 10, 2016.

Internal Control Over Financial Reporting

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

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

deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

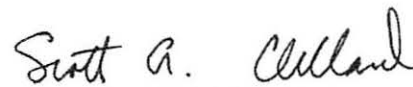
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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* and the 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 not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Scott A. Clelland

Licensed Public School Accountant

No.1049



WISS & COMPANY, LLP

November 10, 2016
Livingston, New Jersey

Report on Compliance For Each Major Federal and State Program and
on Internal Control Over Compliance Required by the
Uniform Guidance and New Jersey OMB 15-08

Independent Auditors' Report

Honorable President and Members
of the Board of Education
Hopewell Valley Regional School District
Pennington, New Jersey
County of Mercer

Report on Compliance for Each Major Federal and State Program

We have audited Hopewell Valley Regional School District's, in the County of Mercer, New Jersey (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the District's major federal and state programs for the year ended June 30, 2016. The District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations and the terms and conditions of its federal and state awards applicable to its major federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance); and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of*

Federal Grants, State Grants and State Aid. Those standards, the Uniform Guidance 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 federal and state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Program

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

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with Uniform Guidance and New Jersey OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

Purpose of this Report

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



Scott A. Clelland
Licensed Public School Accountant
No. 1049



WISS & COMPANY, LLP

November 10, 2016
Livingston, New Jersey

Hopewell Valley Regional School District
Schedule of Expenditures of Federal Awards
Year ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal FAIN Number	Grant Period	Award Amount	Balance at June 30, 2015	Carryover/Walkover Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Adjustments	Balance June 30, 2016			
											Unearned Revenue	(Accounts Receivable)	Due to Grantor	
U.S. Department of Education—Passed-Through State														
Department of Education														
Special Revenue Fund:														
Title I, Part A	84.010A	S010A150030	7/1/15-6/30/16	\$ 89,123			\$ 72,007	\$ (88,861)			\$	(16,854)		
Title I, Part A	84.010A	S010A150030	7/1/14-6/30/16	129,496	(35,197)		58,012	(22,815)						
Title II A	84.367	S367A150029	7/1/15-6/30/16	43,799			41,859	(43,799)				(1,940)		
Title II A	84.367	S367A150029	7/1/14-6/30/15	45,086	(22,197)		24,092				\$	1,895		
Title III	84.365	S365A150030	7/1/15-6/30/16	7,146				(2,814)				(2,814)		
Title III	84.365	S365A150030	7/1/14-6/30/16	5,853	(1,207)		8,500	(7,691)				(398)		
Title III	84.365	S365A150030	7/1/14-6/30/15	5,853	(3,808)		3,808							
Perkins	84.048A	S048A150030	7/1/14-6/30/15	18,132	506							506		
I.D.E.A., Part B	84.027A	S027A150100	7/1/15-6/30/16	854,109			751,091	(844,325)				(93,234)		
I.D.E.A., Part B	84.027A	S027A150100	7/1/14-6/30/16	840,259	(320,585)		323,144	(2,559)						
I.D.E.A., Part B	84.027A	S027A150100	7/1/14-6/30/16	840,259	(4,038)		11,087	(7,049)						
I.D.E.A. Preschool	84.173A	S173A150114	7/1/15-6/30/16	24,102				(24,102)				(24,102)		
I.D.E.A. Preschool	84.173A	S173A150114	7/1/14-6/30/15	23,962	(23,962)		23,962					(924)		
I.D.E.A. Preschool	84.173A	S173A150114	7/1/14-6/30/15	23,962	(924)									
Total Special Revenue Fund					(411,412)		1,317,562	(1,044,015)				(140,266)	2,401	
U.S. Department of Agriculture—Passed-Through State														
Department of Education														
Enterprise Fund:														
Food Donation Program (NC)	10.555	16161NJ304N109	7/1/15-6/30/16	60,508			60,508	(59,896)			\$	612		
Food Donation Program (NC)	10.555	16161NJ304N109	7/1/14-6/30/16	47,764	3,030			(3,030)						
National School Lunch Program	10.555	16161NJ304N109	7/1/15-6/30/16	83,731			76,998	(83,731)				(6,733)		
National School Lunch Program	10.555	16161NJ304N109	7/1/14-6/30/15	79,861	(5,567)		5,567							
Total Enterprise Fund and Total U.S. Department of Agriculture—Passed-Through State Department of Education					(2,537)		143,073	(146,657)				612	(6,733)	
Total Federal Awards					\$ (413,949)	\$ -	\$ 1,460,635	\$ (1,190,672)	\$ -	\$ -	\$ -	\$ 612	\$ (146,999)	\$ 2,401
NC-non cash expenditures														

The accompanying notes to schedules of expenditures of federal awards and state financial assistance are an integral part of this statement.

Hopewell Valley Regional School District
Schedule of Expenditures of State Financial Assistance

Year ended June 30, 2016

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance June 30, 2015		Carryover/Walkover	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Adjustments	Balance June 30, 2016			Memo	
				Unearned Rev. (Accts Rec)	Due to Grantor						Unearned Revenue	(Accounts Receivable)	Due to Grantor	Budgetary Receivable	Cumulative Expenditures
State Department of Education															
General Fund:															
Special Education Categorical Aid	495-034-5120-089	7/1/15-6/30/16	\$ 2,087,038				\$ 1,922,550	\$ (2,087,038)						\$ (164,488)	\$ (2,087,038)
Special Education Categorical Aid	495-034-5120-089	7/1/14-6/30/15	2,087,038	\$ (160,702)			160,702								
Transportation Aid	495-034-5120-014	7/1/15-6/30/16	349,130				321,615	(349,130)						(27,515)	(349,130)
Transportation Aid	495-034-5120-014	7/1/14-6/30/15	349,130	(26,883)			26,883								
Security Aid	495-034-5120-089	7/1/15-6/30/16	54,445				50,154	(54,445)						(4,291)	(54,445)
Security Aid	495-034-5120-089	7/1/14-6/30/15	54,445	(4,192)			4,192								
School Choice Aid	495-034-5120-068	7/1/15-6/30/16	176,202				162,315	(176,202)						(13,887)	(176,202)
School Choice Aid	495-034-5120-068	7/1/14-6/30/15	176,202	(13,568)			13,568								
Extraordinary Aid	100-034-5120-473	7/1/15-6/30/16	494,174					(494,174)			\$ (494,174)				(494,174)
Extraordinary Aid	100-034-5120-473	7/1/14-6/30/15	375,103	(375,103)			375,103								
Non-Public Transportation Aid	495-034-5120-014	7/1/15-6/30/16	52,548					(52,548)			(52,548)				(52,548)
Non-Public Transportation Aid	495-034-5120-014	7/1/14-6/30/15	52,866	(52,866)			52,866								
PARCC Readiness Aid	495-034-5120-097	7/1/15-6/30/16	35,060				32,297	(35,060)						(2,763)	(35,060)
PARCC Readiness Aid	495-034-5120-097	7/1/14-6/30/15	35,060	(2,700)			2,700								
Per Pupil Growth Aid	495-034-5120-098	7/1/15-6/30/16	35,060				32,297	(35,060)						(2,763)	(35,060)
Per Pupil Growth Aid	495-034-5120-098	7/1/14-6/30/15	35,060	(2,700)			2,700								
On Behalf TPAF Pension	495-034-5095-001	7/1/15-6/30/16	5,601,577				5,601,577	(5,601,577)							(5,601,577)
Reimbursed TPAF - Social Security	495-034-5094-003	7/1/15-6/30/16	2,801,746				2,683,145	(2,801,746)			(118,601)				(2,801,746)
Reimbursed TPAF - Social Security	495-034-5094-003	7/1/14-6/30/15	2,330,190	(113,646)			113,646								
Total General Fund				(752,360)			11,558,310	(11,686,980)			(665,323)			(215,707)	(11,686,980)
Special Revenue Fund:															
New Jersey Non-Public Aid:															
Textbook Aid	100-034-5120-064	7/1/15-6/30/16	21,299				21,299	(20,895)				\$ 404			(20,895)
Textbook Aid	100-034-5120-064	7/1/14-6/30/15	27,646	\$ 1,365				(1,365)							
Non Public Nursing Services	100-034-5120-070	7/1/15-6/30/16	50,850				50,850	(48,073)				2,777			(48,073)
Non Public Nursing Services	100-034-5120-070	7/1/14-6/30/15	61,557	1,882				(1,882)							
Security	Not available	7/1/15-6/30/16	14,175				14,175	(2,500)				11,675			(2,500)
Non Public Auxiliary Services (Ch. 192):															
Home Instruction	100-034-5120-067	7/1/14-6/30/15	73	(73)			73								
Transportation		7/1/15-6/30/16	1,326				1,326	(1,326)							(1,326)
Technology		7/1/15-6/30/16	9,698				9,698	(8,749)				949			(8,749)
Technology		7/1/14-6/30/15	14,848		768				(768)						
Non Public Handicapped Services (Ch. 193):															
Corrective Speech	100-034-5120-066	7/1/15-6/30/16	2,508				2,508					2,508			
Supplemental Instruction		7/1/15-6/30/16	743				743					743			
Supplemental Instruction		7/1/14-6/30/15	884		884				(884)						
Examination and Classification		7/1/15-6/30/16	16,531				16,531	(15,847)				684			(15,847)
Examination and Classification		7/1/14-6/30/15	15,126		3,780				(3,780)						
				(73)	8,679		117,203	(97,390)	(8,679)			19,740			(97,390)
New Jersey School Development Authority															
Capital Projects Fund:															
SDA ROD Grants	Various	Indefinite	586,700	(333,178)			333,178								
Total Capital Projects Fund				(333,178)			333,178								
State Department of Agriculture															
Enterprise Fund:															
State School Lunch Program (State share)	100-010-3360-023	7/1/15-6/30/16	6,528				6,006	(6,528)			(522)				(6,528)
State School Lunch Program (State share)	100-010-3360-023	7/1/14-6/30/15	6,562	(465)			465								
Total Enterprise Fund				(465)			6,471	(6,528)			(522)				(6,528)
Total State Financial Assistance				\$ (1,086,076)	\$ 8,679	\$ -	\$ 12,015,162	\$ (11,790,898)	\$ (8,679)	\$ -	\$ -	\$ (665,845)	\$ 19,740	\$ (215,707)	\$ (11,790,898)
State Financial Assistance Not Subject to Single Audit Determination:															
On Behalf TPAF Pension	495-034-5095-001	7/1/15-6/30/16	5,601,577				\$ 5,601,577	\$ (5,601,577)							\$ (5,601,577)
Total State Financial Assistance Subject to Single Audit Determination				\$ (1,086,076)	\$ 8,679	\$ -	\$ 6,413,585	\$ (6,189,321)	\$ (8,679)	\$ -	\$ -	\$ (665,845)	\$ 19,740	\$ (215,707)	\$ (6,189,321)

The accompanying notes to schedules of expenditures of federal awards and state financial assistance are an integral part of this statement.

Hopewell Valley Regional School District

Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance

Year ended June 30, 2016

1. General

The accompanying schedules of expenditures of federal awards and state financial assistance present the activity of all expenditures of federal awards and state financial assistance programs of the District. All federal awards and state financial assistance received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies, are included on the schedules of expenditures of federal awards and state financial assistance.

2. Basis of Accounting

The accompanying schedules of expenditures of federal awards and state financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the enterprise fund, which are presented using the accrual basis of accounting and those recorded in the special revenue fund, which are presented using the budgetary basis of accounting. These bases of accounting are described in Note 1 to the District's basic financial statements. The information in these schedules are presented in accordance with the requirements of 2 CFR 200-*Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in these schedules may differ from amounts presented, or used in the preparation of, the basic financial statements.

3. Relationship to Basic Financial Statements

Amounts reported in the accompanying schedules agree with amounts reported in the District's basic financial statements. The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the fiscal 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

Hopewell Valley Regional School District
Notes to Schedules of Expenditures of
Federal Awards and State Financial Assistance
Year ended June 30, 2016

3. Relationship to Basic Financial Statements (continued)

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$4,962 for the general fund and \$315 for the special revenue fund. See note to required supplementary information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds (C-3). Federal and State award revenues are reported in the District's basic financial statements on a GAAP basis as follows:

	Federal	State	Total
General Fund		\$ 11,682,018	\$ 11,682,018
Special Revenue Fund	\$ 1,043,700	97,390	1,141,090
Food Service Enterprise Fund	146,657	6,528	153,185
Total financial award revenues	\$ 1,190,357	\$ 11,785,936	\$ 12,976,293

4. Relationship to Federal and State Financial Reports

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

Hopewell Valley Regional School District
Notes to Schedules of Expenditures of
Federal Awards and State Financial Assistance
Year ended June 30, 2016

5. Other

Revenues and expenditures reported under the Food Donation Program represent current year value received and current year distributions, respectively. TPAF Social Security Contributions represent the amount reimbursed by the State for the employer's share of Social Security for TPAF members for the year ended June 30, 2016.

The post retirement pension and medical benefits received on-behalf of the District for the year ended June 30, 2016 amounted to \$5,601,577. Since on-behalf post retirement pension and medical benefits are paid by the State directly, these expenditures are not subject to a single audit in accordance with New Jersey OMB Circular 15-08, however they are reported on the Schedule of Expenditures of State Financial Assistance, as directed by the funding agency.

Hopewell Valley Regional School District
Schedule of Findings and Questioned Costs (continued)
Year ended June 30, 2016

Part I - Summary of Auditor's Results (continued)

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Are any material weaknesses identified? Yes X No

Are any significant deficiencies identified? Yes X None Reported

Is any noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major federal programs:

Are any material weaknesses identified? Yes X No

Are any significant deficiencies identified? Yes X None Reported

Type of auditors' report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes X No

Identification of major federal programs:

CFDA Number(s)	FAIN Number	Name of Federal Program or Cluster
84.027A	S027A150100	IDEA Basic
84.173A	S173A150114	IDEA Preschool

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

Auditee qualified as low-risk auditee? X Yes No

Hopewell Valley Regional School District
 Schedule of Findings and Questioned Costs (continued)
 Year ended June 30, 2016

Part I - Summary of Auditor's Results (continued)

State Awards

Internal control over major state programs:

Are any material weaknesses identified? _____ Yes X No

Are any significant deficiencies identified? _____ Yes X None reported

Type of auditors' report issued on compliance for major state programs: _____ Unmodified

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular 15-08? _____ Yes X No

Identification of major state programs:

GMIS/Program Number	Name of State Program or Cluster
	General State Aid Cluster:
495-034-5120-084	Security Aid
495-034-5120-089	Special Education
495-034-5120-097	PARCC Readiness Aid
495-034-5120-098	Per Pupil Growth Aid
495-034-5120-068	School Choice Aid

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

Auditee qualified as low-risk auditee? X Yes _____ No

Hopewell Valley Regional School District
Schedule of Findings and Questioned Costs (continued)

Year ended June 30, 2016

Part II – Schedule of Financial Statement Findings

No financial statement findings noted that are required to be reported under *Government Auditing Standards*.

Hopewell Valley Regional School District
Schedule of Findings and Questioned Costs (continued)

Year ended June 30, 2016

**Part III - Schedule of Federal and State Award Findings
and Questioned Costs**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by 2 CFR 200 Section 516(a) and New Jersey Treasury Circular OMB 15-08, respectively.

Federal Award Programs

No compliance or internal control findings noted that are required to be reported in accordance with 2 CFR 200 Section 516(a).

State Award Programs

No compliance or internal control findings noted that are required to be reported in accordance with New Jersey Treasury Circular OMB 15-08.

Hopewell Valley Regional School District
Summary Schedule of Prior Year Audit Findings
Year ended June 30, 2016

Not Applicable



HOPEWELL VALLEY REGIONAL SCHOOL DISTRICT

**AUDITORS' MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS—
FINANCIAL, COMPLIANCE AND PERFORMANCE**

JUNE 30, 2016

**AUDITORS' MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE**

Table of Contents

	<u>Page No.</u>
Independent Auditors' Report.....	1
Scope of Audit	2
Administrative Practices and Procedures	
Insurance.....	2
Official Bonds.....	2
Tuition Charges	2
Financial Planning, Accounting and Reporting	
Examination of Claims	2
Payroll Account and Position Control Roster.....	2
Reserve for Encumbrances and Accounts Payable.....	3
Classification of Expenditures	3
• General Classifications	
• Administrative Classifications	
Board Secretary's Records.....	3
Treasurer's Records.....	3
Elementary and Secondary Education Act /Improving America's Schools Act as reauthorized by the No Child Left Behind Act of 2001	3
Other Special Federal and/or State Projects	4
T.P.A.F. Reimbursement	4
School Purchasing Programs	
Contracts and Agreements Requiring Advertisement for Bids.....	5
School Food Service	5
Student Body Activities	5
Application for State School Aid	5
Pupil Transportation.....	6
Facilities and Capital Assets	7
Other Suggestions to Management	7
Follow-up on Prior Year Findings	7
Acknowledgment	7
Schedule of Meal Count Activity.....	N/A
Schedule of Audited Enrollments	8
Excess Surplus Calculation.....	11

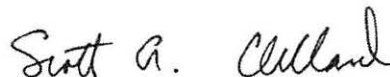
Independent Auditors' Report

Honorable President and Members
of the Board of Education
Hopewell Valley Regional School District
County of Mercer, New Jersey

We have audited, in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Hopewell Valley Regional School District, County of Mercer for the year ended June 30, 2016, and have issued our report thereon dated November 10, 2016.

As part of our audit, we performed procedures required by the New Jersey Department of Education, and the findings and results thereof are disclosed on the following pages, as listed in the accompanying table of contents.

This report is intended for the information and use of the Hopewell Valley Regional School District's management and Board members, and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.


Scott A. Clelland
Licensed Public School Accountant
No. 1049


WISS & COMPANY, LLP

November 10, 2016
Livingston, New Jersey

**HOPEWELL VALLEY REGIONAL SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE**

JUNE 30, 2016

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator and Treasurer of School Moneys, the activities of the Board of Education, and the records of the various funds under the auspices of the Board of Education.

Administrative Practices and Procedures

Insurance

Insurance coverage was carried in the amounts as detailed on J-20, Insurance Schedule contained in the District's CAFR.

Official Bonds (N.J.S.A. 18A:17-26, 18A:17-32, 18A:13-13)

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Robert Colavita	Business Administrator/Board Secretary	\$ 120,000
James Bartolomei	Treasurer of School Moneys	400,000

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs were more (less) than estimated costs. The District made a proper adjustment to the billings to sending Districts for the increase (decrease) in per pupil costs in accordance with *N.J.A.C. 6A:23A-17.1(f)3*.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under review indicated no discrepancies with respect to signatures, certification or supporting documentation.

Payroll Account

The net salaries of all employees of the Board were deposited in the Payroll Account. Employees' payroll deductions and employer's share of fringe benefits were deposited in the Payroll Agency Account.

All payrolls were approved by the Superintendent and were certified by the President of the Board and the Board Secretary/Business Administrator.

Salary withholdings were promptly remitted to the proper agencies, including health benefit premium withholdings due to the general fund.

Payrolls were delivered to the treasurer of school monies with a warrant made to his order for the full amount of each payroll.

HOPEWELL VALLEY REGIONAL SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

JUNE 30, 2016

Position Control Roster

An inquiry and subsequent review of the Position Control Roster did not identify and inconsistencies between the payroll records, employee benefit records (e.g. pension reports and health benefit coverage reports) and the general ledger accounts to where wages are posted (administrative versus instruction).

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30 for proper classification of orders as reserve for encumbrances and accounts payable and no exceptions were identified.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with *N.J.A.C. 6A:23A-16.2 (f)* as part of our test of transactions of randomly selected expenditure items. We also reviewed the coding of all expenditures included in our compliance and single audit testing procedures. In addition to randomly selecting a test sample, our sample selection specifically targeted administrative coding classifications to determine overall reliability and compliance with *N.J.A.C. 6A:23A-8.3*. As a result of the procedures performed, a transaction error rate of 0% overall was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Board Secretary's Records

Our review of the financial and accounting records maintained by the Board Secretary noted the following exception.

Finding 2016-001

Finding:

The District's June 30, 2016 Board Secretary's report was required to be submitted to the District Board of Education and County Superintendent by August 1, 2016. We noted that the Board Secretary's report was filed on August 4, 2016.

Recommendation:

We suggest the District ensure all Board Secretary's reports are filed within State required timelines.

Treasurer's Records

No exceptions were noted during our review of the financial and accounting records maintained by the Treasurer.

Elementary and Secondary Education Act (E.S.E.A.)/Improving America's Schools Act (IASA) as reauthorized by the No Child Left Behind Act of 2001 (NCLB)

**HOPEWELL VALLEY REGIONAL SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE**

JUNE 30, 2016

The E.S.E.A./NCLB financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the projects under Titles I and VI of the Elementary and Secondary Education Act as amended and reauthorized.

The study of compliance for E.S.E.A. indicated no instances of noncompliance and/or questionable costs.

Other Special Federal and/or State Projects

The District's special projects were approved as listed on Schedules A (K-3) and B (K-4) located in the CAFR.

Our audit of the federal and state funds on a test basis, indicated that obligations and expenditures were incurred during the fiscal year or project period for which the project was approved.

The financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the aforementioned special projects.

The study of compliance for the other special projects indicated no instances of noncompliance that are required to be reported in accordance with the Uniform Guidance or State Circular NJ OMB 15-08.

Finding 2016-002

Finding:

The District did not maximize its participation in the Special Education Medicaid Initiative (SEMI) Program.

Recommendation:

We suggest the District maximize its participation in the SEMI program.

T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly reimbursement forms filed with the Department of Education for District employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted.

T.P.A.F. Reimbursement to the State for Federal Salary Expenditures

The school district was not required to reimburse the state for the TPAF/FICA payments made by the State on-behalf of the school district as no employee's salaries were identified as being paid from federal funds.

HOPEWELL VALLEY REGIONAL SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

JUNE 30, 2016

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

Effective July 1, 2010 and thereafter the bid thresholds in accordance with *N.J.S.A. 18A:18A-2* and *18A:39-3* are \$40,000 (the Business Administrator is a Qualified Purchasing Agent) and \$29,000 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school transportation contracts under *N.J.S.A. 18A:39-3* is currently \$18,800 for 2015-16.

The District Board of Education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the contract year. Where question arises as to whether any contract or agreement might result in violation of the statute, the solicitor's opinion should be sought before a commitment is made.

The results of our examination indicated that no individual payments, contracts, or agreements were made for the performance of any work or goods or services, in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of *N.J.S.A. 18A:18A-4*, as amended.

Resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per *N.J.S.A. 18A:18A-5*.

School Food Service

The school food service program was not selected as a major federal and/or state program. However, the program expenditures exceeded \$100,000 in federal and/or State support. Accordingly, we inquired of school management, or appropriate school food service personnel, as to whether the SFA had any Child Nutrition Program reimbursement overclaims or underclaims. No exceptions were noted.

The school food service program was not selected as a major federal and/or state program. However, the program expenditures exceeded \$100,000 in federal and/or State support. Accordingly, we inquired of school management, or appropriate school food service personnel as to whether the SFA's expenditures of school food service revenues were limited to allowable direct and indirect costs. No exceptions were noted.

Student Body Activities

During our review of the student activity funds, there were no exceptions noted.

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2015 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, low-income and bilingual. We also performed a review of the District procedures related to its completion. The information on the A.S.S.A. was compared to the District workpapers with exceptions as identified in the Schedule of Audited Enrollments.

HOPEWELL VALLEY REGIONAL SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

JUNE 30, 2016

The information that was included on the workpapers was also verified with exceptions as identified in the Schedule of Audited Enrollments. The results of our procedures are presented in the Schedule of Audited Enrollments. The District maintained workpapers on the prescribed state forms or their equivalent. The District has adequate written procedures for the recording of student enrollment data.

Finding 2016-003

Finding:

During our testing of the ASSA, exceptions were identified between what was reported on the ASSA and what was reported on the working papers and in the related school registers in various categories.

Recommendation:

We suggest the District strengthen procedures to ensure that all students are properly reported on the ASSA and supported by District working papers and school registers and that the records are maintained that were utilized in preparing the ASSA.

Pupil Transportation

Our audit procedures included a test of on-roll status reported in the 2015-16 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report with minor exceptions identified. The results of our procedures are presented in the Schedule of Audited Enrollments.

Our procedures also included a review of transportation related contracts and purchases. Based on our testing, the District complied with proper bidding procedures and award of contracts. The bid specifications for the purchase of buses were in compliance with applicable statutes. No exceptions were noted in our review of transportation related purchases of goods and services.

Facilities and Capital Assets

Our procedures included a review of the New Jersey Schools Development Authority ("NJSDA") grant agreement for consistency with recording NJSDA revenue, transfer of local funds from the General Fund or from the capital reserve account and awarding of contracts for eligible facilities construction. No exceptions were noted. However, the following was identified:

Finding 2016-004

Finding:

The District engaged American Appraisal to report on its Capital Assets. A detailed listing of assets acquired during 2015-16 was not provided to American Appraisal and therefore no capital assets were added to their appraisal report. Through analysis, we were able to determine the proper asset additions and their related depreciation expense.

**HOPEWELL VALLEY REGIONAL SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE**

JUNE 30, 2016

Recommendation:

We suggest the District's capital assets appraisal vendor either be provided a detailed listing of assets acquired during the fiscal year or be engaged to perform a complete capital assets inventory report.

Follow-up on Prior Year's Findings

In accordance with *Government Auditing Standards*, our procedures included a review of all prior year recommendations including findings. Corrective action had been taken on all prior year findings.

There were no Office of Fiscal Accountability and Compliance ("OFAC") audit reports issued during the 2015-16 fiscal year.

Acknowledgment

We received the complete cooperation of all the officials of the School District and we greatly appreciate the courtesies extended to the members of the audit team.

SCHEDULE OF AUDITED ENROLLMENTS

**HOPEWELL VALLEY REGIONAL SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2015**

	2016-2017 Application for State School Aid						Sample for Verification						Private Schools for Disabled			
	Reported on A.S.S.A. On Roll		Reported on Workpapers On Roll		Errors		Sample Selected from Workpapers		Verified per Registers On Roll		Errors per Registers On Roll		Reported on A.S.S.A. as Private Schools	Sample for Verifi- cation	Sample Verified	Sample Errors
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared				
Half Day Preschool	42		42					16		16						
Full Day Preschool																
Half Day Kindergarten																
Full Day Kindergarten	194		193		1		40		39		1					
One	206		207		(1)		41		41							
Two	242		242				50		51		(1)					
Three	222		222				67		67							
Four	226		226				45		45							
Five	240		240				66		66							
Six	240		240				240		240							
Seven	244		244				244		244							
Eight	238		238				238		238							
Nine	259		259				259		259							
Ten	266	1	266	1			260	1	266	1	(6)					
Eleven	284	2	284	2			284	2	284	2						
Twelve	278	8	276	8	2		278	8	276	8	2					
Post-Graduate																
Adult H.S. (15+CR.)																
Adult H.S. (1-14 CR.)																
Subtotal	3,181	11	3,179	11	2	-	2,128	11	2,132	11	(4)	-	-	-	-	-
Special Ed - Elementary	199		199				29		29				14	12	12	
Special Ed - Middle School	115		115				115		115				5	5	5	
Special Ed - High School	141	14	141	15		(1)	140	14	141	15	(1)	(1)	14.0	12	12	
Subtotal	455	14	455	15	-	(1)	284	14	285	15	(1)	(1)	33.0	29	29	-
Co. Voc. - Regular																
Co. Voc. Ft. Post Sec.																
Totals	3,636	25	3,634	26	2	(1)	2,412	25	2,417	26	(5)	(1)	33.0	29	29	-
Percentage Error					0.06%	-4.00%					-0.21%	-4.00%				0.00%

SCHEDULE OF AUDITED ENROLLMENTS

**HOPEWELL VALLEY REGIONAL SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2015**

	<u>Resident Low Income</u>			<u>Sample for Verification</u>			<u>Resident LEP Low Income</u>			<u>Sample for Verification</u>		
	Reported on A.S.S.A. as Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors	Reported on A.S.S.A. as LEP low Income	Reported on Workpapers as LEP low Income	Errors	Sample Selected from Workpapers	Verified to Test Score and Register	Sample Errors
Half Day Preschool		1	(1)									
Full Day Preschool												
Half Day Kindergarten												
Full Day Kindergarten	6	6		3	3							
One	9	10	(1)	5	5		3	2	1	3	3	
Two	3	3		1	1		-					
Three	7	8	(1)	5	5		1	1		1	1	
Four	3	3		3	3							
Five	17	17		13	12	1						
Six	10	10		5	5							
Seven	7	8	(1)	4	3	1						
Eight	15	15		12	11	1						
Nine	8	9	(1)	5	5							
Ten	6.5	7.5	(1)	4	4		0.5	0.5		1	1	
Eleven	12	13	(1)	12	12							
Twelve	7.5	7.5		3	2	1	1	1		1	1	
Post-Graduate												
Adult H.S. (15+CR.)												
Adult H.S. (1-14 CR.)												
Subtotal	111.0	118.0	(7)	75	71	4	5.5	5	1	6	6	-
Special Ed - Elementary	13	13		11	11		2	2				
Special Ed - Middle	8	9	(1)	5	4	1						
Special Ed - High	11.5	12	(0.5)	7	6	1						
Subtotal	32.5	34.0	(1.5)	23	21	2	2	2	-	-	-	-
Co. Voc. - Regular												
Co. Voc. Ft. Post Sec.												
Totals	143.5	152.0	(8.5)	98	92	6	7.5	6.5	1	6	6	-
Percentage Error			-5.92%			6.12%			13.33%			0.00%

Transportation

	Reported on DRTRS by District	Reported on DRTRS by DOE/county	Errors	Tested	Verified	Errors		
							Reported	Recalculated
Reg. - Public Schools, col.a	1,736.5	1,738.0	(1.5)	204	204		4.6	4.6
Reg -SpEd, col.4	282.5	282.5		33	33		4.6	4.6
Transported - Non-Public, col.	359.0	359.0		42	37	5		
Special Ed Spec, col.6	101.5	101.5		12	12		11.1	11.1
Totals	2,479.5	2,481.0	(1.5)	291	286	5		
Percentage Error						1.72%		

Reg Avg (Mileage) = Regular Including Grade PK students (Part A)
 Reg Avg (Mileage) = Regular Excluding Grade PK students (Part B)
 Spec Avg. = Special Ed with Special Needs

SCHEDULE OF AUDITED ENROLLMENTS

HOPEWELL VALLEY REGIONAL SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2015

	<u>Resident LEP NOT Low Income</u>			<u>Sample for Verification</u>		
	<u>Reported on A.S.S.A. as NOT Low Income</u>	<u>Reported on Workpapers as NOT Low Income</u>	<u>Errors</u>	<u>Sample Selected from Workpapers</u>	<u>Verified to Application and Register</u>	<u>Sample Errors</u>
Half Day Preschool						
Full Day Preschool						
Half Day Kindergarten						
Full Day Kindergarten	3	3		3	3	
One	3	4	(1)	3	3	
Two						
Three	1	1		1	1	
Four	1	1		1	1	
Five						
Six						
Seven	1	1		1	1	
Eight						
Nine						
Ten						
Eleven						
Twelve						
Post-Graduate						
Adult H.S. (15+CR.)						
Adult H.S. (1-14 CR.)						
Subtotal	<u>9</u>	<u>10</u>	<u>(1)</u>	<u>9</u>	<u>9</u>	<u>-</u>
Special Ed - Elementary	1	1				
Special Ed - Middle						
Special Ed - High						
Subtotal	<u>1</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Co. Voc. - Regular						
Co. Voc. Ft. Post Sec.						
Totals	<u>10</u>	<u>11</u>	<u>(1)</u>	<u>9</u>	<u>9</u>	<u>-</u>
Percentage Error			<u>-10.00%</u>			<u>0.00%</u>

Hopewell Valley Regional School District

Excess Surplus Calculation

June 30, 2016

SECTION 1 – Regular District

A. 2% Calculation of Excess Surplus

2015-16 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ 80,506,723 (B)
Increased by:	
Transfer from Capital Outlay to Capital Projects Fund	\$ _____ - (B1a)
Transfer from Capital Reserve to Capital Projects Fund	\$ _____ - (B1b)
Transfer from General Fund to SRF for Pre-K Regular	\$ _____ - (B1c)
Transfer from General Fund to SRF for Pre-K Inclusion	\$ _____ - (B1d)
Decreased by:	
On-Behalf TPAF Pension & Social Security	\$ 8,403,323 (B2a)
Assets Acquired Under Capital Leases	\$ 451,635 (B2b)
Adjusted 2015-16 General Fund Expenditures [(B) + (B1s) - (B2s)]	\$ 71,651,765 (B3)
2% of Adjusted 2015-16 General Fund Expenditures [(B3) times .02]	\$ 1,433,035 (B4)
Enter Greater of (B4) or \$250,000	\$ 1,433,035 (B5)
Increased by: Allowable Adjustment*	\$ 546,722 (K)
Maximum Unassigned/Undesignated - Fund Balance [(B5) + (K)]	\$ 1,979,757 (M)

Hopewell Valley Regional School District

Excess Surplus Calculation

June 30, 2016

SECTION 2

Total General Fund - Fund Balances at 6-30-16 (Per CAFR Budgetary Comparison Schedule C-1)	\$ 9,430,279 (C)
Decreased by:	
Year-end Encumbrances	\$ 649,065 (C1)
Legally Restricted - Designated for Subsequent Year's Expenditures	\$ - (C2)
Legally Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures**	(C3)
Other Restricted Fund Balances****	\$ 4,959,888 (C4)
Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures	\$ 1,841,569 (C5)
 Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	 \$ 1,979,757 (U1)

SECTION 3

Restricted Fund Balance - Excess Surplus *** [(U1)-(M)] IF NEGATIVE ENTER -0-	\$ - (E)
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Recapitulation of Excess Surplus as of June 30, 2016

Reserved Excess Surplus- Designated for Subsequent Year's Expenditures**	\$ - (C3)
Reserved Excess Surplus *** [(E)]	\$ - (E)
Total [(C3)+(E)]	\$ - (D)

* This adjustment line (as detailed below) is to be utilized when applicable for Impact Aid, Sale and Lease-back (Refer to the Audit Program Section II, Chapter 10), Extraordinary Aid; Additional and Nonpublic School Transportation Aid; and recognized current year School Bus Advertising Revenue. Refer to the Audit Program Section II, Chapter 10 for restrictions on the inclusion of Extraordinary Aid and Additional Nonpublic School Transportation Aid.

Hopewell Valley Regional School District

Excess Surplus Calculation

June 30, 2016

Detail of Allowable Adjustments

Impact Aid	\$	-	(H)
Sales & Lease-back	\$	-	(I)
Extraordinary Aid	\$	494,174	(J1)
Additional Nonpublic School Transportation Aid	\$	52,548	(J2)
Current Year School Bus Advertising Revenue Recognized	\$	-	(J3)
Family Crisis Transportation Aid	\$	-	(J4)
Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)+(J4)]	\$	546,722	(K)

** This amount represents the June 30, 2016 Excess Surplus (C3 above) and must be included in the Audit Summary Line 90031.

*** Amount must agree to the June 30, 2015 CAFR and must agree to Audit Summary Worksheet Line 10024.

**** Amount for Other Restricted Fund Balances must be detailed for each source. Use in the excess surplus calculation of any legal reserve that is not state mandated or that is not legally imposed by any other type of government, such as the judicial branch of government, must have departmental approval. District requests should be submitted to the Division of Administration and Finance prior to September 30.

Detail of Other Restricted Fund Balance

Statutory restrictions:

Approved unspent separate proposal	\$	-	
Sale/lease-back reserve	\$	-	
Capital reserve	\$	4,871,220	
Maintenance reserve	\$	88,668	
Emergency reserve	\$	-	
Tuition reserve	\$	-	
Impact Aid	\$	-	
Other state/government mandated reserve	\$	-	
[Other Restricted/Reserved Fund Balance not noted above]****	\$	-	
 Total Other Restricted Fund Balance	 \$	 4,959,888	 (C4)