

SOUTH HARRISON BOARD OF EDUCATION

Harrisonville, New Jersey

County of Gloucester

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF THE

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

HARRISONVILLE, NEW JERSEY

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Prepared by

**Jason Schimpf, School Business Administrator/
Board Secretary**

OUTLINE OF CAFR

	PAGE
INTRODUCTORY SECTION	
Letter of Transmittal	1
Roster of Officials	5
Consultants and Advisors	6
FINANCIAL SECTION	
Independent Auditors' Report	9
REQUIRED SUPPLEMENTARY INFORMATION - PART I	
Management's Discussion & Analysis	15
BASIC FINANCIAL STATEMENTS	
A. Government-Wide Financial Statements:	
A-1 Statement of Net Position	27
A-2 Statement of Activities	28
B. Fund Financial Statements:	
Governmental Funds:	
B-1 Balance Sheet	33
B-2 Statement of Revenues, Expenditures & Changes in Fund Balance	34
B-3 Reconciliation of the Statement of Revenues, Expenditures & Changes in Fund Balance of Governmental Funds to the Statement of Activities	35
Proprietary Funds:	
B-4 Statement of Net Position	39
B-5 Statement of Revenues, Expenditures & Changes in Fund Net Position	40
B-6 Statement of Cash Flows	41
Fiduciary Funds:	
B-7 Statement of Fiduciary Net Position	45
B-8 Statement of Changes in Fiduciary Net Position	N/A
Notes to Financial Statements	49
REQUIRED SUPPLEMENTARY INFORMATION - PART II	
C. Budgetary Comparison Schedules:	
C-1 Budgetary Comparison Schedule - General Fund	81
C-1a Combining Schedule of Revenue, Expenditures & Changes in Fund Balance - Budget & Actual	
C-1b Education Jobs Fund Program - Budget & Actual	N/A
C-2 Budgetary Comparison Schedule - Special Revenue Fund	90
Notes to the Required Supplementary Information:	
C-3 Budget-to-GAAP Reconciliation	93
REQUIRED SUPPLEMENTARY INFORMATION - PART III	
L. Schedules Related to Accounting and Reporting for Pensions (GASB 68):	
L-1 Schedule of the District's Proportionate Share of the Net Pension Liability - PERS	99
L-2 Schedule of District Contributions - PERS	100
L-3 Schedule of the District's Proportionate Share of the Net Pension Liability - TPAF	101
Notes to the Required Supplementary Information - Part III	105

	PAGE
D. School Based Budget Schedules (if applicable):	
D-1 Combining Balance Sheet	N/A
D-2 Blended Resource Fund - Schedule of Expenditures Allocated by Resource Type - Actual	N/A
D-3 Blended Resource Fund - Schedule of Blended Expenditures - Budget & Actual	N/A
E. Special Revenue Fund:	
E-1 Combining Schedule of Revenues & Expenditures - Special Revenue Fund - Budgetary Basis	113
E-2 Preschool Education Aid Schedule(s) of Expenditures - Budgetary Basis	N/A
F. Capital Projects Fund:	
F-1 Summary Statement of Project Expenditures	117
F-2 Summary Schedule of Revenues, Expenditures and Changes in Fund Balance - Budgetary Basis	118
F-2a Schedule of Revenues, Expenditures, Project Balance & Project Status - Budgetary Basis	119
F-2b Schedule of Revenues, Expenditures, Project Balance & Project Status - Budgetary Basis	120
F-2c Schedule of Revenues, Expenditures, Project Balance & Project Status - Budgetary Basis	121
G. Proprietary Funds:	
Enterprise Funds:	
G-1 Combining Statement of Net Position	127
G-2 Combining Statement of Revenues, Expenses & Changes in Fund Net Position	128
G-3 Combining Statement of Cash Flows	129
Internal Service Funds:	
G-4 Combining Statement of Net Position	133
G-5 Combining Statement of Revenues, Expenses & Changes in Fund Net Position	134
G-6 Combining Statement of Cash Flows	135
H. Fiduciary Funds:	
H-1 Combining Statement of Fiduciary Net Position	139
H-2 Combining Statement of Changes in Fiduciary Net Position	N/A
H-3 Student Activity Agency Fund Schedule of Receipts & Disbursements	140
H-4 Payroll Agency Fund Schedule of Receipts & Disbursements	140
I. Long-Term Debt:	
I-1 Schedule of Serial Bonds	143
I-2 Schedule of Obligations Under Capital Leases	N/A
I-3 Debt Service Fund Budgetary Comparison Schedule	144

STATISTICAL SECTION (unaudited)

Financial Trends:	
J-1 Net Position by Component	147
J-2 Changes in Net Position	148
J-3 Fund Balances - Governmental Funds	151
J-4 Changes in Fund Balance - Governmental Funds	152
J-5 Other Local Revenue by Source - General Fund	154
Revenue Capacity:	
J-6 Assessed Value & Estimated Actual Value of Taxable Property	155
J-7 Direct & Overlapping Property Tax Rates	156
J-8 Principal Property Taxpayers	157
J-9 Property Tax Levies & Collections	158
Debt Capacity:	
J-10 Ratios of Outstanding Debt by Type	159
J-11 Ratios of General Bonded Debt Outstanding	160
J-12 Direct & Overlapping Governmental Activities Debt	160
J-13 Legal Debt Margin Information	161

	PAGE
Demographic & Economic Information:	
J-14 Demographic & Economic Statistics	162
J-15 Principal Employers	163
Operating Information:	
J-16 Full-Time Equivalent District Employees by Function/Program	164
J-17 Operating Statistics	165
J-18 School Building Information	166
J-19 Schedule of Required Maintenance	167
J-20 Insurance Schedule	168

SINGLE AUDIT SECTION

K-1 Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	171
K-2 Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by The Uniform Guidance and New Jersey OMB Circular 15-08	173
K-3 Schedule of Expenditures of Federal Awards, Schedule A	177
K-4 Schedule of Expenditures of State Financial Assistance, Schedule B	178
K-5 Notes to Schedules of Awards and Financial Assistance	179
K-6 Schedule of Findings & Questioned Costs	181
K-7 Summary Schedule of Prior Audit Findings	184

This page intentionally left blank

INTRODUCTORY SECTION

This page intentionally left blank.



South Harrison Township Elementary School District

Dr. James J. Lavender
Superintendent of Schools

Jason Schimpf
School Business Administrator

November 28, 2016

Honorable President and
Members of the Board of Education
South Harrison Township School District
County of Gloucester
Harrisonville, New Jersey

Dear Board Members:

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

The comprehensive annual financial report is presented in four sections; introductory, financial, statistical, and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the basic financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the requirements of the Uniform Guidance and New Jersey OMB's Circular 15-08. Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1. Reporting Entity and Its Services

South Harrison Township Elementary School District is an independent entity within the criteria adopted by the GASB as established by NCGA Statement No. 3. All funds and account groups of the District are included in this report. The South Harrison Township Board of Education and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels kindergarten through sixth grade. These include regular, as well as special education for gifted and handicapped youngsters. The District completed the 2015-2016 fiscal year with an enrollment of 390 students. The following details the changes in the student enrollment of the District over the last five years:

Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2015-2016	390.0	>1.00%
2014-2015	387.0	2.38%
2013-2014	378.0	5.00%
2012-2013	360.0	(3.23%)
2011-2012	372.0	(1.59%)

2. Economic Condition and Outlook

The South Harrison Township area has been experiencing a period of steady growth over the past decade. New housing developments have caused the ratables to increase somewhat. Due to the sale of development rights by many farmers under the farmland preservation act, the District wealth has also increased over the last several years. The District's state aid decreased dramatically several years ago; consequently the tax rate has increased accordingly.

3. Educational Program & Initiatives

The District recognizes the need to focus attention on providing academic supports and opportunities that work to close the achievement gaps that currently exist. Additionally, the District believes that it is imperative that opportunities for both remediation and enrichment are provided to all students. At present, the District is under contract with the Kingsway Regional School District to provide curricular articulation and support. During the 2016-17 school year, South Harrison will continue to extend its 3-year old preschool program by including disabled students alongside their non-disabled peers. This benefits our students with disabilities as it will provide interactions with typically developing peers to model speech, play, etc.

RTI was introduced in the 2014-15 school year as an intervention program that would replace the former basic skills instruction (BSI) program. RTI is designed to support struggling students through three tiers of intervention. Additionally, RTI (Response to Intervention) allows for small group, targeted instructional supports in ELA and math for those students who are not progressing satisfactorily in their core programming. MAP will continue to be used as a universal screener and AIMSweb will be used to throughout the school year as progress monitoring tool. By utilizing MAP assessments and AIMSweb, we can better target students' weaknesses and deploy appropriate interventions. Refinement of the RTI program will continue throughout the school year through focused professional development, targeted student identification, focused interventions utilizing materials from core programming, tracking progress, and the analysis of student performance data.

Within the 2016-17 budget, there is also a continued focus on increasing professional learning opportunities for all faculty and staff. Through the establishment and maintenance of the regional curriculum team, professional development for all continues to flourish. Funds continue to be allocated for professional development relative to the implementation of the CCCS and related resources to support new curricula.

4. Internal Accounting Controls

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

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

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

5. Budgetary Controls

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or 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 June 30, 2016.

6. Accounting System and Reports

The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements", Note 1.

7. Management's Discussion and Analysis

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a management's discussion and analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in connection with it. The District's MD&A can be found immediately following the report of the independent auditors.

8. Cash Management

The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 2. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

9. Risk Management

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

10. Other Information

State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Holman Frenia Allison, P.C., was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditor's report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

12. Acknowledgements

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

Respectfully submitted,



Dr. James J. Lavender
Superintendent of Schools



Jason Schimpf
School Business Administrator

SOUTH HARRISON TOWNSHIP BOARD OF EDUCATION

**904 Mullica Hill Road
Harrisonville, New Jersey 08039**

ROSTER OF OFFICIALS

JUNE 30, 2016

MEMBERS OF THE BOARD OF EDUCATION	TERM EXPIRES
Debbie Cunningham, President	2017
Janet Brown, Vice President	2017
Toni Buckley	2018
Laura Bruno	2018
Michael Brennan	2017
Janice Huggins	2016
Joseph Talbot	2016
James McShea	2017
Ron Reilly	2018

OTHER OFFICIALS

Dr. James J. Lavender, Superintendent of Schools

Jason Schimpf, Business Administrator

Allan P. Dzwilewski, Esq., Solicitor

SOUTH HARRISON TOWNSHIP BOARD OF EDUCATION
Harrisonville, New Jersey

CONSULTANTS AND ADVISORS

AUDIT FIRM

Michael Holt, CPA, PSA
Holman Frenia Allison, P.C.
618 Stokes Road
Medford, New Jersey 08055

ATTORNEY

Allan P. Dzwilewski, Esq.
Schwartz Simon Edelstein & Celso, LLC
100 South Jefferson Road, Suite 200
Whippany, New Jersey 07981

FISCAL AGENT

The Bank of New York

OFFICIAL DEPOSITORY

BB&T Bank
114 North Main Street
Mullica Hill, New Jersey 08062

ARCHITECT

Brooks W. Garrison, RA
Garrison Architects
713 Creek Road
Bellmawr, New Jersey 08031

FINANCIAL SECTION

This page intentionally left blank.



INDEPENDENT AUDITOR’S REPORT

Honorable President and Members
of the Board of Education
South Harrison Township School District
County of Gloucester
Harrisonville, New Jersey 08039

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 South Harrison Township School District, County of Gloucester, State of New Jersey, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the schedules related to accounting and reporting for pensions, as listed 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 South Harrison Township School District's basic financial statements. The introductory section, combining statements and related major fund supporting statements and schedules, and statistical section are presented for purposes of additional analysis, as required by the Division of Administration and Finance, Department of Education, State of New Jersey, and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of State Financial Assistance is presented for purposes of additional analysis as required by New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and is also not a required part of the basic financial statements.

The accompanying combining statements and the Schedule of Expenditures of State Financial Assistance are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting 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 accompanying combining statements and Schedule of Expenditures of State Financial Assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical information 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 28, 2016 on our consideration of the South Harrison Township School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Harrison Township School District's internal control over financial reporting and compliance.

Respectfully Submitted,

HOLMAN FRENIA ALLISON, P.C.

Michael Holt
Certified Public Accountant
Public School Accountant
No. 1148

Medford, New Jersey
November 28, 2016

This page intentionally left blank

REQUIRED SUPPLEMENTARY INFORMATION - PART I

This page intentionally left blank.

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR JUNE 30, 2016**

This section of the South Harrison Township School District’s (“District”) annual financial report presents our discussion and analysis of the District’s financial performance during the fiscal year that ended June 30, 2016. Please read it in conjunction with the transmittal letter at the front of this report and the District’s financial statements, which immediately follow this section.

The Management’s Discussion and Analysis (MD&A) is an element of 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 issued in June 1999. Certain comparative information between the current year (2015-16) and the prior year (2014-15) is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for the 2015-16 fiscal year include the following:

- Net position for governmental activities and business-type activities were \$1,871,187 and \$21,783, respectively.
- Net position for governmental activities decreased by \$91,606 and net position for business-type activities decreased by \$6,775 from July 1, 2015 to June 30, 2016.
- The general fund fund balance as of June 30, 2016 was \$822,139, a decrease of \$264,679 when compared with the beginning balance as of July 1, 2015 of \$1,086,818.

Overview of the Financial Statements

The financial section of the annual report consists of four parts - Independent Auditor’s Report, Required Supplementary Information which includes the Management’s Discussion and Analysis (this section), the Basic Financial Statements, and Supplemental Information. The basic financial statements include two kinds of statements that present different views of the District.

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

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. Table 1 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the Management’s Discussion and Analysis highlights the structure and contents of each of the statements.

Table 1

Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses; food services is included here	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required Financial Statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of net position Statement of revenues, expenses, and changes in fund net position	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Assets/ Liability	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

District-Wide Statements

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

The two district-wide statements report the District's net position and how it has changed. Net position - the difference between the District's assets and liabilities - are a measure of the District's financial health or position.

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

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

- *Governmental activities* - Most of the District's basic services are included here, such as regular and special education, transportation, administration, and maintenance. Aid from the State of New Jersey and from the Federal government along with local property taxes finances most of these activities.
- *Business-type activities* - The District may charge fees to customers to help it cover the costs of certain services it provides. The District's food service program, summer enrichment programs, craft club, target summer program, and after school program are included here.

Fund Financial Statements

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

- Some funds are required by State law and by bond covenants.
- The District uses other funds, established in accordance with the State of New Jersey Uniform Chart of Accounts, to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal funds).

The District has three kinds of funds:

- **Governmental funds** - Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- **Proprietary funds** - Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements.
- **Fiduciary funds** - The District is the trustee, or fiduciary, for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's net position for the fiscal years ended June 30, 2016 and 2015 is reflected in Table 2.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	FY2016	FY2015	FY2016	FY2015
Assets				
Current and Other Assets	\$ 1,067,670	\$ 1,311,028		\$ 11,015
Capital Assets, Net	12,449,194	12,822,432	21,783	28,558
Deferred Outflow of Resources	505,296	495,742		
Total Assets	14,022,160	14,629,202	21,783	39,573
Liabilities				
Current and Other Liabilities	226,428	190,973		11,015
Long-Term Liabilities	11,727,960	12,427,418		
Deferred Inflow of Resources	196,585	48,018		
Total Liabilities	12,150,973	12,666,409	-	11,015
Net Position				
Invested in Capital Assets, Net of Related Debt	2,150,241	2,372,432	21,783	28,558
Restricted Assets	733,383	1,131,544		
Unrestricted Assets	(1,012,437)	(1,541,183)		
Total Net Position	\$ 1,871,187	\$ 1,962,793	\$ 21,783	\$ 28,558

Table 3 illustrates changes in net position for fiscal years ending 2016 and 2015.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	FY2016	FY2015	FY2016	FY2015
Revenues				
Charges for Services		\$ 60,720	\$ 1,907	\$ 2,535
Operating Grants and Contributions	1,167,085	957,792		
Property Taxes	3,767,454	3,680,149		
Grants and Entitlements	1,751,826	2,021,645		
Other	32,390	42,191		
Total Revenues	6,718,755	6,762,497	1,907	2,535
Expenses				
Instruction	2,204,256	2,067,730		
Tuition	113,710	150,868		
Related Services	628,105	567,102		
Administrative Services	376,137	461,929		
Operations and Maintenance of Plant Services	501,618	456,400		
Pupil Transportation	333,147	335,198		
Unallocated Benefits	1,696,053	1,384,835		
Interest on Debt Service	363,524	481,254		
Unallocated Depreciation	593,811	579,449		
Enterprise Operation			8,682	9,310
Total Expenses	6,810,361	6,484,765	8,682	9,310
Increase/(Decrease) in Net Position	\$ (91,606)	\$ 277,732	\$ (6,775)	\$ (6,775)

The District's expenses for government activities are predominantly related to instruction and support services. Instruction together with tuition totaled \$2,317,966 (34%) of total expenditures. Student support services including transportation, exclusive of administration, totaled \$961,252 (14.1%) of total expenditures. Plant operations and maintenance totaled \$501,618 (7.4%) of total expenditures. Total expenditures exceeded revenues for governmental activities, decreasing net position by \$91,606 from the beginning balance at July 1, 2015.

Activity Descriptions

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

Tuition expenses include the cost to the District to send pupils with special needs living within the District to private schools and/or schools outside the District area.

Student and instruction related services include the activities designed to assess and improve the well-being of students and to supplement the teaching process.

School Administrative and General and Business Administrative services include expenses associated with establishing and administering policy for the District including financial supervision.

Plant operation and maintenance of plant activities involve keeping the school grounds, buildings and equipment in a safe and effective working condition.

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

Unallocated benefits include the cost of benefits for the District staff for social security, retirement contributions, worker's compensation, health benefits and other employee benefits.

Interest on long-term debt involve the transactions associated with the payment of interest and other related charges to the debt of the District.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is also reflected in the governmental funds which are accounted for by using the modified accrual basis of accounting. As the District completed the year, its governmental funds reported a combined fund balance of \$1,023,040. At June 30, 2015 the fund balance was \$1,241,093.

All governmental funds had total revenues of \$6,171,064 and total expenditures of \$6,389,117.

GENERAL FUND BUDGETING HIGHLIGHTS

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

The General Fund includes the primary operations of the District in providing educational services to students from K through grade 6 including pupil transportation activities and capital outlay projects.

Table 4 presents a summary of governmental fund revenues. The summary reflects the dollar and percent increase/(decrease) from the prior fiscal year.

	<u>2016</u>	<u>2015</u>	<u>Increase/ (Decrease)</u>	<u>Percentage Increase/ (Decrease)</u>
Local Sources:				
Tax Levy	3,767,454	3,680,149	87,305	2.37%
Tuition	12,385	9,000	3,385	37.61%
Miscellaneous	28,979	20,133	8,846	43.94%
Governmental Sources:				
State sources	2,247,320	2,418,806	(171,486)	-7.09%
Federal sources	<u>114,926</u>	<u>132,940</u>	<u>(18,014)</u>	<u>-13.55%</u>
Total	<u><u>6,171,064</u></u>	<u><u>6,261,028</u></u>	<u><u>(89,964)</u></u>	<u><u>-1.44%</u></u>

Table 5 presents a summary of governmental fund expenditures. The summary reflects the dollar and percent increase/(decrease) from the prior fiscal year.

	<u>2016</u>	<u>2015</u>	<u>Increase/ (Decrease)</u>	<u>Percentage Increase/ (Decrease)</u>
Instruction:				
Regular	1,811,833	1,668,186	143,647	8.61%
Special Education	329,901	311,283	18,618	5.98%
Other	62,522	88,261	(25,739)	-29.16%
Support Services:				
Tuition	113,710	150,868	(37,158)	-24.63%
Student & Instruction				
Related Services	628,105	567,102	61,003	10.76%
General Administration	114,873	138,999	(24,126)	-17.36%
School Administration	140,508	137,426	3,082	2.24%
Central Services	120,755	124,784	(4,029)	-3.23%
Plant Operations & Maintenance	501,617	456,400	45,217	9.91%
Pupil Transportation	333,146	335,198	(2,052)	-0.61%
Unallocated Benefits	1,133,136	968,344	164,792	17.02%
Capital Outlay	237,683	609,135	(371,452)	-60.98%
Debt Service	<u>861,328</u>	<u>1,052,472</u>	<u>(191,144)</u>	<u>-18.16%</u>
Total	<u><u>6,389,117</u></u>	<u><u>6,608,458</u></u>	<u><u>(219,341)</u></u>	<u><u>-3.32%</u></u>

Total governmental fund expenditures decreased \$219,341, or 3.32% from the prior fiscal year. The reason for the decrease was due to a reduction in one time capital expenditures and a refunding of existing debt.

DEBT SERVICE FUND

The current year obligations for payment of debt service principal and interest amounted to \$861,328, of which \$727,824 in funding was provided through the local tax levy.

ENTERPRISE FUND

The enterprise fund's net position was \$21,783 as of June 30, 2016. This reflects a decrease of \$6,775 from June 30, 2015.

CAPITAL ASSETS

Capital assets are individual items purchased at a cost exceeding \$2,000, have an extended useful life of one year or more and maintain their identity and structure when placed into service.

At the end of 2016, the District had capital assets allocated to governmental activities with a book value of \$12,449,194. This consists of a broad range of capital assets, including land, site improvements, buildings and building improvements, and machinery and equipment. Total depreciation expense for the fiscal year ended June 30, 2016 was \$593,811.

Table 6 summarizes capital assets.

Table 6
Capital Assets (Net of Depreciation)
At June 30, 2016 and 2015

	Governmental		Business-Type		District-Wide	
	2016	2015	2016	2015	2016	2015
Land	\$ 18,937	\$ 18,937			\$ 18,937	\$ 18,937
Site and Site Improvements	3,641	3,641			3,641	3,641
Buildings and Structures	12,247,821	12,540,654			12,247,821	12,540,654
Machinery and Equipment	178,795	259,200	21,783	28,558	200,578	287,758
Net Assets	<u>\$ 12,449,194</u>	<u>\$ 12,822,432</u>	<u>\$ 21,783</u>	<u>\$ 28,558</u>	<u>\$ 12,470,977</u>	<u>\$ 12,850,990</u>

LONG-TERM OBLIGATIONS

At fiscal year end, the District had \$9,900,000 in general obligation bonds outstanding, a decrease of \$550,000 from the prior fiscal year. The District does not anticipate incurring any additional long-term debt at this time.

The District also had a liability of \$89,736 for compensated absences allocated to governmental activities. This liability represents the District's contractual obligation to compensate employees for accumulated unused sick and vacation leave upon retirement.

Table 7
Long-Term Obligations
At June 30, 2016 and 2015

	Governmental		Business-Type		District-Wide	
	2016	2015	2016	2015	2016	2015
Construction of additions and renovations to Elementary School	-	365,000	-	-	-	365,000
Construction of additions and renovations to Elementary School	-	105,000	-	-	-	105,000
Series 2015 Refunding Bonds	9,900,000	9,980,000	-	-	9,900,000	9,980,000
Unamortized premium	1,033,973	1,105,077	-	-	1,033,973	1,105,077
Net pension obligations	704,251	805,746	-	-	704,251	805,746
Compensated Absences	89,736	66,595	-	-	89,736	66,595
Total	\$ 11,727,960	\$ 12,427,418	\$ -	\$ -	\$ 11,727,960	\$ 12,427,418

CURRENT FINANCIAL ISSUES AND CONCERNS

The South Harrison Township School District is primarily a residential community, with very few commercial ratables; thus the financial burden is focused on homeowners. A successful bond referendum was held in September 2006 to address the student growth we were experiencing. The new addition opened in September 2008. At the present time, enrollment is stable. Over the past few years, the District has been able to replenish the amount of fund balance being used to support the annual budget. Excess surplus has been used to fund various capital projects and technology upgrades and the District has made a commitment to increasing the amount of resources budgeted for maintaining our facilities.

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

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the South Harrison Township 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 Jason Schimpf, School Business Administrator, South Harrison Township School District, 904 Mullica Hill Road, Harrisonville, NJ 08039, or by e-mail at schimpfj@krsd.org.

BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

A. Government-Wide Financial Statements

This page intentionally left blank

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

ASSETS	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTALS
Cash & Cash Equivalents	\$ 784,619	\$ -	\$ 784,619
Receivables, Net	279,786	-	279,786
Internal Balances	2,156	-	2,156
Restricted Cash & Cash Equivalents	1,109	-	1,109
Capital Assets, Non-Depreciable (Note 5)	18,937	-	18,937
Capital Assets, Depreciable, Net (Note 5)	12,430,257	21,783	12,452,040
Total Assets	13,516,864	21,783	13,538,647
DEFERRED OUTFLOW OF RESOURCES			
Deferred Charge on Refunding of Debt	398,953	-	398,953
Deferred Outflows Related to Pensions	106,343	-	106,343
Total Deferred Outflow of Resources	505,296	-	505,296
Total Assets and Deferred Outflow of Resources	14,022,160	21,783	14,043,943
LIABILITIES			
Accrued Interest	181,798	-	181,798
Accounts Payable	32,185	-	32,185
Unearned Revenue	12,445	-	12,445
Internal Balances	-	-	-
Noncurrent Liabilities (Note 6):			
Due Within One Year	541,104	-	541,104
Due Beyond One Year	11,186,856	-	11,186,856
Total Liabilities	11,954,388	-	11,954,388
DEFERED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	196,585	-	196,585
Total Deferred Inflows of Resources	196,585	-	196,585
Total Liabilities and Deferred Inflows of Resources	12,150,973	-	12,150,973
NET POSITION			
Net Investment in Capital Assets	2,150,241	21,783	2,172,024
Restricted For:			
Capital Projects	118,474	-	118,474
Debt Service	(99,371)	-	(99,371)
Other Purposes	709,930	-	709,930
Unrestricted	(1,008,087)	-	(1,008,087)
Total Net Position	\$ 1,871,187	\$ 21,783	\$ 1,892,970

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

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		TOTALS
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES		
Governmental Activities:							
Instruction:							
Regular	\$ 1,811,833	\$ -	\$ 98,799	\$ (1,713,034)	\$ -	\$ -	(1,713,034)
Special Education	329,901	-	-	(329,901)	-	-	(329,901)
Other Special Instruction	62,522	-	-	(62,522)	-	-	(62,522)
Support Services & Undistributed Costs:							
Tuition	113,710	-	-	(113,710)	-	-	(113,710)
Student & Instruction Related Services	628,105	-	30,821	(597,284)	-	-	(597,284)
General Administration	114,873	-	-	(114,873)	-	-	(114,873)
School Administrative Services	140,508	-	-	(140,508)	-	-	(140,508)
Central Service	120,756	-	-	(120,756)	-	-	(120,756)
Plant Operations & Maintenance	501,618	-	-	(501,618)	-	-	(501,618)
Pupil Transportation	333,147	-	-	(333,147)	-	-	(333,147)
Unallocated Benefits	1,696,053	-	1,037,465	(658,588)	-	-	(658,588)
Interest and Charges on Long-Term Debt	363,524	-	-	(363,524)	-	-	(363,524)
Unallocated Depreciation	593,811	-	-	(593,811)	-	-	(593,811)
Total Governmental Activities	6,810,361	-	1,167,085	(5,643,276)	-	-	(5,643,276)
Business-Type Activities:							
Food Service	6,775	-	-	-	(6,775)	-	(6,775)
Ceramics/Sculpture Classes	1,907	1,907	-	-	-	-	-
Total Business - Type Activities	8,682	1,907	-	-	(6,775)	-	(6,775)
Total Primary Government	\$ 6,819,043	\$ 1,907	\$ 1,167,085	(5,643,276)	(6,775)	-	(5,650,051)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, Net				3,039,630	-	-	3,039,630
Taxes Levied for Debt Service				727,824	-	-	727,824
Federal & State Aid Not Restricted				1,751,826	-	-	1,751,826
Tuition Received				12,385	-	-	12,385
Investment Earnings				18	-	-	18
Miscellaneous Income				28,961	-	-	28,961
Adjustment to Capital Assets				(8,974)	-	-	(8,974)
Total General Revenues & Transfers				5,551,670	-	-	5,551,670
Change In Net Position				(91,606)	(6,775)	-	(98,381)
Net Position - Beginning				1,962,793	28,558	-	1,991,351
Net Position - Ending				1,871,187	21,783	-	1,892,970

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

B. Fund Financial Statements

This page intentionally left blank

Governmental Funds

This page intentionally left blank

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016**

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTALS
Assets:					
Cash & Cash Equivalents	\$ 714,145	\$ -	\$ 5	\$ 82,427	\$ 796,577
Due from Other Funds	615,038	-	486,200	-	1,101,238
Receivables from Other Governments	11,334	13,638	245,151	-	270,123
Other Accounts Receivable	8,478	1,185	-	-	9,663
Restricted Cash & Cash Equivalents	1,109	-	-	-	1,109
Total Assets	\$ 1,350,104	\$ 14,823	\$ 731,356	\$ 82,427	\$ 2,178,710
Liabilities & Fund Balances:					
Liabilities:					
Cash Deficit	\$ -	\$ 11,958	\$ -	\$ -	\$ 11,958
Accounts Payable	29,320	2,865	-	-	32,185
Unearned Revenue	12,445	-	-	-	12,445
Interfunds Payable	486,200	-	612,882	-	1,099,082
Total Liabilities	527,965	14,823	612,882	-	1,155,670
Fund Balances:					
Restricted for:					
Capital Reserve Account	1,109	-	-	-	1,109
Excess Surplus - Current Year	347,899	-	-	-	347,899
Excess Surplus Designated for Subsequent Year's Expenditures	360,922	-	-	-	360,922
Capital Projects Fund	-	-	118,474	-	118,474
Debt Service Fund	-	-	-	82,427	82,427
Assigned:					
Other Purposes	12,053	-	-	-	12,053
Unassigned Fund Balance:					
General Fund	100,156	-	-	-	100,156
Total Fund Balances	822,139	-	118,474	82,427	1,023,040
Total Liabilities & Fund Balances	\$ 1,350,104	\$ 14,823	\$ 731,356	\$ 82,427	

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 \$19,211,993, and the accumulated depreciation is \$6,762,799.	12,449,194
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(11,727,960)
Deferred outflows and inflows of resources related to pensions and deferred charges or credits on debt refundings are applicable to future reporting periods and, therefore, are not reported in the funds.	308,711
Accrued interest payable is not recorded in the fund Financial Statements due to the fact that the payables are not due in the period.	(181,798)
Net position of Governmental Activities	\$ 1,871,187

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

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016**

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTALS
Revenues:					
Local Sources:					
Local Tax Levy	\$ 3,039,630	\$ -	\$ -	\$ 727,824	\$ 3,767,454
Tuition Charges	12,385	-	-	-	12,385
Interest Earned on Capital Reserve Funds	18	-	-	-	18
Miscellaneous	14,267	14,694	-	-	28,961
Total Local Sources	3,066,300	14,694	-	727,824	3,808,818
State Sources	2,067,190	-	-	180,130	2,247,320
Federal Sources	-	114,926	-	-	114,926
Total Revenues	5,133,490	129,620	-	907,954	6,171,064
Expenditures:					
Current:					
Regular Instruction	1,713,034	98,799	-	-	1,811,833
Special Education Instruction	329,901	-	-	-	329,901
Other Special Instruction	62,522	-	-	-	62,522
Support Services & Undistributed Costs:					
Tuition	113,710	-	-	-	113,710
Student & Instruction Related Services	597,284	30,821	-	-	628,105
General Administration	114,873	-	-	-	114,873
School Administrative Services	140,508	-	-	-	140,508
Central Services	120,756	-	-	-	120,756
Plant Operations & Maintenance	501,618	-	-	-	501,618
Pupil Transportation	333,147	-	-	-	333,147
Unallocated Benefits	1,133,136	-	-	-	1,133,136
Debt Service:					
Principal	-	-	-	550,000	550,000
Interest & Other Charges	-	-	-	311,328	311,328
Capital Outlay	237,680	-	-	-	237,680
Total Expenditures	5,398,169	129,620	-	861,328	6,389,117
Excess/(Deficiency) of Revenues Over/ (Under) Expenditures	(264,679)	-	-	46,626	(218,053)
Net Change in Fund Balances	(264,679)	-	-	46,626	(218,053)
Fund Balance - July 1	1,086,818	-	118,474	35,801	1,241,093
Fund Balance - June 30	\$ 822,139	\$ -	\$ 118,474	\$ 82,427	\$ 1,023,040

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

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

Total Net Change in Fund Balances - Governmental Funds (From B-2) \$ (218,053)

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

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. The amount that exceeded capital outlays is as follows:

Depreciation Expense	\$ (593,811)	
Capital Asset Adjustment	(8,974)	
Capital Outlays	229,547	(373,238)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statements of Net Position and is not reported in the Statement of Activities.

Bond Principal		550,000
----------------	--	---------

Increase in compensated absences is not an expenditure in the governmental funds, but increases long-term liabilities in the statement of net position and is not reported in the statement of activities.

Prior Year	66,595	
Current Year	(89,736)	(23,141)

Government funds report the effect of issuance costs, premiums, discounts 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 in the Treatment of long-term debt and related activities.

Prior Year	678,689	
Current Year	(635,020)	43,669

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

Pension Expense - PERS Contribution - 2015	26,972	
Unfunded TPAF Pension Expense	(556,665)	
State Share of Unfunded TPAF Pension Expense	556,665	
Pension Expense	(10,083)	16,889

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

Prior Year	94,066	
Current Year	(181,798)	(87,732)

Change in Net Position of Governmental Activities \$ (91,606)

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

This page intentionally left blank

Proprietary Funds

This page intentionally left blank

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2016**

	BUSINESS-TYPE ACTIVITIES -				GOVERNMENTAL ACTIVITIES-		TOTALS
	FOOD SERVICE	SUMMER ENRICHMENT PROGRAMS	CERAMICS/SCULPTURE CLASSES	CRAFT CLUB	INTERNAL SERVICE FUND		
ASSETS							
Current Assets:							
Cash & Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Receivable	-	-	-	-	-	-	-
Total Current Assets	-	-	-	-	-	-	-
Noncurrent Assets:							
Furniture, Machinery & Equipment	100,391	-	-	-	-	-	100,391
Less: Accumulated Depreciation	(78,608)	-	-	-	-	-	(78,608)
Total Noncurrent Assets	21,783	-	-	-	-	-	21,783
Total Assets	21,783	-	-	-	-	-	21,783
LIABILITIES							
Current Liabilities:							
Cash Overdraft	-	-	-	-	-	-	-
Accounts Payable	-	-	-	-	-	-	-
Unearned Revenue	-	-	-	-	-	-	-
Total Liabilities	-	-	-	-	-	-	-
NET POSITION							
Net Investment in Capital Assets Unrestricted	21,783	-	-	-	-	-	21,783
Total Net Position	\$ 21,783	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,783

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

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
 PROPRIETARY FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET POSITION
 AS OF JUNE 30, 2016**

	BUSINESS-TYPE ACTIVITIES -			GOVERNMENTAL ACTIVITIES -		TOTALS
	FOOD SERVICE	SUMMER ENRICHMENT PROGRAMS	CERAMICS/ SCULPTURE CLASSES	CRAFT CLUB	INTERNAL SERVICE FUND	
Operating Revenues:						
Charges for Services:						
Program Fees	\$ -	\$ -	2,874	\$ -	\$ -	2,874
Shared Services Provided	-	-	-	-	-	-
Total Operating Revenues	-	-	2,874	-	-	2,874
Operating Expenses:						
Salaries & Benefits	-	-	1,519	-	-	1,519
Supplies & Materials	-	-	388	-	-	388
Depreciation	6,775	-	-	-	-	6,775
Total Operating Expenses	6,775	-	1,907	-	-	8,682
Operating Income/(loss)	(6,775)	-	967	-	-	(5,808)
Revaluation of Fixed Assets	-	-	(967)	-	-	(967)
Total Nonoperating Revenues/(Expenses)	-	-	(967)	-	-	(967)
Income/(Loss) Before Contributions & Transfers	(6,775)	-	-	-	-	(6,775)
Change in Net Position	(6,775)	-	-	-	-	(6,775)
Total Net Position - Beginning	28,558	-	-	-	-	28,558
Total Net Position - Ending	\$ 21,783	\$ -	\$ -	\$ -	\$ -	\$ 21,783

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

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS
AS OF JUNE 30, 2016**

	BUSINESS-TYPE ACTIVITIES -				GOVERNMENTAL ACTIVITIES- INTERNAL SERVICE FUND	TOTALS
	FOOD SERVICE	SUMMER ENRICHMENT PROGRAMS	CERAMICS/ SCULPTURE CLASSES	CRAFT CLUB		
Cash Flows From Operating Activities						
Receipts from Customers	8,328	(1,882)	(4,809)	(1,450)	-	187
Payments to Employees	-	-	(1,519)	-	(377)	(1,896)
Payments to Suppliers	-	-	(388)	-	-	(388)
Net Cash Provided/(Used) by Operating Activities:	8,328	(1,882)	(6,716)	(1,450)	(377)	(2,097)
Net Increase/(Decrease) in Cash & Cash Equivalents	8,328	(1,882)	(7,683)	(1,450)	(377)	(3,064)
Balances - Beginning of Year	(8,328)	1,882	7,683	1,450	377	3,064
Balances - End of Year	-	-	-	-	-	-

Reconciliation of Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:

Operating Income/(Loss)	(6,775)	\$	-	\$	967	\$	-	\$	(5,808)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities									
Depreciation & Net Amortization	6,775		-		-		-		6,775
Changes in Assets & Liabilities:									
(Increase)/Decrease in Accounts Receivable	8,328		-		-		-		8,328
Increase/(Decrease) in Accounts Payable	-		-		-		-		(377)
Increase/(Decrease) in Unearned Revenue	-		(1,882)		(7,683)		(1,450)		(11,015)
Total Adjustments	15,103		(1,882)		(7,683)		(1,450)		3,711
Net Cash Provided/(Used) by Operating Activities:	8,328	\$	(1,882)	\$	(6,716)	\$	(1,450)	\$	(377)
									(2,097)

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

This page intentionally left blank

Fiduciary Fund

This page intentionally left blank

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUNDS
COMPARATIVE COMBINING STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2016**

ASSETS	AGENCY		TOTALS
	STUDENT ACTIVITY	PAYROLL	
Cash & Cash Equivalents	\$ 63,227	\$ 3,391	\$ 66,618
Total Assets	63,227	3,391	66,618
LIABILITIES			
Payroll Deductions & Withholdings	-	1,235	1,235
Interfund Accounts Payable	-	2,156	2,156
Due to Student Groups	63,227	-	63,227
Total Liabilities	63,227	3,391	66,618
NET POSITION			
Unreserved	-	-	-
Total Net Position	\$ -	\$ -	\$ -

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

This page intentionally left blank

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

This page intentionally left blank

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

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

Note 1. Summary of Significant Accounting Policies

The accompanying financial statements of the South Harrison Township School District have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of more significant accounting policies.

Reporting Entity

The South Harrison Township School District is a Type II district located in the County of Gloucester, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The Board is comprised of nine members appointed to three-year terms. The District provides a full range of educational services appropriate to grade levels K through 6. These include regular, vocational, as well as special education for handicapped youngsters. The South Harrison Township Board of Education had an approximate enrollment at June 30, 2016 of 392 students.

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

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

There were no additional entities required to be included in the reporting entity under the criteria as described above. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

Component Units

GASB Statement No.14, The Financial Reporting Entity, provides guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity but also for legally separate organizations that meet the criteria established by GASB Statement No. 14, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. The District had no component units as of for the year ended June 30, 2016.

Government-Wide Financial Statements

The District's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the District accompanied by a total column. Fiduciary activities of the District are not included in these statements.

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

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

Note 1. Summary of Significant Accounting Policies (continued):

These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the District’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the District are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule (Exhibit B-3) is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-Wide financial statements. The District has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. (The District’s deferred outflows of resources and deferred inflows of resources are noncurrent.) The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the District, are property tax and intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund and for the non-major funds aggregated. A column representing internal service funds is also presented in these statements. However, internal service funds balances and activities have been combined with the governmental activities in the Government-Wide financial statements.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

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

Note 1. Summary of Significant Accounting Policies (continued):

decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Net Position. The District's fiduciary funds are Agency Funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency funds are accounted for on a spending or "economic resources" measurement focus and the accrual basis of accounting as are the proprietary funds explained above.

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 in 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.

Amounts reported as program revenues include 1) charges 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.

While government-wide and fund financial statements are presented separately, they are interrelated. The governmental activities column of the government wide statements incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the District's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. However, data from the fiduciary funds is not incorporated in the government-wide financial statements

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. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current \ fiscal year-end. 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 claims and judgments, are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in the governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

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

Note 1. Summary of Significant Accounting Policies (continued):

Property taxes, charges for services, licenses, and interest on notes receivable associated with the current fiscal period are all considered to be susceptible to accrual and accordingly have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available when cash is received.

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

Internal service funds are used to account for those operations which provide benefits to other funds, departments, or agencies of the primary government and its component unit. Although internal service funds are reported as a proprietary fund in the fund financial statements, it is incorporated into governmental activities in the government-wide financial statements. The District maintains a Business Administrator Shared Services agreement in the Internal Service Funds.

The District reports 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 sub-fund.

As required by the New Jersey Department of Education the District includes budgeted capital outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, interest earnings and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to capital assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by board resolution.

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

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

Note 1. Summary of Significant Accounting Policies (continued):

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

Capital Projects Fund - The capital projects fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

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

The District reports the following major proprietary fund:

Food Service Fund – Kingsway Regional School District accounts for the revenues and expenses pertaining to the District’s cafeteria operations, however the District does maintain the capital assets as required by the agreement.

Additionally, the District reports the following major fiduciary funds:

Agency Funds - Agency funds are assets held by a governmental entity (either as trustee or as an agent) for other parties that cannot be used to finance the governmental entity’s own operating programs. The district currently maintains Payroll funds and Student Activity Funds as Agency Funds.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

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

Note 1. Summary of Significant Accounting Policies (continued):

Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budgets are submitted to the county office. In accordance with P.L.2011 c.202, which became effective January 17, 2012, the District eliminated the April annual voter referendum on budgets which met the statutory tax levy cap limitations and the board of education members are elected at the November general election. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23-2-2(f)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year in accordance with N.J.A.C. 6A:23-2-11.

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

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

The budget, as detailed on Exhibit C-1, Exhibit C-2, and Exhibit I-3, includes all amendments to the adopted budget, if any.

Exhibit C-3 presents a reconciliation of the general fund revenues and special revenue fund revenues and expenditures from the budgetary basis of accounts as presented in the General Fund Budgetary Comparison Schedules and the Special Revenue Fund Budgetary Comparison Schedule to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds. Note that the District does not report encumbrances outstanding at fiscal year-end as expenditures in the general fund since the general fund budget follows modified accrual basis with the exception of the revenue recognition policy for the last state aid payments.

Encumbrances

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

Open encumbrances in the special revenue fund for which the District has received advances are reflected in the balance sheet as a reduction of the accounts receivables or as unearned revenue at fiscal year-end.

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

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

Note 1. Summary of Significant Accounting Policies (continued):

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

Cash and Cash Equivalents

Cash and Cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost.

New Jersey School Districts are limited as to the types of investments and types of financial institutions they may invest in. *N.J.S.18A:20-37* provides a list of permissible investments that may be purchased by New Jersey school districts.

Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from 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.

Tuition Payable/Receivable

Tuition rates for the fiscal year end June 30, 2016 were established by the receiving district based on estimated costs. The charges are subject to adjustment when the final costs have been determined.

Inventories

Inventories are valued at cost, using the first-in/first-out (FIFO) method. The costs of inventories are recorded as expenditures when consumed rather than when purchased.

Short-Term Interfund Receivables/Payables

Short-term interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year. The amounts are eliminated in the governmental and business-type activities, which are presented as Internal Balances. Balances with fiduciary funds are not considered Internal Balances; therefore those balances are reported on the Statement of Net Position.

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

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

Note 1. Summary of Significant Accounting Policies (continued):

Capital Assets

Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair value at the date of donation. The District has established a threshold of \$2,000 for capitalization of depreciable assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the District are depreciated or amortized using the straight-line method over the following estimated lives:

Site Improvements	20 Years
Building & Improvements	20-50 Years
Machinery and Equipment	5–20 Years

Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave and sabbatical leave. 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 District and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the District and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

In the Government-Wide financial statements, under governmental activities, compensated absences are reported as an expenditure and noncurrent liabilities.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and is recorded as a liability until the revenue is both measureable and the District is eligible to realize the revenue.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. In general, government fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources.

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

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

Note 1. Summary of Significant Accounting Policies (continued):

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumption that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fund Balance

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies governmental fund balances as follows:

- Non-spendable – This classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Non-spendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education. These amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The School Board did not have any committed resources as of June 30, 2016.
- Assigned – This classification includes amounts that are constrained by the School District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Education or through the Board of Education delegating this responsibility to the business administrator through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the District's policy to consider restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, it is the District's policy to consider amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

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

Note 1. Summary of Significant Accounting Policies (continued):

Net Position

Net position, represents the difference between summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. Net position is classified in the following three components:

- Net Investment in Capital Assets – This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for acquisition, construction, or improvement of those assets.
- Restricted – Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- Unrestricted – Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

Impact of Recently Issued Accounting Principles

Adopted Accounting Pronouncements

For the year ended June 30, 2016, the District implemented GASB Statement No. 72, *Fair Value Measurement and Application*. As a result of implementing this statement, the District is required to measure certain investments at fair value for financial reporting purposes. In addition, the District is required to measure donated capital assets at acquisition value (an entry price); these assets were previously required to be measured at fair value. Statement No. 72 requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Implementation of this Statement did not impact the District's financial statements.

The District implemented GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Implementation of this Statement did not impact the District's financial statements.

The District implemented GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Implementation of this Statement did not impact the District's financial statements.

Recently Issued and Adopted Accounting Pronouncements

The GASB has issued the following Statements which will become effective in future fiscal years as shown below:

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

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

Note 1. Summary of Significant Accounting Policies (continued):

accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ended June 30, 2017. Management does not expect this Statement to impact the District's financial statements.

Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agency Employers and Agent Multi-Employer Plans*, for OPEB Statement No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB Plans. This Statement will be effective for the year ended June 30, 2018. Management has not yet determined the potential impact on the District's financial statements.

Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose information about those agreements. This Statement will be effective for the year ended June 30, 2017. Management does not expect this Statement to impact the District's financial statements.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement will be effective for the year ended June 30, 2017. Management does not expect this Statement to impact the District's financial statements.

Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. This Statement will be effective for the year ended June 30, 2017. Management does not expect this Statement to impact the District's financial statements.

Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. This Statement will be effective for the year ended June 30, 2018. Management does not expect this Statement to impact the District's financial statements.

Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement will be effective for the year ended June 30, 2018. Management does not expect this Statement to impact the District's financial statements.

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

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

Note 1. Summary of Significant Accounting Policies (continued):

Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, 68 and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement will be effective for the year ended June 30, 2018. Management has not yet determined the potential impact on the District’s financial statements.

Bond Premiums, Discounts and Issuance Costs

In the government-wide financial statements and in the proprietary fund financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when bonds are issued.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

Deferred Loss on Refunding Debt

Deferred loss on refunding debt arising from the issuance of the refunding bonds is recorded as deferred outflows of resources. It is amortized in a systematic and rational manner over the shorter of the duration of the related debt or the new debt issues as a component of interest expense.

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time.

Subsequent Events

The District has evaluated subsequent events occurring after June 30, 2016 through the date of November 28, 2016, which is the date the financial statements were available to be issued.

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

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

Note 1. Summary of Significant Accounting Policies (continued):

Pensions Section

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 2. Cash and Investments

Cash Deposits

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Board's deposits may not be recovered. Although the Board does not have a formal policy regarding custodial credit risk, NJSA 17:9-41 et seq. requires that the governmental units shall deposit public funds in public depositories protected from loss under the provisions of GUDPA. Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by FDIC. Public fund owned by the Board in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, student activity may pass to the Board relative to the happening of a future condition. Such funds are shown as Uninsured and Uncollateralized in the schedule below. As of June 30, 2016, the District's bank balance of \$1,214,870 was exposed to custodial credit risk as follows:

Insured Under FDIC	\$ 250,000
Collateralized by securities held by Pledging financial institution	860,929
Uninsured & Uncollateralized	<u>103,941</u>
Total	<u>\$1,214,870</u>

Investments

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

1. Bonds and other obligations of the United State or obligations guaranteed by the United States.
2. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank , which have a maturity date not greater than twelve months from the date of purchase.
3. New Jersey Cash Management Fund, New Jersey Asset and Rebate Management Fund and MBIA CLASS.

Custodial credit risk - This is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The District does not have custodial credit risk policies for investments.

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

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

Note 2. Cash Deposits and Investments (continued):

Interest rate risk - This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk - Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. Government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure.

Concentrations - The District places no limit in the amount the District may invest in any one issuer

As of June 30, 2016, the District had no investments.

Note 3. Accounts Receivable

Accounts receivable at June 30, 2016 consisted of accounts and intergovernmental grants. All receivables are considered collectible in full due to the stable condition of state programs and the current fiscal year guarantee of federal funds. Accounts receivable as of fiscal year end for the School District's individual major and fiduciary funds, in the aggregate, are as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Intergovernmental	\$ 11,334	\$ 13,638	\$ 245,151	\$ 270,123
Other	8,478	1,185	-	9,663
Total	\$ 19,812	\$ 14,823	\$ 245,151	\$ 279,786

Note 4. Capital Reserve Account

A capital reserve account was established by the South Harrison Township Board of Education by inclusion on September 26, 2000 of \$100, which was certified for taxes and for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by Board resolution at year-end of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A district may also appropriated 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*.

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

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

Note 4. Capital Reserve Account (continued):

Pursuant to *N.J.A.C.6:23A-14.1(g)*, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

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	\$	141,091
Interest Earnings		18
Board Approved Transfer		-
Withdrawals		(140,000)
		(140,000)
Ending Balance, June 30, 2016	\$	1,109

Note 5. Capital Assets

The following schedule is a summarization of the capital assets by source for the fiscal year ended June 30, 2016:

	<u>2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>2016</u>
<u>Non-Depreciable Assets</u>					
Land	\$ 18,937	\$ -	\$ -	\$ -	\$ 18,937
Total Non-Depreciable Assets	18,937	-	-	-	18,937
<u>Depreciable Assets</u>					
Site and Site Improvements	123,418	-	-	-	123,418
Buildings and Improvements	17,723,926	-	-	-	17,723,926
Machinery & Equipment	1,125,139	229,547	-	(8,974)	1,345,712
Subtotal	18,991,420	229,547	-	(8,974)	19,211,993
<u>Accumulated Depreciation</u>					
Site and Site Improvements	(119,777)	(3,641)	-	-	(123,418)
Buildings and Improvements	(5,183,272)	(512,151)	-	-	(5,695,423)
Machinery & Equipment	(865,939)	(78,019)	-	-	(943,958)
Subtotal	(6,168,988)	(593,811)	-	-	(6,762,799)
Total	\$ 12,822,432	\$ (364,264)	\$ -	\$ (8,974)	\$ 12,449,194

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

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

Note 5. Capital Assets (continued):

The following is a summary of proprietary fund type fixed assets at June 30, 2016:

	June 30 2015	Additions	Deletions	June 30 2016
Depreciable Assets:				
Equipment	\$ 100,391	\$ -	\$ -	\$ 100,391
Subtotal	100,391	-	-	100,391
Accumulated Depreciation:				
Equipment	(71,833)	(6,775)	-	(78,608)
Total	\$ 35,333	\$ (6,775)	\$ -	\$ 21,783

Note 6. Long-Term Obligations

During the fiscal year ended June 30, 2016 the following changes occurred in liabilities reported in the long-term debt:

	June 30, <u>2015</u>	<u>Additions</u>	<u>Retired</u>	June 30, <u>2016</u>	Due Within <u>One Year</u>
General Obligations Bonds	\$ 10,450,000	\$ -	\$ 550,000	\$ 9,900,000	\$ 470,000
Net Pension Obligation	805,746	-	101,495	704,251	-
Unamortized Premium	1,105,077	-	71,104	1,033,973	71,104
Compensated Absences Payable	66,595	23,141	-	89,736	-
Total Long-Term Obligations	\$ 12,427,418	\$ 23,141	\$ 722,599	\$ 11,727,960	\$ 541,104

A. Bonds Payable

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

On February 15, 2003, the District issued \$427,000 in general obligation bonds at 3.50% for a school renovation project. The final maturity of the bonds is 2013. Also on February 15, 2003; the District issued \$1,306,000 in general obligation bonds at 3.50% for school refunding bonds. The final maturity of the bonds is 2015: On December 20, 2005, the District issued \$9,801,000 in general obligation bonds for the construction of additions and renovations to South Harrison Schools. The bonds carry interest rates ranging from 4.125% to 4.250% and mature in 2031. On September 15, 2006, the District issued \$2,871,000 in general obligation bonds for the continuation of the construction of additions and

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

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

Note 6. Long-Term Obligations (continued):

renovations to South Harrison Schools. The bonds carry interest rates ranging from 4.30% to 4.35% and mature in 2031. During 2015, these obligations were refunded and the only remaining principal balances were the obligations due on January 15, 2016.

On April 21, 2015, the School District issued \$9,980,000 in Refunding Bonds with interest rates ranging from 1.50% to 5.00% to advance refund \$8,185,000 of outstanding 2005 General Obligation Bonds with interest rates ranging from 4.125% to 4.250% and \$2,365,000 of outstanding 2006 General Obligation Bonds with interest rates ranging from 4.30% to 4.35%. As a result of the Refunding Bonds, the District had a net present value savings of \$978,765 based on the yield for the Refunding Bonds.

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

Year Ending June 30,	Principal	Interest	Total
2017	\$ 470,000.00	\$ 396,650.00	\$ 866,650.00
208	490,000.00	382,550.00	872,550.00
2019	515,000.00	362,950.00	877,950.00
2020	540,000.00	337,200.00	877,200.00
2021	560,000.00	321,000.00	881,000.00
2022-2026	3,245,000.00	1,217,000.00	4,462,000.00
2027-2031	4,080,000.00	504,600.00	4,584,600.00
Total	\$ 9,900,000.00	\$ 3,521,950.00	\$ 13,421,950.00

B. Bonds Authorized But Not Issued

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

C. Interest Expense

No interest expense was capitalized during the fiscal year ending June 30, 2016. Interest expense totaling \$311,328 was paid by the debt service fund for the fiscal year ending June 30, 2016.

D. Compensated Absences

Compensated absences will be paid from the fund from which the employees' salaries are paid.

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

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

Note 7. Pension Plans

A. Public Employees' Retirement System (PERS)

Plan Description - The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

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

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/5 5th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Basis of Presentation - The schedules of employer allocations and the schedules of pension amounts by employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PERS or the participating

employers. The amounts presented in the Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Contributions - The contribution policy for PERS is set by *N.J.S.A. 15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability.

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

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

Note 7: Pension Obligations (continued)

A. Public Employees' Retirement System (PERS) (continued)

Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2014 and 2013, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

Three-Year Trend Information for PERS

Year Funded	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2016	\$ 26,972	100%	\$ 704,251
6/30/2015	35,478	100%	805,746
6/30/2014	31,631	100%	802,319

Components of Net Pension Liability - At June 30, 2015, the District reported a liability of \$704,251 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2014, to the measurement date of June 30, 2015. The District's proportion of the net pension liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2015. The District's proportion measured as of June 30, 2015, was 0.00314% percent, which was a decrease of 0.00117% from its proportion measured as of June 30, 2014.

Collective Balances at June 30, 2016 and June 30, 2015

	<u>6/30/2016</u>	<u>6/30/2015</u>
	July 1, 2015	July 1, 2014
Actuarial valuation date		
Deferred Outflows of Resources	\$ 106,343	\$ 69,354
Deferred Inflows of Resources	\$ 196,585	\$ 48,018
Net Pension Liability	\$ 704,251	\$ 805,746
District's portion of the Plan's total net pension Liability	0.00314%	0.00430%

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

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

Note 7: Pension Obligations (continued)

A. Public Employees' Retirement System (PERS) (continued)

Pension Expense and Deferred Outflows/Inflows of Resources - For the year ended June 30, 2016, the District recognized pension expense of \$10,082. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 75,631	\$ -
Net difference between expected and actual experience	16,801	-
Net difference between projected and actual earnings on pension plan investments	-	11,323
Changes in proportion and differences between District contributions and proportionate share of contributions	13,911	185,262
Total	\$ 106,343	\$ 196,585

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	(21,728)
2018	(21,728)
2019	(21,728)
2020	(9,724)
2021	(15,334)
Thereafter	-

Actuarial Assumptions - The total pension asset/(liability) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

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

Note 7: Pension Obligations (continued)

A. Public Employees' Retirement System (PERS) (continued)

	<u>PERS</u>
Measurement date	June 30, 2015
Actuarial valuation date	July 1, 2014
Interest rate	7.90%
Salary scale	2012-2021 - 2.15-4.40% Based on Age Thereafter - 3.15-5.40% Based on Age
Inflation rate	3.01%

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.

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

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic 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:

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

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

Note 7. Pension Obligations (continued):

A. Public Employees' Retirement System (PERS) (continued):

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.21%
Total	<u>100.00%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. The single blended discount rate was based on 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 municipals bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the 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) or 1-percentage-point higher (5.90%) than the current rate:

	<u>Decrease (3.90%)</u>	<u>Discount (4.90%)</u>	<u>Increase (5.90%)</u>
District's proportionate share of the net pension liability	\$ 875,298	\$ 704,251	\$ 560,847

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

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

Note 7. Pension Obligations (continued):

B. Teachers' Pension and Annuity Fund (TPAF)

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

**Three-Year Trend Information for TPAF & Post Retirement Medical Contributions
(Paid on behalf of the District)**

Year Funded	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2016	\$ 338,005	100%	-
6/30/2015	257,708	100%	-
6/30/2014	204,735	100%	-

Teachers Pensions and Annuity Fund (TPAF) - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers Pension and Annuity Fund (TPAF) and additions to/deductions from the TPAF's fiduciary net position have been determined on the same basis as they are reported by the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

	<u>TPAF</u>
Measurement date	June 30, 2015
Actuarial valuation date	July 1, 2014
Interest rate	7.90%
Salary scale	Varies Based On Experience
Inflation rate	2.50%

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

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

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

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

Note 7. Pension Obligations (continued):

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Cash	5.00%	0.53%
US Government Bonds	1.75%	1.39%
US Credit Bonds	13.50%	2.72%
US Mortgages	2.10%	2.54%
US Inflation-Indexed Bonds	1.50%	1.47%
US High Yield Bonds	2.00%	4.57%
US Equity Market	27.25%	5.63%
Foreign-Developed Equity	12.00%	6.22%
Emerging Market Equities	6.40%	8.46%
Private Real Estate Property	4.25%	3.97%
Timber	1.00%	4.09%
Farmland	1.00%	4.61%
Private Equity	9.25%	9.15%
Commodities	1.00%	3.58%
Hedge Funds - MultiStrategy	4.00%	4.59%
Hedge Funds - Equity Hedge	4.00%	5.68%
Hedge Funds - Distressed	4.00%	4.30%
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 4.13% as of June 30, 2015. The single blended discount rate was based on 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 municipals 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 employers' 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 2027. Therefore, the long-

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

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

Note 7. Pension Obligations (continued):

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

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.

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

Note 8. Post-Retirement Benefits

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

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

Note 9. Compensated Absences

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

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

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

Note 9. Compensated Absences (continued):

The liability for vested compensated absences of the governmental fund types is recorded in the statement of net assets under governmental activities. The current portion of the compensated absence balance is not considered material to the applicable funds total liabilities, and is therefore not shown separately from the long-term liability balance of compensated absences. The amount at June 30, 2016 is \$89,736.

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

Note 10. Deferred Compensation

The Board offers its employees a choice of various deferred compensation plans created in accordance with Internal Revenue Code Section 403(b) and 457. The plans, which are administered by the entities listed below, permits participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death, or unforeseeable emergency. The plan administrators are as follows:

Lincoln Investments Travelers

Note 11. Risk Management

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

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

GCSSDJIF - Gloucester, Cumberland, Salem School Districts Joint Insurance Fund public entity risk pool. Coverage under this joint plan offers workers' compensation, boiler and machinery, automobile liability, general liability, property, crime, school board legal liability and pollution legal liability coverage. The District is assessed for the contributions for those funds and is responsible for any reserve deficiencies. No contingency provision has been made in these financial statements as no deficiencies occurred as of June 30, 2016 for the joint insurance pool.

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

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

Note 12. Interfund Receivables and Payables

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

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 615,038	\$ 486,200
Capital Projects Fund	486,200	612,882
Fiduciary Funds	-	2,156
	\$ 1,101,238	\$ 1,101,238

The interfund receivables and payables above predominately resulted from payment made by certain funds on behalf of other funds. All interfund balances are expected to be repaid within one year.

The summary of interfund transfers follows:

Fund	Transfers In	Transfers Out
General Fund	\$ 846	\$ -
Fiduciary Funds	-	846
	\$ 846	\$ 846

The purpose of interfun transfers were for the liquidation of prior year interfund receivables and payables and for payments made on behalf of other funds.

Note 13. Contingent Liabilities

The Board is not involved in any claims or lawsuits incidental to its operations that will, in the opinion of the administration and legal counsel, have a material adverse effect on the financial position of the District.

Note 14. Fund Balance Disclosures

General Fund (Exhibit B-1) – Of the \$822,139 General Fund balance at June 30, 2016; \$12,053 has been assigned for other purposes; \$1,109 has been restricted for Capital Reserve; \$360,922 has been restricted as excess surplus and has been appropriated and included as anticipated revenue for year ending June 30, 2014; \$347,899 has been restricted for excess surplus and \$100,156 is unassigned.

Capital Projects Fund (Exhibit B-1) – The fund balance of \$118,474 has been restricted for the Capital Projects Fund.

Debt Service Fund (Exhibit B-1) – The fund balance of \$82,427 has been restricted for the Debt Service Fund.

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

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

Note 15. Calculation of Excess Surplus

In accordance with N.J.S.A.18A:7F-7, as amended by P.L. 2004, c.73 (S1701), the designation for Restricted Fund Balance – Excess Surplus is a required calculation pursuant to the New Jersey School Funding Reform Act of 2008 (SFRA). New Jersey school districts are required to restrict General Fund fund balance at the fiscal year-end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2016 is \$347,899.

Note 16. Deficit Net Position

Unrestricted Net Position – As reflected on Exhibit A-1, Statement of Net position, a deficit in unrestricted net position of \$(1,008,087) existed as of June 30, 2016 for governmental activities. The primary causes of this deficit is the District not recognizing the receivable for the last two state aid payments and the recording of the long-term liability for compensated absences and net pension. In accordance with full accrual accounting, which is the basis of accounting for Exhibit A-1, Statement of Net position, such liabilities are required to be recorded in the period in which they are incurred. However, in accordance with the rules and regulations that govern the District in the formulation of their annual budget (see Note 1), compensated absences and pension liabilities that relate to future services, or that are contingent on a specific event outside the control of the District and its employees, are funded in the period in which such services are rendered or in which such events that place. Therefore, this deficit in unrestricted net position for governmental activities does not indicate that the District is facing financial difficulties.

Restricted Net Position – The School District had a deficit in restricted net position for Debt Service in the amount of (\$99,371) at June 30, 2016. The deficit is caused by the accrual of bond interest in the government-wide financial statements.

Note 17. Transfer of Food Service Operations

Effective July 22, 2013, the South Harrison Township School District agreed to transfer authority to operate the National School Lunch Program to the Kingsway Regional School District. Kingsway Regional School District has agreed to accept all legal and financial authority for the operation of this program.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

This page intentionally left blank

C. Budgetary Comparison Schedules

This page intentionally left blank

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	ACCOUNT NUMBERS	JUNE 30, 2016			VARIANCE FINAL TO ACTUAL FAVORABLE/ UNFAVORABLE)
		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	
Revenues:					
Local Sources:					
Local Tax Levy	10-1210-000-000	\$ 3,039,630	\$ -	\$ 3,039,630	\$ -
Tuition	10-1300-000-000	12,000	-	12,000	385
Rents and Royalties	10-1910-000-000	-	-	-	1,160
Interest Earned on Capital Reserve	10-1000-000-000	100	-	100	(82)
Miscellaneous	10-1000-000-000	12,000	-	13,107	1,107
Total Local Sources		3,063,730	-	3,063,730	2,570
State Sources:					
School Choice Aid	10-3116-000-000	229,224	-	229,224	-
Categorical Special Education Aid	10-3132-000-000	207,121	-	207,121	-
Equalization Aid	10-3176-000-000	888,987	-	888,987	-
Categorical Security Aid	10-3177-000-000	26,008	-	26,008	-
Categorical Transportation Aid	10-3121-000-000	31,891	-	31,891	-
Under Adequacy Aid	10-3175-000-000	6,832	-	6,832	-
Supplemental Enrollment Growth Aid	10-3100-000-000	149,760	-	149,760	-
Nonpublic Transportation	10-3190-000-000	-	-	4,350	4,350
Adjustment Aid	10-3178-000-000	38,204	-	38,204	-
PARCC Readiness Aid		3,690	-	3,690	-
Per Pupil Growth Aid		3,690	-	3,690	-
Nonbudgeted:					
On-Behalf TPAF Pension Contributions		-	-	154,289	154,289
On-Behalf TPAF Post Retirement Medical		-	-	183,716	183,716
Reimbursed TPAF Social Contributions		-	-	142,795	142,795
Total State Sources		1,585,407	-	1,585,407	485,150
Total Revenues		4,649,137	-	4,649,137	487,720

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	ACCOUNT NUMBERS	JUNE 30, 2016			VARIANCE FINAL TO ACTUAL FAVORABLE/ (UNFAVORABLE)
		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	
Expenditures:					
Current Expense:					
Instruction - Regular Programs:					
Salaries of Teachers:					
Kindergarten	11-110-100-101	165,559	(2,000)	163,559	163,199
Grades 1 - 5	11-120-100-101	1,103,947	(55,525)	1,048,422	1,007,818
Grades 6 - 8	11-130-100-101	139,100	(2,325)	136,775	136,774
Instruction - Regular Programs:					
Home Instruction:					
Salaries of Teachers	11-150-100-101	1,000	-	1,000	478
Purchased Professional - Educational Services	11-150-100-320	1,000	-	1,000	1,000
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	11-190-100-106	36,208	(29,236)	6,972	6,968
Purchased Technical Services	11-190-100-340	43,940	(175)	43,765	42,401
Other Purchased Services	11-190-100-500	29,880	273,218	303,098	301,691
General Supplies	11-190-100-610	77,648	(13,188)	64,460	50,305
Textbooks	11-190-100-640	2,065	138	2,203	2,203
Other Objects	11-190-100-800	1,500	-	1,500	1,197
Total Regular Programs - Instruction		1,601,847	170,907	1,772,754	1,713,034
Special Education:					
Learning & Language Disabilities:					
Salaries of Teachers	11-204-100-101	257,731	(2,900)	254,831	250,879
Other Salaries for Instruction	11-204-100-106	16,710	655	17,365	17,361
General Supplies	11-204-100-610	4,000	-	4,000	706
Textbooks	11-204-100-640	500	-	500	344
Other Objects	11-204-100-800	25	-	25	156
Total Learning & Language Disabilities		278,966	(2,245)	276,721	269,290
Preschool Disabilities - Part-Time:					
Salaries of Teachers	11-215-100-101	58,566	(905)	57,661	57,661
Other Salaries for Instruction	11-215-100-106	11,827	(10,327)	1,500	1,385
General Supplies	11-215-100-610	2,100	-	2,100	77
Other Objects	11-215-100-800	500	-	500	-
Total Preschool Disabilities - Part-Time		72,993	(11,232)	61,761	59,123
Home Instruction:					
Purchased Professional Education Service	11-219-100-320	-	1,776	1,776	1,488
Total Home Instruction		-	1,776	1,776	1,488
Total Special Education		351,959	(11,701)	340,258	329,901

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	ACCOUNT NUMBERS	JUNE 30, 2016			VARIANCE FINAL TO ACTUAL FAVORABLE/ UNFAVORABLE)
		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	
Basic Skills/Remedial:					
Salaries of Teachers	11-230-100-101	59,523	(1,000)	58,523	-
Other Salaries for Instruction	11-230-100-106	63,180	(63,180)	-	-
General Supplies	11-230-100-610	750	-	750	750
Total Basic Skills/Remedial		123,453	(64,180)	59,273	750
School Sponsored Co-curricular Activities:					
Salaries	11-401-100-100	3,844	155	3,999	-
Supplies and Materials	11-401-100-600	1,120	(155)	965	965
Total School Sponsored Co-curricular Activities		4,964	-	4,964	965
Before/After School Programs - Support Services:					
Salaries	11-421-200-101	3,000	-	3,000	3,000
Supplies and Materials	11-421-200-600	280	-	280	280
Total Before/After School Programs - Support Services		3,280	-	3,280	3,280
Total Instruction		2,085,503	95,026	2,180,529	75,072
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEA's - State Regular	11-000-100-561	10,000	(10,000)	-	-
Tuition to Other LEA's - State Special	11-000-100-562	85,200	(4,740)	80,460	3,460
Tuition to County Special Services and Regional Day Schools	11-000-100-565	39,700	(13,082)	26,618	5,988
Tuition to Private School Disabilities and Other LEA's - State	11-000-100-567	-	16,080	16,080	-
Total Undistributed Expenditures - Instruction		134,900	(11,742)	123,158	9,448
Attendance & Social Work Services:					
Salaries of Teachers	11-000-211-100	6,934	-	6,934	21
Purchased Professional & Technical Services	11-000-211-300	6,500	(6,000)	500	500
Total Attendance & Social Work Services		13,434	(6,000)	7,434	521

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	ACCOUNT NUMBERS	JUNE 30, 2016			VARIANCE FINAL TO ACTUAL FAVORABLE/ (UNFAVORABLE)
		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	
Health Services:					
Salaries	11-000-213-100	61,726	-	61,726	1,180
Purchased Professional & Technical Services	11-000-213-300	1,590	205	1,795	-
Other Purchased Services	11-000-213-500	350	-	350	350
Supplies and Materials	11-000-213-600	6,000	(205)	5,795	739
Other Objects	11-000-213-800	150	-	150	150
Total Health Services		69,816	-	69,816	2,419
Speech, OT, PT & Related Services:					
Purchased Professional - Educational Services	11-000-216-320	138,330	20,316	158,646	777
Supplies and Materials	11-000-216-600	-	3,500	3,500	245
Total Speech, OT, PT & Related Services		138,330	23,816	162,146	1,022
Special Education - Extraordinary Services:					
Salaries	11-000-217-100	38,106	(26,594)	11,512	1,116
Purchased Professional - Educational Services	11-000-217-320	-	26,094	26,094	-
Total Special Education - Extraordinary Services		38,106	(500)	37,606	1,116
Guidance:					
Salaries of Other Professional Staff	11-000-218-104	33,790	-	33,790	3,719
Other Purchased Professional & Technical Services	11-000-218-390	510	-	510	278
Supplies and Materials	11-000-218-600	2,000	-	2,000	1,717
Total Guidance		36,300	-	36,300	5,714
Child Study Teams:					
Salaries of Other Professional Staff	11-000-219-104	78,894	(1,300)	77,594	2,785
Salaries of Secretarial & Clerical Assistants	11-000-219-105	29,725	6,030	35,755	7
Purchased Professional - Educational Services	11-000-219-320	18,000	(750)	17,250	78
Purchased Professional & Technical Services	11-000-219-390	16,800	750	17,550	-
Other Purchased Services	11-000-219-500	8,700	(8,700)	-	-
Miscellaneous Purchased Services	11-000-219-592	400	7,550	7,950	243
Supplies and Materials	11-000-219-600	4,000	1,150	5,150	-
Other Objects	11-000-219-800	100	-	100	2
Total Child Study Teams		156,619	4,730	161,349	3,115

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	ACCOUNT NUMBERS	JUNE 30, 2016			VARIANCE FINAL TO ACTUAL FAVORABLE/ UNFAVORABLE)
		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	
Instructional Staff Training Services:					
Other Purchased Services	11-000-223-500	6,150	-	6,150	1,242 4,908
Total Instructional Staff Training Services		6,150	-	6,150	1,242 4,908
Educational Media Services/School Library:					
Salaries	11-000-222-100	61,567	(1,500)	60,067	59,967 100
Other Purchased Services	11-000-222-500	2,000	(100)	1,900	1,663 237
Supplies and Materials	11-000-222-600	2,550	-	2,550	1,474 1,076
Total Educational Media Services/School Library		66,117	(1,600)	64,517	63,104 1,413
Training Services - Instructional Staff:					
Other Salaries	11-000-221-110	12,699	-	12,699	11,139 1,560
Purchased Professional - Educational Services	11-000-221-320	60,000	-	60,000	60,000 -
Supplies and Materials	11-000-221-600	1,400	-	1,400	1,055 345
Total Training Services - Instructional Staff		74,099	-	74,099	72,194 1,905
Support Services General Administration:					
Salaries	11-000-230-100	4,459	-	4,459	4,334 125
Legal Services	11-000-230-331	10,000	10,000	20,000	19,245 755
Audit Fees	11-000-230-332	17,000	-	17,000	16,425 575
Other Purchased					
Professional Services	11-000-230-339	14,500	-	14,500	4,435 10,065
Purchased Technical Services	11-000-230-340	55,640	-	55,640	44,575 11,065
Communications/Telephone	11-000-230-530	12,200	-	12,200	8,692 3,508
BOE Other Purchased Services	11-000-230-585	1,500	-	1,500	1,341 159
Other Purchased Services	11-000-230-590	26,719	(10,000)	16,719	12,537 4,182
General Supplies	11-000-230-610	2,500	77	2,577	524 2,053
BOE In-House Training/Meeting					
Supplies	11-000-230-630	120	-	120	28 92
Miscellaneous Expenditures	11-000-230-890	2,000	-	2,000	48 1,952
BOE Membership Dues & Fees	11-000-230-895	3,500	-	3,500	2,689 811
Total Support Services General Administration		150,138	77	150,215	114,873 35,342

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	ACCOUNT NUMBERS	JUNE 30, 2016			VARIANCE FINAL TO ACTUAL FAVORABLE/ (UNFAVORABLE)
		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	
Support Services School Administration:					
Salaries of Principals	11-000-240-103	100,656	(1,300)	99,356	33
Salaries of Secretarial and Clerical	11-000-240-105	35,167	2,445	37,612	88
Other Purchased Services	11-000-240-500	250	-	250	95
Supplies and Materials	11-000-240-600	2,500	510	3,010	4
Other Objects	11-000-240-800	1,630	(810)	820	320
Total Support Services School Administration		140,203	845	141,048	540
Central Services:					
Salaries	11-000-251-100	102,301	(5,165)	97,136	19,462
Purchased Professional Services	11-000-251-330	550	-	550	320
Purchased Technical Services	11-000-251-340	23,010	4,000	27,010	268
Miscellaneous Purchased Services	11-000-251-592	5,410	-	5,410	936
Supplies and Materials	11-000-251-600	5,000	6,000	11,000	174
Miscellaneous Expenditures	11-000-251-890	2,200	(1,000)	1,200	390
Total Central Services		138,471	3,835	142,306	21,550
Allowable Maintenance for School Facilities:					
Cleaning, Repair & Maintenance Services	11-000-261-420	138,757	(9,810)	128,947	892
General Supplies	11-000-261-610	3,000	9,155	12,155	3,276
Other Objects	11-000-261-800	100	-	100	100
Total Allowable Maintenance for School Facilities		141,857	(655)	141,202	4,268
Custodial Services:					
Salaries of Noninstructional Aides	11-000-262-107	22,297	(15,325)	6,972	4
Purchased Professional & Technical Services	11-000-262-300	5,520	-	5,520	2,654
Cleaning, Repair & Maintenance Services	11-000-262-420	211,100	(29,835)	181,265	10,355
Other Purchased Property Services	11-000-262-490	1,102	-	1,102	502
Insurance	11-000-262-520	9,233	-	9,233	83
Miscellaneous Purchased Services	11-000-262-590	55	-	55	55
General Supplies	11-000-262-610	18,648	(15,000)	3,648	3,110
Energy (Natural Gas)	11-000-262-621	27,772	5,000	32,772	7,133
Energy (Electricity)	11-000-262-622	144,000	(5,000)	139,000	1,840
Total Custodial Services		439,727	(60,100)	379,567	25,736

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	ACCOUNT NUMBERS	JUNE 30, 2016			VARIANCE FINAL TO ACTUAL FAVORABLE/ (UNFAVORABLE)
		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	
Care & Upkeep of Grounds:					
Cleaning, Repair & Maintenance Services	11-000-263-420	5,000	6,655	11,655	10,853
General Supplies	11-000-263-610	5,000	(5,000)	-	-
Total Care & Upkeep of Grounds		10,000	1,655	11,655	10,853
Student Transportation Services:					
Salaries for Pupil Transportation (Between Home & School) - Regular	11-000-270-160	16,173	-	16,173	-
Contracted Services (Between Home & School) - Vendors	11-000-270-511	189,469	(1,700)	187,769	185,079
Contracted Services (Other Than Between Home & School) - Vendors	11-000-270-512	2,000	1,700	3,700	3,680
Contracted Services (Special Education) Joint Agreements	11-000-270-515	159,398	(30,000)	129,398	119,568
Contracted Service - Aid in Lieu of Payments	11-000-270-503	35,000	-	35,000	24,820
Miscellaneous Purchased Services - Transportation	11-000-270-593	200	-	200	-
Supplies and Materials	11-000-270-610	300	-	300	-
Other Objects	11-000-270-800	150	-	150	-
Total Student Transportation Services		402,690	(30,000)	372,690	333,147
Unallocated Benefits - Employee Benefits:					
Social Security Contributions	11-000-291-220	30,000	-	30,000	18,298
Other Retirement Contribution - Regular	11-000-291-241	36,541	-	36,541	26,972
Unemployment Compensation	11-000-291-250	32,000	-	32,000	10,066
Workmen's Compensation	11-000-291-260	15,226	-	15,226	15,090
Health Benefits	11-000-291-270	580,000	-	580,000	527,843
Tuition Reimbursements	11-000-291-280	13,500	2,604	16,104	6,526
Other Employee Benefits	11-000-291-290	51,750	500	52,250	47,541
Unused Sick Payment to Terminated/Retired Staff	11-000-291-299	24,000	(21,185)	2,815	-
Total Unallocated Benefits - Employee Benefits		783,017	(18,081)	764,936	652,336

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	ACCOUNT NUMBERS	JUNE 30, 2016			VARIANCE FINAL TO ACTUAL FAVORABLE/ UNFAVORABLE)
		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	
Nonbudgeted:					
On-Behalf TPAF Pension Contributions	-	-	-	154,289	(154,289)
On-Behalf TPAF Post Retirement Medical	-	-	-	183,716	(183,716)
Reimbursed TPAF Social Contributions	-	-	-	142,795	(142,795)
Total Undistributed Expenditures		2,939,974	(93,780)	2,846,194	(208,838)
Total Expenditures - Current Expense		5,025,477	1,246	5,026,723	(133,766)
Capital Outlay:					
Interest Deposit to Capital Reserve	100	-	-	100	100
Equipment:					
Undistributed Expenditures:					
Instruction	12-000-100-730	16,483	(10,000)	6,483	6,377
Administration Information Technology	12-000-252-730	21,500	(12,500)	9,000	8,889
Security	12-000-266-730	17,700	(3,101)	14,599	14,598
Facilities Acquisition & Construction Services:					
Architectural/Engineering Services	12-000-400-334	-	9,000	9,000	9,000
Construction Services	12-000-400-450	35,000	160,685	195,685	190,683
Assessment for Debt Service	12-000-400-896	8,133	-	8,133	8,133
Total Capital Outlay		98,916	144,084	243,000	237,680
Total Expenditures		5,124,393	145,330	5,269,723	5,398,169
Excess/(Deficiency) of Revenues Over/(Under) Expenditures Before Other Financing Sources/(Uses)		(475,256)	(145,330)	(620,586)	(261,312)
					359,274

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	ACCOUNT NUMBERS	JUNE 30, 2016		FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL FAVORABLE/ UNFAVORABLE)
		ORIGINAL BUDGET	BUDGET TRANSFERS			
Excess/(Deficiency) of Revenues Over/(Under) Expenditures After Other Financing Sources/(Uses) Fund Balances, July 1		(475,256)	(145,330)	(620,586)	(261,312)	359,274
Fund Balances, June 30		1,237,645	-	1,237,645	1,237,645	-
		\$ 762,389	\$ (145,330)	\$ 617,059	\$ 976,333	\$ 359,274

RECAPITULATION OF BUDGET TRANSFERS:

Prior Year Encumbrances	\$ 5,330
Withdrawal from Capital Reserve	140,000
Total	<u>\$ 145,330</u>

RECAPITULATION OF FUND BALANCE

Restricted Fund Balance:	
Capital Reserve	\$ 1,109
Excess Surplus - Designated for Subsequent Year	360,922
Excess Surplus	347,899
Assigned Fund Balance:	
Year End Encumbrances	12,053
Unassigned Fund Balance	<u>254,350</u>
Subtotal	<u>976,333</u>
Reconciliation to Governmental Fund Statements (GAAP):	
Last State Aid Payment Not Recognized on GAAP Basis	<u>(154,194)</u>
Fund Balance per Governmental Funds (GAAP)	<u>\$ 822,139</u>

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	JUNE 30, 2016				VARIANCE POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	
REVENUES:					
Federal Sources	\$ 113,230	\$ 33,423	\$ 146,653	\$ 114,926	\$ (31,727)
Local Sources	-	17,574	17,574	14,694	(2,880)
Total Revenues	113,230	50,997	164,227	129,620	(34,607)
EXPENDITURES:					
Instruction:					
Salaries of Teachers	10,345	(10,145)	200	-	200
Purchased Professional & Technical Services		10,095	10,095	4,310	5,785
Tuition	57,160	(17,160)	40,000	40,000	-
General Supplies	45,725	37,386	83,111	54,489	28,622
Total Instruction	113,230	20,176	133,406	98,799	34,607
Support Services:					
Purchased Professional & Technical Services	-	30,821	30,821	30,821	-
Total Support Services	-	30,821	30,821	30,821	-
Total Expenditures	113,230	50,997	164,227	129,620	34,607
Excess/(Deficiency) of Revenues Over/(Under) Expenditures & Other Financing Sources/ (Uses)	\$ -	\$ -	\$ -	\$ -	\$ -

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PART II

This page intentionally left blank

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR FISCAL YEAR ENDED JUNE 30, 2016**

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

	GENERAL FUND	SPECIAL REVENUE FUND
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue"		
From the Budgetary Comparison Schedule (C-Series)	\$ 5,136,857	\$ 129,620
Difference - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures and the related revenue is recognized		-
State aid payment recognized for budgetary purposes, not recognized for GAAP Statements until the subsequent year		
Prior Year	150,827	-
Current Year	(154,194)	-
	\$ 5,133,490	\$ 129,620
Uses/outflows of resources:		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 5,398,169	\$ 129,620
Differences - budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes		-
		-
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	\$ 5,398,169	\$ 129,620

This page intentionally left blank

REQUIRED SUPPLEMENTARY INFORMATION - PART III

This page intentionally left blank

L. Schedules Related to Accounting and Reporting for Pensions (GASB 68)

This page intentionally left blank

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST THREE FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.00314%	0.00430%	0.00420%
District's proportionate share of the net pension liability (asset)	\$ 704,251	\$ 805,746	\$ 802,319
District's covered-employee payroll	\$ 145,591	\$ 200,690	\$ 219,020
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	483.72%	401.49%	366.32%
Plan fiduciary net position as a percentage of the total pension liability	47.93%	52.08%	48.72%

**This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST THREE FISCAL YEARS**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 28,551	\$ 26,972	\$ 35,478
Contributions in relation to the contractually required contribution	<u>28,551</u>	<u>26,972</u>	<u>35,478</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 145,591	\$ 200,690	\$ 219,020
Contributions as a percentage of covered- employee payroll	19.61%	13.44%	16.20%

**This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS' PENSION AND ANNUITY FUND
LAST THREE FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.01842%	0.01833%	0.01708%
State's proportionate share of the net pension liability (asset) associated with the District	\$ 11,643,716	\$ 9,799,209	\$ 8,632,791
District's covered-employee payroll	\$ 1,931,239	\$ 1,903,618	\$ 1,859,201
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	28.71%	33.64%	33.76%

**This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is

This page intentionally left blank

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PART III

This page intentionally left blank

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016**

Teachers Pension and Annuity Fund (TPAF)

Basis of Presentation. The amounts presented in the Schedules were prepared in accordance with U.S. generally accepted accounting principles. The numbers were derived in a report provided by KPMG dated July 28, 2016. The full report is available by the State of New Jersey, Division of Pension and Benefits. Such preparation requires management of TPAF to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

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

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

Public Employees' Retirement System (PERS)

Basis of Presentation. The amounts presented in the Schedules were prepared in accordance with U.S. generally accepted accounting principles. The numbers were derived in a report provided by KPMG dated April 14, 2016. The full report is available by the State of New Jersey, Division of Pension and Benefits. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

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

Changes of assumptions. Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for 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. 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.

This page intentionally left blank

OTHER SUPPLEMENTARY INFORMATION

This page intentionally left blank

D. School Based Budget Schedules

Not Applicable

This page intentionally left blank

E. Special Revenue Fund

This page intentionally left blank

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES
AND EXPENDITURES - BUDGETARY BASIS
FOR FISCAL YEAR ENDED JUNE 30, 2016**

	<u>I.D.E.A. - PART B</u>			
	BASIC REGULAR PROGRAM	PRESCHOOL INCENTIVE PROGRAM	TITLE I	TITLE II PART A
Revenues:				
Federal Sources	\$ 68,089	\$ 2,732	\$ 18,465	\$ 3,310
Total Revenues	\$ 68,089	\$ 2,732	\$ 18,465	\$ 3,310
Expenditures:				
Instruction:				
Salaries of Teachers	\$ -	\$ -	\$ -	\$ -
Other Purchased Services	-	-	1,000	3,310
Tuition	40,000	-	-	-
General Supplies	-	-	17,465	-
Total Instruction	40,000	-	18,465	3,310
Support Services:				
Purchased Professional Services	28,089	2,732	-	-
Total Support Services	28,089	2,732	-	-
Total Expenditures	\$ 68,089	\$ 2,732	\$ 18,465	\$ 3,310

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES
AND EXPENDITURES - BUDGETARY BASIS
FOR FISCAL YEAR ENDED JUNE 30, 2016**

	REAP GRANT	LOCAL DONATIONS	WELLNESS COMMITTEE	TOTALS
Revenues:				
Federal Sources	\$ 22,330	\$ -	\$ -	\$ 114,926
Local Sources	-	13,509	1,185	14,694
Total Revenues	\$ 22,330	\$ 13,509	\$ 1,185	\$ 129,620
Expenditures:				
Instruction:				
Salaries of Teachers	\$ -	\$ -	\$ -	-
Other Purchased Services	-	-	-	4,310
Tuition	-	-	-	40,000
General Supplies	22,330	13,509	1,185	54,489
Total Instruction	22,330	13,509	1,185	98,799
Support Services:				
Purchased Professional Services	-	-	-	30,821
Total Support Services	-	-	-	30,821
Total Expenditures	\$ 22,330	\$ 13,509	\$ 1,185	\$ 129,620

F. Capital Projects Fund

This page intentionally left blank

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
SUMMARY SCHEDULE OF PROJECT EXPENDITURES
FOR FISCAL YEAR ENDED JUNE 30, 2016**

PROJECT TITLE	ORIGINAL DATE	BUDGETARY APPROPRIATIONS	EXPENDITURES		TRANSFER TO DEBT SERVICE	UNEXPENDED BALANCE JUNE 30, 2016
			PRIOR YEAR	CURRENT YEAR		
HVAC Improvement Project to South Harrison School	01/06/14	\$ 422,000	\$ 262,378	\$ -	\$ -	\$ 159,622
Playground Upgrades at South Harrison Elementary School	01/06/14	306,000	277,144	-	-	28,856
Roof Replacement and Related Work at South Harrison Elementary School	01/06/14	83,000	73,355	-	-	9,645
Total		\$ 811,000	\$ 612,877	\$ -	\$ -	\$ 198,123

Reconciliation - Unexpended Capital Project Balances to Fund Balance - June 30, 2016:

Unexpended Project Balances June 30, 2016	\$ 198,123
Less:	
Unexpended State Aid - ROD Grants	(79,649)
Total Fund Balance (GAAP Basis) - June 30, 2016	\$ 118,474

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE-BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2016**

Revenues and Other Financing Sources:	
State Funding - SDA Grant	\$ <u> -</u>
Total Revenues	<u> -</u>
Expenditures and Other Financing Uses:	
Construction Services	<u> -</u>
Total Expenditures	<u> -</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	-
Fund Balance - Beginning	<u> 198,123</u>
Fund Balance - Ending	<u><u> \$ 198,123</u></u>

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, PROJECT BALANCE AND
PROJECT STATUS - BUDGETARY BASIS
HVAC IMPROVEMENT PROJECT AT ELEMENTARY SCHOOL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016**

	PRIOR PERIODS	CURRENT YEAR	TOTALS	REVISED AUTHORIZED COST
Revenues & Other Financing Sources:				
State Funding - SDA Grant	\$ 168,800	\$ -	\$ 168,800	\$ 168,800
Transfer from Capital Outlay	120,000	-	120,000	120,000
Transfer from Capital Reserve	133,200	-	133,200	133,200
Total Revenues	422,000	-	422,000	422,000
Expenditures & Other Financing Uses:				
Purchased Professional & Technical Services	27,300	-	27,300	30,800
Other Objects	-	-	-	10,270
Construction Services	235,078	-	235,078	380,930
Total Expenditures	262,378	-	262,378	422,000
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	\$ 159,622	\$ -	\$ 159,622	\$ -

ADDITIONAL PROJECT INFORMATION

Project Number	4880-050-14-1002
Grant Date	N/A
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 422,000
Revised Authorized Cost	\$ 422,000
Percentage Increase Over Original Authorized Cost	
Original Target Completion Date	
Actual Completion Date	

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, PROJECT BALANCE AND
PROJECT STATUS - BUDGETARY BASIS
PLAYGROUND UPGRADES AT SOUTH HARRISON ELEMENTARY SCHOOL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016**

	PRIOR PERIODS	CURRENT YEAR	TOTALS	REVISED AUTHORIZED COST
Revenues & Other Financing Sources:				
State Funding - SDA Grant	\$ 122,800	\$ -	\$ 122,800	\$ 122,800
Local Donations	45,000	-	45,000	45,000
Transfer from Capital Outlay	138,200	-	138,200	138,200
Total Revenues	306,000	-	306,000	306,000
Expenditures & Other Financing Uses:				
Purchased Professional & Technical Services	11,139	-	11,139	13,300
Other Objects	-	-	-	3,180
Construction Services	266,005	-	266,005	289,520
Total Expenditures	277,144	-	277,144	306,000
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	\$ 28,856	\$ -	\$ 28,856	\$ -

ADDITIONAL PROJECT INFORMATION

Project Number	#4880-050-14-2001-G04
Grant Date	01/06/14
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 306,000
Revised Authorized Cost	\$ 306,000
Percentage Increase Over Original Authorized Cost	0.00%
Original Target Completion Date	
Actual Completion Date	

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, PROJECT BALANCE AND
PROJECT STATUS - BUDGETARY BASIS
ROOF REPLACEMENT AND RELATED WORK AT SOUTH HARRISON ELEMENTARY SCHOOL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016**

	PRIOR PERIODS	CURRENT YEAR	TOTALS	REVISED AUTHORIZED COST
Revenues & Other Financing Sources:				
State Funding - SDA Grant	\$ 33,200	\$ -	\$ 33,200	\$ 33,200
Transfer from Capital Outlay	49,800	-	49,800	49,800
Total Revenues	83,000	-	83,000	83,000
Expenditures & Other Financing Uses:				
Purchased Professional & Technical Services	5,000	-	5,000	5,000
Other Objects	-	-	-	3,200
Construction Services	68,355	-	68,355	74,800
Total Expenditures	73,355	-	73,355	83,000
Excess/(Deficiency) of Revenues Over/(Under) Expenditures				
	\$ 9,645	\$ -	\$ 9,645	\$ -

ADDITIONAL PROJECT INFORMATION

Project Number	#4880-050-14-1006-G04
Grant Date	01/06/14
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 83,000
Revised Authorized Cost	\$ 83,000
Percentage Increase Over Original Authorized Cost	0.00%
Original Target Completion Date	
Actual Completion Date	

This page intentionally left blank

G. Proprietary Funds

This page intentionally left blank

Enterprise Funds

This page intentionally left blank

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
ENTERPRISE FUND
COMBINING SCHEDULE OF NET POSITION
AS OF JUNE 30, 2016**

ASSETS	FOOD SERVICE	SUMMER ENRICHMENT PROGRAMS	CERAMICS/ SCULPTURE CLASSES	CRAFT CLUB	TOTALS
Current Assets:					
Cash & Cash Equivalents	-	-	-	-	-
Accounts Receivable	-	-	-	-	-
Total Current Assets	-	-	-	-	-
Capital Assets:					
Furniture, Machinery & Equipment	100,391	-	-	-	100,391
Less: Accumulated Depreciation	(78,608)	-	-	-	(78,608)
Total Capital Assets	21,783	-	-	-	21,783
Total Assets	21,783	-	-	-	21,783
LIABILITIES					
Current Liabilities:					
Cash Overdraft	-	-	-	-	-
Unearned Revenue	-	-	-	-	-
Total Current Liabilities	-	-	-	-	-
NET POSITION					
Net Investment in Capital Assets Unrestricted	21,783	-	-	-	21,783
Total Net Position	\$ 21,783	\$ -	\$ -	\$ -	\$ 21,783

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
ENTERPRISE FUND
COMBINING SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
AS OF JUNE 30, 2016**

	FOOD SERVICE	SUMMER ENRICHMENT PROGRAMS	CERAMICS/SCULPTURE CLASSES	CRAFT CLUB	TOTALS
Operating Revenues:					
Charges for Services:					
Program Fees	-	-	2,874	-	2,874
Total Operating Revenues	-	-	2,874	-	2,874
Operating Expenses:					
Salaries & Benefits	-	-	1,519	-	1,519
Supplies & Materials	-	-	388	-	388
Depreciation	6,775	-	-	-	6,775
Total Operating Expenses	6,775	-	1,907	-	8,682
Operating Income/(loss)	(6,775)	-	967	-	(5,808)
Nonoperating Revenues/(Expenses):					
Transfer to General Fund	-	-	(967)	-	(967)
Total Nonoperating Revenues/(Expenses)	-	-	(967)	-	(967)
Income/(Loss) Before Contributions & Transfers	(6,775)	-	-	-	(6,775)
Net Income	(6,775)	-	-	-	(6,775)
Total Net Position - Beginning	28,558	-	-	-	28,558
Total Net Position - Ending	\$ 21,783	\$ -	\$ -	\$ -	\$ 21,783

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
ENTERPRISE FUND
COMBINING SCHEDULE OF CASH FLOWS
AS OF JUNE 30, 2016**

	FOOD SERVICE	SUMMER ENRICHMENT PROGRAMS	CERAMICS/SCULPTURE CLASSES	CRAFT CLUB	TOTALS
Cash Flows From Operating Activities:					
Receipts from Customers	\$ 8,328	\$ (1,882)	\$ (4,809)	\$ (1,450)	\$ 187
Payments to Employees & Employee Benefits	-	-	(1,519)	-	(1,519)
Payments to Suppliers	-	-	(388)	-	(388)
Net Cash Provided/(Used) by Operating Activities	8,328	(1,882)	(6,716)	(1,450)	(1,720)
Cash Flows From Noncapital Financing Activities:					
Transfers to Other Funds	-	-	(967)	-	(967)
Net Cash Provided/(Used) by Noncapital Financing Activities	-	-	(967)	-	(967)
Net Increase/(Decrease) in Cash & Cash Equivalents	8,328	(1,882)	(7,683)	(1,450)	(2,687)
Balances - Beginning of Year	(8,328)	1,882	7,683	1,450	2,687
Balances - End of Year	\$ -	\$ -	\$ -	\$ -	\$ -

Reconciliation of Operating Income/(Loss) to Net Cash Provided (Used) by Operating Activities:

Operating Income/(Loss)	\$ (6,775)	\$ -	\$ 967	\$ -	\$ (5,808)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:					
Depreciation & Net Amortization	6,775	-	-	-	6,775
Changes in Assets & Liabilities:					
(Increase)/Decrease in Accounts Receivable	8,328	(1,882)	(7,683)	(1,450)	8,328
Increase/(Decrease) in Unearned Revenue	-	-	-	-	(11,015)
Total Adjustments	15,103	(1,882)	(7,683)	(1,450)	4,088
Net Cash Provided/(Used) by Operating Activities	\$ 8,328	\$ (1,882)	\$ (6,716)	\$ (1,450)	\$ (1,720)

This page intentionally left blank

Internal Service Fund

This page intentionally left blank

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
INTERNAL SERVICE FUND
COMBINING SCHEDULE OF NET POSITION
AS OF JUNE 30, 2016**

ASSETS	GOVERNMENTAL <u>ACTIVITIES</u> SHARED SERVICES	TOTALS
Current Assets:		
Cash	\$ -	\$ -
	-	-
Total Current Assets		
	-	-
Total Assets		
	-	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	-	-
	-	-
Total Current Liabilities		
	-	-
NET POSITION		
Unrestricted	-	-
	-	-
Total Net Position	\$ -	\$ -
	-	-

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
INTERNAL SERVICE FUND
COMBINING SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
AS OF JUNE 30, 2016**

	GOVERNMENTAL <u>ACTIVITIES</u> SHARED SERVICES	TOTALS
Operating Revenues:		
Charges for Services:		
Shared Services Provided	\$ -	\$ -
	<hr/>	<hr/>
Total Operating Revenues	-	-
	<hr/>	<hr/>
Operating Expenses:		
Salaries	-	-
Employee Benefits	-	-
	<hr/>	<hr/>
Total Operating Expenses	-	-
	<hr/>	<hr/>
Operating Income/(loss)	-	-
	<hr/>	<hr/>
Net Income	-	-
Total Net Position - Beginning	-	-
	<hr/>	<hr/>
Total Net Position - Ending	\$ -	\$ -
	<hr/> <hr/>	<hr/> <hr/>

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
INTERNAL SERVICE FUND
COMBINING SCHEDULE OF CASH FLOWS
AS OF JUNE 30, 2016**

	<u>GOVERNMENTAL ACTIVITIES</u> <u>SHARED</u> SERVICES	TOTALS
Cash Flows From Operating Activities:		
Receipts from Customers	\$ -	\$ -
Payments to Employees & Employee Benefits	(377)	(377)
	<hr/>	<hr/>
Net Cash Provided/(Used) by Operating Activities	(377)	(377)
	<hr/>	<hr/>
Net Increase/(Decrease) in Cash & Cash Equivalents	(377)	(377)
Balances - Beginning of Year	377	377
	<hr/>	<hr/>
Balances - End of Year	\$ -	\$ -
	<hr/> <hr/>	<hr/> <hr/>

Reconciliation of Operating Income/(Loss) to Net Cash Provided (Used) by Operating Activities:

Operating Income/(Loss)	\$ -	\$ -
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:		
Changes in Assets & Liabilities:		
(Increase)/Decrease in Accounts Receivable	-	-
Increase/(Decrease) in Accounts Payable	(377)	(377)
	<hr/>	<hr/>
Total Adjustments	(377)	(377)
	<hr/>	<hr/>
Net Cash Provided/(Used) by Operating Activities	\$ (377)	\$ (377)
	<hr/> <hr/>	<hr/> <hr/>

This page intentionally left blank

H. Fiduciary Fund

This page intentionally left blank

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUNDS
COMPARATIVE COMBINING STATEMENT OF FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016**

ASSETS	AGENCY		TOTALS
	STUDENT ACTIVITY	PAYROLL	
Cash & Cash Equivalents	\$ 63,227	\$ 3,391	\$ 66,618
Total Assets	63,227	3,391	66,618
LIABILITIES			
Payroll Deductions & Withholdings	-	1,235	1,235
Interfund Accounts Payable	-	2,156	2,156
Due to Student Groups	63,227	-	63,227
Total Liabilities	63,227	3,391	66,618
NET POSITION			
Reserved	-	-	-
Unreserved	-	-	-
Total Net Position	\$ -	\$ -	\$ -

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

	BALANCE JULY 1, 2015	CASH RECEIPTS	CASH DISBURSEMENTS	BALANCE JUNE 30, 2016
Technology	\$ 776	\$ -	\$ -	\$ 776
Library	13,790	15,120	21,081	7,829
Secret Garden	3,160	31	-	3,191
Student Council	5,237	-	1,874	3,363
Graduation Funds	-	200	100	100
Trips	45,458	23,107	20,835	47,730
Poetry Book	5	-	-	5
Miscellaneous	263	-	30	233
Total Student Activity	\$ 67,463	\$ 38,458	\$ 43,920	\$ 63,227

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

ASSETS	BALANCE JULY 1, 2015	ADDITIONS	DELETIONS	BALANCE JUNE 30, 2016
Cash & Cash Equivalents	\$ 2,249	\$ 2,412,013	\$ 2,410,871	\$ 3,391
Total Assets	\$ 16,437	\$ 2,412,013	\$ 2,410,871	\$ 3,391
LIABILITIES				
Payroll Deductions & Withholding	\$ 4	\$ 1,037,756	\$ 1,036,525	\$ 1,235
Net Payroll	-	1,374,257	1,374,257	-
Interfund Accounts Payable	2,245	-	89	2,156
Total Liabilities	\$ 16,437	\$ 2,412,013	\$ 2,410,871	\$ 3,391

I. Long-Term Debt

This page intentionally left blank

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS
JUNE 30, 2016**

ISSUE	DATE OF ISSUE	AMOUNT OF ISSUE	ANNUAL MATURITIES DATE	INTEREST RATE	BALANCE JULY 1, 2015	ISSUED	RETIRED	BALANCE JUNE 30, 2016
Construction of Additions & Renovations to South Harrison Schools	12/20/2005	9,801,000			\$ 365,000		\$ 365,000	-
Construction of Additions & Renovations to South Harrison Schools	09/15/2006	2,871,000			105,000		105,000	-
Series 2015 Refunding Bonds	04/21/2015	9,980,000	1/15/2017	3.00%	9,980,000	-	80,000	9,900,000
			1/15/2018	4.00%				
			1/15/2019	5.00%				
			1/15/2020	3.00%				
			1/15/2021	5.00%				
			1/15/2022	4.00%				
			1/15/2023	4.00%				
			1/15/2024	4.00%				
			1/15/2025	4.00%				
			1/15/2026	4.00%				
			1/15/2027	4.00%				
1/15/2028	4.00%							
1/15/2029	4.00%							
1/15/2030	4.00%							
1/15/2031	4.00%							
Total					\$ 11,473,000	\$ -	\$ 550,000	\$ 9,900,000

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR FISCAL YEAR ENDED JUNE 30, 2016**

	ACCOUNT NUMBERS	JUNE 30, 2016			VARIANCE POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET ACTUAL	
Revenues:					
Local Sources:					
Local Tax Levy	40-1210	\$ 727,824	\$ -	\$ 727,824	\$ -
State Sources:					
Debt Service Aid Type II	40-3160	180,130	-	180,130	-
Total Revenues		907,954	-	907,954	-
Expenditures:					
Regular Debt Service:					
Interest	40-701-510-834	385,470	-	385,470	74,142
Redemption of Principal	40-701-510-910	550,000	-	550,000	-
Total Expenditures		935,470	-	935,470	74,142
Excess/(Deficiency) of Revenues Over/(Under) Expenditures Before Other Financing Sources/(Uses)					
		(27,516)	-	(27,516)	74,142
Excess/(Deficiency) of Revenues Over/(Under) Expenditures Fund Balance, July 1					
		(27,516)	-	(27,516)	74,142
		35,801	-	35,801	-
Fund Balance, June 30		\$ 8,285	\$ -	\$ 8,285	\$ 74,142

STATISTICAL SECTION (Unaudited)

This page intentionally left blank

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Governmental Activities:										
Net Investment in Capital Assets	\$ 2,150,241	\$ 2,372,432	\$ 1,314,821	\$ 1,387,885	\$ 2,697,366	\$ 2,427,658	\$ 2,199,432	\$ 1,972,060	\$ 1,747,682	\$ (949,234)
Restricted	729,033	1,131,544	1,148,343	1,011,676	31,642	31,438	31,209	71,772	262,204	3,530,995
Unrestricted	(1,008,087)	(1,541,183)	24,216	(129,974)	618,664	240,790	70,859	133,382	258,508	387,994
Total Governmental Activities	\$ 1,871,187	\$ 1,962,793	\$ 2,487,380	\$ 2,269,587	\$ 3,347,672	\$ 2,699,886	\$ 2,301,500	\$ 2,177,214	\$ 2,268,394	\$ 2,969,755
Business-Type Activities:										
Net Investment in Capital Assets	\$ 21,783	\$ 28,558	\$ 35,333	\$ 42,464	\$ 63,334	\$ 70,008	\$ 76,691	\$ 83,374	\$ 90,052	\$ 1,252
Unrestricted	-	-	-	(9,482)	(22,371)	(12,925)	(1,930)	756	909	14,631
Total Business-Type Activities	\$ 21,783	\$ 28,558	\$ 35,333	\$ 32,982	\$ 40,963	\$ 57,083	\$ 74,761	\$ 84,130	\$ 90,961	\$ 15,883
District-Wide:										
Net Investment in Capital Assets	\$ 2,172,024	\$ 2,400,990	\$ 1,350,154	\$ 1,430,349	\$ 2,760,700	\$ 2,497,666	\$ 2,276,123	\$ 2,055,434	\$ 1,837,734	\$ (947,982)
Restricted	729,033	1,131,544	1,148,343	1,011,676	31,642	31,438	31,209	71,772	262,204	3,530,995
Unrestricted	(1,008,087)	(1,541,183)	24,216	(139,456)	596,293	227,865	68,929	134,138	259,417	402,625
Total District Net Position	\$ 1,892,970	\$ 1,991,351	\$ 2,522,713	\$ 2,302,569	\$ 3,388,635	\$ 2,756,969	\$ 2,376,261	\$ 2,261,344	\$ 2,359,355	\$ 2,985,638

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
CHANGES IN NET POSITION - (ACCURAL BASIS OF ACCOUNTING)
LAST TEN FISCAL YEARS**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses:										
Governmental Activities										
Instruction:										
Regular	\$ 1,811,833	\$ 1,668,186	\$ 1,512,683	\$ 1,599,462	\$ 1,363,913	\$ 1,327,425	\$ 1,547,359	\$ 1,491,353	\$ 1,424,125	\$ 1,210,805
Special Education	329,901	311,283	315,733	293,561	260,307	265,928	266,759	256,576	187,022	179,494
Other Special Education	62,522	88,261	96,043	103,107	92,198	69,310	76,475	51,470	71,300	79,026
Support Services:										
Tuition	113,710	150,868	141,772	113,157	106,145	149,851	113,873	122,977	104,426	143,283
Student & Instruction Related Services	628,105	567,102	584,995	564,018	477,729	382,665	403,290	356,844	364,028	327,131
General & Business	114,873	199,719	201,561	201,099	293,442	247,293	231,298	160,983	176,969	158,562
Administrative Services School Administrative	140,508	137,426	123,583	84,843	906	1,000	40,312	98,745	69,097	52,241
Central Services	120,756	124,784	129,059	119,761	122,038	128,944	129,745	130,306	126,947	131,064
Administrative Information Technology	-	-	-	-	-	-	-	-	-	5,760
Plant Operations & Maintenance	501,618	456,400	461,967	446,445	413,059	391,779	427,486	429,658	416,430	281,539
Pupil Transportation	333,147	335,198	368,569	268,465	288,191	327,052	356,581	316,369	348,672	334,870
Unallocated Benefits	1,696,053	1,384,835	751,534	824,884	666,192	614,081	643,986	607,740	632,206	601,638
Special Schools										
Interest on Long-Term Debt	363,524	481,254	511,713	506,638	533,616	544,525	551,479	567,101	608,572	527,522
Unallocated Depreciation	593,811	579,449	536,236	536,236	88,206	189,489	187,202	196,051	194,669	179,827
Total Governmental Activities Expenses	6,810,361	6,484,765	5,735,448	5,661,676	4,705,942	4,639,342	4,975,845	4,786,173	4,724,463	4,212,762
Business-Type Activities: Enterprise Fund	8,682	9,310	9,355	130,616	133,683	129,447	135,483	134,160	131,359	114,777
Total Business-Type Activities Expense	8,682	9,310	9,355	130,616	133,683	129,447	135,483	134,160	131,359	114,777
Total District Expenses	\$ 6,819,043	\$ 6,494,075	\$ 5,744,803	\$ 5,792,292	\$ 4,839,625	\$ 4,768,789	\$ 5,111,328	\$ 4,920,333	\$ 4,855,822	\$ 4,327,539
Program Revenues:										
Governmental Activities:										
Charges for Services:										
General Administration	\$ -	\$ 60,720	\$ 58,761	\$ 57,695	\$ 51,929	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Grants & Contributions	1,167,085	957,792	116,665	124,348	627,034	578,338	606,420	539,605	627,428	581,378
Total Governmental Activities Program Revenues	1,167,085	1,018,512	175,426	182,043	678,963	578,338	606,420	539,605	627,428	581,378

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
CHANGES IN NET POSITION - (ACCRUAL BASIS OF ACCOUNTING)
LAST TEN FISCAL YEARS**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Business-Type Activities:										
Charges for Services:										
Enterprise Fund	1,907	2,535	2,224	84,029	94,920	90,365	100,578	97,692	83,898	68,919
Operating Grants & Contributions	-	-	9,482	38,606	22,643	21,404	25,536	22,605	22,459	19,151
Total Business Type Activities	1,907	2,535	11,706	122,635	117,563	111,769	126,114	120,297	106,357	88,070
Program Revenues	\$ 1,168,992	\$ 1,021,047	\$ 187,132	\$ 304,678	\$ 796,526	\$ 690,107	\$ 732,534	\$ 659,902	\$ 733,785	\$ 669,448
Net (Expense)/Revenue:										
Governmental Activities	\$ (5,643,276)	\$ (5,466,253)	\$ (5,560,022)	\$ (5,479,633)	\$ (4,026,979)	\$ (4,061,004)	\$ (4,369,425)	\$ (4,246,568)	\$ (4,097,035)	\$ (3,631,384)
Business-Type Activities	(6,775)	(6,775)	2,351	(7,981)	(16,120)	(17,678)	(9,369)	(13,863)	(25,002)	(26,707)
Total District-Wide Net Expense	\$ (5,650,051)	\$ (5,473,028)	\$ (5,557,671)	\$ (5,487,614)	\$ (4,043,099)	\$ (4,078,682)	\$ (4,378,794)	\$ (4,260,431)	\$ (4,122,037)	\$ (3,658,091)
General Revenues & Other Changes in Net Position:										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	\$ 3,039,630	\$ 2,927,311	\$ 2,849,053	\$ 2,793,189	\$ 2,712,062	\$ 2,625,422	\$ 2,542,860	\$ 2,463,159	\$ 2,306,000	\$ 2,065,230
Taxes Levied for Debt Service	727,824	752,838	757,646	752,684	752,383	751,735	685,607	607,451	563,247	201,320
Other Local Governmental Units - Unrestricted	-	-	-	-	-	-	-	-	30,000	-
Tuition	12,385	9,000	13,500	11,325	5,900	5,800	-	4,691	21,265	-
Unrestricted Grants & Contributions	1,751,826	2,021,645	2,091,463	2,055,296	1,197,742	1,043,763	1,199,242	1,092,189	955,263	934,688
Restricted Grants & Contributions	-	-	-	-	-	-	-	-	-	-
Investment Earnings	18	174	174	57	10,229	15,697	19,573	23,175	137,686	261,063
Miscellaneous Income	28,961	19,959	61,852	16,323	10,434	12,727	17,093	1,932	369	819
Transfers	-	-	(9,482)	(30,000)	-	-	-	(7,000)	-	326,441
Cancellation of Payables	-	-	20,000	-	-	-	-	-	-	-
Gain/(Loss) on Disposal of Fixed Assets	(8,974)	13,058	-	326,351	12,417	14,465	4,764	4,402	(627,582)	(2,250)
Capital Asset Adjustments	-	-	-	-	-	-	-	-	-	8,832
Obligations in Capital Leases Prior Year Adjustments	-	-	-	-	-	-	-	(42,198)	-	-
Compensated Absences Addition/Reduction	-	-	-	24,554	(26,403)	(10,219)	24,573	7,588	13,426	(16,944)
Cancellation of Receivables	-	-	-	-	-	-	-	-	(4,000)	-
Total Governmental Activities	5,551,670	5,743,985	5,784,206	5,949,779	4,674,764	4,459,390	4,493,712	4,155,389	3,395,674	3,809,199

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
CHANGES IN NET POSITION - (ACCRUAL BASIS OF ACCOUNTING)
LAST TEN FISCAL YEARS**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Business-Type Activities:										
Investment Earnings	-	-	-	-	-	-	-	31	689	554
Gain/(Loss) on Disposal of Fixed Assets	-	-	-	-	-	-	-	-	95,392	-
Transfers	-	-	-	-	-	-	-	7,000	4,000	23,559
Total Business-Type Activities	-	-	-	-	-	-	-	7,031	100,081	24,113
Total District-Wide	\$ 5,551,670	\$ 5,743,985	\$ 5,784,206	\$ 5,949,779	\$ 4,674,764	\$ 4,459,390	\$ 4,493,712	\$ 4,162,420	\$ 3,495,755	\$ 3,833,312
Change in Net Position:										
Governmental Activities	\$ (91,606)	\$ 277,732	\$ 224,184	\$ 470,146	\$ 647,785	\$ 398,386	\$ 124,287	\$ (91,179)	\$ (701,361)	\$ 177,815
Business-Type Activities	(6,775)	(6,775)	2,351	(7,981)	(16,120)	(17,678)	(9,369)	(6,832)	75,079	(2,594)
Total District	\$ (98,381)	\$ 270,957	\$ 226,535	\$ 462,165	\$ 631,665	\$ 380,708	\$ 114,918	\$ (98,011)	\$ (626,282)	\$ 175,221

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
FUND BALANCES AND GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Fund:										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 84,041	\$ 363,309	\$ 474,218	\$ 1,254,973
Unreserved	-	-	-	-	-	-	302,099	111,554	199,141	63,523
Restricted	709,930	977,269	1,107,008	1,212,619	494,485	121,698	-	-	-	-
Assigned	12,053	5,330	16,065	39,427	340,406	264,787	-	-	-	-
Unassigned	100,156	104,219	96,092	(88,109)	131,572	177,892	-	-	-	-
Total General Fund	\$ 822,139	\$ 1,086,818	\$ 1,219,165	\$ 1,163,937	\$ 966,463	\$ 564,377	\$ 386,140	\$ 474,863	\$ 673,359	\$ 1,318,496
All Other Governmental Funds:										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,966	\$ 106,220	\$ 2,826,590
Restricted	200,901	154,275	253,391	-	-	-	-	-	-	-
Unreserved, Reported in:										
Special Revenue Fund	-	-	-	-	-	-	-	-	(152)	(152)
Capital Projects Fund	-	-	-	7,514	7,514	7,514	7,514	7,514	34,789	123,436
Debt Service Fund	-	-	-	1	1	1	-	-	33,337	-
Total All Other Governmental Funds	\$ 200,901	\$ 154,275	\$ 253,391	\$ 7,515	\$ 7,515	\$ 7,515	\$ 7,514	\$ 48,480	\$ 174,194	\$ 2,949,874

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues:										
Tax Levy	\$ 3,767,454	\$ 3,680,149	\$ 3,606,699	\$ 3,545,873	\$ 3,464,445	\$ 3,377,157	\$ 3,228,467	\$ 3,070,610	\$ 2,869,247	\$ 2,266,550
Other Local Governmental Units -										
Unrestricted	-	-	-	-	-	-	-	-	30,000	30,000
Tuition Charges	12,385	9,000	13,500	11,325	5,900	5,800	-	4,691	21,265	-
Interest Earnings	5,294	5,450	5,450	5,333	10,229	15,653	19,459	19,669	41,096	611,063
Miscellaneous	23,685	14,683	56,576	14,670	10,434	15,227	17,093	1,932	369	819
State Sources	2,247,320	2,418,806	2,093,138	2,055,296	1,640,805	1,474,595	1,511,180	1,541,111	1,503,783	1,426,044
Federal Sources	114,926	132,940	114,990	120,725	189,035	154,052	302,834	90,683	78,908	90,022
Total Revenue	6,171,064	6,261,028	5,890,353	5,753,222	5,320,848	5,042,484	5,079,033	4,728,696	4,544,668	4,424,498
Expenditures:										
Instruction:										
Regular Instruction	1,811,833	1,668,186	1,512,683	1,599,462	1,296,940	1,327,425	1,569,189	1,511,720	1,424,125	1,210,805
Special Education Instruction	329,901	311,283	315,733	293,561	260,307	265,928	266,759	256,576	187,022	179,494
Other Special Instruction	62,522	88,261	96,043	103,107	92,198	69,310	76,475	51,470	71,300	79,026
Support Services:										
Tuition	113,710	150,868	141,772	113,157	106,145	149,851	113,873	122,977	104,426	143,283
Student & Instruction										
Related Services	628,105	567,102	584,995	564,018	477,729	382,665	403,290	356,844	364,028	327,131
General & Business										
Administrative Services	114,873	138,999	142,800	143,404	239,671	247,293	231,298	160,983	176,969	158,562
School Administrative										
Services	140,508	137,426	123,583	84,843	906	1,000	40,312	98,745	69,097	52,241
Central Services	120,756	124,784	129,059	119,761	117,947	128,944	129,745	130,306	126,947	131,064
Administrative Information										
Technology	-	-	-	-	-	-	-	-	-	5,760
Plant Operations & Maintenance	501,618	456,400	461,967	446,445	413,059	391,779	427,486	429,658	422,365	281,539
Pupil Transportation	333,147	335,198	368,569	268,465	288,191	327,052	356,581	316,369	348,672	334,870
Employee Benefits	1,133,136	968,344	751,534	824,884	666,192	614,081	643,986	607,740	632,206	601,638
Capital Outlay	237,680	609,135	35,713	33,982	29,112	29,479	15,075	132,773	306,783	9,385,407
Debt Service:										
Principal	550,000	453,000	435,592	415,592	400,592	385,592	370,592	342,592	290,592	215,592
Interest & Other Charges	311,328	599,472	499,724	515,067	529,773	543,892	557,344	569,793	619,309	481,509
Total Expenditures	6,389,117	6,608,458	5,599,767	5,525,748	4,918,762	4,864,291	5,202,005	5,088,546	5,143,841	13,587,921

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(218,053)	(347,430)	290,586	227,474	402,086	178,193	(122,972)	(359,850)	(599,173)	(9,163,423)
Other Financing Sources/(Uses):										
Proceeds from Borrowing	-	-	-	-	-	-	-	-	-	2,871,000
Cancellation of Receivables	-	-	-	-	-	-	-	-	-	-
Capital Leases (Nonbudgeted)	-	-	20,000	-	-	-	-	65,000	-	-
Proceeds of Refunding Bonds	-	11,096,928	-	-	-	-	-	-	-	-
Deposit to Refunding Escrow	-	(10,980,961)	-	-	-	-	-	-	-	-
Transfers In	-	253,200	195,514	-	-	44	-	(3,495)	96,590	505,919
Transfers Out	-	(253,200)	(204,996)	(30,000)	-	-	-	-	(219,000)	(529,478)
Total Other Financing Sources/(Uses)	-	115,967	10,518	(30,000)	-	44	-	61,505	(122,410)	2,847,441
Net Change in Fund Balances	\$ (218,053)	\$ (231,463)	\$ 10,518	\$ 197,474	\$ 402,086	\$ 178,237	\$ (122,972)	\$ (298,345)	\$ (721,583)	\$ (6,315,982)
Debt Service as a Percentage of Noncapital Expenditures	14.00%	17.54%	16.81%	16.95%	19.03%	19.22%	17.89%	18.41%	18.81%	19.89%

Source: District records

Note: Noncapital expenditures are total expenditures less capital outlay

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
GOVERNMENTAL FUND - OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)**

FISCAL YEAR ENDING JUNE 30,	TUITION	OTHER LOCAL GOVERNMENTAL UNITS	INTEREST ON INVESTMENTS	DONATIONS	PRIOR YEAR'S REFUNDS	MISCELLANEOUS	TOTAL
2016	\$ 12,385	\$ -	\$ 1,774	\$ -	\$ -	27,205	\$ 41,364
2015	9,000	-	1,930	-	-	18,203	29,133
2014	13,500	-	2,006	-	-	60,020	75,526
2013	11,325	-	5,333	-	-	14,670	31,328
2012	5,900	-	10,229	-	-	10,434	26,563
2011	5,800	-	15,697	-	-	15,227	36,724
2010	-	-	19,573	-	-	17,893	37,466
2009	4,691	-	23,175	-	-	1,932	29,798
2008	21,265	30,000	137,686	-	-	369	189,320
2007	-	30,000	611,063	-	635	184	641,882

Source: District records

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY,
LAST TEN FISCAL YEARS**

FISCAL YEAR ENDED JUNE 30,	VACANT LAND	RESIDENTIAL	FARM REG.	QFARM	COMMERCIAL	TOTAL ASSESSED VALUE	LESS: TAX EXEMPT PROPERTY	PUBLIC UTILITIES	NET VALUATION TAXABLE	ESTIMATED ACTUAL (COUNTY EQUALIZED) VALUE	TOTAL DIRECT SCHOOL TAX RATE
2016	\$ 9,079,300	\$ 308,531,100	\$ 34,355,900	\$ 3,630,200	\$ 22,221,400	\$ 377,817,900	\$ -	\$ 506,452	\$ 378,324,352	\$ 391,019,959	0.868
2015	10,430,500	301,016,100	34,823,300	3,680,300	21,933,100	371,883,300	-	501,225	372,384,525	389,734,776	0.868
2014	10,692,100	328,052,400	38,652,800	3,701,000	23,785,500	404,883,800	25,675,300	703,216	379,911,716	367,611,961	0.889
2013	12,412,200	323,062,100	42,337,000	3,622,100	23,694,300	405,127,700	25,876,100	743,659	379,995,259	369,540,910	0.874
2012	13,369,500	317,392,500	43,481,000	3,686,500	24,013,800	401,943,300	-	782,657	402,725,957	383,259,327	0.861
2011	13,794,500	316,892,600	43,321,200	4,766,800	21,313,900	400,089,000	-	978,729	401,067,729	372,661,163	0.842
2010	6,934,700	184,090,000	27,418,300	2,675,100	8,322,300	229,440,400	-	581,640	230,022,040	385,275,211	1.404
2009	6,872,100	177,738,000	27,057,100	2,798,800	7,976,300	222,442,300	-	518,283	222,960,583	374,282,500	1.378
2008	6,337,100	168,446,600	26,981,400	2,781,000	6,480,000	211,026,100	-	485,985	211,512,085	348,301,770	1.357
2007	6,334,200	155,560,800	26,850,800	2,811,300	6,343,600	197,900,700	-	518,145	198,418,845	286,760,352	1.142

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

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(Rate per \$100 of Assessed Value)**

FISCAL YEAR ENDED JUNE 30,	SCHOOL DISTRICT DIRECT RATE			TOTAL DIRECT	OVERLAPPING RATES				COUNTY OPEN SPACE	TOTAL DIRECT & OVERLAPPING TAX RATE
	LOCAL SCHOOL	REGIONAL SCHOOL			MUNICIPALITY	GLOUCESTER COUNTY	COUNTY LIBRARY	COUNTY		
2016	1.011	0.868		1.879	0.210	0.653	0.051	0.043	2.836	
2015	1.012	0.868		1.880	0.201	0.644	0.049	0.044	2.818	
2014	0.999	0.851		1.850	0.198	0.564	0.045	0.040	2.697	
2013	0.889	0.738		1.627	0.171	0.508	0.039	0.037	2.382	
2012	0.874	0.694		1.568	0.177	0.467	0.039	0.037	2.288	
2011	0.861	0.644		1.505	0.175	0.475	0.039	0.038	2.232	
2010	0.842	0.612		1.454	0.101	0.474	0.038	0.038	2.105	
2009	1.404	1.008		2.412	0.176	0.989	-	-	3.577	
2008	1.378	1.013		2.391	0.177	0.994	-	-	3.562	
2007	1.357	1.139		2.496	0.149	0.980	-	-	3.625	

Source: District Records and Municipal Tax Collector

*The District's basic tax rate is calculated from the A4F Form which is submitted with the budget and the net valuation taxable.

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

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
PRINCIPAL PROPERTY TAX PAYERS,
CURRENT YEAR AND NINE YEARS AGO**

TAXPAYER	2016		
	TAXABLE ASSESSED VALUE	RANK	% OF TOTAL DISTRICT NET ASSESSED VALUE
Mullica Hill Group Companies LLC	\$ 4,544,100	1	1.20%
Mullica Hill Group Co LLC	3,145,800	2	0.83%
Taxpayer #1	2,895,400	3	0.77%
Taxpayer #2	2,171,000	4	0.57%
South Harrsion 500 Associates LLC	2,160,000	5	0.57%
Taxpayer #3	1,767,600	6	0.47%
American Tower Asset Sub LLC	1,680,100	7	0.44%
Taxpayer #4	1,294,800	8	0.34%
Taxpayer #5	1,061,500	9	0.28%
Harrisonville Mobile Home Park Inc	1,012,500	10	0.27%
Total	<u>\$ 21,732,800</u>		<u>5.74%</u>

	2007		
	TAXABLE ASSESSED VALUE	RANK	% OF TOTAL DISTRICT NET ASSESSED VALUE
Taxpayer #1	3,323,100	1	1.49%
Taxpayer #2	2,031,400	2	0.91%
C & F Family Limited Partnership	1,913,300	3	0.86%
Spectrasite Broadcast Towers, Inc.	1,337,100	4	0.60%
Taxpayer #3	1,239,700	5	0.56%
Robert J. Pacilli Investment, Inc.	989,000	6	0.44%
Taxpayer #4	795,600	7	0.36%
Gres & Kaluzny Land Development	724,000	8	0.32%
Piersol Homes at Country Bridge	697,400	9	0.31%
Taxpayer #5	598,700	10	0.27%
Total	<u>\$ 13,649,300</u>		<u>6.12%</u>

Source: Municipal Tax Assessor

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
SCHOOL PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

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	\$ 3,767,454	\$ 3,767,454	100.00%	
2015	3,680,149	3,680,149	100.00%	-
2014	3,606,699	3,606,699	100.00%	-
2013	3,545,873	3,545,873	100.00%	-
2012	3,464,445	3,464,445	100.00%	-
2011	3,377,157	3,377,157	100.00%	-
2010	3,228,467	3,228,467	100.00%	-
2009	3,070,610	3,070,610	100.00%	-
2008	2,869,247	2,869,247	100.00%	-
2007	2,266,550	2,266,550	100.00%	-

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

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

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

FISCAL YEAR ENDED JUNE 30,	GOVERNMENTAL ACTIVITIES			TOTAL DISTRICT	PERCENTAGE OF PERSONAL INCOME *	PER CAPITA*
	GENERAL OBLIGATION BONDS**	N.J. EDA LOANS	CAPITAL LEASES			
2016	\$ 9,900,000	\$ -	\$ -	\$ 9,900,000	N/A	N/A
2015	10,450,000	-	-	10,450,000	N/A	N/A
2014	11,473,000	-	-	11,473,000	0.41%	3,573
2013	11,878,000	30,592	-	11,908,592	0.38%	3,734
2012	12,263,000	61,184	-	12,324,184	0.36%	3,885
2011	12,633,000	91,776	-	12,724,776	9.73%	4,020
2010	12,988,000	122,368	-	13,110,368	10.26%	4,110
2009	13,328,000	152,960	21,830	13,502,790	10.65%	4,303
2008	13,640,000	183,553	-	13,823,553	11.82%	4,503
2007	13,900,000	214,145	5,936	14,120,081	13.08%	4,777

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

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

**Includes early retirement incentive plan (ERIP) refunding.

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

FISCAL YEAR ENDED JUNE 30,	GENERAL BONDED DEBT OUTSTANDING			PERCENTAGE OF ACTUAL TAXABLE VALUE OF PROPERTY*	PER CAPITA**
	GENERAL OBLIGATION BONDS	DEDUCTIONS	NET GENERAL BONDED DEBT OUTSTANDING		
2016	\$ 9,900,000	\$ -	\$ 9,900,000	2.62%	N/A
2015	10,450,000	-	10,450,000	2.81%	N/A
2014	11,473,000	-	11,473,000	2.83%	3,573
2013	11,878,000	-	11,878,000	2.93%	3,725
2012	12,263,000	-	12,263,000	3.06%	3,866
2011	12,633,000	-	12,633,000	3.15%	3,991
2010	12,988,000	-	12,988,000	5.65%	4,071
2009	13,328,000	-	13,328,000	5.98%	4,247
2008	13,640,000	-	13,640,000	6.45%	4,443
2007	13,900,000	-	13,900,000	7.01%	4,702

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

*See Exhibit J-6 for property tax data.

**Population data can be found in Exhibit J-14.

**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:			
Municipality	\$ -	100.00%	\$ -
County General Obligation Debt	239,760,175	1.53%	3,660,577
Regional High School District	41,404,000	13.91%	5,760,261
Subtotal, Overlapping Debt			9,420,838
District's Direct Debt			9,900,000
Total Direct & Overlapping Debt			<u>\$ 19,320,838</u>

Sources: Assessed value data used to estimate applicable percentages provided by the Gloucester County Board of Taxation.

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

	FISCAL YEAR									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Debt Limit	\$ 11,625,520	\$ 11,362,201	\$ 10,984,591	\$ 11,113,577	\$ 9,240,905	\$ 9,274,050	\$ 9,048,726	\$ 8,720,271	\$ 7,882,750	\$ 6,931,691
Total Net Debt Applicable to Limit	9,900,000	10,450,000	11,473,000	11,908,592	12,263,000	12,724,776	13,110,368	13,480,960	13,823,553	14,114,145
Legal Debt Margin	\$ 1,725,520	\$ 912,201	\$ (488,409)	\$ (795,015)	\$ (3,022,095)	\$ (3,450,726)	\$ (4,061,642)	\$ (4,760,689)	\$ (5,940,803)	\$ (7,182,454)
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	85.16%	91.97%	104.45%	107.15%	132.70%	137.21%	144.89%	154.59%	175.36%	203.62%

Legal Debt Margin Calculation for Fiscal Year 2013

	Equalized Valuation Basis
	2015 \$ 393,943,815
	2014 384,123,362
	2013 384,484,810
	<u>\$ 1,162,551,987</u>
Average Equalized Valuation of Taxable Property	<u>\$ 387,517,329</u>
Debt Limit (3 % of Average Equalization Value)	\$ 11,625,520
Net Bonded School Debt	<u>9,900,000</u>
Legal Debt Margin	<u>\$ 1,725,520</u>

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

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

YEAR	POPULATION *	PERSONAL INCOME**	PER CAPITA PERSONAL INCOME ***	UNEMPLOYMENT RATE ****
2015	3,138	N/A	N/A	4.9%
2014	3,226	150,341,278	46,603	6.1%
2013	3,207	144,856,983	45,169	6.0%
2012	3,194	143,196,602	44,833	7.4%
2011	3,194	138,900,672	43,488	7.2%
2010	3,166	131,107,226	41,411	7.5%
2009	3,190	130,314,690	40,851	7.0%
2008	3,138	127,685,220	40,690	4.7%
2007	3,070	119,290,990	38,857	3.6%
2006	2,956	110,684,464	37,444	4.0%

*Population information provided by the New Jersey Department of Labor & Workforce Development

**Personal income has been estimated based upon the municipal population & per capita person income presented.

***Per capita personal income by municipality estimated based upon the 2000 census published by the U.S. Bureau of Economic Analysis.

****Unemployment data provided by the New Jersey Department of Labor & Workforce Development

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

<u>GLOUCESTER COUNTY</u>	2016	
	EMPLOYEES	PERCENTAGE OF TOTAL EMPLOYMENT
Inspira Health	1,825	1.30%
Kennedy Memorial Hospital	1,675	1.19%
Washington Township School District	1,592	1.13%
Rowan University	1,483	1.05%
County of Gloucester	1,354	0.96%
Missa Bay, LLC	950	0.67%
Monroe Township School District	806	0.57%
U.S. Foodservices	725	0.51%
ExxonMobil Research & Engineering	540	0.38%
LaBrea Bakery	525	0.37%
	11,475	8.15%

2007

NOT AVAILABLE

This exhibit reflects principal employers for Gloucester County.

Source: (1) Gloucester County Office of Economic Development for company and employee data.
(2) New Jersey Department of Labor and Workforce Development for the total employment data.

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEAR**

Function/Program	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Instruction:										
Regular	22.0	23.5	23.5	23.0	21.5	21.5	23.0	22.1	23.8	22.1
Special Education	6.0	5.0	5.0	6.1	4.4	5.0	4.0	4.0	3.0	3.0
Other Special Education	3.0	4.2	4.2	4.2	3.2	2.0	7.0	6.0	3.0	0.4
Other Instruction	2.0	1.4	1.4	1.4	1.5	1.5	1.5	2.5	2.8	3.7
Support Services:										
Student & Instruction Related Services	6.0	7.3	7.3	8.1	4.4	5.9	4.9	4.7	1.8	3.9
General Administrative Services		0.3	0.3	1.4	2.8	2.8	2.8	1.8	1.7	2.4
School Administrative Services	2.5	1.6	1.6	1.0	-		0.5	0.9	0.6	0.5
Central Services	0.5	1.9	1.9	1.9	2.0	1.7	1.7	1.7	1.8	1.8
Plant Operations & Maintenance		0.9	0.9	0.8	2.0	2.0	1.5	1.5	2.2	2.4
Pupil Transportation		0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.2
Other Support Services		2.6	2.6	1.8	1.8	1.8	1.9	2.4	3.0	3.0
Total	42.0	49.0	49.0	50.0	43.9	44.5	49.1	47.9	43.9	43.4

Source: School District Records.

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS**

FISCAL YEAR	ENROLLMENT	OPERATING EXPENDITURES (a)	COST PER PUPIL	PERCENTAGE CHANGE	TEACHING STAFF (b)	PUPIL/TEACHER RATIO	ELEMENTARY	AVERAGE DAILY ENROLLMENT (ADA) (c)	AVERAGE DAILY ATTENDANCE (ADA) (c)	% CHANGE IN AVERAGE DAILY ENROLLMENT	STUDENT ATTENDANCE PERCENTAGE
2016	392	5,160,489	13,165	3.99%	31.0	1:12.7		390.85	376.27	1.36%	96.27%
2015	389	4,924,497	12,659	2.01%	30.0	1:12.7		385.60	370.46	3.29%	96.07%
2014	373	4,628,738	12,409	-2.05%	30.0	1:12.4		373.3	356.5	3.81%	95.50%
2013	360	4,561,107	12,670	19.04%	29.0	1:12.4		359.60	342.50	-1.83%	95.24%
2012	372	3,959,284	10,643	3.02%	26.0	1:14.3		366.30	349.50	-0.92%	95.41%
2011	378	3,905,328	10,332	-12.67%	26.0	1:14.5		369.70	352.70	2.69%	95.40%
2015	360	4,258,995	11,831	-1.40%	27.0	1:13.3		360.00	343.90	7.11%	96.00%
2009	337	4,043,388	11,998	0.21%	28.7	1:11.7		336.10	321.80	2.76%	95.75%
2008	328	3,927,157	11,973	6.57%	26.7	1:12.3		327.07	313.08	3.90%	95.72%
2007	312	3,505,413	11,235	#DIV/0!	27.0	1:11.6		314.80	301.00	#DIV/0!	95.62%

Sources: District records

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEAR
REVISED**

DISTRICT BUILDINGS	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Elementary Schools:										
South Harrison Township (1949):										
Square Feet	68,543	68,543	68,543	68,543	68,543	68,543	68,543	68,543	68,543	35,562
Capacity (Students)	463	463	463	463	463	463	463	463	463	239
Enrollment	392	383	373	360	372	378	360	337	328	312

Number of Buildings at June 30, 2012:

- Elementary = 1
- Middle = 0
- High School = 0
- Other = 0

Source: District Facilities Office

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF REQUIRED MAINTENANCE
LAST TEN FISCAL YEARS**

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

SCHOOL FACILITIES *	SOUTH HARRISON ELEMENTARY	TOTAL
2016	\$ 136,934	136,934
2015	89,378	89,378
2014	104,162	104,162
2013	81,220	81,220
2012	79,180	79,180
2011	50,720	50,720
2015	71,376	71,376
2009	73,184	73,184
2008	65,862	65,862
2007	48,721	48,721

Total School Facilities

* District Facilities ad defined under EFCFA. (*N.J.A.C.6A:26-1.2 & N.J.A.C.6:24-1.3*)

Source: District records

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
INSURANCE SCHEDULE**

	GCSSDJIF SELF INSURED		
	COVERAGE	RETENTION	DEDUCTIBLE
School Package Policy -Gloucester, Cumberland, Salem School Districts Joint Insurance Fund*:			
Property, Inland Marine & Automobile:			
Physical Damages	\$ 150,000,000	\$ 250,000	\$ 500
General & Automobile Liability	10,000,000	250,000	-
Boiler & Machinery	125,000,000	-	1,000
Crime	500,000	250,000	500
Educator's Legal Liability	10,000,000	100,000	-
Workers Compensation & Employers' Liability	Statutory	250,000	-
Pollution Legal Liability	3,000,000	-	25,000
*Excess & Reinsurance Carriers Involved:			
Property & Crime	SPELLFIF, Selective Insurance Company of America Axis Surplus Insurance Company Westchester Surplus Lines Insurance Company Alterra Excess & Surplus Insurance Company Alliance Global Corporate & Specialty Marine Insurance Company RSUI Indemnity Company		
General Liability, Automobile Liability, Workers' Comp., Educator's Legal Liability	SPELLFIF, Selective Insurance Company of America		
*Group Purchase of Primary Insurance			
Coverage Carrier Array:			
Boiler & Machinery	Travelers Insurance Company		
Pollution Legal Liability	ACE American Insurance Company		
Public Employees' Faithful Performance			
Blanket Position Bond - Selective Insurance Co.:			
Board Secretary/Business Administrator	3,000	-	-
Treasurer of School Monies	150,000	-	-
Student Accident Insurance - Insurance Company	1,000,000	-	-

Source: District records

SINGLE AUDIT SECTION

This page intentionally left blank



EXHIBIT K-1

INDEPENDENT AUDITOR’S 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

Honorable President and Members
of the Board of Education
South Harrison Township School District
County of Gloucester
Harrisonville, New Jersey 08039

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental and business-type activities, each major fund and the aggregate remaining fund information of the South Harrison Township School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the South Harrison Township School District’s basic financial statements, and have issued our report thereon dated November 28, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the South Harrison Township School 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 South Harrison Township School District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the South Harrison Township School District’s internal control.

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

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 South Harrison Township School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and 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* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, and federal and state awarding agencies and pass-through entities, in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,

HOLMAN FRENIA ALLISON, P.C.

Michael Holt
Certified Public Accountant
Public School Accountant
No. 1148

Medford, New Jersey
November 28, 2016



EXHIBIT K-2

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE AND NEW JERSEY OMB CIRCULAR 15-08**

Honorable President and Members
of the Board of Education
South Harrison Township School District
County of Gloucester
Harrisonville, New Jersey 08039

Report on Compliance for Each Major State Program

We have audited the South Harrison Township School District’s compliance with the types of compliance requirements described in the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the District’s major state programs for the year ended June 30, 2016. The South Harrison Township School District’s major state programs are identified in the Summary of Auditor’s Results section of the accompanying Schedule of Findings and Questioned Costs.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of South Harrison Township School District’s major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance); *the New Jersey State Aid/Grant Compliance Supplement*; the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey; and New Jersey OMB’s Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, the Uniform Guidance and New Jersey OMB’s Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about South Harrison Township School District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

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

Report on Internal Control Over Compliance

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

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

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

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

Respectfully Submitted,

HOLMAN FRENIA ALLISON, P.C.

Michael Holt
Certified Public Accountant
Public School Accountant
No. 1148

Medford, New Jersey
November 28, 2016

This page intentionally left blank

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR FISCAL YEAR ENDED JUNE 30, 2016**

FEDERAL GRANTOR PASS-THROUGH GRANTOR GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	FAIN NUMBER	GRANTOR STATE PROJECT NUMBER	AWARD AMOUNT	GRANT PERIOD	BALANCE AT JUNE 30, 2015	CASH RECEIVED	BUDGETARY EXPENDITURES	SUBRECIPIENT EXPENDITURES	BALANCE AT JUNE 30, 2016	
										(ACCOUNTS RECEIVABLE)	UNEARNED REVENUE
U.S. DEPARTMENT OF EDUCATION:											
Special Revenue Fund:											
Small, Rural School Achievement Program	84.358A		S358A102658	42,895	7/1/15-6/30/16	\$ -	22,330	\$ (22,330)	\$ -	\$ -	\$ -
U.S. DEPARTMENT OF EDUCATION PASSED-THROUGH STATE DEPARTMENT OF EDUCATION:											
Special Revenue Fund:											
Title I, Part A	84.010A	S010A150030	NCLB488014	22,334	7/1/15-6/30/16	-	15,965	(18,465)	-	(2,500)	-
Title I, Part A	84.010A	S010A140030	NCLB488015	12,169	7/1/14-6/30/15	(7,469)	7,469	-	-	-	-
						(7,469)	23,434	(18,465)	-	(2,500)	-
Title II, Part A	84.367	S367A150029	NCLB488016	6,248	7/1/15-6/30/16	-	298	(3,310)	-	(3,012)	-
						-	298	(3,310)	-	(3,012)	-
I.D.E.A. B -Basic Regular	84.027	H027A150100	IDEA488016	66,975	7/1/15-6/30/16	-	59,963	(68,089)	-	(8,126)	-
						-	59,963	(68,089)	-	(8,126)	-
I.D.E.A. - Preschool, Part B	84.173	SI73A150114	IDEA488016	2,793	7/1/15-6/30/16	-	2,732	(2,732)	-	-	-
I.D.E.A. - Preschool, Part B	84.173	SI73A140114	IDEA488015	2,638	7/1/14-6/30/15	(679)	679	-	-	-	-
						(679)	3,411	(2,732)	-	-	-
Total Special Revenue Fund						(16,296)	196,542	(207,522)	-	(27,276)	-
Total Federal Financial Assistance						\$ (16,296)	\$ 196,542	\$ (207,522)	\$ -	\$ (27,276)	\$ -

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF STATE FINANCIAL ASSISTANCE
FOR FISCAL YEAR ENDED JUNE 30, 2016**

STATE GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	AWARD AMOUNT	GRANT PERIOD	BALANCE AT		CASH RECEIVED	ADJUSTMENTS	BUDGETARY EXPENDITURES	SUBRECIPIENT EXPENDITURES	BALANCE AT JUNE 30, 2016		MEMO CUMULATIVE TOTAL	
				JUNE 30, 2015	AT JUNE 30, 2016					(ACCOUNTS RECEIVABLE)	(ACCOUNTS RECEIVABLE)	BUDGETARY RECEIVABLE	EXPENDITURES
State Department of Education													
General Fund:													
State Aid Cluster													
Equalization Aid	16-495-034-5120-078	\$ 888,987	7/1/15-6/30/16	\$ -	\$ 888,987	\$ -	\$ -	(888,987)	\$ -	\$ -	\$ 86,461	\$ 888,987	\$ 888,987
Special Education	16-495-034-5120-089	207,121	7/1/15-6/30/16	-	207,121	-	-	(207,121)	-	-	20,144	207,121	207,121
School Choice	16-495-034-5120-068	229,224	7/1/15-6/30/16	-	229,224	-	-	(229,224)	-	-	22,294	229,224	229,224
Security Aid	16-495-034-5120-084	26,008	7/1/15-6/30/16	-	26,008	-	-	(26,008)	-	-	2,530	26,008	26,008
Adjustment Aid	16-495-034-5120-085	38,204	7/1/15-6/30/16	-	38,204	-	-	(38,204)	-	-	3,716	38,204	38,204
Under Adequacy Aid	16-495-034-5120-083	6,832	7/1/15-6/30/16	-	6,832	-	-	(6,832)	-	-	664	6,832	6,832
Supplemental Enrollment	16-495-034-5120-094	149,760	7/1/15-6/30/16	-	149,760	-	-	(149,760)	-	-	14,565	149,760	149,760
Per Pupil Growth Aid	16-495-034-5120-097	3,690	7/1/15-6/30/16	-	3,690	-	-	(3,690)	-	-	359	3,690	3,690
PARCC Readiness Aid	16-495-034-5120-098	3,690	7/1/15-6/30/16	-	3,690	-	-	(3,690)	-	-	359	3,690	3,690
Total State Aid Cluster				-	1,553,516	-	-	(1,553,516)	-	-	151,092	1,553,516	1,553,516
Transportation Aid	16-495-034-5120-014	31,891	7/1/15-6/30/16	-	31,891	-	-	(31,891)	-	-	3,102	31,891	31,891
Reimbursement of Nonpublic School Transportation Costs	15-100-034-5120-068	5,046	7/1/14-6/30/15	(5,046)	5,046	-	-	-	-	-	-	-	-
Reimbursement of Nonpublic School Transportation Costs	16-100-034-5120-068	4,350	7/1/15-6/30/16	-	-	-	-	(4,350)	-	(4,350)	-	4,350	4,350
Reimbursed TPAF Social Security Contributions	15-495-034-5095-002	139,453	7/1/14-6/30/15	(6,958)	6,958	-	-	-	-	-	-	-	-
Reimbursed TPAF Social Security Contributions	16-495-034-5095-002	142,795	7/1/15-6/30/16	-	-	135,810	-	(142,795)	-	(6,985)	-	142,795	142,795
On-Behalf: TPAF Pension Contributions	16-495-034-5095-001	154,289	7/1/15-6/30/16	-	154,289	-	-	(154,289)	-	-	-	154,289	154,289
Post Retirement Medical Contributions	16-495-034-5095-001	183,716	7/1/15-6/30/16	-	183,716	-	-	(183,716)	-	-	-	183,716	183,716
Total General Fund				(12,004)	1,935,416	135,810	-	(2,070,557)	-	(11,335)	154,194	2,070,557	2,070,557
Capital Projects Fund:													
ROD Grant - Playground Upgrades Project	4880-050-14-2001-G04	122,800	7/1/13-6/30/16	(110,858)	-	-	-	-	-	(110,858)	-	-	-
ROD Grant - Roof Replacement Project	4880-050-14-1006-G04	33,200	7/1/13-6/30/16	(29,342)	-	-	-	-	-	(29,342)	-	-	-
ROD Grant - HVAC Project	4880-050-14-1002-G04	168,800	7/1/14-6/30/16	(104,951)	-	-	-	-	-	(104,951)	-	-	-
Total Capital Projects Fund				(245,151)	-	-	-	-	-	(245,151)	-	-	-
Debt Service Fund:													
Debt Service Aid Type II	16-495-034-5120-125	180,130	7/1/15-6/30/16	-	180,130	-	-	(180,130)	-	-	-	180,130	180,130
Total Debt Service Fund				-	180,130	-	-	(180,130)	-	-	-	180,130	180,130
Total State Financial Assistance				\$ (257,155)	\$ 2,115,546	\$ 135,810	-	\$ (2,250,687)	\$ -	\$ (256,486)	\$ 154,194	\$ 2,250,687	\$ 2,250,687
Less: Grants Not Subject to Type A/B Threshold Calculator													
On-Behalf TPAF Pension Contribution	16-495-034-5095-001	154,289	7/1/15-6/30/16	-	-	-	-	154,289	-	-	-	-	-
On-Behalf TPAF Post-Retirement Medical	16-495-034-5095-001	183,716	7/1/15-6/30/16	-	-	-	-	183,716	-	-	-	-	-
Total State Financial Assistance Subject to Major Program Determinatic								\$ (1,912,682)					

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2016**

1. General

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

2. Basis of Accounting

The accompanying Schedule of Expenditures of State Financial Assistance is presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the board's basic financial statements. The information in this schedule is presented in accordance with the requirements of New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Of the state expenditures presented in the Schedule of Expenditures of State Financial Assistance, the South Harrison Township School District did not provide any state awards to sub recipients.

Noncash assistance is reported in the Schedule of Expenditures of State Financial Assistance as the value, as determined by the State of New Jersey, of the On-Behalf payments made by the State for Pensions and Post-Retirement Medical Contributions during the year ended June 30, 2016.

The South Harrison Township School District has not elected to use the 10% de minimis cost rate allowed by the Uniform Guidance.

3. Relationship to Basic Financial Statements

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

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

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2016**

3. Relationship to Basic Financial Statements (continued):

related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the last state aid payment in the current budget year, consistent with *N.J.S.A. 18A:22-4.2*.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$(3,367) for the general fund and \$0 for the special revenue fund. See Note 1 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented as follows:

	State	Federal	Total
General Fund	\$2,067,190	\$ -	\$2,067,190
Special Revenue Fund	-	114,926	114,926
Debt Service Fund	<u>180,130</u>	<u>-</u>	<u>180,130</u>
Total Financial Assistance	<u>\$2,247,320</u>	<u>\$114,926</u>	<u>\$2,362,246</u>

4. Relationship to State Financial Reports

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

5. Other

The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the District for the year ended June 30, 2016. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2016.

Note 6. Federal and State Loans Outstanding

The South Harrison Township School District had no loan balances outstanding at June 30, 2016.

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS & QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2016**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
1) Material weakness(es) identified?	None Reported
2) Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to basic financial Statements noted?	None Reported

Federal Awards – NOT APPLICABLE

Dollar threshold used to distinguish between type A and type B programs:

Auditee qualified as low-risk auditee?

Internal Control over major programs:

- 1) Material weakness(es) identified?
- 2) Significant deficiencies identified that are not considered To be material weaknesses?

Type of auditor’s report issued on compliance for major programs

Any audit findings disclosed that are required to be reported in accordance With 2 CFR 200 Section .516(a) of the Uniform Guidance?

Identification of major programs:

CFDA Number(s)	FAIN Number(s)	Name of Federal Program or Cluster
		NOT APPLICABLE

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS & QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2016**

State Awards

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes
Type of auditor's report issued on compliance for major programs	<u>Unmodified</u>
Internal Control over major programs:	
1) Material weakness(es) identified?	None Reported
3) Significant deficiencies identified that are not considered To be material weaknesses?	None Reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 Section .516(a) of the Uniform Guidance or NJ OMB Circular Letter 15-08 as applicable?	None Reported

Identification of major programs:

GMIS Number(s)	Name of State Program
16-495-034-5120-078	Equalization Aid
16-495-034-5120-089	Special Education Aid
16-495-034-5120-068	School Choice Aid
16-495-034-5120-084	Security Aid
16-495-034-5120-094	Supplemental Enrollment Growth Aid
16-495-034-5120-097	Per Pupil Growth Aid
16-495-034-5120-098	PARCC Readiness Aid

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS & QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2016**

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with *Government Auditing Standards* and with audit requirements prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey.

No Current Year Findings

Section III – State Financial Assistance Finding & Questioned Costs

This section identifies audit findings required to be reported by 2 CFR 200 section .516 of the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and New Jersey OMB's Circular Letter 15-08, as applicable.

No Current Year Findings

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
For the Fiscal Year Ended June 30, 2016**

This section identifies the status of prior-year findings related to the basic financial statements and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, USOMB *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (.511 (a)(b)) and New Jersey OMB's Circular Letter 04-04 and/or 15-08, as applicable.

No Prior Year Findings