

**Comprehensive Annual
Financial Report**

of the

South Hunterdon Regional School District

County of Hunterdon, New Jersey

For the Fiscal Year Ended June 30, 2017

Prepared by

**South Hunterdon Regional School District
Department of Administration**

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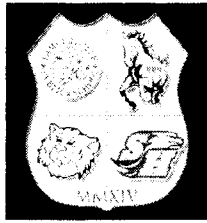
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INTRODUCTORY SECTION



South Hunterdon Regional School District

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September 20, 2017

Honorable President and Members
Of the Board of Education
South Hunterdon Regional School District
County of Hunterdon, New Jersey

Dear Board Members:

The Comprehensive Annual Financial Report of the South Hunterdon Regional School District for the fiscal year ending June 30, 2017 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the South Hunterdon Regional Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the district. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections:

- A. The Introductory Section: Introduces the reader to the report and includes this transmittal letter, a list of principal officials, the District's organizational charts.
- B. The Financial Section: Consists of the independent auditor's report, management's discussion and analysis, the basic financial statements and combining individual fund statements and schedules.
- C. The Statistical Section: Contains selected financial and demographic information, generally presented on a multi-year basis.
- D. The Single Audit: Includes the auditor's report on the internal control structure, compliance with applicable laws and regulations and findings and recommendations.

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West Amwell Township Elementary School – David Miller, Principal

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The District is required to undergo an annual single audit in conformity with 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), and State of New Jersey OMB Circular 15-08 “Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid.” Information related to this single audit, including the auditor’s report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, is included in the single audit section of this report.

DESCRIPTION OF THE DISTRICT

South Hunterdon Regional School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB) as established by GASB Statement No.14. All funds and account groups of the District are included in this report. The South Hunterdon Regional School District and its PreK-12 comprehensive elementary, middle and high schools constitute the District’s reporting entity.

The District has four buildings located in the Township of West Amwell, City of Lambertville and Stockton Borough. The State of New Jersey requires submission of enrollment data as of October 15 of each year. The District provides a full range of educational services appropriate to grade levels Pre-K through 12. These include regular, as well as education for special needs students. The District completed the 2016-17 fiscal year with an average daily enrollment of 940, ending with one (1) more students than the previous year. The following details the changes in the student enrollment of the District over the last two years.

AVERAGE DAILY ENROLLMENT

Fiscal <u>Year</u>	Student <u>Enrollment</u>	Percent <u>Change</u>
2016-17	940	(0.1%)
2015-16	939	(3.0%)
2014-15	944	(2.0%)
2013-14	962	

Economic Condition and Outlook

In January of 2014 the New Board of Education voted to eliminate the Vote on the Annual School Budget and to move the election of School Board Members to the General Election in November. The municipal councils of the City of Lambertville, West Amwell Township and Stockton Borough, also voted to eliminate the Annual School Budget.

The District returned \$923,493 from unreserved fund balance in 2016-17 due to rigid controls on spending and the mandatory **\$1701** law enacted in 2004 limiting unreserved fund balance to two percent. The District will return \$390,852 in 2017-18 and \$357,038 in 2018-19.

The District received approximately ninety six (96) School Choice students for the 2016-17 school year.

The District continued to contract with Maschio's Food Services, Inc. to provide lunches to our students for the 2016-17 school year with a clause to break even for the year. The 2016-2017 school year saw an increase in student participation of approximately \$12,000.

Major Initiatives

There are a number of initiatives of note which are a source of pride for our school and we hope, for our community. These include:

1. Facilities

The following projects/upgrades were completed during 2016-17:

- High School Roof replacement project to be staged over three year window (summer work).
- New Roof at Stockton
- Lambertville public school: repairs and new asphalt to middle portion of parking lot.
- High school: repairs and new asphalt to rear parking lot.
- Solar Field

Projects for the future 2017-18 budget:

- Replace portion of High School roof phase 2.
- Additional repairs to parking lot at High School.
- New Refrigerator/Freezer for High School Cafeteria
- Door replacements at West Amwell

During the 2015-2016 school year a "Facilities Study Committee" was formed to examine current and future use of the buildings that comprise the new District. Building upgrades, maintenance, grade configuration and more will be reviewed. A public committee was established and they recommended 3 options to the board of education. In 2016-17 the board decided to close Stockton School with the last year of operation set for 2017-18.

2. Administrative Reorganization

During 2016-2017 school year the administrative team was reorganized. For 2017-18 this team returns with only one change; adding the title of Assistant HS Principal to Mr. Jason Miller who also is the Director of Athletics

3. Strategic Planning/District Goals/Board Goals

With the Help of New Jersey School Boards Association, a Community based Strategic Plan Committee was established in 2015-16. The new five (5) year plan contains a Mission Statement, and Goals and Objectives.

District and board goals for 2016-2017 were established and completed. (This is a yearly requirement so new goals have been formulated for the 2017-18 school year).

4. Student Achievement

As noted above, increasing student achievement is the major goal in the South Hunterdon Regional School District. Teachers in all classrooms deliver a content rich, standards based curriculum and are urged to develop professionally and continually improve pedagogy. *New Jersey Monthly* magazine ranked South Hunterdon Regional High School 21st in September, 2012 and the top high school in Hunterdon County. More recently we have received an “A” ranking in the new ratings. Also, in the “NJ Spotlight News” May 2015 South Hunterdon Placed 2nd in the NJ Public High School with the highest percentage of student who got at least A3 on the AP tests.

Students at South Hunterdon are exposed to resources and classes at all levels. Differentiation and inclusion are the norm and students have the opportunity to achieve and excel. Advanced Placement courses are offered at the high school level in each of the core areas and students can pursue college level courses online.

Middle school students have the opportunity to participate in a gifted humanities based program and to take high school level courses if they meet certain criteria.

South Hunterdon Regional High School District has welcomed approximately 96 students from nearby districts by participating in the Inter-District Choice program. In addition to providing revenue, the program has increased the diversity among youngsters who attend the school. Programs have been put in place to close educational gaps that the children may have.

Student achievement is reviewed by administration via classroom observations and review of teacher SGO's throughout the school year. PARCC scores and district assessments serve as additional data regarding student progress.

5. Academic Partnerships

Teachers from South Hunterdon Regional School District now have a greater opportunity to collaborate since the formation of the regionalized District. Emphasis is being placed on articulation and alignment of curriculum Pre K-12. Professional development outside the district continues to grow providing staff with opportunities to enrich and enhance their instruction.

Additionally, South participates in Hunterdon County consortiums that share, among other topics, information about technology and to host college admission representatives. South also has a close relationship with TCNJ and often hosts their student teachers.

South has signed articulation agreements with Delaware Valley College, Rutgers University and SUNY providing opportunities for South students to receive college credit upon completion of high school coursework in agriculture science.

South also continues its relationship with colleges across the country who take part in a college visitation day and evening, prepping our students for their post- high school experiences.

6. Communication with Public

The South Hunterdon Board of Education encourages and supports communication with all the stakeholders that comprise the local communities of Lambertville, Stockton, and West Amwell. Daily, weekly and monthly messages regarding all aspects of our public schools are communicated via our SHRSD website, Facebook, letters to parents and Listserve, and increased use of social media such as “Twitter” will be evident during the 2017-18 school year.

Traditional events such as “Senior Breakfast”, “Senior Holiday Luncheon”, “Senior Dinner and Musical”, and “Senior Basketball Night” continue to be well attended.

Monthly public board meetings provide opportunities to report out information about the District and provide opportunities for public comment.

7. Technology

The South Hunterdon Regional School District continues to make technology acquisitions and improvements to areas such as infrastructure, communications systems such as Internet and Voice services, student, faculty and staff devices, classroom systems, software applications and support staff in order to support all of our stakeholders.

After a couple years of major infrastructure improvements including a new District WAN connecting all four schools on a single network, updated WiFi and phone systems, we more recently expanded our student 1:1 Chromebook program to include all of Second Grade, making us 1:1 in Grades 2-12. Additionally, as we start the 2017-18 school year, we are expecting to re-deploy existing iPads in such a way to go 1:1 with iPads for Kindergarten and First Grade to make the District fully 1:1.

This summer we made some important cost-saving changes to our copier fleet and consolidated multiple contracts to a single contract. We have a couple more copier contracts to consolidate at the end of 2018 with an opportunity to save even further and expand upon the changes that were made this past summer.

Moving forward, we will be looking into purchasing new teacher devices to replace aging laptops and also reviewing classroom design and other technology needs to support curricular goals.

8. Parent Involvement

The Parent Teacher Student Organization continues to be a very active and an energetic support system. Parental participation levels are high and the generosity of the Elementary PTO's underwrites many school activities.

The Lambertville Education Foundation continues to be a great support for all of our school. They sponsored major fund-raising events this year that helped fund STEM projects, cardio fitness equipment, school trips, and individual classroom teacher projects. Teachers can apply for mini grants that help support classroom learning.

The West Amwell Golf Day fundraiser continues to contribute to technology, library E-books and Info-based learning technology and other initiatives that support teaching and learning.

9. Awards

We are extremely proud of the Class of 2017; they had a high rate of college acceptances and several matriculated at the most selective colleges. Many of the students in the class received significant financial awards to help fund their post high school studies. The class of 79 students reported awards in the amount of \$3,171,527.00, which is an increase of \$164,825 from previous year.

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 are 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 require estimates and judgments by management. The establishment of GAAP has been able to give management a day to day actual account of all moneys being received and spent. The preparation of these monthly reports provides a clear picture of all activity generated from the District.

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. The last audit performed by the State found us to be in compliance.

Budgetary Controls

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

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 an expropriation of fund balance in the subsequent year. Those amounts to be expropriated are reported as reservations of fund balance at June 30, 2017.

Accounting System and Reports

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

Debt Administration

The District's debt service payment for principal and interest during 2016-17 school year were \$1,226,750 and \$481,575 respectively.

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.

Risk Management

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

We continue to realize broader coverage for our money with the School Alliance Insurance Fund and have received many cost saving services through them. The rates for the new school year have increased by six percent.

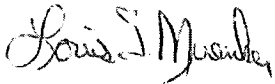
Other Information

Independent Audit. State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Suplee, Clooney & Company 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 the Single Audit Act as amended and the related Uniform Guidance and State Treasury Circular Letter 15-08. The auditor's report on the basic financial statements, 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.

Acknowledgements

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

Respectfully submitted,



Dr. Louis T. Muenker
Superintendent



Kerry Sevilis
Business Administrator/Board Secretary

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
BOARD OF EDUCATION
Lambertville, NJ 08530

ROSTER OF OFFICIALS
June 30, 2017

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Dan Seiter-President	2018
Jim Gallagher-Vice President	2019
Nicole Claus	2018
Boyd Hartpence	2017
Kevin Koveloski	2019
Anne Nicolas	2019
Craig Reading	2017
Emily Rich	2018
Derek Roseman	2017

Other Officials

Louis T. Muenker , D.Ed., Superintendent of Schools

Kerry Sevilis, Business Administrator/Board Secretary

**SOUTH HUNTERDON REGIONAL HIGH SCHOOL
BOARD OF EDUCATION
CONSULTANTS AND ADVISORS
June 30, 2017**

AUDIT FIRM

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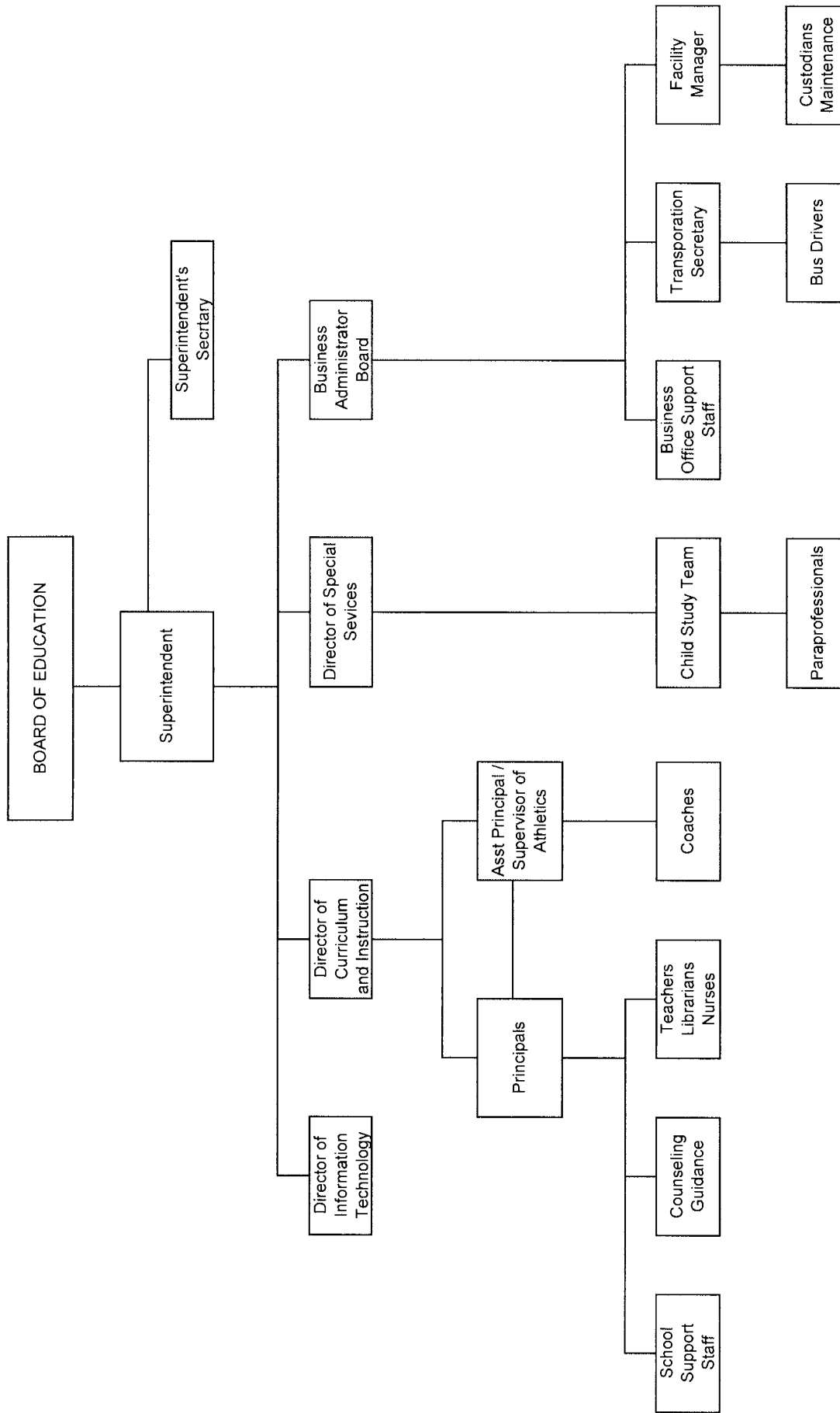
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SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
ORGANIZATIONAL CHART



FINANCIAL SECTION



SUPLEE, CLOONEY & COMPANY

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INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
South Hunterdon Regional School District
County of Hunterdon
Lambertville, New Jersey 08530

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 Hunterdon Regional School District, County of Hunterdon, New Jersey as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

SUPLEE, CLOONEY & COMPANY

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the South Hunterdon Regional School District, County of Hunterdon, New Jersey as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information in Exhibit C-1 through C-3 and the schedules related to accounting and reporting for pensions in Exhibit L-1 through L-4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

SUPLEE, CLOONEY & COMPANY

Other Information


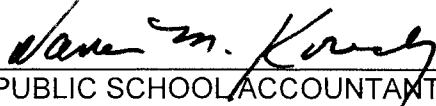
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Hunterdon Regional School District's basic financial statements. The accompanying supplementary information schedules such as the combining and individual fund financial statements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

The accompanying supplementary information schedules such as the combining and individual fund financial statements and the Schedules of Expenditures of Federal Awards and State Financial Assistance, as listed in the table of contents, as required by New Jersey's OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid," and the State of New Jersey, Department of Education, Division of Finance is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 20, 2017 on our consideration of the South Hunterdon Regional School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the South Hunterdon Regional School District's internal control over financial reporting and compliance.


CERTIFIED PUBLIC ACCOUNTANTS

PUBLIC SCHOOL ACCOUNTANT NO. 962

September 20, 2017

REQUIRED SUPPLEMENTARY INFORMATION – PART I

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

**SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
HUNTERDON COUNTY, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017
UNAUDITED**

The Management's Discussion and Analysis of the South Hunterdon Regional School District (the "District") offers readers of the District's financial statements a narrative overview of the financial activities for the fiscal year ended June 30, 2017. The intent of this discussion is to look at the District's financial performance as a whole; therefore readers should also review the transmittal letter at the front of this report, along with the District's financial statements and notes to the financial statements to enhance their understanding of the District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the Required Supplementary Information (RSI) specified in the Governmental Accounting Standards Board's (GASB) Statement Number 34, Basic Financial Statements and Management's Discussion and Analysis of State and Local Governments. Certain comparative information between the current fiscal year (2016-2017) and the prior fiscal year (2015-2016) is required to be presented in the MD&A.

Financial Highlights

In the District-Wide Financial Statements:

- Net position of Governmental Activities increased \$1,329,831.04.
- Net position of the Business-type Activities decreased by \$259,761.11.

In the Major Fund Financial Statements:

- Governmental fund revenues exceed expenditures by \$422,056.89.
- Among governmental funds, the General Fund's fund balance increased \$819,448.89.

**SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
HUNTERDON COUNTY, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017
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Overview of the Financial Statements

This Comprehensive Annual Financial Report ("CAFR") consists of three parts: Management's Discussion and Analysis (this section), The Basic Financial Statements, and Required Supplementary Information. The Basic Financial Statements include two kinds of statements that present different views of the District, District-wide Financial Statements and Fund Financial Statements.

- District-wide Financial Statements provide both short-term and long-term information about the District's overall financial status.
- Major Fund Financial Statements report the District's operations in more detail than the District-wide statements on individual parts of the District, the Governmental Funds, Proprietary Funds and Fiduciary Funds.
- Governmental Funds Statements tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- Proprietary Funds Statements offer short and long-term financial information about the activities the District operates like a business, which include the operations for food services.
- 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.

The notes to financial statements are also included, which are an integral part of the financial statements. The information in the notes provides detailed data on the District's financial operations.

Required supplementary information further explains and supports the financial statements with a comparison of the District's budget for the year.

**SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
HUNTERDON COUNTY, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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District-Wide Financial Statements

The District-wide Financial Statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All current year's revenue and expenses are accounted for in the Statement of Activities regardless of when cash is received or disbursed.

The District-wide Financial Statements report the District's net position and how it has changed. Net position, the difference between the District's assets and liabilities, is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial position has improved or diminished. The causes of this change may be a result of many factors, some financial and some not. Non-financial factors include the District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

In the District-wide Financial Statements, the District's activities are divided into two categories, governmental and business-type activities.

- Governmental activities - All of the District's programs and services are reported here including, but not limited to regular and special education instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities. Property taxes and state formula aid finance most of these activities.
- Business-type activities - These services are provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. District charges fees to help it cover the costs of certain services it provided. The food service is reported as business activities.

Fund Financial Statements

The Fund Financial Statements provide more detailed information about the District's funds, focusing on major funds. 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 establishes other funds to control and manage money for particular purposes (i.e. long-term debt) or to show that it is properly using certain restricted revenues (i.e. entitlement grants).

**SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
HUNTERDON COUNTY, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017
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Fund Financial Statements (Continued)

The District maintains three financial funds:

- **Governmental Funds:** The District's activities reported in governmental funds focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting that measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the government-wide Statement of Net Position and Statement of Activities) and governmental funds statements is reconciled in the financial statements.
- **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 financial statements. The District's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flow.
- **Fiduciary Funds:** The District is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds and the student activities funds. 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 position belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

**SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
HUNTERDON COUNTY, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017
UNAUDITED**

Financial Analysis of the District as a Whole

Table 1 below reflects the District's net position as a whole for the Fiscal years 2017 and 2016.

TABLE 1
NET POSITION

	<u>FY2017</u>	<u>FY2016</u>
ASSETS		
Current & Other Assets	\$6,476,609.48	\$7,827,980.59
Capital Assets	<u>20,011,669.77</u>	<u>19,947,205.61</u>
TOTAL ASSETS	<u>26,488,279.25</u>	<u>27,775,186.20</u>
DEFERRED OUTFLOW OF RESOURCES:		
Related to pensions	3,097,823.00	1,386,324.00
Loss on Refunding of Long-Term Debt	236,419.73	243,969.13
Unamortized Bond Premium	<u>880,597.29</u>	<u>959,403.63</u>
 TOTAL DEFERRED OUTFLOWS	 4,214,840.02	 2,589,696.76
LIABILITIES		
Other Liabilities	818,636.56	2,535,732.04
Long-Term Liabilities	<u>22,569,021.86</u>	<u>21,471,199.62</u>
TOTAL LIABILITIES	<u>23,387,658.42</u>	<u>24,006,931.66</u>
DEFERRED INFLOW OF RESOURCES:		
Related to pensions	31,649.00	135,975.00
Gain on Refunding of Long-Term Debt	<u>92,012.50</u>	<u>100,246.88</u>
TOTAL DEFERRED INFLOWS	<u>123,661.50</u>	<u>236,221.88</u>
NET POSITION		
Net investment in capital assets	7,316,679.86	5,928,177.59
Resticted	5,433,048.77	5,043,128.76
Unrestricted (Deficit)	<u>(5,557,929.28)</u>	<u>(4,849,576.93)</u>
TOTAL NET POSITION	<u><u>\$7,191,799.35</u></u>	<u><u>6,121,729.42</u></u>

The District's combined net position was \$7,191,799.35 on June 30, 2017. The District's investment in capital assets is shown net of any related debt used to acquire those assets.

**SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
HUNTERDON COUNTY, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017
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Table 2 shows changes in net position for fiscal years 2017 and 2016.

TABLE 2
CHANGES IN NET POSITION

	<u>FY2017</u>	<u>FY2016</u>
REVENUES		
Program Revenues:		
Charges for Services	\$191,244.82	\$192,979.54
Operating Grants & Contributions	6,925,929.66	6,060,131.17
General Revenues:		
Property Taxes	18,405,015.00	18,063,365.00
Grants & Entitlements	1,477,159.63	1,568,399.10
Other	564,642.01	80,294.85
Total Revenue	<u>27,563,991.12</u>	<u>25,965,169.66</u>
EXPENSES		
Instruction	15,623,471.06	14,492,528.65
Pupils and Instructional Staff	4,784,046.59	4,457,567.93
General & School Administration, Central Services & Technology	2,117,594.75	1,971,551.50
Maintenance	1,979,654.32	1,732,483.11
Transportation	1,200,066.41	1,038,097.32
Charter Schools	-	33,797.53
Interest on Long-Term Debt	463,027.00	517,218.12
Business Type	305,033.23	353,281.17
Total Expense	<u>26,472,893.36</u>	<u>24,596,525.33</u>
Disposal of Capital Assets (Net)	(21,027.83)	
Cancellation of prior year receivables	-	(441.53)
Change in Net Position	1,070,069.93	1,368,202.80
Net Position - July 1,	<u>6,121,729.42</u>	<u>4,753,526.63</u>
Net Position - June 30,	<u><u>\$7,191,799.35</u></u>	<u><u>6,121,729.42</u></u>

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Both revenues and expenses increased mainly as a result of the district recognizing a larger on-behalf TPAF contribution as a revenue and as an expense based upon the State's Actuarial report.

**SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
HUNTERDON COUNTY, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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Sources of Revenue for Fiscal Year 2017

In the District Wide Financial Statements, the District's total revenue for the 2016-2017 school year was \$27,563,991.12 as reflected in Table 3 below. Property taxes accounted for 66.77 percent of the total revenue with the other 33.23 percent consisting of federal & state aid, charges for service, operating grants & contributions, and miscellaneous sources. Table 3 below summarizes these revenues for FY2017 and FY2016.

TABLE 3
DISTRICT-WIDE REVENUES

	<u>FY2017</u>		<u>FY2016</u>	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
Property Taxes	\$18,405,015.00	66.77%	\$18,063,365.00	69.57%
Federal & State Grants not Restricted	1,477,159.63	5.36%	1,568,399.10	6.04%
Miscellaneous Income	564,642.01	2.05%	80,294.85	0.31%
Charges for Services	191,244.82	0.69%	192,979.54	0.74%
Operating Grants & Contributions	6,925,929.66	25.13%	6,060,131.17	23.34%
	<u>\$27,563,991.12</u>	<u>100.00%</u>	<u>\$25,965,169.66</u>	<u>100.00%</u>

**SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
HUNTERDON COUNTY, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017
UNAUDITED**

Expenses for the Fiscal Year 2017

The total expenditures for the 2016-2017 fiscal year for all programs and services were \$26,472,893.36. Table 4 below summarizes these program costs.

TABLE 4
DISTRICT-WIDE EXPENSES

	<u>FY2017</u>		<u>FY2016</u>	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
Instruction	\$15,623,471.06	59.02%	\$14,492,528.65	58.92%
Pupils and Instructional Staff	4,784,046.59	18.07%	4,457,567.93	18.12%
General & School Administration, Central Services & Technology	2,117,594.75	8.00%	1,971,551.50	8.02%
Maintenance	1,979,654.32	7.48%	1,732,483.11	7.04%
Transportation	1,200,066.41	4.53%	1,038,097.32	4.22%
Charter Schools	0.00	0.00%	33,797.53	0.14%
Interest on Long-Term Debt	463,027.00	1.75%	517,218.12	2.10%
Business Type	305,033.23	1.15%	353,281.17	1.44%
	<u>\$26,472,893.36</u>	<u>100.00%</u>	<u>\$24,596,525.33</u>	<u>100.00%</u>

The District's expenses are predominantly related to instructing, providing services and transporting students, grades kindergarten through twelve, which accounts for 77 percent of the total District costs. Administrative and business expenses account for the costs of the Office of the Superintendent of Schools, the Business Office, and the Principal's Offices in both school buildings. Maintenance and operations account for the costs of keeping the school buildings and grounds safe, clean and in good operating condition, and includes all the utility costs related to the school facilities. Other costs include interest on long-term debt and the costs of the business-type activities of the proprietary funds. It is important to note that depreciation expense on capital assets is included in expenses for the year under this accounting reporting model; expenses therefore include \$798,097.13 for depreciation.

**SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
HUNTERDON COUNTY, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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UNAUDITED**

Governmental Activities

Table 5 presents the net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs) of District activities. The net cost shows the financial burden placed on the District's taxpayers and the state by each of these functions.

TABLE 5
NET COST OF SERVICE

	Total Cost of Services <u>FY2017</u>	Total Cost of Services <u>FY2016</u>	Net Cost of Services <u>FY2017</u>	Net Cost of Services <u>FY2016</u>
Instruction	\$15,623,471.06	\$14,492,528.65	10,706,784.92	10,176,199.58
Pupils and Instructional Staff	4,784,046.59	4,457,567.93	3,720,930.92	3,648,505.27
General & School Administration, Central Services & Technology	2,117,594.75	1,971,551.50	1,909,848.82	1,790,089.64
Maintenance	1,979,654.32	1,732,483.11	1,979,654.32	1,732,483.11
Transportation	1,200,066.41	1,038,097.32	931,870.50	766,499.41
Charter Schools	0.00	33,797.53	0.00	33,797.53
Interest on Long-Term Debt	463,027.00	517,218.12	111,614.00	158,134.12
Business Type	305,033.23	353,281.17	(4,984.60)	37,705.97
	<u>\$26,472,893.36</u>	<u>\$24,596,525.33</u>	<u>\$19,355,718.88</u>	<u>18,343,414.63</u>

General Fund Budgeting Highlights

The District's budget is prepared according to New Jersey Statutes and is based on accounting for certain transactions on a basis of modified accrual and encumbrance accounting.

Over the course of the year, the Board of Education approved revisions to the general fund budget as needed. These budget amendments were necessary for the following reasons:

- Realign budgeted salary accounts as needed to account for staff transfers to various programs.
- Realigned appropriations in accordance with the prescribed chart of accounts as modified by the comprehensive educational improvement and financing act.
- Transferred from unexpended appropriations to purchase teaching materials and equipment to meet various program needs.

**SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
HUNTERDON COUNTY, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017
UNAUDITED**

Capital Assets

During the fiscal year 2016-2017 the District's capital acquisitions exceeded depreciation expense, therefore capital assets net of depreciation increased by \$64,464.16. Table 6 reflects the comparative balances of capital assets net of depreciation. The detail of the changes in capital assets is reflected in Note 3 to the financial statements.

TABLE 6
CAPITAL ASSETS (NET OF DEPRECIATION) AT JUNE 30,

	<u>FY2017</u>	<u>FY2016</u>
Land	\$498,143.00	\$498,143.00
Construction in Progress		1,568,527.23
Site Improvements	135,013.50	176,612.68
Building Improvements	18,743,364.09	17,273,874.97
Machinery Equipment	635,149.18	430,047.73
	<u>\$20,011,669.77</u>	<u>\$19,947,205.61</u>

Debt Administration

At June 30, 2017, the District had \$21,688,424.57 of outstanding long-term debt, consisting of bonds payable, compensated absences, capital leases and net pension liability. The District will continue to pay down its debt, as the obligations are due. Table 7 reflects the comparison of outstanding debt for the past two fiscal years. More information of the District's long-term debt is presented in Note 4 to the financial statements.

TABLE 7
LONG-TERM DEBT AT JUNE 30,

	<u>FY2017</u>	<u>FY2016</u>
Bonds Payable	\$12,742,816.58	\$13,969,566.15
Capital Leases Payable	96,580.56	193,184.12
Compensated Absences	215,613.43	224,000.72
Net Pension Liability	8,633,414.00	6,125,045.00
	<u>\$21,688,424.57</u>	<u>\$20,511,795.99</u>

**SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
HUNTERDON COUNTY, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017
UNAUDITED**

Contacting the School District's Financial Management Office

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information contact Mrs. Kerry Sevilis, School Business Administrator/Board Secretary, South Hunterdon Regional School District, 301 Mt. Airy-Harbourton Road, Lambertville, NJ 08530.

BASIC FINANCIAL STATEMENTS

The basic financial statements provide a financial overview of the District's operations. These financial statements present the financial position and operating results of all funds as of June 30, 2017.

DISTRICT-WIDE FINANCIAL STATEMENTS

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

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>	<u>TOTAL</u>
ASSETS:			
Cash and cash equivalents	\$3,333,878.15	\$57,917.93	\$3,391,796.08
Receivables, net	264,020.37	42,566.56	306,586.93
Inventory		5,311.75	5,311.75
Interfund receivable	35,262.34		35,262.34
Restricted assets:			
Restricted cash and cash equivalents	2,737,652.38		2,737,652.38
Capital assets:			
Land	498,143.00		498,143.00
Other capital assets, net of depreciation	19,471,843.38	41,683.39	19,513,526.77
Total Assets	<u>26,340,799.62</u>	<u>147,479.63</u>	<u>26,488,279.25</u>
DEFERRED OUTFLOW OF RESOURCES:			
Related to pension	3,097,823.00		3,097,823.00
Loss on Refunding of Long-Term Debt	236,419.73		236,419.73
Unamortized Bond Premium	880,597.29		880,597.29
	<u>4,214,840.02</u>		<u>4,214,840.02</u>
LIABILITIES:			
Accounts payable	300,617.37	11,466.66	312,084.03
Interfund payables	66,163.46		66,163.46
Unearned revenue	269,316.91	5,018.13	274,335.04
Accrued interest on bonds	166,054.03		166,054.03
Noncurrent liabilities:			
Due within one year:			
Bonds and capital leases payable	1,369,370.69		1,369,370.69
Due beyond one year:			
Bonds and capital leases payable	12,350,623.74		12,350,623.74
Compensated absences payable	215,613.43		215,613.43
Net Pension Liability	8,633,414.00		8,633,414.00
Total liabilities	<u>23,371,173.63</u>	<u>16,484.79</u>	<u>23,387,658.42</u>
DEFERRED INFLOW OF RESOURCES:			
Related to pension	31,649.00		31,649.00
Gain on Refunding of Long-Term Debt	92,012.50		92,012.50
Total deferred inflow of resources	<u>123,661.50</u>		<u>123,661.50</u>
NET POSITION:			
Net investment in capital assets	7,274,996.47	41,683.39	7,316,679.86
Restricted for:			
Debt service fund (deficit)	(144,688.49)		(144,688.49)
Other purposes	5,577,737.26		5,577,737.26
Unrestricted (deficit)	<u>(5,647,240.73)</u>	<u>89,311.45</u>	<u>(5,557,929.28)</u>
Total net position	<u>\$7,060,804.51</u>	<u>\$130,994.84</u>	<u>\$7,191,799.35</u>

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

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Indirect Expense Allocation	Programs Revenues		Net (Expense) Revenue and Changes in Net Position	
			Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities
Governmental Activities:						
Instruction:						
Regular	\$ 5,879,405.41	\$ 4,275,032.66	\$	2,637,759.24	\$ (7,516,678.82)	\$ (7,516,678.82)
Special	2,376,641.19	1,559,904.73		1,896,183.17	(2,040,362.75)	(2,040,362.75)
Other Instruction	909,913.21	622,573.87		382,743.73	(1,149,743.35)	(1,149,743.35)
Support services:						
Tuition	1,030,916.53			90,274.00	(940,642.53)	(940,642.53)
Student and instruction related services	2,265,777.35	1,487,352.71		972,841.67	(2,780,288.39)	(2,780,288.39)
General administrative services	424,810.53	178,572.33			(603,382.86)	(603,382.86)
School administrative services	435,919.26	333,676.66			(561,850.00)	(561,850.00)
Central services	284,723.43	164,630.83		207,745.93	(449,354.26)	(449,354.26)
Administration information technology	176,057.47	119,204.23			(295,261.70)	(295,261.70)
Plant operations and maintenance	1,490,669.10	488,985.22			(1,979,654.32)	(1,979,654.32)
Pupil transportation	738,571.09	461,495.32		268,195.91	(931,870.50)	(931,870.50)
Unallocated benefits	8,899,804.74	(8,899,804.74)				
Interest on Long-Term Debt	463,027.00			351,413.00	(111,614.00)	(111,614.00)
Unallocated depreciation	791,623.82	(791,623.82)				
Total governmental activities	26,167,860.13	0		6,807,156.64	(19,360,703.48)	(19,360,703.48)
Business-type activities						
Food Service	305,033.23		191,244.82	118,773.01	4,984.60	4,984.60
Transportation Services	305,033.23		191,244.82	118,773.01	4,984.60	4,984.60
Total business-type activities					4,984.60	4,984.60
Total primary government	\$ 26,472,893.36	\$ 0.00	\$ 191,244.82	\$ 6,925,929.65	\$ (19,360,703.48)	\$ (19,355,718.88)
General Revenues:						
Taxes:						
Property taxes, levied for general purposes, net					\$ 17,075,119.00	\$ 17,075,119.00
Taxes levied for debt service					1,329,896.00	1,329,896.00
Federal and state aid not restricted					1,453,408.32	1,453,408.32
Federal and state aid restricted					23,751.31	23,751.31
Miscellaneous income					564,249.61	564,249.61
Transfers					84,750.61	84,750.61
Transfer of capital assets, net of depreciation					180,387.50	(180,387.50)
Disposal of capital asset (net)					(21,027.83)	(21,027.83)
Total general revenues and special items					20,690,534.52	20,425,788.81
Change in net position					1,329,831.04	1,070,069.93
Net Position - beginning					5,730,973.47	6,121,729.42
Net Position ending					7,060,804.51	7,191,799.35

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

MAJOR FUND FINANCIAL STATEMENTS

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

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	<u>GENERAL</u>	<u>SPECIAL</u>	<u>CAPITAL</u>	<u>DEBT</u>	<u>TOTAL</u>
	<u>FUND</u>	<u>REVENUE</u>	<u>PROJECTS</u>	<u>SERVICE</u>	<u>GOVERNMENTAL</u>
	<u>FUND</u>	<u>FUND</u>	<u>FUND</u>	<u>FUND</u>	<u>FUNDS</u>
ASSETS:					
Cash and cash equivalents	\$ 3,039,621.13	\$ 17,565.57	\$ 255,325.91	\$ 21,365.54	\$ 3,333,878.15
Cash, Capital Reserve	1,976,005.84				1,976,005.84
Cash, Emergency Reserve	250,161.11				250,161.11
Cash, Maintenance Reserve	511,485.43				511,485.43
Due from other funds	287,348.71				287,348.71
Receivables from other governments	<u>139,619.75</u>	<u>93,771.71</u>	<u>30,628.91</u>		<u>264,020.37</u>
 Total assets	 <u>6,204,241.97</u>	 <u>111,337.28</u>	 <u>285,954.82</u>	 <u>21,365.54</u>	 <u>6,622,899.61</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts payable	180.00	40,177.37			40,357.37
Interfund payables	32,295.01		285,954.82		318,249.83
Unearned revenue	<u>198,157.00</u>	<u>71,159.91</u>			<u>269,316.91</u>
 Total liabilities	 <u>230,632.01</u>	 <u>111,337.28</u>	 <u>285,954.82</u>		 <u>627,924.11</u>
Fund balances:					
Restricted for:					
Excess surplus	357,038.17				357,038.17
Excess surplus - designated for subsequent years expenditures	390,852.00				390,852.00
Maintenance reserve account	519,485.43				519,485.43
Capital reserve account	4,060,361.66				4,060,361.66
Emergency reserve account	250,000.00				250,000.00
Debt service				5,721.54	5,721.54
Committed to:					
Designated for subsequent years expenditures				15,644.00	15,644.00
Assigned to:					
Other purpose- encumbrances	125,827.63				125,827.63
Unassigned	<u>270,045.07</u>				<u>270,045.07</u>
 Total fund balances	 <u>5,973,609.96</u>			 <u>21,365.54</u>	 <u>5,994,975.50</u>
 Total liabilities and fund balances	 <u>\$ 6,204,241.97</u>	 <u>\$ 111,337.28</u>	 <u>\$ 285,954.82</u>	 <u>\$ 21,365.54</u>	 <u>\$ 6,622,899.61</u>

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

Total Fund Balances (Brought Forward)		\$5,994,975.50
Amounts Reported for Governmental Activities in the Statement of Net Position (A-1) are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Cost of Assets	\$29,756,436.42	
Accumulated Depreciation	(9,786,450.04)	
		19,969,986.38
Long term liabilities, including bonds payable, and other related amounts that are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Compensated Absences	(215,613.43)	
Bonds Payable	(12,742,816.58)	
Net Pension Liability	(8,633,414.00)	
Capital Leases	(96,580.56)	
		(21,688,424.57)
Deferred Outflows and Inflows of resources are applicable to future periods and therefore are not reported in the funds.		
Pensions:		
Deferred Outflows		
Pension related		3,097,823.00
Deferred Inflows:		
Pension related		(31,649.00)
Refunding Bonds:		
Deferred Outflow:		
Gain on Refunding Bonds		(92,012.50)
Deferred Inflows:		
Loss on Refunding Bonds		236,419.73
Certain liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.		
Accounts Payable - Pension Related	(260,260.00)	
Accrued Interest Payable	(166,054.03)	
		(426,314.03)
Net Position of Governmental Activities		\$7,060,804.51

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

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
Local sources:					
Local tax levy	\$17,075,119.00			\$1,329,896.00	\$18,405,015.00
Transportation	63,775.40				63,775.40
Interest on maintenance reserve	2,513.28				2,513.28
Interest on capital reserve	8,265.35				8,265.35
Miscellaneous	483,980.04	\$42,194.63		5,715.54	531,890.21
Total revenues - local sources	17,633,653.07	42,194.63		1,335,611.54	19,011,459.24
State sources	4,528,358.75	13,569.06	\$23,751.31	351,413.00	4,917,092.12
Federal sources	15,961.15	426,978.37			442,939.52
Total revenues	22,177,972.97	482,742.06	23,751.31	1,687,024.54	24,371,490.88
EXPENDITURES:					
Current expense:					
Regular instruction	5,947,623.61				5,947,623.61
Special instruction	1,947,746.50	428,894.69			2,376,641.19
Other Instruction	909,913.21				909,913.21
Support services:					
Tuition	1,030,916.53				1,030,916.53
Student and instruction related services	2,211,929.98	53,847.37			2,265,777.35
General administrative services	424,810.53				424,810.53
School administrative services	435,919.26				435,919.26
Central services	284,723.43				284,723.43
Administration information technology	176,057.47				176,057.47
Plant operations and maintenance	1,455,377.29				1,455,377.29
Pupil transportation	766,956.45				766,956.45
Unallocated benefits	5,332,263.03				5,332,263.03
Debt Service:					
Principal				1,226,749.57	1,226,749.57
Interest				481,574.75	481,574.75
Capital outlay	123,346.94		795,533.99		918,880.93
Total expenditures	21,047,584.23	482,742.06	795,533.99	1,708,324.32	24,034,184.60
Excess (deficiency) of revenues over (under) expenditures	1,130,388.74		(771,782.68)	(21,299.78)	337,306.28
Other financing sources (uses):					
Transfers in/(out)	(310,939.85)		395,690.46		84,750.61
Total other financing sources (uses)	(310,939.85)		395,690.46		84,750.61
Net change in fund balances	819,448.89		(376,092.22)	(21,299.78)	422,056.89
Fund balances, July 1, 2016	5,154,161.07	-0-	376,092.22	42,665.32	5,572,918.61
Fund balances, June 30, 2017	\$5,973,609.96	\$-0-	\$-0-	\$21,365.54	\$5,994,975.50

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

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Total net change in fund balances - governmental funds (from B-2)		\$422,056.89
Amounts reported for governmental activities in the statement of activities (A-2) are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period		
Depreciation expense		(\$791,623.82)
Capital assets transferred from proprietary funds, net of accumulated depreciation	\$180,387.50	
Capital outlays	918,880.93	
Capital outlays not capitalized	(35,291.81)	
	<u>\$1,063,976.62</u>	272,352.80
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.		
Payment of bonds payable		1,226,749.57
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.		
Payment of capital lease payable		96,603.56
Proceeds from debt issues are a financing source in governmental funds. They are not revenue in the statement of activities; issuing debt increases long-term liabilities in the statement of net positions.		
Deferred amortization on issuance of refunding bonds		684.98
In the statement of activities, interest on long-term debt is accrued, regardless of when due. In governmental funds, interest is reported when due. The accrued interest is an addition in the reconciliation.		
		17,862.78
District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.		
District pension contributions	258,965.00	
Less: Pension expense	<u>(952,804.00)</u>	(693,839.00)
In the statement of activities, only the gain on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from a sale increase financial resources. Thus, the change in net positions will differ from the change in fund balance by the cost of the position removed (-).		
		(21,027.83)
In the statement of activities, certain expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-). When the paid amount exceeds the earned amount, the difference is an addition to the reconciliation (+).		
(Increase)/Decrease in Compensated Absences		<u>8,387.29</u>
Change in net positions of governmental activities		<u>\$1,329,831.04</u>

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

OTHER FUNDS

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND				TOTAL
	NON-MAJOR FUND				
	FOOD SERVICE FUND	ENRICHMENT FUND	CHILD STUDY TEAM SERVICES FUND	TRANSPORTATION SERVICES FUND	
ASSETS:					
Current assets:					
Cash and cash equivalents	\$57,917.93				\$57,917.93
Accounts receivable - other	5,331.34				5,331.34
Interfund Receivable	32,295.01				32,295.01
Intergovernmental receivables:					
State	125.29				125.29
Federal	4,814.92				4,814.92
Inventories	5,311.75				5,311.75
Total current assets	105,796.24				105,796.24
Noncurrent assets:					
Furniture, machinery and equipment	159,800.00				159,800.00
Less accumulated depreciation	(118,116.61)				(118,116.61)
Total noncurrent assets	41,683.39				41,683.39
Total assets	147,479.63				147,479.63
LIABILITIES:					
Current liabilities:					
Accounts payable	11,466.66				11,466.66
Unearned revenue	5,018.13				5,018.13
Total current liabilities	16,484.79				16,484.79
Total liabilities	16,484.79				16,484.79
NET POSITION:					
Net investment in capital assets	41,683.39				41,683.39
Unrestricted	89,311.45				89,311.45
Total net position	\$130,994.84				\$130,994.84

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

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND				TOTAL
	NON-MAJOR FUND				
	FOOD SERVICE FUND	ENRICHMENT FUND	CHILD STUDY TEAM SERVICES FUND	TRANSPORTATION SERVICES FUND	
OPERATING REVENUES:					
Charges for services:					
Daily sales - Reimbursable Programs	\$144,844.75				\$144,844.75
Daily sales - Non-Reimbursable Programs	25,752.13				25,752.13
Satellite sales	20,647.94				20,647.94
Total operating revenues	191,244.82				191,244.82
OPERATING EXPENSES:					
Salaries	88,204.49				88,204.49
Employee Benefits	23,832.52				23,832.52
Other Purchase Service (Administrative Expenses)	25,799.06				25,799.06
Miscellaneous Expenditures	1,775.60				1,775.60
Depreciation	6,473.31				6,473.31
Cost of sales - reimbursable programs	112,498.67				112,498.67
Cost of sales - non-reimbursable programs	46,449.58				46,449.58
Total operating expenses	305,033.23				305,033.23
Operating income (loss)	(113,788.41)				(113,788.41)
NONOPERATING REVENUES (EXPENSES):					
State Sources:					
State School Lunch Program	2,584.56				2,584.56
Federal Sources:					
National School Lunch Program	87,819.74				87,819.74
National School Breakfast Program	8,047.67				8,047.67
National food distribution commodities	20,321.04				20,321.04
Interest on Investments	392.40				392.40
Total nonoperating revenues	119,165.41				119,165.41
Income/(loss) before contributions and transfers	5,377.00				5,377.00
Capital Contributions and Operating Transfers:					
Operating Transfers		(5,315.65)	(57,420.25)	(202,402.21)	(265,138.11)
Total Capital Contributions and Operating Transfers		(5,315.65)	(57,420.25)	(202,402.21)	(265,138.11)
Change in net position	5,377.00	(5,315.65)	(57,420.25)	(202,402.21)	(259,761.11)
Total net position - beginning of the year	125,617.84	5,315.65	57,420.25	202,402.21	390,755.95
Total net position - end of the year	\$130,994.84				\$130,994.84

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

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND				TOTAL
	NON-MAJOR FUND				
	FOOD SERVICE FUND	ENRICHMENT FUND	CHILD STUDY TEAM SERVICES FUND	TRANSPORTATION SERVICES FUND	
Cash flows from operating activities:					
Receipts from customers	\$204,567.71				\$204,567.71
Payments to employees	(88,204.49)				(88,204.49)
Payments to employee benefits	(23,832.52)				(23,832.52)
Payments to suppliers	(165,806.90)				(165,806.90)
Net cash provided by (used for) operating activities	(73,276.20)				(73,276.20)
Cash flows from noncapital financing activities:					
State Sources	2,872.14				2,872.14
Federal Sources	106,526.03				106,526.03
Interfund Activity	(32,295.01)				(32,295.01)
Operating subsidies and transfers to other funds		(5,315.65)	(57,420.25)	(22,014.71)	(84,750.61)
Net cash provided by noncapital financing activities:	77,103.16	(5,315.65)	(57,420.25)	(22,014.71)	(7,647.45)
Cash flows from investing activities:					
Interest	392.40				392.40
Net cash provided by (used for) investing activities	392.40				392.40
Net increase (decrease) in cash and cash equivalents	4,219.36	(5,315.65)	(57,420.25)	(22,014.71)	(80,531.25)
Cash and cash equivalents, July 1, 2016	53,698.57	5,315.65	57,420.25	22,014.71	138,449.18
Cash and cash equivalents, June 30, 2017	\$57,917.93				\$57,917.93
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	(\$113,788.41)				(\$113,788.41)
Adjustments to reconciling operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	6,473.31				6,473.31
Federal commodities	20,321.04				20,321.04
Change in assets and liabilities:					
(Increase) decrease in accounts receivable - other	10,972.28				10,972.28
(Increase) decrease in inventories	1,700.77				1,700.77
Increase (decrease) in accounts payable	(839.84)				(839.84)
Increase (decrease) in unearned revenue	1,884.65				1,884.65
	40,512.21				40,512.21
Net cash provided by (used for) operating activities	(\$73,276.20)				(\$73,276.20)

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

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>PRIVATE PURPOSE AWARD FUNDS</u>	<u>UNEMPLOYMENT COMPENSATION TRUST FUND</u>	<u>AGENCY FUNDS</u>
ASSETS:			
Cash and cash equivalents	\$55,842.00	\$236,030.15	\$179,816.92
Intrafunds receivable			1,558.00
Total assets	<u>55,842.00</u>	<u>236,030.15</u>	<u>181,374.92</u>
LIABILITIES:			
Accounts payable		7,683.00	
Interfunds payable			1,393.89
Intrafunds payable	1,558.00		
Payroll deductions and withholdings			49,112.50
Payable to student groups			130,868.53
Total liabilities	<u>1,558.00</u>	<u>7,683.00</u>	<u>181,374.92</u>
NET POSITION:			
Held in trust for unemployment claims		228,347.15	
Reserved for scholarships	54,284.00		
Total net position	<u>\$54,284.00</u>	<u>\$228,347.15</u>	<u>\$-0-</u>

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

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>PRIVATE PURPOSE AWARD FUNDS</u>	<u>UNEMPLOYMENT COMPENSATION TRUST FUND</u>
ADDITIONS:		
Contributions:		
Plan Members		\$18,742.01
Other	\$2,800.00	
Total contributions	<u>2,800.00</u>	<u>18,742.01</u>
Investment earnings:		
Interest	699.91	1,115.59
Net investment earnings	<u>699.91</u>	<u>1,115.59</u>
Total additions	<u>3,499.91</u>	<u>19,857.60</u>
DEDUCTIONS:		
Awards	6,676.00	
Unemployment claims		26,092.18
Total deductions	<u>6,676.00</u>	<u>26,092.18</u>
Change in net position	(3,176.09)	(6,234.58)
Net position - beginning of the year	<u>57,460.09</u>	<u>234,581.73</u>
Net position - end of the year	<u>\$54,284.00</u>	<u>\$228,347.15</u>

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

South Hunterdon Regional School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the South Hunterdon Regional School District (the District) have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Reporting Entity

The District is a Type II district located in Hunterdon County, New Jersey. The School District is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of elected officials and is responsible for the fiscal control of the District. A Superintendent is appointed by the Board and is responsible for the administrative control of the District.

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

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

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government.
2. The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources of the organization.
3. The economic resources received or held by an *individual organization* that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

The combined financial statements include all funds of the District over which the Board exercises operating control. The operations of the District include three elementary schools, and a middle school/high school. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

South Hunterdon Regional School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

The District's basic financial statements consist of District-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

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

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

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

South Hunterdon Regional School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Fund Types

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

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

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

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

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

South Hunterdon Regional School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Fund

Enterprise Fund - The enterprise fund accounts for all revenues and expenses pertaining to cafeteria operations, Enrichment Program, Child Study Team and Transportation services. The food service fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Food Service Fund:

Equipment	12 Years
Light Trucks and Vehicles	4 Years
Heavy Trucks and Vehicles	6 Years

Fiduciary Fund Types

Agency Funds – The agency funds are used to account for assets held by the district on behalf of others and are custodial in nature. The agency funds included in this category are as follows:

Unemployment Compensation Insurance Trust Fund - A trust fund used to account for assets to finance the costs of unemployment benefits. Since the Board has adopted the direct reimbursement method, the District is under obligation to appropriate sufficient funds out of its general fund and hold them in trust for this purpose.

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

South Hunterdon Regional School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting – Measurement Focus

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

Districtwide, Proprietary, and Fiduciary Fund Financial Statements

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

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

Governmental Fund Financial Statements

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

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

South Hunterdon Regional School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the county office. In accordance with P.L. 2011, c. 202, which became effective January 17, 2012, the District elected to move the School Board election to the date of the November general election thereby eliminating the vote on the annual base budget unless required by the mandated State budget CAP. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23-2.2(f)1. Expenditures may not legally exceed budgeted appropriations at the line item level. All budget amendments and transfers must be approved by School Board resolution. Budget amendments during the year ended June 30, 2017 totaled \$291,966.31, representing the balance of June 30, 2016 general fund encumbrances and transfers to the capital project fund.

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

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

Formal budgetary integration into the accounting system is employed as a management control device during the fiscal year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles (GAAP) with the exception of the legally mandated (NJSA 18A:22-44.2) revenue recognition of deferred State Aid payments for budgetary purposes only and the accounting treatment of encumbrances in the special revenue fund as described below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis 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 records.

South Hunterdon Regional School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Encumbrance Accounting

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

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

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

Interfunds

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

Inventories and Prepaid Expenses

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

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

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

South Hunterdon Regional School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

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

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

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

South Hunterdon Regional School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

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

District employees are granted varying amounts of vacation and sick leave in accordance with the District's personnel policy. The District's policy permits employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement employees shall be paid by the District for the unused sick leave in accordance with the District's agreements with the various employee unions.

The liability for compensated absences was accrued using the vesting method, whereby the liability is calculated by vesting balances as of the balance sheet date for which payment is probable. Salary related payments for the employer's share of social security and Medicare taxes are included.

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

Unearned Revenue

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

South Hunterdon Regional School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accrued Liabilities and Long-Term Obligations

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

Net Position

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

South Hunterdon Regional School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Restrictions

In the fund financial statements, governmental funds report the following classifications of fund balance:

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

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

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

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

Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund. The District reports all amounts that meet the unrestricted General Fund Balance Policy described below as unassigned:

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

The general fund is the only fund that will report a negative unassigned fund balance. For all other governmental funds the amount of a residual deficit would be classified as unassigned.

South Hunterdon Regional School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues – Exchange and Non-Exchange Transactions

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

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

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

South Hunterdon Regional School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Revenues and Expenses

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

Allocation of Indirect Expenses

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

Extraordinary and Special Items

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

Management Estimates

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

South Hunterdon Regional School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting and Financial Reporting for Pensions

In the District-Wide Financial Statements for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's proportionate share of the New Jersey Public Employees Retirement System ("PERS") and the Teachers' Pension and Annuity Fund ("TPAF") and the additions to/deductions from these retirement systems' fiduciary net position have been determined on the same basis as they were reported by PERS and TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify in this category, gain/loss on refunding of long-term debt and deferred amounts related to pension.

South Hunterdon Regional School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2017

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

The District considers petty cash, change funds, cash in banks, and short-term investments with original maturities of three months or less as cash and cash equivalents. Investments are stated at cost, which approximates market.

Deposits

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

As of June 30, 2017, cash and cash equivalents of the District consisted of the following:

<u>Fund Type</u>	<u>Bank Balance</u>	<u>Reconciling Items</u>		<u>Reconciled Balance</u>
		<u>Additions</u>	<u>Deletions</u>	
Governmental	\$6,176,162.43	\$137,176.66	\$241,808.56	\$6,071,530.53
Proprietary	57,917.93			57,917.93
Fiduciary	491,874.39	100.00	20,285.32	471,689.07
	<u>\$6,725,954.75</u>	<u>\$137,276.66</u>	<u>\$262,093.88</u>	<u>\$6,601,137.53</u>

South Hunterdon Regional School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2017

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

Deposits (Continued)

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The District does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of June 30, 2017, based upon the coverage provided by FDIC and NJ GUDPA, no amount of the bank balance was exposed to custodial credit risk. Of the cash on balance in the bank \$250,000.00 was covered by Federal Depository Insurance and \$6,475,954.75 was covered by NJ GUDPA. The New Jersey Cash Management Fund is an investment pool and is not insured by either FDIC or GUDPA.

Investments

The types of investments which may be purchased by the District are strictly limited by the express authority of the N.J.S.A. 18A:20-37 Education, Administration of School Districts. Permitted investments include any of the following type of securities:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
2. Government money market mutual funds which are purchased from an investment company or investment trust which is registered with the Securities and Exchange Commission under the "Investment Company Act of 1940," 15 U.S.C. 80a-1 et seq., and operated in accordance with 17 C.F.R. § 270.2a-7 and which portfolio is limited to U.S. Government securities that meet the definition of an eligible security pursuant to 17 C.F.R. § 270.2a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 18A:20-37. These funds are also required to be rated by a nationally recognized statistical rating organization.
3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor.
4. Bonds or other obligations of the Local Unit or bonds or other obligations of school districts of which the Local Unit is a part or within which the school district is located.

South Hunterdon Regional School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2017

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

Investments (Continued)

5. Bonds or other obligations, having a maturity date not more than 397 days from date of purchase, approved by the Division of Investment of the Department of Treasury for investment by School Districts.
6. Local government investment pools that are fully invested in U.S. Government securities that meet the definition of eligible security pursuant to 17 C.F.R. § 270a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 18A:20-37. This type of investment is also required to be rated in the highest category by a nationally recognized statistical rating organization.
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C. 52:18A-90.4); or
8. Agreements for the repurchase of fully collateralized securities if:
 - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection;
 - b. the custody of collateral is transferred to a third party;
 - c. the maturity of the agreement is not more than 30 days;
 - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C. 17:19-41); and;
 - e. a master repurchase agreement providing for the custody and security of collateral is executed.

As of June 30, 2017 the District had no investments.

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

South Hunterdon Regional School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2017

NOTE 3: CHANGE IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Transfers	Additions	Retirements	Ending Balance
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 498,143.00	\$	\$	\$	\$ 498,143.00
Construction in Progress	1,568,527.23	(1,568,527.23)			
Total Capital assets not being depreciated	<u>2,066,670.23</u>	<u>(1,568,527.23)</u>			<u>498,143.00</u>
Land Improvements	840,070.00				840,070.00
Building and Building Improvements	24,240,820.50	1,365,942.04	700,532.87		26,307,295.41
Furniture and Equipment	1,944,969.29	478,335.19	183,056.25	495,432.72	2,110,928.01
Totals as historical cost	<u>27,025,859.79</u>	<u>1,844,277.23</u>	<u>883,589.12</u>	<u>495,432.72</u>	<u>29,258,293.42</u>
Total Gross assets (Memo only)	<u>\$ 29,092,530.02</u>	<u>\$ 275,750.00</u>	<u>\$ 883,589.12</u>	<u>\$ 495,432.72</u>	<u>\$ 29,756,436.42</u>
Less: Accumulated Depreciation for:					
Land Improvements	\$ (663,457.32)	\$	\$ (41,599.18)	\$	\$ (705,056.50)
Building and Building Improvements	(6,966,945.53)		(596,985.79)		(7,563,931.32)
Furniture and Equipment	(1,743,465.76)	(95,362.50)	(153,038.85)	(474,404.89)	(1,517,462.22)
Total depreciation	<u>(9,373,868.61)</u>	<u>(95,362.50)</u>	<u>(791,623.82)</u>	<u>(474,404.89)</u>	<u>(9,786,450.04)</u>
Total Capital assets being depreciated net of accumulated depreciation	<u>17,651,991.18</u>	<u>1,748,914.73</u>	<u>91,965.30</u>	<u>21,027.83</u>	<u>19,471,843.38</u>
Governmental activities capital assets, net	<u>\$ 19,718,661.41</u>	<u>\$ 180,387.50</u>	<u>\$ 91,965.30</u>	<u>\$ 21,027.83</u>	<u>\$ 19,969,986.38</u>
Business-type activities:					
Equipment	\$ 435,550.00	\$ (275,750.00)	\$	\$	\$ 159,800.00
Less: Accumulated Depreciation	<u>(207,005.80)</u>	<u>95,362.50</u>	<u>(6,473.31)</u>		<u>(118,116.61)</u>
Proprietary fund capital assets, net	<u>\$ 228,544.20</u>	<u>\$ (180,387.50)</u>	<u>\$ (6,473.31)</u>	<u>\$ -</u>	<u>\$ 41,683.39</u>
Total Capital Assets - All Funds, net	<u>\$ 19,947,205.61</u>	<u>\$</u>	<u>\$ 85,491.99</u>	<u>\$ 21,027.83</u>	<u>\$ 20,011,669.77</u>

South Hunterdon Regional School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2017

NOTE 3: CHANGE IN CAPITAL ASSETS (CONTINUED)

Depreciation Expense was charged to governmental expenses as follows:

Instruction:		
Regular	\$	288,403.45
Specials		94,447.27
Other		44,122.18
Support Services:		
Student and Instruction Related Services		98,430.87
General Administrative Services		32,814.07
School Administrative Services		19,398.40
Central Service		12,670.19
Administration Information Technology		7,834.56
Plant Operations and Maintenance		72,833.78
Pupil Transportation		<u>120,669.05</u>
	\$	<u><u>791,623.82</u></u>

South Hunterdon Regional School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2017

NOTE 4: LONG-TERM LIABILITIES

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

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

The following is a summary of changes in liabilities that effect other long-term obligations for the year ended June 30, 2017:

	<u>Bonds Payable</u>	<u>Unamortized Bond Premium</u>	<u>Leases Payable</u>	<u>Compensated Absences Payable</u>	<u>Net Pension Liability</u>	<u>Total</u>
Balance June 30, 2016	\$ 13,969,566.15	\$ 959,403.63	\$ 193,184.12	\$ 224,000.72	\$ 6,125,045.00	\$ 21,471,199.62
Additions	<u>13,969,566.15</u>	<u>959,403.63</u>	<u>193,184.12</u>	<u>224,000.72</u>	<u>2,508,369.00</u>	<u>2,508,369.00</u>
Deletions	<u>1,226,749.57</u>	<u>78,806.34</u>	<u>96,603.56</u>	<u>8,387.29</u>	<u>8,633,414.00</u>	<u>1,410,546.76</u>
Balance June 30, 2017	<u>\$ 12,742,816.58</u>	<u>\$ 880,597.29</u>	<u>\$ 96,580.56</u>	<u>\$ 215,613.43</u>	<u>\$ 8,633,414.00</u>	<u>\$ 22,569,021.86</u>
Amounts due within one year	<u>\$ 1,272,790.13</u>	<u>\$ -0-</u>	<u>\$ 96,580.56</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,369,370.69</u>

South Hunterdon Regional School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2017

NOTE 4: LONG-TERM LIABILITIES (CONTINUED)

Bonds Payable

The annual requirements to amortize all debt outstanding as of June 30, 2017, with interest payments on issued debt, are as follows:

Fiscal Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,272,790.13	\$ 434,912.55	\$ 1,707,702.68
2019	1,323,871.17	392,045.48	1,715,916.65
2020	1,374,994.25	347,373.05	1,722,367.30
2021	1,426,161.03	300,786.08	1,726,947.11
2022	1,445,000.00	253,057.50	1,698,057.50
2023	1,490,000.00	204,135.00	1,694,135.00
2024	1,435,000.00	154,662.50	1,589,662.50
2025	1,490,000.00	104,385.00	1,594,385.00
2026	<u>1,485,000.00</u>	<u>52,185.00</u>	<u>1,537,185.00</u>
	<u>\$ 12,742,816.58</u>	<u>\$ 2,243,542.17</u>	<u>\$ 14,986,358.75</u>

Bonds Authorized But Not Issued

As of June 30, 2017, the District had no Bonds Authorized but not issued.

2015 Refunding

The District issued \$9,600,000.00 in refunding school bonds to advance refund \$9,702,000.00 of the districts previously issued and outstanding high school addition bonds. As a result, the \$9,702,000.00 of the refunded obligations are considered to be defeased and the liability for those bonds has been removed from the financial statements.

2015 Refunding

The District issued \$835,000.00 in refunding school bonds to advance refund \$790,000.00 of the districts previously issued and outstanding West Amwell school improvement bonds. As a result, the \$790,000.00 of the refunded obligations are considered to be defeased and the liability for those bonds has been removed from the financial statements.

South Hunterdon Regional School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2017

NOTE 4: LONG-TERM LIABILITIES (CONTINUED)

2016 Refunding

The District issued \$3,375,000.00 in refunding school bonds to advance refund \$3,170,000.00 of the districts previously issued and outstanding high school addition bonds. As a result, the \$3,170,000.00 of the refunded obligations are considered to be defeased and the liability for those bonds has been removed from the financial statements.

Capital Leases Payable

The District has entered into lease agreements for technology equipment, fitness equipment and vehicles. The following is a schedule of the future minimum lease payments under the capital lease and the present value of the net minimum lease payments at June 30, 2017:

Governmental Fund:	
<u>Year</u>	<u>Amount</u>
2018	\$ 98,920.05
	<hr/>
Total minimum lease payments	98,920.05
Less: Amounts representing interest	2,339.49
	<hr/>
Present value of net minimum lease payment	\$ 96,580.56
	<hr/> <hr/>

South Hunterdon Regional School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2017

NOTE 5: PENSION PLANS

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

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

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

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

South Hunterdon Regional School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2017

NOTE 5: PENSION PLANS (CONTINUED)

Significant Legislation

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

Pension Plan Design Changes

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

Funding Changes

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

COLA Suspension

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

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

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

South Hunterdon Regional School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2017

NOTE 5: PENSION PLANS (CONTINUED)

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

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

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

<u>Three-Year Trend Information for PERS</u>			
<u>Year</u> <u>June 30,</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
2017	\$258,965.00	100.00%	\$258,965.00
2016	\$234,582.00	100.00%	\$234,582.00
2015	\$215,767.00	100.00%	\$215,767.00

<u>Three-Year Trend Information for TPAF (Paid On-Behalf of the District)</u>			
<u>Year</u> <u>June 30,</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
2017	\$871,525.00	100.00%	\$871,525.00
2016	\$603,028.00	100.00%	\$603,028.00
2015	\$406,863.00	100.00%	\$406,863.00

Also, in accordance with N.J.S.A. 18A:66-66 during the years ended June 30, 2017, 2016 and 2015, the State of New Jersey reimbursed the District \$634,590.75, \$617,440.87 and \$577,165.03 respectively for the employer's share of social security contributions for TPAF members, as calculated on their base salaries.

South Hunterdon Regional School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2017

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

Public Employees Retirement System (PERS)

At June 30, 2017, the District reported a liability of \$8,633,414.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2016, the District's proportion was 0.0291500635 percent, which was an increase of 0.0018645776 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$952,804.00 in the government-wide financial statements. This pension expense was based on the pension plans June 30, 2016 measurement date.

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>
Differences between expected and actual experience		\$160,555.00
Changes of assumptions		1,788,381.00
Net difference between projected and actual earnings on pension plan investments		329,199.00
Changes in proportion and differences between District contributions and proportionate share of contributions	\$31,649.00	559,428.00
District contributions subsequent to the measurement date		<u>260,260.00</u>
	<u>\$31,649.00</u>	<u>\$3,097,823.00</u>

South Hunterdon Regional School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2017

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

Public Employees Retirement System (PERS) (Continued)

The \$260,260.00 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2017, the plan measurement date is June 30, 2017) will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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	Amount
<u>June 30</u>	<u>Amount</u>
2018	\$656,570.00
2019	\$656,570.00
2020	\$671,670.00
2021	\$619,300.00
2022	\$201,802.00

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which rolled forward to June 30, 2015. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation	3.08 Percent
Salary Increases	
Through 2026	1.65-4.15 Percent (based on age)
Thereafter	2.65-5.15 Percent (based on age)
Investment Rate of Return	7.65 Percent

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. 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.

South Hunterdon Regional School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2017

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

Mortality Rates

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016 and 7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment 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.

South Hunterdon Regional School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2017

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

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions (Continued)

Long-Term Rate of Return (continued)

Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>June 30, 2016</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Markets	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Returns	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 3.98% and 4.90% as of June 30, 2016 and 2015, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and 7.90%, and a municipal bond rate of 2.85% and 3.80% as of June 30, 2016 and 2015, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

South Hunterdon Regional School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2017

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

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions (Continued)

Discount Rate (Continued)

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 contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employer contributed 100% of their 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 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate.

The following presents the collective net pension liability of the participating employers as of June 30, 2016 respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1- percentage-point higher than the current rate:

	June 30, 2016		
	1% Decrease <u>2.98%</u>	At Current Discount Rate <u>3.98%</u>	1% Increase <u>4.98%</u>
District's proportionate share of the pension liability	10,579,240.00	8,633,413.00	7,026,964.00

South Hunterdon Regional School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2017

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

Public Employees Retirement System (PERS) (Continued)

Pension Plan Fiduciary Net position.

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

Teachers Pensions and Annuity Fund (TPAF)

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

The portion of the TPAF Net Pension Liability that was associated with the District recognized at June 30, 2017 was as follows:

Net Pension Liability:	
Districts proportionate share	-0-
State's proportionate share associated with the District	\$59,350,221
	\$59,350,221

South Hunterdon Regional School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2017

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

Teachers Pensions and Annuity Fund (TPAF) (Continued)

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The net pension liability associated with the District was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. . At June 30, 2016, the proportion of the TPAF net pension liability associated with the District was .0753183648% which was an increase of .0000620837 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized on-behalf pension expense and revenue of \$4,451,830.00 in the government-wide financial statements for contributions provided by the State. This pension expense and revenue was based on the pension plans June 30, 2016 measurement date.

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	2.50%
Salary increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment rate of return	7.65%

Mortality Rates

Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60-year average of Social Security data from 1953 to 2013.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

South Hunterdon Regional School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2017

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

Teachers Pensions and Annuity Fund (TPAF) (Continued)

Actuarial Assumptions (Continued)

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) 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, 2016 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%	0.39%
US Government Bonds	1.50%	1.28%
US Credit Bonds	13.00%	2.76%
US Mortgages	2.00%	2.38%
US Inflation-Indexed Bonds	1.50%	1.41%
High Yield Bonds	2.00%	4.70%
US Equities Markets	26.00%	5.14%
Foreign-Developed Equity	13.25%	5.91%
Emerging Market Equities	6.50%	8.16%
Private Real Estate Property	5.25%	3.64%
Timber	1.00%	3.86%
Farmlands	1.00%	4.39%
Private Equity	9.00%	8.97%
Commodities	0.50%	2.87%
Hedge Funds - Multi Strategy	5.00%	3.70%
Hedge Funds - Equity Hedge	3.75%	4.72%
Hedge Funds - Distressed	3.75%	3.49%
	<u>100.00%</u>	

South Hunterdon Regional School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2017

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

Teachers Pensions and Annuity Fund (TPAF) (Continued)

Actuarial Assumptions (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 3.22% and 4.13% as of June 30, 2016 and 2015, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and 7.90, and a municipal bond rate of 2.85% and 3.80% as of June 30, 2016 and 2015, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State contributed 30% of the 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 2029. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2029, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

Pension Plan Fiduciary Net Position.

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

South Hunterdon Regional School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2017

NOTE 7: OTHER POST-RETIREMENT BENEFITS

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

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

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2016 there were 110,512 retirees receiving post-retirement medical benefits and the State contributed \$1.37 billion on their behalf. The cost of these benefits is funded through contributions by the state in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The state is also responsible for the cost attributable to P.L. 1992 c. 126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The state paid \$231.2 million toward Chapter 126 benefits for 20,045 eligible retired members in Fiscal Year 2016.

South Hunterdon Regional School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2017

NOTE 7: OTHER POST-RETIREMENT BENEFITS (CONTINUED)

The State will set the contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF retirees' post-retirement benefits on behalf of the School District for the years ended June 30, 2017, 2016 and 2015 were \$726,178, \$718,040 and \$645,896, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey.

NOTE 8: LITIGATION

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

NOTE 9: CONTINGENCIES

The District receives financial assistance from the State of New Jersey and the U.S. Government in the form of grants. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. The State and Federal grants received and expended in the 2016-2017 fiscal year were subject to the U.S. OMB Uniform Guidance and New Jersey OMB Circular 15-08 which mandates that grant revenues and expenditures be audited in conjunction with the District's annual audit if expenditures for federal or state programs exceed \$750,000. Findings and questioned costs, if any, relative to federal and state financial assistance programs are discussed in the Single Audit Section, Schedule of Findings and Questioned Costs. In addition, all grants and cost reimbursements are subject to financial and compliance audits by the grantors. The District's management does not believe any such audit would result in material amounts of disallowed costs.

South Hunterdon Regional School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2017

NOTE 10: RISK MANAGEMENT

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

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

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

<u>Fiscal Year</u>	<u>Interest Earnings</u>	<u>Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2016-17	\$ 1,115.59	\$ 18,742.01	\$ 26,092.18	\$ 228,347.15
2015-16	772.30	19,354.89	17,811.78	234,581.73
2014-15	593.60	45,589.54	31,605.58	232,266.32

NOTE 11: COMPENSATED ABSENCES

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

District employees are granted varying amounts of vacation and sick leave in accordance with the District's personnel policy. The District's policy permits employees to accumulate unused sick leave and carry forward the amount to subsequent years. Upon retirement, employees shall be paid by the District for the unused sick leave in accordance with the Districts agreements with the various employee unions.

South Hunterdon Regional School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2017

NOTE 11: COMPENSATED ABSENCES (CONTINUED)

The liability for vested compensated absences of the governmental fund types are recorded in the district - wide statement of net position. As of June 30, 2017, a liability existed for compensated absences for governmental fund-types in the district-wide Statement of Net Position of \$215,613.43.

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, 2017 no liability existed for compensated absences in the proprietary fund.

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

NOTE 12: FUND BALANCE APPROPRIATED

General Fund – The table below reflects the District’s Fund Balance at June 30, 2017 on both a GAAP (Exhibit B-1) and Budgetary (Exhibit C-1) basis including the required adjustment related to the last state aid payment which under GAAP is not recognized:

	<u>Budgetary</u> <u>Basis</u>	<u>Adjustment</u>	<u>GAAP</u> <u>Basis</u>
Restricted for:			
Excess surplus:			
Designated for subsequent			
years expenditures	\$ 390,852.00	\$	\$ 390,852.00
Current year	357,038.17		357,038.17
Maintenance reserve	519,485.43		519,485.43
Capital reserve	4,060,361.66		4,060,361.66
Emergency reserve	250,000.00		250,000.00
Assigned to:			
Encumbrances	125,827.63		125,827.63
Unassigned	<u>471,385.07</u>	<u>(201,340.00)</u>	<u>270,045.07</u>
	<u>\$ 6,174,949.96</u>	<u>\$ (201,340.00)</u>	<u>\$ 5,973,609.96</u>

Debt Service Fund – Of the \$21,365.54 in Debt Service Fund fund balance at June 30, 2017, \$15,644.00 has been appropriated and included as anticipated revenue in the 2017-2018 Budget and \$5,721.54 is committed to debt service.

South Hunterdon Regional School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2017

NOTE 13: CALCULATION OF EXCESS SURPLUS – BUDGETARY BASIS

The Restricted Fund Balance - Excess Surplus is a required calculation pursuant to N.J.S.A. 18A:7F-7, as amended. New Jersey school districts are required to reserve 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.

General Fund Expenditures Fiscal Year Ended June 30, 2017	\$21,047,584.23
Add:	
Transfer from Capital Reserve to Capital Projects Fund	738,524.14
Less:	
On-behalf TPAF Pension and Social Security Reimbursement	2,234,804.75
Adjusted General Fund Expenditures	\$19,551,303.62
Excess Surplus Percentage	<u>2.00%</u>
2% of Adjusted 2016-17 General Fund Expenditures	391,026.07
Add: Allowable Adjustments	<u>80,359.00</u>
Maximum Unreserved/Undesignated Fund Balance	471,385.07
Actual Unreserved/Undesignated Fund Balance	<u>828,423.24</u>
Excess Surplus - current year	<u>\$357,038.17</u>
Recapitulation of Excess Surplus, June 30, 2017:	
Current Year	\$357,038.17
Prior Year - Designated for Subsequent Year's Expenditures	<u>390,852.00</u>
	<u><u>\$747,890.17</u></u>

Based on the above calculation, as of June 30, 2017, \$390,852.00 is reported as Reserved Fund Balance - Excess Surplus Designated for Subsequent Year's Expenditure and was required to be appropriated for property tax relief in the 2017-18 budget. \$357,038.1 is reported as Restricted Fund Balance - Excess Surplus and is required to be appropriated for property tax relief in the 2018-19 budget.

South Hunterdon Regional School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2017

NOTE 14: INTERFUND RECEIVABLES AND PAYABLES

<u>FUND</u>	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>
General Fund	\$ 287,348.71	\$ 32,295.01
Capital Projects Fund		285,954.82
Food Service Fund	32,295.01	
Payroll Agency Fund		1,393.89
	\$ <u>319,643.72</u>	\$ <u>319,643.72</u>

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

NOTE 15: CAPITAL RESERVE ACCOUNT

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

Funds placed in the capital reserve account are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the Department of Education, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by Board resolution at year end (June 1 to June 30) of any unanticipated revenue or unexpended line item appropriations, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained by either a separate proposal at budget time or by a special question at one of the four special election dates authorized by N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6A:23A-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

South Hunterdon Regional School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2017

NOTE 15: CAPITAL RESERVE ACCOUNT (CONTINUED)

The activity of the capital reserve for the July 1, 2016 to June 30, 2017 fiscal year is as follows:

Capital Reserve Account

Beginning balance, July 1, 2016		\$2,649,394.77
Transferred by Board Resolution	\$1,293,000.00	
District contribution	505,392.00	
Transferred from Capital Projects Fund	342,833.68	
Interest earned	8,265.35	
		2,149,491.03
		4,798,885.80
Withdrawals		
Transfer to Capital Projects Fund		738,524.14
Ending balance, June 30, 2017		\$4,060,361.66

NOTE 16: EMERGENCY RESERVE ACCOUNT

In accordance with N.J.S.A. 18A:7F-41c(1), an emergency reserve account was established by the District. The emergency reserve account is maintained in the general fund.

The funds in the reserve shall be used to finance unanticipated general fund current expense costs required for T&E. For the purpose of the emergency reserve account “unanticipated” shall mean reasonably unforeseeable and shall not include additional costs caused by poor planning or error.

The account balance is not to exceed \$250,000 or one percent of the district’s general fund budget up to a maximum of \$1,000,000 whichever is greater. Withdrawals require approval by the Commissioner.

At June 30, 2017, the balance of the Emergency Reserve Account was \$250,000.00.

South Hunterdon Regional School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2017

NOTE 16: EMERGENCY RESERVE ACCOUNT (CONTINUED)

The activity of the emergency reserve for the July 1, 2016 to June 30, 2017 fiscal year is as follows:

Emergency Reserve Account

Beginning balance, July 1, 2016	\$250,000.00
Ending balance, June 30, 2017	<u>\$250,000.00</u>

NOTE 17: MAINTENANCE RESERVE ACCOUNT

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

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

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

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

At June 30, 2017, the balance of the Maintenance Reserve Account was \$519,485.43 and is within the statutory limitations.

South Hunterdon Regional School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2017

NOTE 17: MAINTENANCE RESERVE ACCOUNT (CONTINUED)

The activity of the maintenance reserve for the July 1, 2016 to June 30, 2017 fiscal year is as follows:

Maintenance Reserve Account

Beginning balance, July 1, 2016	\$516,972.15
Interest earned	<u>2,513.28</u>
Ending balance, June 30, 2017	<u><u>\$519,485.43</u></u>

NOTE 18: DEFERRED COMPENSATION

The District offers its employees a choice of the deferred compensation plans created in accordance with Internal Revenue Code Section 403(b) and 457. The plans permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death, or unforeseeable emergency. Since the Board does not have any property or rights to the plan assets and no fiduciary relationship exists between the District and the deferred compensation plan, the plan assets are not included in the District's financial statements as of June 30, 2017.

NOTE 19: INVENTORY

Inventory in the Food Service Fund at June 30, 2017 consisted of the following:

Food and Supplies	<u>\$5,311.75</u>
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The value of Federal donated commodities as reflected on Schedule A (required by the Single Audit Act amendments of 1996) is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of non-operating revenue in the financial statements.

NOTE 20: SUBSEQUENT EVENTS

The District has evaluated material subsequent events occurring after the financial statement date through September 20, 2017 which is the date the financial statements were available to be issued. The District has determined that there are no material subsequent events needed to be disclosed.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

BUDGETARY COMPARISON SCHEDULES

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2017

	ORIGINAL BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
REVENUES:					
Local sources:					
Local tax levy	\$ 17,075,119.00	\$	\$ 17,075,119.00	\$ 17,075,119.00	\$ 63,775.40
Transportation Fees from Other LEAs				63,775.40	
Unrestricted Miscellaneous Revenues	115,000.00		115,000.00	483,980.04	368,980.04
Interest Earned on Maintenance Reserve				2,513.28	2,513.28
Interest Earned on Capital Reserve Funds				8,265.35	8,265.35
Subtotal- Revenues from Local Sources	17,190,119.00		17,190,119.00	17,633,653.07	443,534.07
State sources:					
School Choice Aid	1,254,890.00		1,254,890.00	1,254,890.00	
Categorical Transportation Aid	262,308.00		262,308.00	262,308.00	
Extraordinary Aid	15,657.00		15,657.00	90,274.00	74,617.00
Categorical Special Education Aid	497,369.00		497,369.00	497,369.00	
Categorical Security Aid	77,081.00		77,081.00	77,081.00	
Adjustment Aid	74,623.00		74,623.00	74,623.00	
Under Adequacy Aid	1,057.00		1,057.00	1,057.00	
PARCC Readiness Aid	9,880.00		9,880.00	9,880.00	
Per Pupil Growth Aid	9,880.00		9,880.00	9,880.00	
Professional Learning Community Aid	9,880.00		9,880.00	9,880.00	
Other State Aids				5,742.00	5,742.00
Reimbursed TPAF social security contributions (non-budgeted)				634,590.75	634,590.75
On-Behalf TPAF - Long Term Disability Insurance (non-budgeted)				2,511.00	2,511.00
On-Behalf TPAF - Non-contributory Insurance (non-budgeted)				30,474.00	30,474.00
On-behalf TPAF post retirement medical (non-budgeted)				726,178.00	726,178.00
On-behalf TPAF pension contributions (non-budgeted)				841,051.00	841,051.00
Total - state sources	2,212,625.00		2,212,625.00	4,527,788.75	2,315,163.75
Federal sources:					
Medical Reimbursement	15,371.00		15,371.00	15,961.15	(15,371.00)
Other Federal Grant Revenue- Passed Through State				15,961.15	15,961.15
Subtotal- Revenues from Federal Sources	15,371.00		15,371.00	15,961.15	590.15
Total Operating Budget	19,418,115.00		19,418,115.00	22,177,402.97	2,759,287.97

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2017

	ORIGINAL BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
EXPENDITURES:					
CURRENT EXPENSE:					
Regular programs - instruction:					
Salaries of teachers:					
Kindergarten	326,980.00	(22,090.48)	304,889.52	304,639.00	250.52
Grades 1-5	1,719,890.00	63,426.00	1,783,316.00	1,783,315.94	0.06
Grades 6-8	1,559,708.00	(374,684.00)	1,185,024.00	1,182,362.27	2,661.73
Grades 9-12	1,501,035.00	395,560.31	1,896,595.31	1,896,439.76	155.55
Regular programs - home instruction:					
Salaries of teachers	12,000.00	7,309.00	19,309.00	19,308.60	0.40
Purchased Prof. Ed Services		6,840.00	6,840.00	6,840.00	
Regular programs - Undistributed Instruction:					
Other Salaries for Instruction	203,840.00	(125,244.58)	78,595.42	78,595.42	
Purchased Professional Educational Services	32,000.00	(23,576.00)	8,424.00	6,706.28	1,717.72
Purchased Technical Services	16,211.00	7,916.00	24,127.00	17,170.51	6,956.49
Other Purchased Services (400-500 series)	165,573.00	18,443.00	184,016.00	178,770.31	5,245.69
General Supplies	494,026.64	(74,914.97)	419,111.67	329,356.25	89,755.42
Textbooks	91,223.00	54,287.69	145,510.69	144,019.27	1,491.42
Other Objects	5,736.00		5,736.00	100.00	5,636.00
Total Regular Programs- Instruction	6,128,222.64	(66,728.03)	6,061,494.61	5,947,623.61	113,871.00
Multiple Disabilities:					
Salaries of Teachers	72,930.00	27,085.00	100,015.00	100,015.00	
General Supplies	2,500.00	678.56	3,178.56	3,100.64	77.92
Total Multiple Disabilities	75,430.00	27,763.56	103,193.56	103,115.64	77.92
Resource Room/ Resource Center:					
Salaries of Teachers	1,212,520.00	140,750.93	1,353,270.93	1,353,270.70	0.23
Other Salaries for Instruction	380,700.00	(3,195.00)	377,505.00	375,439.11	2,065.89
General Supplies	9,800.00	(2,600.24)	7,199.76	7,171.53	28.23
Textbooks		2,004.68	2,004.68	2,004.68	
Total Resource Room/ Resource Center	1,603,020.00	136,960.37	1,739,980.37	1,737,886.02	2,094.35
Autism:					
Salaries of Teachers	110,850.00	(110,850.00)			
Purchased Professional- Educational Services	2,640.00	(2,640.00)			
General Supplies	2,000.00	(2,000.00)			
Total Autism	115,490.00	(115,490.00)			

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2017

	ORIGINAL BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
Preschool Disabilities - Part Time:					
Salaries of Teachers	79,530.00	11,173.00	90,703.00	90,701.68	1.32
Other Salaries for Instruction	52,550.00	(36,489.00)	16,061.00	15,711.87	349.13
General Supplies	3,000.00		3,000.00	331.29	2,668.71
Total Preschool Disabilities - Part Time	135,080.00	(25,316.00)	109,764.00	106,744.84	3,019.16
Total Special Education - Instruction	1,929,020.00	23,917.93	1,952,937.93	1,947,746.50	5,191.43
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	127,250.00	(2,914.00)	124,336.00	124,200.85	135.15
General Supplies	8,850.00	379.00	9,229.00	9,217.38	11.62
Total Basic Skills/Remedial - Instruction	136,100.00	(2,535.00)	133,565.00	133,418.23	146.77
Bilingual education - Instruction:					
Salaries of Teachers	151,010.00	24,732.00	175,742.00	175,741.19	0.81
General Supplies	4,500.00	(1,510.00)	2,990.00	1,411.98	1,578.02
Textbooks		224.00	224.00	224.00	
Total Bilingual Education - Instruction	155,510.00	23,446.00	178,956.00	177,377.17	1,578.83
School Sponsored Co/Extra Curricular Activities - Instruction:					
Salaries	128,491.00	486.00	128,977.00	124,453.73	4,523.27
Purchased Services (300-500 series)	3,099.00		3,099.00	467.62	2,631.38
Supplies and Materials	12,116.00	27,412.00	39,528.00	38,875.83	652.17
Other Objects	175.00	1,993.00	2,168.00	2,167.82	0.18
Total School Sponsored Co/Extra Curricular Activities - Instruction	143,881.00	29,891.00	173,772.00	165,965.00	7,807.00
School Sponsored Athletics - Instruction:					
Salaries	354,425.00	484.00	354,909.00	339,455.54	15,453.46
Purchased Services (300-500 series)	56,639.00		56,639.00	43,956.08	12,682.92
Supplies and Materials	51,300.00		51,300.00	48,921.19	2,378.81
Other Objects	6,300.00		6,300.00	820.00	5,480.00
Total School Sponsored Athletics - Instruction	468,664.00	484.00	469,148.00	433,152.81	35,995.19

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2017

	ORIGINAL BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
Undistributed Expenditures - Instruction					
Tuition to other LEAs within the State - Regular		21,707.70	21,707.70	2,706.38	19,001.32
Tuition to other LEAs within the State - Special	167,120.00	(91,157.00)	75,963.00	75,962.60	0.40
Tuition to County Voc. School District - Regular	50,182.00	45,268.00	95,450.00	95,450.00	
Tuition to County Voc. School District - Special	20,821.00	(111.00)	20,710.00	20,367.00	343.00
Tuition to Private Schools for the Disabled W/ State	527,772.00	100,551.30	628,323.30	628,273.55	49.75
Tuition to Private Schools for the Disabled & Other LEA'S-Spl. O/S Stk	81,443.00	(32,843.00)	48,600.00	48,600.00	
Tuition - State Facilities	120,226.00	45,184.00	165,410.00	159,557.00	5,853.00
Total Undistributed Expenditures - Instruction	967,564.00	88,600.00	1,056,164.00	1,030,916.53	25,247.47
Undistributed Expenditures - Attendance & Social Work:					
Salaries	56,860.00	31,011.12	87,871.12	84,044.82	3,826.30
Total Undistributed Expenditures - Attendance & Social Work	56,860.00	31,011.12	87,871.12	84,044.82	3,826.30
Undistributed Expenditures - Health Services:					
Salaries	219,760.00	(6,139.00)	213,621.00	213,620.89	0.11
Purchased Professional and Technical Services	20,000.00	(14,400.00)	5,600.00	5,600.00	
Other Purchased Services (400-500 series)	1,200.00	1,192.00	2,392.00	2,392.00	
Supplies and Materials	10,225.00	10,347.00	20,572.00	17,247.69	3,324.31
Total Undistributed Expenditures - Health Services	251,185.00	(9,000.00)	242,185.00	238,860.58	3,324.42
Undistributed Expend. - Speech, OT, PT & Related Services:					
Salaries	148,610.00	12,876.00	161,486.00	161,485.74	0.26
Purchased professional - Educational Services	90,000.00	20,456.00	110,456.00	96,117.90	14,338.10
Supplies and materials	2,844.00		2,844.00	1,944.28	899.72
Total Undistributed Expend. - Speech, OT, PT & Related Services	241,454.00	33,332.00	274,786.00	259,547.92	15,238.08
Undistributed Expend. - Other Supp. Serv. -Students- Extra Services:					
Salaries		9,700.00	9,700.00	9,691.20	8.80
Purchased professional - Educational Services	45,000.00	(34,735.00)	10,265.00	10,265.00	
Total Undistributed Expend. - Other Supp. Serv. -Students- Extra Service	45,000.00	(25,035.00)	19,965.00	9,691.20	10,273.80

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2017

	ORIGINAL BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
Undistributed Expenditures - Guidance:					
Salaries of Other Professional Staff	391,860.00	(32,400.00)	359,460.00	359,066.93	393.07
Salaries of Secretarial and Clerical Assistants	50,000.00	36,479.00	86,479.00	10,943.49	25,535.00
Purchased Professional - Educational Services	182,699.00	16,124.00	198,823.00	66,124.00	
Other Purchased Professional & Technical Services	2,600.00	(94,882.04)	(92,282.04)	85,371.63	2,445.33
Other Purchased Services (400-500 series)	4,500.00	(1,599.92)	2,900.08	1,253.30	1,346.70
Supplies and Materials	810.00		810.00	2,900.08	
Other Objects				139.00	671.00
Total Undistributed Expenditures - Guidance	632,469.00	(76,278.96)	556,190.04	525,798.43	30,391.10
Undistributed Expenditures - Child Study Teams:					
Salaries of Other Professional Staff	366,205.00	6,519.00	372,724.00	372,722.50	1.50
Salaries of Secretarial and Clerical Assistants	104,245.00		104,245.00	104,239.68	5.32
Purchased Professional - Educational Services	5,850.00		5,850.00	2,933.33	2,916.67
Other Purchased Professional & Technical Services	27,050.00	(7,275.00)	19,775.00	17,141.56	2,633.44
Other Purchased Services (400-500 series)	5,120.00	954.00	6,074.00	3,454.28	2,619.72
Supplies and Materials	10,200.00	(198.00)	10,002.00	4,420.77	5,581.23
Total Undistributed Expenditures - Child Study Teams	518,670.00		518,670.00	504,912.12	13,757.88
Undistributed Expenditures - Improvement of Instr. Serv.					
Salaries of Supervisors of Instruction	104,704.00	46,483.00	151,187.00	151,185.62	1.38
Salaries of Other Professional Staff	50,335.00	25,534.83	75,870.83	25,534.81	0.02
Salaries of Secretarial and Clerical Assistants	6,000.00	12,786.00	18,786.00	63,120.54	0.46
Other Purchased Services (400-500 series)	1,982.22	(5,914.00)	(3,931.78)	85.74	0.26
Supplies and Materials	1,408.00	(631.23)	776.77	1,350.99	
Other Objects		301.00	1,709.00	1,709.00	
Total Undistributed Expenditures - Improvement of Instr. Serv.	164,429.22	78,559.60	242,988.82	242,986.70	2.12
Undistributed Expend. - Educational Media Serv./School Library:					
Salaries	230,920.00	(4,054.58)	226,865.42	224,468.88	2,396.54
Salaries of Technology Coordinators	97,815.00	(47,635.42)	50,179.58	50,179.58	
Purchased Professional and Technical Services	2,000.00		2,700.00	2,700.00	2,700.00
Other Purchased Services (400-500 series)	2,000.00	2,656.75	4,656.75	3,562.18	1,094.57
Supplies and Materials	25,000.00	(7,180.35)	17,819.65	12,599.31	5,220.34
Total Undistributed Expend. - Educational Media Serv./School Library	358,435.00	(56,213.60)	302,221.40	290,809.95	11,411.45

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2017

	ORIGINAL BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
Undistributed Expend. - Instructional Staff Training Services:					
Salaries of Supervisors of Instruction		3,830.00	3,830.00	3,830.00	
Purchased Professional - Educational Services	15,500.00	22,963.00	38,463.00	38,462.61	0.39
Other Purchased Professional and Technical Services		855.00	855.00	855.00	
Other Purchased Services (400-500 series)	20,359.00	(6,223.00)	14,136.00	11,630.65	2,505.35
Supplies and Materials	2,835.00	(2,835.00)			
Other Objects		500.00	500.00	500.00	
Total Undistributed Expend. - Instructional Staff Training Services	38,694.00	19,090.00	57,784.00	55,278.26	2,505.74
Undistributed Expend. -Support Services-General Administration:					
Salaries	239,750.00	(2,160.00)	237,590.00	230,388.76	7,201.24
Legal Services	80,000.00		80,000.00	50,088.03	29,911.97
Audit Fees	50,325.00		50,325.00	20,325.00	30,000.00
Other Purchased Professional Services	47,320.00	(16,031.35)	31,288.65	850.00	30,438.65
Communications/Telephone	90,000.00	2,709.35	92,709.35	63,152.13	29,557.22
BOE Other Purch Serv	4,500.00		4,500.00		4,500.00
Misc. Purchased Services (400-500 series, O/T 530 & 585)	45,000.00		45,000.00	41,279.48	3,720.52
General Supplies	6,900.00		6,900.00	1,847.80	5,052.20
Judgements against the School District		3,700.00	3,700.00	3,700.00	
Miscellaneous Expenditures	7,200.00		7,200.00	1,975.00	5,225.00
BOE Membership Dues and Fees	15,140.00		15,140.00	11,204.33	3,935.67
Total Undistributed Expend. -Support Services-General Administration	586,135.00	(11,782.00)	574,353.00	424,810.53	149,542.47
Undistributed Expend. -Support Services- School Administration:					
Salaries of Principals/Assistant Principals	336,086.00	(40,199.06)	295,886.94	286,246.14	9,640.80
Salaries of Secretarial and Clerical Assistants	107,980.00	21,884.00	129,864.00	129,551.25	312.75
Other Purchased Services (400-500 series)	2,500.00	517.00	3,017.00	1,591.80	1,425.20
Supplies and Materials	15,000.00	1,136.00	16,136.00	15,830.07	305.93
Other Objects	3,300.00	220.00	3,520.00	2,700.00	820.00
Total Undistributed Expend. -Support Services- School Administration	464,866.00	(16,442.06)	448,423.94	435,919.26	12,504.68

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2017

	ORIGINAL BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
Undistributed Expend. - Central Services					
Salaries	250,930.00	(2,398.00)	248,532.00	240,243.99	8,288.01
Purchased Professional Services	4,000.00	3,680.00	7,680.00	7,238.61	441.39
Purchased Technical Services	47,000.00	(1,582.00)	45,418.00	32,087.25	13,330.75
Miscellaneous Purchased Services (400-500 series, O/T 594)	5,800.00	350.00	6,150.00	1,434.60	4,715.40
Supplies and Materials	2,700.00	(50.00)	2,650.00	1,748.98	901.02
Interest on Lease Purchase Agreements	4,700.00	(1,604.00)	3,096.00		3,096.00
Other Objects	2,000.00		2,000.00	1,970.00	30.00
Total Undistributed Expend. - Central Services	317,130.00	(1,604.00)	315,526.00	284,723.43	30,802.57
Undistributed Expend. - Admin. Info. Technology:					
Salaries	172,110.00	24,040.00	196,150.00	176,057.47	20,092.53
Total Undistributed Expend. - Admin. Info. Technology	172,110.00	24,040.00	196,150.00	176,057.47	20,092.53
Undistributed Expend.-Required Maintenance for School Facilities:					
Salaries	183,990.00	18,146.00	202,136.00	200,823.34	1,312.66
Cleaning, Repair and Maintenance Services	236,400.00	68,195.46	304,595.46	294,859.20	9,736.26
General Supplies	79,222.23	6,854.79	86,077.02	85,010.97	1,066.05
Other Objects	500.00	(315.00)	185.00	184.95	0.05
Total Undistributed Expend. -Required Maintenance for School Facilities	500,112.23	92,881.25	592,993.48	580,878.46	12,115.02
Undistributed Expend.-Custodial Services:					
Salaries	429,960.00	42,611.45	472,571.45	456,914.07	15,657.38
Purchased Professional and Technical Services	14,000.00	2,663.00	16,663.00	15,996.90	666.10
Cleaning, Repair and Maintenance Services	43,000.00	(37,384.00)	5,616.00	3,658.56	1,957.44
Other Purchased Property Services	14,902.87		14,902.87	6,605.48	8,297.39
Insurance	86,000.00	(24,830.73)	61,169.27	52,706.14	8,463.13
General Supplies	85,365.96	(37,194.97)	48,170.99	42,098.55	6,072.44
Energy (Natural Gas)	21,300.00		21,300.00	15,742.55	5,557.45
Energy (Electricity)	285,000.00	(36,746.00)	248,254.00	229,031.30	19,222.70
Energy (Oil)	130,000.00	(32,000.00)	98,000.00	51,745.28	46,254.72
Total Undistributed Expend.-Custodial Services:	1,109,528.83	(122,881.25)	986,647.58	874,498.83	112,148.75
Total Undistributed Expend. - Oper. & Maintenance of Plant Serv.	1,609,641.06	(30,000.00)	1,579,641.06	1,455,377.29	124,263.77

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2017

	ORIGINAL BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
Undistributed Expend.-Student Transportation Services:					
Salaries of Non-instructional Aides		10,880.00	10,880.00	10,879.20	0.80
Salaries for Pupil Transportation (bet. home & school)-Reg	303,500.00	24,525.00	328,025.00	328,024.84	0.16
Salaries for Pupil Transportation (bet. home & school)-Special Ed.	174,560.00	10,289.00	184,849.00	184,848.78	0.22
Salaries for Pupil Transportation (other than bet. home & school)	27,000.00	(10,848.00)	16,154.00	14,930.25	1,223.75
Management Fee - ESC Transportation Programs	8,300.00	(644.00)	7,656.00	766.87	6,889.13
Other Purchased Professional and Technical Services	10,500.00	(7,575.00)	2,925.00	975.00	1,950.00
Cleaning, Repair and Maintenance Services	110,000.00	(18,580.00)	91,420.00	49,285.54	42,134.46
Lease Purchase Payments - School Buses	69,100.00	(44,296.05)	24,803.95	29,761.30	14,534.75
Contract Serv.- Aid in Lieu Pymnts- Non-Public Schools	41,000.00		41,000.00	30,940.00	10,060.00
Contracted Services (between home and school) - Joint Agreements	8,000.00		8,000.00		8,000.00
Contracted Services - Special Ed. Students- Vendors	100,000.00	2,841.00	2,841.00	2,840.72	0.28
Contracted Services - Special Ed. Students - Joint Agreements	45,500.00	(91,661.05)	8,338.95	8,338.95	
Miscellaneous Purchased Services - Transportation	89,000.00	7,575.00	53,075.00	53,074.69	0.31
General Supplies	89,000.00		89,000.00	60,629.26	28,370.74
Total Undistributed Expend.-Student Transportation Services	986,460.00	(98,000.00)	888,460.00	766,956.45	121,503.55
Unallocated Benefits:					
Group Insurance		26.72	26.72	26.72	
Social Security Contributions - Other	280,000.00	(26.72)	279,973.28	272,955.12	7,018.16
Other Retirement Contributions - PERS	290,220.00		290,220.00	274,687.32	15,532.68
Other Retirement Contributions - ERIP	8,000.00		8,000.00	6,210.73	1,789.27
Unemployment Compensation	21,285.00	(8,715.00)	12,570.00		12,570.00
Workmen's Compensation	98,000.00	641.31	98,641.31	96,177.31	2,464.00
Health Benefits	2,766,006.00	(115,156.31)	2,650,849.69	2,251,345.49	399,504.20
Tuition Reimbursement	81,380.00		81,380.00	65,575.42	15,804.58
Other Employee Benefits- Health Benefit Waiver Payments	50,000.00	73,230.00	123,230.00	123,229.17	0.83
Unused Sick Payment to Terminated/Retired Staff		50,000.00	50,000.00	7,251.00	42,749.00
Total Unallocated Benefits	3,594,891.00		3,594,891.00	3,097,456.28	497,434.72
Total Personal Services - Employee	3,594,891.00		3,594,891.00	3,097,456.28	497,434.72

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2017

	ORIGINAL BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
Reimbursed TPAF social security contributions (non-budgeted)				634,590.75	(634,590.75)
On-Behalf TPAF - Long Term Disability Insurance (non-budgeted)				2,511.00	(2,511.00)
On-Behalf TPAF - Non-contributory Insurance (non-budgeted)				30,474.00	(30,474.00)
On-behalf TPAF post retirement medical (non-budgeted)				726,178.00	(726,178.00)
On-behalf TPAF pension contributions (non-budgeted)				841,051.00	(841,051.00)
TOTAL UNDISTRIBUTED EXPENDITURES	11,005,993.28	(49,722.90)	10,956,270.38	12,118,953.97	(433,995.10)
TOTAL GENERAL CURRENT EXPENSE	19,967,390.92	(41,247.00)	19,926,143.92	20,924,237.29	(269,404.88)
CAPITAL OUTLAY:					
EQUIPMENT:					
Undistributed:					
School Buses - Regular	58,056.25		58,056.25	58,056.25	
TOTAL EQUIPMENT	58,056.25		58,056.25	58,056.25	
Facilities Acquisition and Construction Services:					
Architectural/Engineering Services	700,000.00	71,622.00	771,622.00	51,544.69	20,077.31
Construction Services	13,746.00	(700,000.00)	(686,254.00)	13,746.00	
Assessment for debt Service on SDA funding					
Total Facilities Acquisition & Construction Services	713,746.00	(628,378.00)	85,368.00	65,290.69	20,077.31
TOTAL CAPITAL OUTLAY	771,802.25	(628,378.00)	143,424.25	123,346.94	20,077.31
Special Schools:					
Summer School Instruction	20,090.00		20,090.00		20,090.00
Salaries of Teachers					
Total Summer School- Instruction	20,090.00		20,090.00		20,090.00
TOTAL SPECIAL SCHOOLS	20,090.00		20,090.00		20,090.00
TOTAL EXPENDITURES	20,759,283.17	(669,625.00)	20,089,658.17	21,047,584.23	(229,237.57)

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2017

	ORIGINAL BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,341,168.17)	669,625.00	(671,543.17)	1,129,818.74	2,530,050.40
Other financing sources (use)					
Capital Reserve - transfer to capital projects fund		(738,524.14)	(738,524.14)	(738,524.14)	
Transfers from other funds				427,584.29	(427,584.29)
Total other financing sources		(738,524.14)	(738,524.14)	(310,939.85)	(427,584.29)
Excess/Deficit of Revenues and other Financing Sources Over Expenditures and Other Expenditures and other Financing Sources	(1,341,168.17)	(68,899.14)	(1,410,067.31)	818,878.89	2,102,466.11
Fund Balances, July 1,	5,356,071.07		5,356,071.07	5,356,071.07	
Fund Balances, June 30,	\$ 4,014,902.90	\$ (68,899.14)	\$ 3,946,003.76	\$ 6,174,949.96	\$ 2,102,466.11
Recapitulation:					
Restricted Fund Balance:					
Capital Reserve				\$ 4,060,361.66	
Maintenance Reserve				519,485.43	
Emergency Reserve				250,000.00	
Excess Surplus - Designated for Subsequent Year's Expenditures				390,852.00	
Excess Surplus - Current Year				357,038.17	
Assigned Fund Balance:					
Year-end Encumbrances				125,827.63	
Unassigned Fund Balance				471,385.07	
				6,174,949.96	
Reconciliation to Governmental Funds Statements (GAAP):					
Last State Aid Payment not recognized on GAAP basis				(201,340.00)	
Fund Balance per Governmental Funds (GAAP)				\$ 5,973,609.96	

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	ORIGINAL BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
REVENUES:					
State Aid	\$	15,484.29	\$ 15,484.29	\$ 14,928.91	\$ (555.38)
Federal Aid	318,500.00	111,493.00	429,993.00	427,948.37	(2,044.63)
Local Sources		110,302.31	110,302.31	58,133.63	(52,168.68)
Total Revenues	318,500.00	237,279.60	555,779.60	501,010.91	(54,768.69)
EXPENDITURES:					
Instruction:					
Salaries	125,000.00	31,119.63	156,119.63	154,075.00	2,044.63
Other Purchased Services (400-500 Series)	180,000.00	32,979.00	212,979.00	212,979.00	
General Supplies		132,833.60	132,833.60	80,109.54	52,724.06
Total Instruction	305,000.00	196,932.23	501,932.23	447,163.54	54,768.69
Support Services:					
Personal Services - Employee Benefits		40,177.37	40,177.37	40,177.37	
Purchased Professional and Technical Services	13,500.00	170.00	13,670.00	13,670.00	
Total Support Services	13,500.00	40,347.37	53,847.37	53,847.37	
Total Expenditures	318,500.00	237,279.60	555,779.60	501,010.91	54,768.69
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	\$	\$	\$	\$	\$

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
BUDGET TO GAAP RECONCILIATION
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Note A - Explanation of difference between budgetary inflows and outflows and GAAP Revenues and Expenditures

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	\$22,177,402.97	\$501,010.91
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	N/A	(18,268.85)
The last State aid payment of the current year is recognized as revenue for budgetary purposes and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expense (GASB 33)	(201,340.00)	
The last State aid payment of the prior year is recognized as revenue under GAAP when the State recognizes the related expense (GASB 33). (This revenue was recognized during the previous fiscal year for budgetary purposes.)	201,910.00	
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	\$22,177,972.97	\$482,742.06
Uses/outflows of resources		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule.	\$21,047,584.23	\$501,010.91
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.	N/A	(18,268.85)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$21,047,584.23	\$482,742.06

REQUIRED SUPPLEMENTARY INFORMATION – PART III

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

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN YEARS

<u>Fiscal Year</u> <u>Ending</u> <u>June 30,</u>	<u>District's</u> <u>Proportion</u> <u>of the Net Pension</u> <u>Liability (Asset)</u>	<u>District's</u> <u>Proportionate</u> <u>Share of</u> <u>the Net Pension</u> <u>Liability (Asset)</u>	<u>District's</u> <u>Covered-Employee</u> <u>Payroll</u>	<u>District's</u> <u>Proportion Share</u> <u>of the Net Pension</u> <u>Liability (Asset)</u> <u>as a percentage</u> <u>of it's Covered-</u> <u>Employee Payroll</u>	<u>Plan Fiduciary</u> <u>Net Position</u> <u>as a percentage</u> <u>of the total</u> <u>Pension Liability</u>
2013	0.0253438854%	\$ 4,843,719	\$ 1,781,209.00	271.93%	48.72%
2014	0.0261730678%	4,900,314	1,812,411.00	270.38%	52.08%
2015	0.0272854859%	6,125,045	1,952,858.00	313.65%	47.92%
2016	0.0291500635%	8,633,414	2,064,720.00	418.14%	40.14%

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

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN YEARS

<u>Fiscal Year</u> <u>Ending</u> <u>June 30,</u>	<u>Contractually</u> <u>Required</u> <u>Contribution</u>	<u>Contributions in</u> <u>Relation to the</u> <u>Contractually</u> <u>Required</u> <u>Contributions</u>	<u>Contribution</u> <u>Deficiency</u> <u>(Excess)</u>	<u>District's</u> <u>Covered-</u> <u>Employee</u> <u>Payroll</u>	<u>Contributions as</u> <u>a Percentage of</u> <u>Covered-</u> <u>Employee</u> <u>Payroll</u>
2014	\$ 215,767	\$ 215,767	\$ -0-	\$ 1,812,411.00	11.90%
2015	234,582	234,582	-0-	1,952,858.00	12.01%
2016	258,965	258,965	-0-	2,064,720.00	12.54%
2017	260,260	260,260	-0-	2,155,498.00	12.07%

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

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS PENSION AND ANNUITY FUND
LAST TEN YEARS

Fiscal Year Ending June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Covered-Employee Payroll	District's Proportion Share of the Net Pension Liability (Asset) as a percentage of it's Covered- Employee Payroll	Plan Fiduciary Net Position as a percentage of the total Pension Liability
2013	0.0733978700%	\$ -0-	\$ 7,376,913.00	-0-	33.76%
2014	0.0756625661%	-0-	7,825,831.00	-0-	33.64%
2015	0.0752562811%	-0-	7,739,908.00	-0-	28.71%
2016	0.0753183648%	-0-	8,039,439.00	-0-	22.33%

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

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR PENSION (GASB 68)
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION PART III
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Change in benefit terms: None

Change in assumptions: The discount rate changed from 4.90% to 3.98% as of
June 30, 2016.

TEACHERS PENSION AND ANNUITY FUND (TPAF)

Change in benefit terms: None

Change in assumptions: The discount rate changed from 4.13% to 3.22% as of
June 30, 2016.

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND DETAIL STATEMENTS

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	IDEA PSH	IDEA BASIC	TITLE I	TITLE II - A	AGRICULTURAL CASE GRANT	LOCAL	TOTAL
Revenues:							
State Aid	\$6,824.00	\$212,979.00	\$194,475.37	\$13,670.00	\$14,928.91		\$14,928.91
Federal Aid						\$58,133.63	427,948.37
Local Sources							58,133.63
Total Revenues	6,824.00	212,979.00	194,475.37	13,670.00	14,928.91	58,133.63	501,010.91
Expenditures:							
Instruction:							
Salaries Of Teachers			154,075.00				154,075.00
Other purchased services		212,979.00					212,979.00
General Supplies	6,824.00		223.00		14,928.91	58,133.63	80,109.54
Total Instruction	6,824.00	212,979.00	154,298.00		14,928.91	58,133.63	447,163.54
Support Services:							
Personal Services - Employee Benefits			40,177.37				40,177.37
Purchased Professional and Technical Services				13,670.00			13,670.00
Total Support Services			40,177.37	13,670.00			53,847.37
Total Expenditures	\$6,824.00	\$212,979.00	\$194,475.37	\$13,670.00	\$14,928.91	\$58,133.63	\$501,010.91
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)							

CAPITAL PROJECTS FUND DETAIL STATEMENTS

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
 CAPITAL PROJECTS FUND
 SUMMARY STATEMENT OF PROJECT EXPENDITURES - BUDGETARY BASIS
 AS OF JUNE 30, 2017

ISSUE/PROJECT TITLE	ORIGINAL DATE	REVISED BUDGETARY APPROPRIATIONS	EXPENDITURES TO DATE		CANCELLED	(MEMO ONLY) UNEXPENDED PROJECT BALANCE
			PRIOR YEAR	CURRENT YEAR		
Roof Replacement at Lamberville School	2014	\$1,275,485.00	\$566,882.80	\$57,009.85	\$651,592.35	
Agriculture and Lockerrooms	2016	774,460.55	738,179.65		36,280.90	
Parking Lot	2017	91,000.39		91,000.39		
High School Roof	2017	647,523.75		647,523.75		
Totals		<u>2,788,469.69</u>	<u>\$1,305,062.45</u>	<u>\$795,533.99</u>	<u>\$687,873.25</u>	

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2017

Revenues and Other Financing Sources:	
State Sources - SCC Grant	(\$259,689.57)
Capital Reserve	738,524.14
	<hr/>
Total revenues	478,834.57
	<hr/>
Expenditures and Other Financing Uses:	
Purchased professional and technical services	13,619.75
Construction services	781,914.24
Transfer to Capital Reserve	342,833.68
	<hr/>
Total expenditures	1,138,367.67
	<hr/>
Excess (deficiency) of revenues over (under) expenditures	(659,533.10)
Fund balance - beginning	659,533.10
	<hr/>
Fund balance - ending	0
	<hr/> <hr/>

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
 CAPITAL PROJECTS FUND
 SUMMARY SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS - BUDGETARY BASIS
 ROOF REPLACEMENT AT LAMBERTVILLE SCHOOL
 FOR THE YEAR ENDED JUNE 30, 2017

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources:				
State Sources - SCC Grant	\$ 510,194.00	\$ (259,689.57)	\$ 250,504.43	\$ 250,504.43
Capital Reserve	679,941.00		679,941.00	765,291.00
Total revenues	<u>1,190,135.00</u>	<u>(259,689.57)</u>	<u>930,445.43</u>	<u>1,015,795.43</u>
Expenditures and Other Financing Uses:				
Purchased professional and technical services	32,025.00		32,025.00	32,025.00
Construction services	534,857.80	57,009.85	591,867.65	591,867.65
Transfer to Capital Reserve		306,552.78	306,552.78	391,902.78
Total expenditures	<u>566,882.80</u>	<u>363,562.63</u>	<u>930,445.43</u>	<u>1,015,795.43</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 623,252.20</u>	<u>\$ (623,252.20)</u>	<u>\$</u>	<u>\$</u>

Additional project information:

Project Number	2530-050-13-GISC
Grant Date	6/13/2014
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	1,275,485.00
Additional Authorized Cost	(651,592.35)
Revised Authorized Cost	623,892.65
Percentage Increase over Original Authorized Cost	-51.09%
Percentage completion	100%
Original target completion date	9/1/2014
Revised target completion date	9/1/2016

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
 CAPITAL PROJECTS FUND
 SUMMARY SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS - BUDGETARY BASIS
 AGRICULTURE AND LOCKER ROOMS
 FOR THE YEAR ENDED JUNE 30, 2017

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources:				
Capital Reserve	\$ 774,460.55	\$	\$ 774,460.55	\$ 774,460.55
Total revenues	<u>774,460.55</u>		<u>774,460.55</u>	<u>774,460.55</u>
Expenditures and Other Financing Uses:				
Construction services	738,179.65		738,179.65	738,179.65
Transfer to Capital Reserve		36,280.90	36,280.90	36,280.90
Total expenditures	<u>738,179.65</u>	<u>36,280.90</u>	<u>774,460.55</u>	<u>774,460.55</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 36,280.90	\$ (36,280.90)	\$	\$

Additional project information:

Project Number	N/A
Grant Date	N/A
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	774,460.55
Additional Authorized Cost	(36,280.90)
Revised Authorized Cost	738,179.65
Percentage Increase (Decrease) over Original Authorized Cost	-4.68%
Percentage completion	100%
Original target completion date	7/1/2015
Revised target completion date	7/1/2015

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
 CAPITAL PROJECTS FUND
 SUMMARY SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS - BUDGETARY BASIS
 PARKING LOT
 FOR THE YEAR ENDED JUNE 30, 2017

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources:				
Capital Reserve	\$	91,000.39	\$ 91,000.39	\$ 91,000.39
Total revenues	<u>91,000.39</u>	<u>91,000.39</u>	<u>91,000.39</u>	<u>91,000.39</u>
Expenditures and Other Financing Uses:				
Construction services		91,000.39	91,000.39	91,000.39
Total expenditures		<u>91,000.39</u>	<u>91,000.39</u>	<u>91,000.39</u>
Excess (deficiency) of revenues over (under) expenditures	\$	\$	\$	\$

Additional project information:

Project Number	N/A
Grant Date	N/A
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	91,000.39
Additional Authorized Cost	
Revised Authorized Cost	91,000.39
Percentage Increase over Original Authorized Cost	N/A
Percentage completion	100%
Original target completion date	6/30/2017
Revised target completion date	6/30/2017

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS - BUDGETARY BASIS
HIGH SCHOOL ROOF
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources:				
Capital Reserve	\$	647,523.75	\$ 647,523.75	\$ 647,523.75
Total revenues		<u>647,523.75</u>	<u>647,523.75</u>	<u>647,523.75</u>
Expenditures and Other Financing Uses:				
Purchased professional and technical services		13,619.75	13,619.75	13,619.75
Construction services		633,904.00	633,904.00	633,904.00
Total expenditures		<u>647,523.75</u>	<u>647,523.75</u>	<u>647,523.75</u>
Excess (deficiency) of revenues over (under) expenditures	\$	\$	\$	\$

Additional project information:

Project Number	N/A
Grant Date	N/A
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	647,523.75
Additional Authorized Cost	
Revised Authorized Cost	647,523.75
Percentage Increase over Original Authorized Cost	N/A
Percentage completion	100%
Original target completion date	6/30/2017
Revised target completion date	6/30/2017

PROPRIETARY FUND DETAIL STATEMENTS

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

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
 COMBINING STATEMENT OF NET POSITION
 ENTERPRISE FUND
 JUNE 30, 2017

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND				TOTAL
	NON-MAJOR FUND				
	FOOD SERVICE FUND	ENRICHMENT FUND	CHILD STUDY TEAM SERVICES FUND	TRANSPORTATION SERVICES FUND	
ASSETS:					
Current assets:					
Cash and cash equivalents	\$57,917.93				\$57,917.93
Accounts receivable - other	5,331.34				5,331.34
Interfund Receivable	32,295.01				32,295.01
Intergovernmental receivables:					
State	125.29				125.29
Federal	4,814.92				4,814.92
Inventories	5,311.75				5,311.75
Total current assets	<u>105,796.24</u>				<u>105,796.24</u>
Noncurrent assets:					
Furniture, machinery and equipment	159,800.00				159,800.00
Less accumulated depreciation	<u>(118,116.61)</u>				<u>(118,116.61)</u>
Total noncurrent assets	<u>41,683.39</u>				<u>41,683.39</u>
Total assets	<u>147,479.63</u>				<u>147,479.63</u>
LIABILITIES:					
Current liabilities:					
Accounts payable	11,466.66				11,466.66
Unearned revenue	<u>5,018.13</u>				<u>5,018.13</u>
Total current liabilities	<u>16,484.79</u>				<u>16,484.79</u>
Total liabilities	<u>16,484.79</u>				<u>16,484.79</u>
NET POSITION:					
Net investment in capital assets	41,683.39				41,683.39
Unrestricted	<u>89,311.45</u>				<u>89,311.45</u>
Total net position	<u>\$130,994.84</u>				<u>\$130,994.84</u>

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 ENTERPRISE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND				TOTAL
	NON-MAJOR FUND				
	FOOD SERVICE FUND	ENRICHMENT FUND	CHILD STUDY TEAM SERVICES FUND	TRANSPORTATION SERVICES FUND	
OPERATING REVENUES:					
Charges for services:					
Daily sales - Reimbursable Programs	\$144,844.75				\$144,844.75
Daily sales - Non-Reimbursable Programs	25,752.13				25,752.13
Satellite sales	20,647.94				20,647.94
Total operating revenues	191,244.82				191,244.82
OPERATING EXPENSES:					
Salaries	88,204.49				88,204.49
Employee Benefits	23,832.52				23,832.52
Other Purchase Service (Administrative Expenses)	25,799.06				25,799.06
Miscellaneous Expenditures	1,775.60				1,775.60
Depreciation	6,473.31				6,473.31
Cost of sales - reimbursable programs	112,498.67				112,498.67
Cost of sales - non-reimbursable programs	46,449.58				46,449.58
Total operating expenses	305,033.23				305,033.23
Operating income (loss)	(113,788.41)				(113,788.41)
NONOPERATING REVENUES (EXPENSES):					
State Sources:					
State School Lunch Program	2,584.56				2,584.56
Federal Sources:					
National School Lunch Program	87,819.74				87,819.74
National School Breakfast Program	8,047.67				8,047.67
National food distribution commodities	20,321.04				20,321.04
Interest on Investments	392.40				392.40
Total nonoperating revenues	119,165.41				119,165.41
Income/(loss) before contributions and transfers	5,377.00				5,377.00
Capital Contributions and Operating Transfers:					
Operating Transfers		(\$5,315.65)	(\$57,420.25)	(\$202,402.21)	(265,138.11)
Total Capital Contributions and Operating Transfers		(5,315.65)	(57,420.25)	(202,402.21)	(265,138.11)
Change in net position	5,377.00	(5,315.65)	(57,420.25)	(202,402.21)	(259,761.11)
Total net position - beginning of the year	125,617.84	5,315.65	57,420.25	202,402.21	390,755.95
Total net position - end of the year	\$130,994.84				\$130,994.84

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND				TOTAL
	FOOD SERVICE FUND	ENRICHMENT FUND	CHILD STUDY TEAM SERVICES FUND	TRANSPORTATION SERVICES FUND	
Cash flows from operating activities:					
Receipts from customers	\$204,567.71				\$204,567.71
Payments to employees	(88,204.49)				(88,204.49)
Payments to employee benefits	(23,832.52)				(23,832.52)
Payments to suppliers	(165,806.90)				(165,806.90)
Net cash provided by (used for) operating activities	(73,276.20)				(73,276.20)
Cash flows from noncapital financing activities:					
State Sources	2,872.14				2,872.14
Federal Sources	106,526.03				106,526.03
Interfund Activity	(32,295.01)				(32,295.01)
Operating subsidies and transfers to other funds		(\$5,315.65)	(\$57,420.25)	(\$22,014.71)	(84,750.61)
Net cash provided by noncapital financing activities:	77,103.16	(5,315.65)	(57,420.25)	(22,014.71)	(7,647.45)
Cash flows from investing activities:					
Interest	392.40				392.40
Net cash provided by (used for) investing activities	392.40				392.40
Net increase (decrease) in cash and cash equivalents	4,219.36	(5,315.65)	(57,420.25)	(22,014.71)	(80,531.25)
Cash and cash equivalents, July 1, 2016	53,698.57	\$5,315.65	\$57,420.25	22,014.71	138,449.18
Cash and cash equivalents, June 30, 2017	\$57,917.93				\$57,917.93
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	(\$113,788.41)				(\$113,788.41)
Adjustments to reconciling operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	6,473.31				6,473.31
Federal commodities	20,321.04				20,321.04
Change in assets and liabilities:					
(Increase) decrease in accounts receivable - other	10,972.28				10,972.28
(Increase) decrease in inventories	1,700.77				1,700.77
Increase (decrease) in accounts payable	(839.84)				(839.84)
Increase (decrease) in unearned revenue	1,884.65				1,884.65
	40,512.21				40,512.21
Net cash provided by (used for) operating activities	(\$73,276.20)				(\$73,276.20)

FIDUCIARY FUND DETAIL STATEMENTS

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

Unemployment Compensation Insurance Fund: This trust fund is used to pay unemployment compensation claims as they arise.

Private Purpose Scholarship Fund: This private purpose trust is used to account for grants to students where there are no restrictions regarding the use of principal and income.

Agency Funds are used to account for assets held by the district as an agent for another party:

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

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

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 TRUST AND AGENCY FUNDS
 JUNE 30, 2017

	TRUST FUNDS			AGENCY FUNDS		
	UNEMPLOYMENT COMPENSATION	PRIVATE PURPOSE AWARDS PROGRAM	TOTAL TRUST FUNDS	STUDENT ACTIVITY	PAYROLL AGENCY	TOTAL AGENCY FUNDS
ASSETS:						
Cash and cash equivalents	\$236,030.15	\$55,842.00	\$291,872.15	\$129,310.53	\$50,506.39	\$179,816.92
Intrafunds receivable			1,558.00			1,558.00
Total assets	236,030.15	55,842.00	291,872.15	130,868.53	50,506.39	181,374.92
LIABILITIES:						
Accounts payable	7,683.00		7,683.00			
Interfunds payable					1,393.89	1,393.89
Intrafunds payable		1,558.00	1,558.00			
Payroll deductions and withholdings					49,112.50	49,112.50
Payable to student groups				130,868.53		130,868.53
Total liabilities	7,683.00	1,558.00	9,241.00	130,868.53	50,506.39	181,374.92
NET POSITION:						
Held in trust for unemployment claims	228,347.15		228,347.15			
Reserved for scholarships		54,284.00	54,284.00			
Total net position	\$228,347.15	\$54,284.00	\$282,631.15	\$-0-	\$-0-	\$-0-

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>PRIVATE PURPOSE AWARD FUNDS</u>	<u>UNEMPLOYMENT COMPENSATION TRUST FUND</u>	<u>TOTAL</u>
ADDITIONS:			
Contributions:			
Plan Members		\$18,742.01	\$18,742.01
Other	\$2,800.00		2,800.00
Total contributions	<u>2,800.00</u>	<u>18,742.01</u>	<u>21,542.01</u>
Investment earnings:			
Interest	699.91	1,115.59	1,815.50
Net investment earnings	<u>699.91</u>	<u>1,115.59</u>	<u>1,815.50</u>
Total additions	<u>3,499.91</u>	<u>19,857.60</u>	<u>23,357.51</u>
DEDUCTIONS:			
Awards	6,676.00		6,676.00
Unemployment claims		26,092.18	26,092.18
Total deductions	<u>6,676.00</u>	<u>26,092.18</u>	<u>32,768.18</u>
Change in net position	(3,176.09)	(6,234.58)	(9,410.67)
Net position - beginning of the year	<u>57,460.09</u>	<u>234,581.73</u>	<u>292,041.82</u>
Net position - end of the year	<u>\$54,284.00</u>	<u>\$228,347.15</u>	<u>\$282,631.15</u>

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>BALANCE</u> <u>JUNE 30, 2016</u>	<u>CASH</u> <u>RECEIPTS</u>	<u>CASH</u> <u>DISBURSEMENTS</u>	<u>BALANCE</u> <u>JUNE 30, 2017</u>
PROGRAMS:				
Stockton School	\$1,674.39	\$821.40	\$1,700.00	\$795.79
South Hunterdon High School	81,017.99	103,031.18	93,259.51	90,789.66
Lambertville School	11,334.18	12,782.52	9,795.13	14,321.57
West Amwell School	23,826.62	28,323.39	36,062.89	16,087.12
Athletic Fund	1,936.61	52,053.67	45,115.89	8,874.39
	<hr/>	<hr/>	<hr/>	<hr/>
Total all schools	<u>\$119,789.79</u>	<u>\$197,012.16</u>	<u>\$185,933.42</u>	<u>\$130,868.53</u>

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>BALANCE</u> <u>JULY 1, 2016</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2017</u>
ASSETS:				
Cash and cash equivalents	\$235,751.99	\$21,368,916.50	\$21,554,162.10	\$50,506.39
Total assets	<u>235,751.99</u>	<u>21,368,916.50</u>	<u>21,554,162.10</u>	<u>50,506.39</u>
LIABILITIES:				
Payroll deductions and withholdings	49,307.55	13,579,697.04	13,579,892.09	49,112.50
Net payroll		7,788,064.83	7,788,064.83	
Interfunds payable	175,264.30	1,154.63	175,025.04	1,393.89
Intrafund payable	11,180.14		11,180.14	
Total liabilities	<u>\$235,751.99</u>	<u>\$21,368,916.50</u>	<u>\$21,554,162.10</u>	<u>\$50,506.39</u>

LONG-TERM DEBT SCHEDULES

The long-term debt schedules are used to reflect the outstanding principal balances of the long-term liabilities of the District. This includes obligations under serial bonds and capital leases.

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS
YEAR ENDED JUNE 30, 2017

<u>ISSUE</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>MATURITIES DATE</u>	<u>AMOUNT</u>	<u>RATE OF INTEREST</u>	<u>BALANCE JULY 1, 2016</u>	<u>RETIRED</u>	<u>BALANCE JUNE 30, 2017</u>
School Addition of 2007 (SHRHS)	10/30/2007	\$5,299,000.00				\$290,000.00	\$290,000.00	
Refunding School Bonds of 2015 (SHRHS)	9/3/2015	3,375,000.00	02/15/2018	\$340,000.00	2.150%			
			02/15/2019	345,000.00	2.150%			
			02/15/2020	355,000.00	2.150%			
			02/15/2021	365,000.00	2.150%			
			02/15/2022	365,000.00	2.150%			
			02/15/2023	375,000.00	2.150%			
			02/15/2024	385,000.00	2.150%			
			02/15/2025	400,000.00	2.150%			
			02/15/2026	390,000.00	2.150%	3,360,000.00	40,000.00	\$3,320,000.00
Refunding School Bonds of 2014 (SHRHS)	06/12/2014	9,600,000.00	02/15/2018	805,000.00	4.000%			
			02/15/2019	845,000.00	4.000%			
			02/15/2020	885,000.00	4.000%			
			02/15/2021	920,000.00	4.000%			
			02/15/2022	965,000.00	4.000%			
			02/15/2023	1,005,000.00	4.000%			
			02/15/2024	1,050,000.00	4.000%			
			02/15/2025	1,090,000.00	4.000%			
			02/15/2026	1,095,000.00	4.000%	9,435,000.00	775,000.00	8,660,000.00

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
LONG-TERM LIABILITY
SCHEDULE OF SERIAL BONDS
YEAR ENDED JUNE 30, 2017

<u>ISSUE</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>ANNUAL MATURITIES DATE</u>	<u>AMOUNT</u>	<u>INTEREST RATE</u>	<u>BALANCE JULY 1, 2016</u>	<u>RETIRED</u>	<u>BALANCE JUNE 30, 2017</u>
Refunding Bonds of 2014 (WA)	11/6/2014	\$835,000.00	07/01/2017	\$100,000.00	2.200%	\$740,000.00	\$95,000.00	\$645,000.00
			07/01/2018	105,000.00	2.200%			
			07/01/2019	105,000.00	2.200%			
			07/01/2020	110,000.00	2.200%			
			07/01/2021	115,000.00	2.200%			
			07/01/2022	110,000.00	2.200%			
Stockton School Bonds	12/7/2009	\$290,000.00	07/01/2016	26,749.57	3.890%	144,566.15	26,749.57	117,816.58
			07/01/2017	27,790.13	3.890%			
			07/01/2018	28,871.17	3.890%			
			07/01/2019	29,994.25	3.890%			
			07/01/2020	31,161.03	3.890%			
						<u>\$13,969,566.15</u>	<u>\$1,226,749.57</u>	<u>\$12,742,816.58</u>

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
YEAR ENDED JUNE 30, 2017

SERIES	DATE OF LEASE	TERM OF LEASE	AMOUNT OF ORIGINAL LEASE		INTEREST RATE PAYABLE	BALANCE JUNE 30, 2016	DECREASE	BALANCE JUNE 30, 2017
			PRINCIPAL	INTEREST				
Fitness Workout Equipment	3/1/2014	3	\$ 8,086.00	\$ 3,309.44	\$ 6.500%	\$ 2,307.14	\$ 2,307.14	\$
Vehicles	6/15/2014	3	137,245.00	6,800.20	2.395%	57,450.54	28,385.36	29,065.18
Aspire Phone System	07/14/2015	3	89,290.19	2,204.89	2.490%	58,791.83	29,034.44	29,757.39
Chromebooks	11/20/2015	3	113,295.00	2,686.17	2.390%	74,634.61	36,876.62	37,757.99
						\$ 193,184.12	\$ 96,603.56	\$ 96,580.56

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>ORIGINAL BUDGET</u>	<u>BUDGET TRANSFER</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FINAL TO ACTUAL</u>
REVENUES:					
Local sources:					
Local tax levy	\$1,329,896.00		\$1,329,896.00	\$1,329,896.00	
Miscellaneous				5,715.54	\$5,715.54
State sources:					
Debt service aid type II	351,413.00		351,413.00	351,413.00	
Total revenues	<u>1,681,309.00</u>		<u>1,681,309.00</u>	<u>1,687,024.54</u>	<u>5,715.54</u>
EXPENDITURES:					
Regular debt service:					
Interest	481,580.00		481,580.00	481,574.75	5.25
Redemption of principal	1,226,750.00		1,226,750.00	1,226,749.57	0.43
Total regular debt service-expenditures	<u>1,708,330.00</u>		<u>1,708,330.00</u>	<u>1,708,324.32</u>	<u>5.68</u>
Excess (deficiency) of revenues over (under) expenditures	(27,021.00)		(27,021.00)	(21,299.78)	5,721.22
Fund balance, July 1	<u>42,665.32</u>		<u>42,665.32</u>	<u>42,665.32</u>	
Fund balance, June 30	<u>\$15,644.32</u>		<u>\$15,644.32</u>	<u>\$21,365.54</u>	<u>\$5,721.22</u>

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STATISTICAL SECTION (UNAUDITED)

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
STATISTICAL SECTION

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

Sources

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

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
NET POSITION BY COMPONENT
UNAUDITED

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Governmental activities			
Net investment in capital assets	\$7,274,996.47	\$5,699,633.39	\$4,102,392.76
Restricted	5,433,048.77	5,043,128.76	4,680,533.68
Unrestricted (Deficit)	<u>(5,647,240.73)</u>	<u>(5,011,788.68)</u>	<u>(4,394,286.22)</u>
Total governmental activities net position	<u>\$7,060,804.51</u>	<u>\$5,730,973.47</u>	<u>\$4,388,640.22</u>
Business-type activities			
Net investment in capital assets	\$41,683.39	\$228,544.20	\$198,764.51
Unrestricted	<u>89,311.45</u>	<u>162,211.75</u>	<u>166,121.91</u>
Total business-type activities net position	<u>\$130,994.84</u>	<u>\$390,755.95</u>	<u>\$364,886.42</u>
District-wide			
Net investment in capital assets	\$7,316,679.86	\$5,928,177.59	\$4,301,157.27
Restricted	5,433,048.77	5,043,128.76	4,680,533.68
Unrestricted (Deficit)	<u>(5,557,929.28)</u>	<u>(4,849,576.93)</u>	<u>(4,228,164.31)</u>
Total district net position	<u>\$7,191,799.35</u>	<u>\$6,121,729.42</u>	<u>\$4,753,526.64</u>

Source: CAFR Schedule A-1

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
CHANGES IN NET POSITION
UNAUDITED

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>EXPENSES</u>			
Governmental activities			
Instruction			
Regular	\$10,154,438.07	9,696,253.60	\$9,304,431.44
Special education	3,936,545.92	3,462,066.26	2,949,442.65
Other instruction	1,532,487.08	1,334,208.79	1,227,504.59
Support Services:			
Tuition	1,030,916.53	985,888.31	773,455.35
Student & instruction related services	3,753,130.06	3,471,679.62	3,247,647.33
General administrative services	603,382.86	655,968.86	622,498.76
School administrative services	769,595.92	760,615.31	382,848.59
Central services/Admin. Info. Technology	744,615.97	554,967.33	521,815.60
Plant operations and maintenance	1,979,654.32	1,732,483.11	1,594,246.04
Student transportation services	1,200,066.41	1,038,097.32	957,575.38
Charter School	-	33,797.53	17,172.34
Interest on long-term debt	463,027.00	517,218.12	450,535.82
Total governmental activities expenses	<u>26,167,860.13</u>	<u>24,243,244.16</u>	<u>22,049,173.89</u>
Business-type activities:			
Food Service	305,033.23	325,706.17	310,954.99
Transportation	-	27,575.00	73,899.60
Total business-type activities expense	<u>305,033.23</u>	<u>353,281.17</u>	<u>384,854.59</u>
Total district expenses	<u>\$26,472,893.36</u>	<u>\$24,596,525.33</u>	<u>\$22,434,028.48</u>
 <u>PROGRAM REVENUES</u>			
Governmental activities:			
Operating grants and contributions	\$6,807,156.64	5,937,535.50	4,150,666.54
Total governmental activities program revenues	<u>6,807,156.64</u>	<u>5,937,535.50</u>	<u>4,150,666.54</u>
Business-type activities:			
Charges for services			
Food Service	191,244.82	192,979.54	205,330.44
Operating grants and contributions	118,773.01	122,595.66	107,714.46
Total business type activities program revenues	<u>310,017.83</u>	<u>315,575.20</u>	<u>313,044.90</u>
Total district program revenues	<u>\$7,117,174.47</u>	<u>\$6,253,110.70</u>	<u>\$4,463,711.44</u>
 <u>NET (EXPENSE)/REVENUE</u>			
Governmental activities	(19,360,703.48)	(\$18,305,708.66)	(\$17,898,507.35)
Business-type activities	4,984.60	(37,705.97)	(71,809.69)
Total district-wide net expense	<u>(\$19,355,718.88)</u>	<u>(\$18,343,414.63)</u>	<u>(\$17,970,317.04)</u>

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
CHANGES IN NET POSITION
UNAUDITED

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>GENERAL REVENUES AND OTHER CHANGES</u>			
<u>IN NET POSITION</u>			
Governmental activities:			
Property taxes levied for general purposes, net	\$17,075,119.00	16,740,311.00	16,412,071.00
Taxes levied for debt service	1,329,896.00	1,323,054.00	1,350,922.00
Unrestricted grants and contributions	1,477,159.63	1,568,399.10	2,433,748.96
Disposal of capital assets	(21,027.83)		
Miscellaneous income	564,249.61	80,105.82	119,254.13
Transfers	265,138.11	(63,828.00)	
Total governmental activities	<u>\$20,690,534.52</u>	<u>\$19,648,041.92</u>	<u>20,315,996.09</u>
Business-type activities:			
Transfers in (out)	(265,138.11)	63,828.00	
Miscellaneous Income	392.40	189.03	125.40
Cancellation of prior year receivables	-	(441.53)	(5,500.00)
Total business-type activities	<u>(264,745.71)</u>	<u>63,575.50</u>	<u>(5,374.60)</u>
Total district-wide	<u>\$20,425,788.81</u>	<u>19,711,617.42</u>	<u>\$20,310,621.49</u>
<u>CHANGE IN NET POSITION</u>			
Governmental activities	\$1,329,831.04	\$1,342,333.26	\$2,417,488.74
Business-type activities	(259,761.11)	25,869.53	(77,184.29)
Total district	<u>\$1,070,069.93</u>	<u>\$1,368,202.79</u>	<u>\$2,340,304.45</u>

Source: CAFR Schedule A-2

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
FUND BALANCES - GOVERNMENTAL FUNDS
UNAUDITED

	<u>2017</u>	<u>2016</u>	<u>2015</u>
General Fund			
Restricted	\$5,577,737.26	\$4,624,371.22	\$4,178,789.56
Committed	-	106,340.28	172,050.00
Assigned	125,827.63	223,067.17	505,615.69
Unassigned	270,045.07	200,382.40	219,481.07
Total general fund	<u>\$5,973,609.96</u>	<u>\$5,154,161.07</u>	<u>\$5,075,936.32</u>
All Other Governmental Funds			
Restricted	\$5,721.54	\$277,847.83	\$331,231.38
Committed	15,644.00	27,021.00	4.00
Assigned	-	113,888.71	197,534.12
Total all other governmental funds	<u>\$21,365.54</u>	<u>\$418,757.54</u>	<u>\$528,769.50</u>

Source: CAFR Schedule B-1

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
UNAUDITED

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Revenues			
Tax levy	\$18,405,015.00	\$18,063,365.00	\$17,762,993.00
Tuition charges	-	21,300.00	28,873.44
Interest on restricted reserves	10,778.63	8,331.60	5,922.96
Miscellaneous	531,890.21	152,896.11	134,184.18
State sources	4,917,092.12	4,676,130.90	4,437,722.83
Federal sources	442,939.52	426,127.82	327,821.20
Total revenue	<u>24,371,490.88</u>	<u>23,348,151.43</u>	<u>22,697,517.61</u>
Expenditures			
Instruction			
Regular Instruction	5,947,623.61	5,893,559.34	5,811,159.23
Special education instruction	2,376,641.19	2,239,113.39	1,909,025.74
Other instruction	909,913.21	818,743.17	777,916.06
Support Services:			
Tuition	1,030,916.53	985,888.31	773,455.35
Student & instruction related services	2,265,777.35	2,191,242.33	2,082,377.70
General administrative services	424,810.53	539,378.87	517,966.24
School Administrative services	435,919.26	456,282.32	236,241.22
Central services	284,723.43	263,918.24	270,136.33
Administration Information Technology	176,057.47	142,325.57	139,735.89
Plant operations and maintenance	1,455,377.29	1,344,711.82	1,342,020.50
Student transportation services	766,956.45	834,068.71	809,795.49
Unallocated employee benefits	5,332,263.03	4,883,736.14	4,547,841.95
Capital outlay	918,880.93	1,175,432.03	765,615.72
Charter School		33,797.53	17,172.34
Debt service:			
Principal	1,226,749.57	1,165,747.97	1,254,783.88
Interest and other charges	481,574.75	550,750.09	488,952.54
Total expenditures	<u>24,034,184.60</u>	<u>23,518,695.83</u>	<u>21,744,196.18</u>
Excess (Deficiency) of revenues over (under) expenditures	337,306.28	(170,544.40)	953,321.43
Other Financing sources (uses)			
Capital leases (non-budgeted)		202,585.19	
Bond proceeds		3,375,000.00	10,435,000.00
Premium on sale of bonds			976,181.75
Cost of issuance		(38,465.54)	(133,514.43)
Payment to refunded bonds escrow agent		(3,336,534.46)	(11,277,667.32)
Transfers in (out)	84,750.61	(63,828.00)	
Total other financing sources (uses)	<u>84,750.61</u>	<u>138,757.19</u>	
Net change in fund balances	<u>\$422,056.89</u>	<u>(\$31,787.21)</u>	<u>\$953,321.43</u>
Debt service as a percentage of noncapital expenditures	7.39%	7.68%	8.31%

Source: CAFR Schedule B-2

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
UNAUDITED

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Tuition</u>	<u>Sale of</u> <u>Assets</u>	<u>Rental</u> <u>Income</u>	<u>Interest On</u> <u>Investments</u>	<u>Student</u> <u>Activity Fees</u>	<u>Transportation</u> <u>Fees</u>	<u>Miscellaneous</u>	<u>Total</u>
2017		\$ 328,320.00	\$ 91,666.63	\$ 34,221.29	\$ 26,600.00	\$ 63,775.40	\$ 13,950.75	\$ 558,534.07
2016	\$ 21,300.00			22,569.40	25,955.00	-	10,281.42	80,105.82
2015	28,873.44			18,109.66	20,525.00	21,216.00	25,701.23	114,425.33

Source: District Records

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY - CITY OF LAMBERTVILLE
 UNAUDITED

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities (a)	Net Valuation Taxable	Est. Actual (County Equalized Value)	Total Direct School Tax Rate (b)
2017	\$ 5,475,183	\$ 597,964,000	\$ 1,494,300	\$ 2,206	\$ 118,411,300	\$ 11,290,500	\$ 24,229,693	\$ 758,867,162	\$ 1,095,622	\$ 759,962,804	\$ 779,684,765	\$ 1.262
2016	4,564,863	583,301,900	1,492,300	2,206	113,908,500	10,973,700	23,876,593	738,120,082	1,008,113	739,128,195	742,874,479	1.235
2015	5,317,183	567,428,400	1,355,500	3,631	108,516,200	10,659,000	22,797,100	716,077,014	1,051,057	717,128,071	721,997,393	1.240

Source: District records Tax list summary and Municipal Tax Assessor

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

Reassessment occurs when ordered by the County Board of Taxation

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

(b): Tax rates are per \$100

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY - BOROUGH OF STOCKTON
UNAUDITED

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Apartment	Total Assessed Value	Public Utilities (a)	Net Valuation Taxable	Est. Actual (County Equalized Value)	Total Direct School Tax Rate (b)
2017	\$ 904,300	\$ 75,780,600	\$ 845,100	\$ 18,400	\$ 13,181,300	\$ 1,018,600	\$ 91,748,300	\$ 90,653	\$ 91,838,953	\$ 93,563,431	\$ 1.283
2016	904,300	76,225,200	845,100	18,400	13,667,700	1,018,600	92,679,300	91,553	92,770,853	93,719,587	1.291
2015	904,300	76,583,800	845,100	18,400	13,667,700	1,018,600	93,037,900	93,730	93,131,630	92,189,754	1.295

Source: District records Tax list summary and Municipal Tax Assessor

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

Reassessment occurs when ordered by the County Board of Taxation

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

(b): Tax rates are per \$100

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY - TOWNSHIP OF WEST AMWELL
UNAUDITED

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities (a)	Net Valuation Taxable	Est. Actual (County Equalized Value)	Total Direct School Tax Rate (b)
2017	\$ 9,444,200.00	\$ 369,790,000.00	\$ 76,439,600.00	\$ 2,238,300.00	\$ 31,771,109.00	\$ 14,845,900.00	\$ 1,300,200.00	\$ 505,829,309.00	\$ 572,291.00	\$ 506,401,600.00	\$ 489,149,317.00	\$ 1.541
2016	8,926,800.00	369,119,100.00	79,637,000.00	2,338,400.00	30,990,809.00	14,784,200.00	1,261,000.00	507,257,309.00	565,851.00	507,823,160.00	505,689,671.00	1.558
2015	8,503,200.00	352,462,700.00	82,154,300.00	2,383,020.00	30,144,709.00	14,564,000.00	1,228,400.00	491,440,329.00	603,087.00	492,043,416.00	511,757,085.00	1.590

Source: District records Tax list summary and Municipal Tax Assessor

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

Reassessment occurs when ordered by the County Board of Taxation

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

(b) Tax rates are per \$100

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
UNAUDITED

Fiscal Year Ended June 30,	City of Lambertville			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate (a)	General Obligation Debt Service (b)	Total Direct School Tax Rate	City of Lambertville	Fire District	Hunterdon County	
2017	\$ 1.171	\$ 0.091	\$ 1.262	\$ 0.351	\$ 0.078	\$ 0.350	\$ 2.041
2016	1.145	0.090	1.235	0.349	0.073	0.344	2.001
2015	1.146	0.094	1.240	0.358	0.075	0.344	2.017

Source: District Records and Municipal Tax Collector
(Rates are per \$100 of assessed value)

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

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

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

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
UNAUDITED

Fiscal Year Ended June 30,	Borough of Stockton			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate (a)	General Obligation Debt Service (b)	Total Direct School Tax Rate	Borough of Stockton	Hunterdon County	
2017	\$ 1.190	\$ 0.093	\$ 1.283	\$ 0.434	\$ 0.378	\$ 2.095
2016	1.196	0.095	1.291	0.414	0.376	2.081
2015	1.197	0.098	1.295	0.402	0.368	2.065

Source: District Records and Municipal Tax Collector
(Rates are per \$100 of assessed value)

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

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

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

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
UNAUDITED

Fiscal Year Ended June 30,	Township of West Amwell			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate (a)	General Obligation Debt Service (b)	Total Direct School Tax Rate	Township of West Amwell	Hunterdon County	
2017	\$ 1.430	\$ 0.111	\$ 1.541	\$ 0.340	\$ 0.359	\$ 2.240
2016	1.444	0.114	1.558	0.329	0.371	2.258
2015	1.469	0.121	1.590	0.320	0.386	2.296

Source: District Records and Municipal Tax Collector
(Rates are per \$100 of assessed value)

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

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

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

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
PRINCIPAL PROPERTY TAX PAYERS - CURRENT YEAR AND TEN YEARS AGO
CITY OF LAMBERTVILLE
UNAUDITED

Taxpayer	2017			2008		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Swan Creek Holding Company	5,585,100.00	1	0.73%			
Woodrose Properties, LLC	5,211,700.00	2	0.69%			
Lambertville Hotel Property LLC	4,883,700.00	3	0.64%			
Hart Venture Group, LLC	3,527,000.00	5	0.46%			
BC Property Management	3,129,000.00	4	0.41%			
Individual Taxpayer	2,795,500.00	6	0.37%			
Route 12-1 Properties, LLC	2,718,000.00	7	0.36%			
Dimarco Investment Group	2,608,500.00	8	0.34%			
Allied Village Square LLC	2,496,300.00	9	0.33%			
Opera One Holding LLC	2,293,600.00	10	0.30%			
Econotech Development Company				\$4,838,500.00	1	0.66%
Individual Taxpayer				4,690,000.00	2	0.64%
Orleans at Lambertville LLC				4,264,100.00	3	0.58%
Swan Creek Holding Company				3,982,500.00	4	0.54%
Individual Taxpayer				3,048,600.00	5	0.41%
BC Property Management				3,040,400.00	6	0.41%
Woodrose Properties, LLC				2,736,600.00	7	0.37%
Allied Village Square LLC				2,616,700.00	8	0.36%
Dimarco Investment Group				2,546,800.00	9	0.35%
Hart Venture Group, LLC				2,513,000.00	10	0.34%
Total	\$35,248,400.00		4.64%	\$34,277,200.00		4.65%

Source: Municipal Tax Assessor

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
PRINCIPAL PROPERTY TAX PAYERS - CURRENT YEAR AND TEN YEARS AGO
BOROUGH OF STOCKTON
UNAUDITED

Taxpayer	2017			2008		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Millett Properties, LLC	\$2,109,600.00	1	2.30%			
Deamicis Hospitality Group	2,154,400.00	2	2.35%			
Finale Partners, LLC	1,322,700.00	3	1.44%			
Individual Property Owner	1,032,200.00	4	1.12%			
Nobalistic II, LLC	977,300.00	5	1.06%			
Individual Property Owner	914,600.00	6	1.00%			
Individual Property Owner	905,800.00	7	0.99%			
Individual Property Owner	792,900.00	8	0.86%			
Individual Property Owner	773,800.00	9	0.84%			
Individual Property Owner	749,000.00	10	0.82%			
Stockton Inn				\$1,625,000.00	1	1.67%
Individual Property Owner				1,582,600.00	2	1.62%
Individual Property Owner				1,230,000.00	3	1.26%
Individual Property Owner				964,500.00	4	0.99%
Individual Property Owner				951,100.00	5	0.98%
Individual Property Owner				790,800.00	6	0.81%
Individual Property Owner				738,500.00	7	0.76%
A & J Stockton Realty				730,800.00	8	0.75%
Individual Property Owner				704,300.00	9	0.72%
Bluebird Investors				692,300.00	10	0.71%
Total	\$11,732,300.00		12.77%	\$10,009,900.00		10.27%

Source: Municipal Tax Assessor

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
PRINCIPAL PROPERTY TAX PAYERS - CURRENT YEAR AND TEN YEARS AGO
TOWNSHIP OF WEST AMWELL
UNAUDITED

Taxpayer	2017			2008		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Texas Eastern Transmission Corp.	\$7,100,000.00	1	1.40%			
OFN Properties, LLC c/o A Levine ESQ.	4,743,100.00	2	0.94%			
JMJ Farm Holdings, LLC	2,774,300.00	3	0.55%			
Texas Eastern Transmission Corp.	2,250,000.00	4	0.44%			
Barry Road Properties, LLC	2,119,100.00	5	0.42%			
Breen Real Estate, LLC	2,047,000.00	6	0.40%			
Affordable Self Storage Inc,	1,946,800.00	7	0.38%			
Bender Realty, LLC	1,708,210.00	8	0.34%			
Individual Property Owner	1,646,100.00	9	0.33%			
Individual Property Owner	1,569,300.00	10	0.31%			
Texas Eastern Transmission Corp.				\$6,312,400.00	1	1.18%
Individual Property Owner				5,491,900.00	2	1.03%
Individual Property Owner				3,546,000.00	3	0.66%
Individual Property Owner				2,931,500.00	4	0.55%
Individual Property Owner				1,910,700.00	5	0.36%
Individual Property Owner				1,908,100.00	6	0.36%
Affordable Self Storage Inc,				1,904,300.00	7	0.36%
Individual Property Owner				1,802,100.00	8	0.34%
Breen Color Concentrates, Inc.				1,752,500.00	9	0.33%
Durling Realty LLC Quick Check				1,695,800.00	10	0.32%
Total	\$27,903,910.00		5.51%	\$29,255,300.00		5.47%

Source: Municipal Tax Assessor

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
CITY OF LAMBERTVILLE
UNAUDITED

Fiscal Year Ended <u>June 30,</u>	Taxes Levied for the <u>Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy (a)</u>		<u>Collections in Subsequent Years</u>
		<u>Amount</u>	<u>Percentage of Levy</u>	
2017	\$ 9,353,217.00	\$ 9,353,217.00	100.00%	-
2016	8,902,418.00	8,902,418.00	100.00%	-
2015	8,868,570.00	8,868,570.00	100.00%	-

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

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

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
BOROUGH OF STOCKTON
UNAUDITED

Fiscal Year Ended <u>June 30,</u>	Taxes Levied for the <u>Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy (a)</u>		<u>Collections in Subsequent Years</u>
		<u>Amount</u>	<u>Percentage of Levy</u>	
2017	\$ 1,189,850.00	\$ 1,189,850.00	100.00%	-
2016	1,206,785.00	1,206,785.00	100.00%	-
2015	1,203,248.00	1,203,248.00	100.00%	-

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

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

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
TOWNSHIP OF WEST AMWELL
UNAUDITED

<u>Fiscal Year</u> <u>Ended</u> <u>June 30,</u>	<u>Taxes Levied</u> <u>for the</u> <u>Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy (a)</u>		<u>Collections in</u> <u>Subsequent Years</u>
		<u>Amount</u>	<u>Percentage</u> <u>of Levy</u>	
2017	\$ 7,861,948.00	\$ 7,861,948.00	100.00%	-
2016	7,954,162.00	7,954,162.00	100.00%	-
2015	7,691,175.00	7,691,175.00	100.00%	-

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

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

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
UNAUDITED

Fiscal Year Ended June 30,	Governmental Activities			Business-Type Activities		Total District	Percentage of Personal Income (a)	Per Capita (a)
	General Obligation Bonds (b)	Certificates of Participation	Capital Leases	Bond Anticipation Notes	Capital Leases			
2017	\$ 12,742,816.58		\$ 96,580.56			12,839,397.14	*	\$1,809.39
2016	13,969,566.15		193,184.12			14,162,750.27	*	1,984.41
2015	14,930,314.12		94,373.76		63,828.00	15,088,515.88	0.54%	2,107.33

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

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

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

(b) Includes Early Retirement Incentive Plan (ERIP) refunding

* - Data Not Available

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
RATIOS OF NET BONDED DEBT OUTSTANDING
UNAUDITED

Fiscal Year Ended <u>June 30,</u>	General Bonded Debt Outstanding		Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value (a) of Property	Per Capita (b)
	General Obligation Bonds	Deductions			
2017	\$ 12,742,816.58		\$ 12,742,816.58	0.94%	\$1,795.77
2016	13,969,566.15		13,969,566.15	1.04%	1,957.34
2015	14,930,314.12		14,930,314.12	1.15%	2,085.24

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

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

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

* - Data Not Available

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2016
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (a)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
City of Lambertville	\$12,815,805.34	100.00%	\$12,815,805.34
Borough of Stockton	1,163,074.16	100.00%	1,163,074.16
Township of West Amwell	4,420,088.69	100.00%	4,420,088.69
Other debt			
Hunterdon County	<u>75,793,751.73</u>	<u>6.37%</u>	<u>4,826,422.70</u>
Subtotal, overlapping debt			\$23,225,390.89
South Hunterdon Regional School District Direct Debt			<u>12,839,397.14</u>
Total direct and overlapping debt			<u><u>\$36,064,788.03</u></u>

Source: Assessed value data used to estimate applicable percentages provided by the County Treasurer's Office.
 Debt outstanding data provided by the Municipal Chief Financial Officer.

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

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

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
UNAUDITED

Legal Debt Margin Calculation for Fiscal Year 2017:

<u>Equalized Valuation Basis</u>		City of <u>Lambertville</u>		Borough of <u>Stockton</u>		Township of <u>West Amwell</u>		<u>Total</u>	
Calendar Year									
2016		\$778,033,184.00	\$94,512,849.00	\$487,982,019.00	\$1,360,528,052.00				
2015		742,895,543.00	94,082,213.00	502,855,141.00	1,339,832,897.00				
2014		715,409,621.00	92,615,735.00	509,502,554.00	1,317,527,910.00				
		<u>\$2,236,338,348.00</u>	<u>\$281,210,797.00</u>	<u>\$1,500,339,714.00</u>	<u>\$4,017,888,859.00</u>				
	Average Equalized Valuation of Taxable Property				\$1,339,296,286.33				
	Debt Limit (3% (a) of average equalization value)				40,178,888.59				
	Total Net Debt Applicable to Limit				<u>12,742,816.58</u>				
	Legal Debt Margin				<u>\$27,436,072.01</u>				<u>\$27,436,072.01</u>

	Fiscal Year Ending June 30, <u>2017</u>	Fiscal Year Ending June 30, <u>2016</u>	Fiscal Year Ending June 30, <u>2015</u>
Debt Limit	\$40,178,888.59	\$39,719,037.92	\$39,499,870.82
Total Net Debt Applicable To Limit	<u>12,742,816.58</u>	<u>13,969,566.15</u>	<u>14,930,314.12</u>
Legal Debt Margin	<u>\$27,436,072.01</u>	<u>\$25,749,471.77</u>	<u>\$24,569,556.70</u>
Total Net Debt Applicable to the Limit as a % of Debt Limit	31.72%	35.17%	37.80%

Source: Equalized valuation bases were obtained from the Annual Report of the State of New Jersey, Department of Treasury, Division of Taxation
(a) Limit set by N.J.S.A. 18A:24-19 for a K through 12 district; other % limits would be applicable for other district types.

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
UNAUDITED

<u>Year</u>	<u>Population (a)</u>	<u>Personal Income (b)</u>	<u>Per Capita Personal Income (c)</u>	<u>Unemployment Rate (d)</u>		
				<u>Lambertville</u>	<u>Stockton</u>	<u>West Amwell</u>
2017	7,096	*	*	*	*	*
2016	7,137	*	*	2.9%	3.0%	3.7%
2015	7,160	578,234,440	\$80,759	3.1%	3.6%	3.9%
2014	7,173	559,092,312	\$77,944	3.8%	3.20%	5.00%
2013	7,190	534,634,020	\$74,358	3.0%		3.2%

Source:

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

(b) Personal income has been estimated based upon the municipal population and per capita personal income presented.

(c) Per capita personal income by municipality estimated based upon the 2000 Census published by the US Bureau of Economic Analysis.

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

* - Data Not Available

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
PRINCIPAL EMPLOYERS - CURRENT YEAR AND TEN YEARS AGO
UNAUDITED

<u>Employer</u>	2017		2008	
	<u># of Employees</u>	<u>Percentage of Total Employment</u>	<u>Rank (Optional)</u>	<u>Rank (Optional)</u>
(1)	0	0.00%		
	0	0.00%		0.00%

Source: Municipal Records

(1) - Data not available

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
UNAUDITED

Function/Program	<u>2017</u>	<u>2016</u>	<u>2015</u>
Instruction:			
Regular	72.5	76	73
Special education	28	26.5	23.9
Other special education	21.5	18.8	19.3
Support Services:			
Student and instruction related services	27.9	23.8	17.8
General administrative services	2	2.5	2.5
School administrative services	6	6	9.5
Central services	3.5	3.5	3.5
Administration information technology	3	2	2
Plant operations and maintenance	11.9	11.4	11.3
Pupil transportation	7.8	7.3	7
Other support services	2	2	2
Total	<u>186</u>	<u>180</u>	<u>172</u>

Source: District Personnel Records

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
OPERATING STATISTICS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures (a)	Cost Per Pupil	% Change	Teaching Staff (b)	Pupil/Teacher Ratio	Average Daily Enrollment (c)	Average Daily Attendance (c)	% Change in Average Daily Enrollment	Student Attendance Percentage
2017	940	\$ 21,406,979.35	\$ 22,773.38	3.59%	102.6	9.16	940.00	880.54	0.18%	93.67%
2016	938	20,626,765.74	21,983.36	10.75%	102.5	9.15	938.29	896.22	-2.25%	95.52%
2015	969	19,234,864.04	19,850.22	N/A	97.9	9.90	959.93	916.59	N/A	95.49%

Sources: District records

Note: Enrollment based on annual October district count.

(a) Operating expenditures equal total expenditures less debt service and capital outlay.

(b) Teaching staff includes only full-time equivalents of certificated staff.

(c) Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
UNAUDITED

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>District Buildings</u>			
Elementary School(s):			
City of Lambertville (1968)			
Square Feet	32301	32301	32301
Capacity (students)	982	982	982
Enrollment	246	250	251
Borough of Stockton			
Square Feet	4,000	4,000	4,000
Capacity (students)	67	67	67
Enrollment	23	48	55
Township of West Amwell (1953)			
Square Feet	24,578	24,578	24,578
Capacity (students)	266	266	266
Enrollment	219	211	222
Trailer (2003)			
Square Feet	576	576	576
Storage Shed			
Square Feet	480	480	480
South Hunterdon Regional High School			
Square Feet	99,000	99,000	99,000
Capacity (students)	572	572	572
Enrollment	452	441	424

Number of Schools at June 30, 2017
Elementary = 3
High School = 1

Source: District records

Note: Year of original construction is shown in parentheses. Increases in square footage and capacity are the result of additions. Enrollment is based on the School Enrollment as of 6/30/17.

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
SCHEDULE OF REQUIRED MAINTENANCE
UNAUDITED

Undistributed expenditures - Required maintenance for school facilities - School Facilities * Project #(s)	ELEMENTARY SCHOOLS					South Hunterdon Regional HS
	Total	City of Lambertville	Borough of Stockton	Township of West Amwell		
2017	\$ 580,878.46	\$ 131,520.01	\$ 44,265.80	\$ 89,578.01	\$ 315,514.64	
2016	419,358.00	38,808.00	20,760.00	60,874.00	298,916.00	
2015	288,640.00	42,831.00	18,793.00	28,768.00	198,248.00	
Total School Facilities	\$ 1,288,876.46	\$ 213,159.01	\$ 83,818.80	\$ 179,220.01	\$ 812,678.64	

* - School facilities as defined under EFCFA,
(N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3)

Source: District records

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
INSURANCE SCHEDULE
6/30/2017
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
Commercial Package Policy - NJ Schools Insurance Group (NJSIG):		
<u>PROPERTY SECTION:</u>		
Blanket Building and Contents (fund limit)	\$ 450,000,000	\$ 5,000
Accounts Receivable	250,000	1,000
Automobile Physical Damage	In Blanket Limit	1,000
Electronic Data Processing Equipment	310,000	1,000
<u>LIABILITY SECTION:</u>		
Comprehensive General Liability	11,000,000	
Automobile Liability	11,000,000	
Employee Benefit Liability	11,000,000	1,000
<u>CRIME:</u>		
Blanket Employee Dishonesty	100,000	500
Forgery	50,000	500
Theft/Disappearance/Destruction:		
Inside	50,000	500
Outside	50,000	500
<u>SCHOOL BOARD LEGAL LIABILITY - NJSIG</u>	11,000,000	10,000
Zurich Insurance Company (NJSIG):		
<u>ENVIRONMENTAL IMPAIRMENT LIABILITY:</u>		
Limit of Liability:		
Incident	1,000,000	10,000
Fund Annual Aggregate	25,000,000	
<u>WORKERS' COMPENSATION (NJSIG):</u>		
(a) Statutory Benefits	Included	
(a) Employer's Liability	5,000,000	
Supplemental Coverage (optional)	Included	
Selective Insurance Company		
Public Employees' Faithful Performance Blanket Position Bond -		
Board Administrator - K Sevilis	\$200,000	

Source: District Records

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SINGLE AUDIT SECTION



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

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

Honorable President and Members
of the Board of Education
South Hunterdon Regional School District
County of Hunterdon
Lambertville, New Jersey 08530

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of South Hunterdon Regional School District (the "District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated September 20, 2017.

Internal Control Over Financial Reporting

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

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

SUPLEE, CLOONEY & COMPANY

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


Compliance and Other Matters

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

Purpose of This Report

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


CERTIFIED PUBLIC ACCOUNTANTS


PUBLIC SCHOOL ACCOUNTANT NO. 962

September 20, 2017



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO MAJOR
STATE FINANCIAL ASSISTANCE PROGRAMS AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH NEW JERSEY OMB CIRCULAR 15-08**

Honorable President and Members
of the Board of Education
South Hunterdon Regional School District
County of Hunterdon
Lambertville, New Jersey 08530

Report on Compliance for Each Major State Program

We have audited the South Hunterdon Regional School District's compliance with the types of compliance requirements described in the New Jersey *OMB State Grant Compliance Supplement* that could have a direct and material effect on each of the South Hunterdon Regional School District's major state programs for the year ended June 30, 2017. The 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 the South Hunterdon Regional 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 and New Jersey *OMB 15-08*. Those standards and New Jersey *OMB 15-08* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the South Hunterdon Regional 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 Hunterdon Regional School District's compliance.

SUPLEE, CLOONEY & COMPANY

Opinion on Each Major State Program

In our opinion, the South Hunterdon Regional 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, 2017.

Report on Internal Control Over Compliance

Management of the South Hunterdon Regional 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 South Hunterdon Regional 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 New Jersey *OMB 15-08*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the South Hunterdon Regional 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 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 State of New Jersey *OMB 15-08*. Accordingly, this report is not suitable for any other purpose.


CERTIFIED PUBLIC ACCOUNTANTS


PUBLIC SCHOOL ACCOUNTANT NO. 962

September 20, 2017

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

FEDERAL CFDA NUMBER	FEDERAL FAIN NUMBER	GRANT OR STATE PROJECT NUMBER	AWARD AMOUNT	GRANT PERIOD	BALANCE JUNE 30, 2016	CARRYOVER/ (WALKOVER) AMOUNT	CASH RECEIVED	BUDGETARY EXPENDITURES	ADJUSTMENTS	REPAYMENT OF PRIOR YEARS BALANCES	BALANCE AT JUNE 30, 2017	
											(ACCOUNTS RECEIVABLE)	UNEARNED REVENUE
97 035	N/A	66-1200-100-B80	15,961.15	7/1/16-6/30/17	\$ 15,961.15	\$ -	\$ 15,961.15	(15,961.15)	\$ -	\$ -	\$ -	\$ -
General Funds Department of Homeland Security Public Assistance for Presidentially Declared Disasters - Passed Through the New Jersey Office of Emergency Management Severe Winter Storm and Snow Storm 1/22/16												
Special Revenue Funds U.S. Department of Education Passed-through State Department of Education: I D E A Part B Special Education Cluster:												
84 027	H027A160100	FT-1376-17	\$ 212,979.00	7/1/16-6/30/17	\$ -	\$ -	\$ 212,979.00	(212,979.00)	\$ -	\$ -	\$ -	\$ -
84 173	H173A160114	PS-1376-17	6,824.00	7/1/16-6/30/17	-	-	(6,824.00)	(6,824.00)	-	-	-	-
I D E A Part B Basic I D E A Part B-Preschool Total I D E A Part B Special Education Cluster												
84 010	S010A160030	NCLB-1376-17	196,520.00	7/1/16-6/30/17	-	-	107,935.00	(194,475.37)	-	-	(86,540.37)	-
84 010	S010A150030	NCLB-1376-16	225,378.00	7/1/15-6/30/16	(62,202.84)	-	50,264.00	1,938.84	-	-	-	-
84 010	S010A150030	NCLB-1376-15	71,907.00	7/1/14-6/30/15	929.90	-	13,670.00	(13,670.00)	-	-	-	-
84 387	S387A160029	NCLB-1376-17	13,670.00	7/1/16-6/30/17	-	-	171,869.00	(208,145.37)	1,938.84	(929.90)	(86,540.37)	-
Total N.C.L.B.												
84 048	V048A150030	PERK-4890-16	2,528.00	7/1/15-6/30/16	(2,441.40)	-	384,848.00	(427,948.37)	2,441.40	(929.90)	(93,364.37)	-
Perkins Secondary Total U.S. Department of Education												
Enterprise Funds U.S. Department of Agriculture Passed-through State Department of Education: Child Nutrition Cluster:												
10 555	171NJ304N1099	N/A	19,855.08	7/1/16-6/30/17	2,301.55	-	19,855.08	(18,019.49)	-	-	1,835.59	-
10 555	16161NJ304N1099	N/A	21,835.60	7/1/15-6/30/16	-	-	(2,301.55)	(2,301.55)	-	-	-	-
Non-Cash Assistance (Commodities): National School Lunch Program National School Lunch Program												
10 553	16161NJ304N1099	N/A	10,037.73	7/1/15-6/30/16	(1,603.76)	-	1,603.76	(8,047.67)	-	-	(503.76)	-
10 553	171NJ304N1099	N/A	8,047.67	7/1/16-6/30/17	-	-	7,543.91	(8,047.67)	-	-	-	-
10 555	16161NJ304N1099	N/A	89,200.73	7/1/15-6/30/16	(13,869.78)	-	13,969.78	(87,819.74)	-	-	(4,311.16)	-
10 555	17NJ304N1099	N/A	87,819.74	7/1/16-6/30/17	-	-	83,508.58	(87,819.74)	-	-	-	-
Cash Assistance: School Breakfast Program School Breakfast Program National School Lunch Program National School Lunch Program Total U.S. Department of Agriculture												
Total Federal Financial Assistance												
					\$ (66,886.33)	\$ -	\$ 577,190.26	\$ (560,097.97)	\$ 4,380.24	\$ (929.90)	\$ (96,179.29)	\$ 1,835.59

See accompanying notes to schedules of financial assistance.

SOUTH HUNTERDON REGIONAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

STATE GRANT OR PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	AMOUNT	GRANT PERIOD	BALANCE AT JUNE 30, 2016		CASH RECEIVED	BUDGETARY EXPENDITURES	ADJUSTMENTS/ REPAYMENT OF PRIOR YEAR BALANCES	BALANCE AT JUNE 30, 2017		MEMO	
				UNEARNED REVENUE (ACCTG. REC.)	DUE TO GRANITOR				(ACCOUNTS RECEIVABLE)	UNEARNED REVENUE	DUE TO GRANITOR	BUDGETARY RECEIVABLE
State Department of Education General Funds												
State Aid Cluster												
Special Education Aid	17-465-034-5120-089	\$ 497,369.00	7/1/16-6/30/17	\$	\$	\$ 461,767.67	\$ (497,369.00)	\$	\$	\$	\$ (46,601.33)	\$ (497,369.00)
Security Aid	17-465-034-5120-084	77,081.00	7/1/16-6/30/17			70,016.95	(77,081.00)				(7,064.05)	(77,081.00)
Additional Adjustment Aid	17-465-034-5120-085	74,823.00	7/1/16-6/30/17			67,844.21	(74,823.00)				(6,978.79)	(74,823.00)
Special Chrome	17-465-034-5120-066	1,254,680.00	7/1/16-6/30/17			1,136,686.27	(1,254,680.00)				(118,000.73)	(1,254,680.00)
Under-Maintenance Aid	17-465-034-5120-066	1,067.00	7/1/16-6/30/17			960.13	(1,067.00)				(96.87)	(1,067.00)
PARC Reducers	17-465-034-5120-066	9,680.00	7/1/16-6/30/17			8,974.55	(9,680.00)				(705.45)	(9,680.00)
Professional Learning Community Aid	17-465-034-5120-101	9,860.00	7/1/16-6/30/17			8,974.55	(9,860.00)				(885.45)	(9,860.00)
Per Pupil Growth	17-465-034-5120-057	9,860.00	7/1/16-6/30/17			8,974.55	(9,860.00)				(885.45)	(9,860.00)
Total State Aid Cluster						1,757,259.02	(1,934,660.00)				(177,400.98)	(1,934,660.00)
Transportation Aid	17-465-034-5120-014	262,308.00	7/1/16-6/30/17			236,268.92	(262,308.00)				(26,039.08)	(262,308.00)
Extracurricular Special Education Costs Aid	17-465-034-5120-044	41,994.00	7/1/16-6/30/17			41,994.00						
Extracurricular Special Education Costs Aid	17-465-034-5120-044	90,274.00	7/1/16-6/30/17				(90,274.00)					(90,274.00)
Nonpublic Remote Transportation Aid	N/A	10,298.00	7/1/16-6/30/17			10,298.00						
Nonpublic Remote Transportation Aid	N/A	5,742.00	7/1/16-6/30/17				(5,742.00)					(5,742.00)
On-Behalf TPAF Pension Contribution	17-465-034-5094-002	841,051.00	7/1/16-6/30/17			841,051.00	(841,051.00)					(841,051.00)
On-Behalf TPAF Pension Contribution	17-465-034-5094-004	30,474.00	7/1/16-6/30/17			28,178.00	(30,474.00)				(2,296.00)	(30,474.00)
On-Behalf TPAF Post-Retirement Medical	17-465-034-5094-001	726,178.00	7/1/16-6/30/17			2,511.00	(726,178.00)				(723,667.00)	(726,178.00)
On-Behalf TPAF Long Term Disability Insurance	17-465-034-5094-003	617,440.87	7/1/16-6/30/17			2,897.12	(617,440.87)				(614,543.75)	(617,440.87)
Remuneration TPAF Social Security Contributions	17-465-034-5094-003	634,590.75	7/1/16-6/30/17			634,590.75						
Total General Fund						4,253,952.12	(4,527,796.75)				(273,844.63)	(4,527,796.75)
Special Revenue Fund												
N.J. Nonpublic Aid												
Nonpublic Services												
Examination and Classification	16-100-034-5120-066	342.00	7/1/16-6/30/16					(342.00)				
Concise Speech	16-100-034-5120-066	2,598.00	7/1/16-6/30/16					(2,598.00)				
Supplementary Instruction	16-100-034-5120-066	743.00	7/1/16-6/30/16					(743.00)				
Auxiliary Services												
English as a Second Language	16-100-034-5120-067	1,726.00	7/1/16-6/30/16					(1,726.00)				
Agricultural CASE Grant	14-100-010-3304-019	5,000.00	4/1/16-6/30/14			234.00	(234.00)					(234.00)
Agricultural CASE Grant	15-100-010-3304-019	10,000.00	4/1/16-6/30/15			250.29	(250.29)					(250.29)
Agricultural CASE Grant	16-100-010-3304-019	5,000.00	4/1/16-6/30/16			5,000.00	(5,000.00)					(5,000.00)
Agricultural CASE Grant	17-100-010-3304-019	10,000.00	4/1/17-6/30/17			10,000.00	(9,444.62)					(9,444.62)
Capital Project Fund												
EDA Grant	2530-050-13-1001	510,194.00	7/1/14-6/30/17			5,319.00	(14,928.91)					(9,609.91)
Debt Service Fund												
Debt Service Aid - Type I	17-495-034-5120-075	351,413.00	7/1/16-6/30/17			351,413.00	(351,413.00)					(351,413.00)
Enterprise Fund												
State School Lunch Program	16-100-010-3304-023	2,726.55	7/1/16-6/30/16			412.87	(2,313.68)					(2,313.68)
State School Lunch Program	17-100-010-3304-023	2,884.56	7/1/16-6/30/17			2,877.14	(2,884.56)					(2,884.56)
Total State Financial Assistance Subject to Single Audit						4,838,112.78	(4,920,465.53)					(82,352.75)
General Fund												
On-Behalf TPAF Pension Contributions	17-465-034-5094-002	841,051.00	7/1/16-6/30/17			841,051.00	(841,051.00)					(841,051.00)
On-Behalf TPAF Non-Contributory Insurance	17-465-034-5094-004	30,474.00	7/1/16-6/30/17			30,474.00	(30,474.00)					(30,474.00)
On-Behalf TPAF Post-Retirement Medical	17-465-034-5094-001	726,178.00	7/1/16-6/30/17			2,511.00	(726,178.00)					(723,667.00)
On-Behalf TPAF Long Term Disability Insurance	17-465-034-5094-003	2,511.00	7/1/16-6/30/17				(2,511.00)					(2,511.00)
Total State Financial Assistance						\$ 3,237,698.78	(\$ 3,320,252.53)					(\$ 82,553.75)

See accompanying notes to schedules of financial assistance.

South Hunterdon Regional School District
Notes to the Schedules of Expenditures of Federal Awards
and State Financial Assistance
Year Ended June 30, 2017

NOTE 1: GENERAL

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance include federal and state activity of the Board of Education, South Hunterdon Regional School District. The Board of Education is defined in Note 1 to the Board's basic financial statements. All federal and state awards received directly from the federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

NOTE 2: BASIS OF ACCOUNTING

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

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

South Hunterdon Regional School District
Notes to the Schedules of Expenditures of Federal Awards
and State Financial Assistance
Year Ended June 30, 2017

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$570.00 for the general fund and (\$18,268.85) for the special revenue fund. See the notes to the required supplementary information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Federal awards and state financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$15,961.15	\$4,528,358.75	\$4,544,319.90
Special Revenue Fund	426,978.37	13,569.06	440,547.43
Capital Projects Fund		23,751.31	23,751.31
Debt Service Fund		351,413.00	351,413.00
Food Service Fund	116,188.45	2,584.56	118,773.01
	<u>116,188.45</u>	<u>2,584.56</u>	<u>118,773.01</u>
Total Awards & Financial Assistance	<u>\$559,127.97</u>	<u>\$4,919,676.68</u>	<u>\$5,478,804.65</u>

NOTE 4: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5: OTHER

Revenues and expenditures reported in the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF pension contributions represents the amount paid by the state on behalf of the district for the year ended June 30, 2017. TPAF Social Security contributions represent the amount reimbursed by the state for the employer's share of Social Security contributions for TPAF members for the year ended June 30, 2017.

South Hunterdon Regional School District
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2017

Section I – Summary of Auditor’s Results

Financial Statements

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

Federal Program(s) – Not Applicable

Section I – Summary of Auditor’s Results

State Program(s)

- | | | |
|-----|---|------------|
| (1) | Internal Control Over Major State Programs: | |
| | (a) Material weakness identified? | No |
| | (b) Significant deficiencies identified that are not considered to be material weaknesses? | No |
| (2) | Type of Auditor’s Report issued on compliance for major state program(s)? | Unmodified |
| (3) | Any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular 15-08? | No |

South Hunterdon Regional School District
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2017

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

State Program(s)

(4) Identification of Major State Program(s):

<u>Program</u>	<u>Grant Number</u>
Equalization Aid	495-034-5120-078
Special Education	
Categorical Aid	495-034-5120-089
Security Aid	495-034-5120-084
Additional Adjustment Aid	495-034-5120-085
School Choice Aid	495-034-5120-068
Under Adequacy Aid	495-034-5120-096
PARCC Readiness	495-034-5120-098
Per Pupil Growth	495-034-5120-097
Professional Learning	
Community Aid	495-034-5120-101

(5) Program Threshold Determination:
 Type A State Program Threshold > \$750,000.00
 Type B State Program Threshold <= \$750,000.00

(6) Auditee qualified as a low-risk auditee under OMB Circular 15-08? Yes

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

Internal Control Findings

None Reported

Compliance Findings

None Reported

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

Federal Programs – Not Applicable

State Programs – Not Applicable

South Hunterdon Regional School District

Schedule of Prior Year Audit Findings

Not Applicable

