

HACKETTSTOWN SCHOOL DISTRICT

**Hackettstown School District
Hackettstown, New Jersey**

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2017**

**Comprehensive Annual
Financial Report**

of the

Hackettstown School District

Hackettstown, New Jersey

For the Fiscal Year Ended June 30, 2017

Prepared by

**Hackettstown School District
Board of Education**

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INTRODUCTORY SECTION

HACKETTSTOWN PUBLIC SCHOOLS

Gail M. Woicekowski

Business Administrator/ Board Secretary



Home of the Tigers

David C. Mango

Superintendent of Schools

Debra Grigoletti

Director of Curriculum & Instruction

November 1, 2017

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

Dear Board Members:

The comprehensive annual financial report of the Hackettstown School District (District) for the fiscal year ended 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 Board of Education (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the basic financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments*. Information related to this single audit, including the auditor's report on the internal control system and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES: The Hackettstown School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board ("GASB") in codification section 2100. All funds of the District are included in this report. The Hackettstown School District and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels K through 12. These include regular as well as special education for handicapped students. The District completed the 2016-2017 fiscal year with an enrollment of 1,921 students.

2) MAJOR INITIATIVES: During the 2016-2017 school year, the District continued implementing the Strategic Plan that began in 2012-2013. The implementation will continue over the next several years. An Adhoc Committee was once again established by the Board of Education to examine the options the District has to possibly reorganize the District school buildings. The technology department continues to work on the infrastructure and the District successfully accommodated the on-line student assessment that began in the 2015-2016 school year.

The District continues to receive outstanding monies due the District from the State of New Jersey for previously completed Regular Operating District (ROD) grants also called SDA grant projects. In 2016-2017 the security vestibule projects at Hatchery Hill and Willow Grove Elementary Schools, and the Middle School Courtyard Drainage were completed. These projects were partially funded with ROD IV dollars from the State of New Jersey.

Other projects completed with full local share included an electric upgrade and reconfiguration of the faculty room into a partial Small Group Instruction room at Hatchery Hill and a roof replacement at Willow Grove.

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

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at fiscal year-end are either canceled or are included as reappropriations of fund balance in the subsequent fiscal year. Those amounts to be reappropriated are reported as restrictions, commitments and assignments of fund balance at June 30, 2017.

5) ACCOUNTING SYSTEM AND REPORTS: The District's accounting records reflect generally accepted accounting principles, as promulgated by the GASB. The accounting system of the District is organized on the basis of funds. These funds are explained in "Notes to the Basic Financial Statements", Note 1.

6) CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements", Note 3. 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.

The Honorable President and Members of
the Board of Education
Hackettstown School District
Page 3
November 1, 2017

7) RISK MANAGEMENT: The Board carries various forms of insurance, including, but not limited to, general liability, excess liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. A schedule of insurance coverage is found on Exhibit J-20.

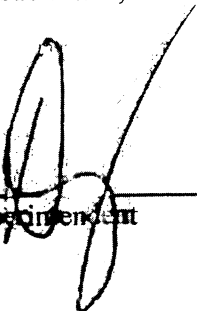
8) OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia, LLP, CPA's, was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditor's report on the basic financial statements and specific required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit and *Government Auditing Standards* are included in the single audit section of this report.

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

Respectfully submitted,

Signed: _____

Title: Superintendent

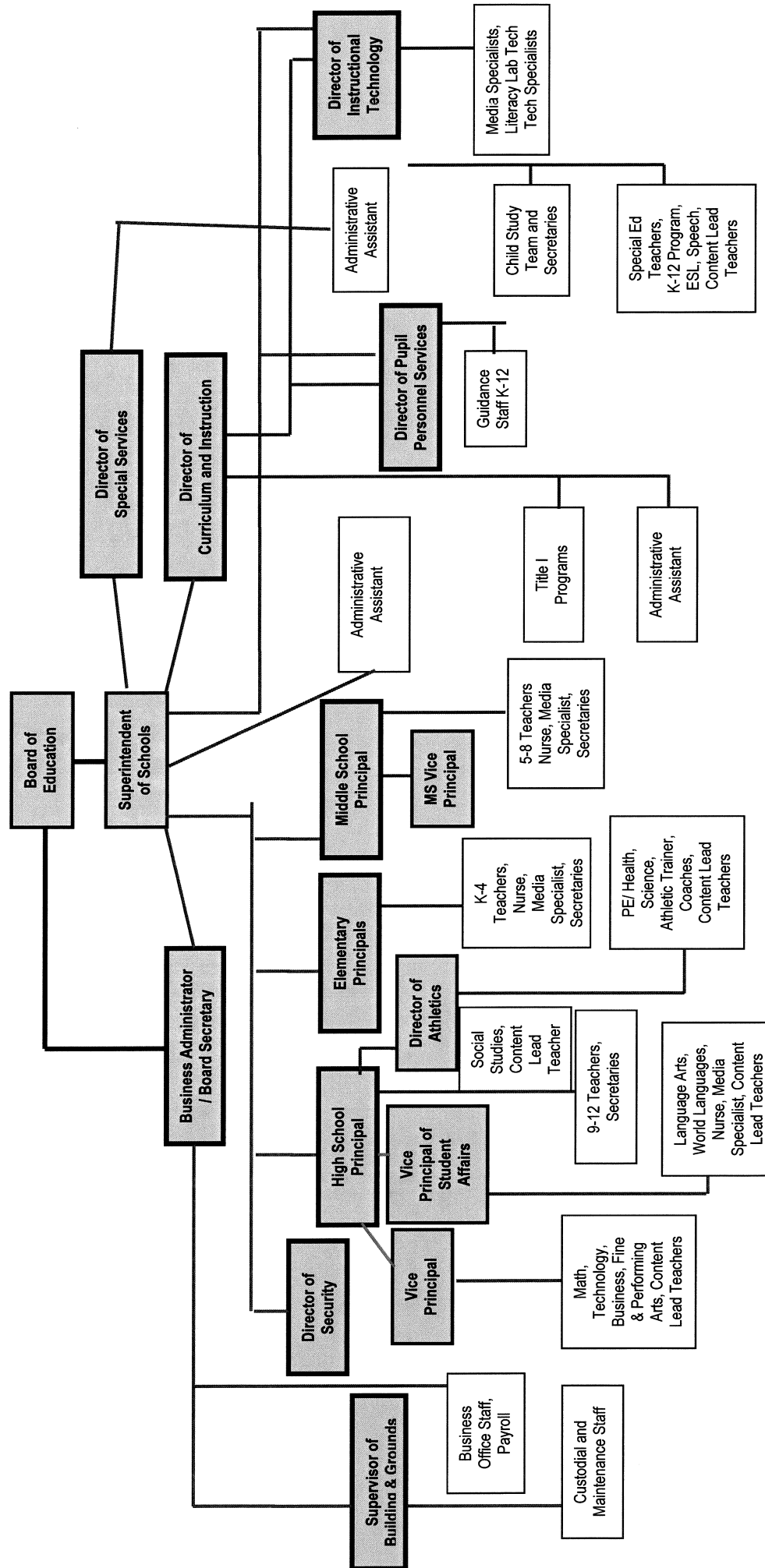


Signed: _____

Title: Business Administrator



Hackettstown Public Schools Organizational Chart



**HACKETTSTOWN SCHOOL DISTRICT
 ROSTER OF OFFICIALS
 JUNE 30, 2017**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Gus Bordi, President	2018
Shawn Burke, Vice President	2018
Robert Moore	2017
Edward O'Melia (Great Meadows)	2017
Michele Wehmeyer	2019
Bhojeewattie Soobryan	2017
Giovanni Cusmano (Allamuchy)	2017
Mike Herbst	2019
Mary Beth Maciag	2019
Amy Cochran	2018
Anthony Putignano	2017

<u>Other Officials</u>	<u>Title</u>
David C. Mango	Superintendent of Schools
Gail M. Woickowski	School Business Administrator/Board Secretary

**HACKETTSTOWN SCHOOL DISTRICT
Consultants and Advisors**

Attorneys

Comegno Law Group P.C.
521 Pleasant Valley Avenue
Moorestown, NJ 08057

Sciarrillo, Cornell, Merlino, McKeever & Osborne, P.C.
238 St. Paul Street
Westfield, NJ 07090

Audit Firm

Nisivoccia, LLP
Mount Arlington Corporate Center
200 Valley Road, Suite 300
Mount Arlington, NJ 07856-1320
and
Lawrence Business Park
11 Lawrence Road
Newton, NJ 07860

Official Depository

First Hope Bank
277 Route 46
Great Meadows, NJ 07838

FINANCIAL SECTION

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Hackettstown School District (the "District") in the County of Warren, as of and for the fiscal 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.

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters

The financial statements of the District as of June 30, 2016 were audited by other auditors whose report dated November 16, 2016 expressed an unmodified opinion on those statements.

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and the schedules of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and the other information, such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The Honorable President and Members
of the Board of Education
Hackettstown School District
Page 3

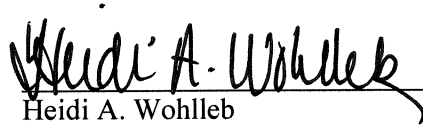
The accompanying other information such as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Mount Arlington, New Jersey
November 1, 2017

NISIVOCCIA, LLP


Heidi A. Wohlleb
Licensed Public School Accountant #2140
Certified Public Accountant

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

**HACKETTSTOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

This section of Hackettstown School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2017. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

Financial Highlights

- The District's total net position decreased \$1,778,834 on a district-wide basis over the course of the year.
- Overall revenues were \$40,551,764.
- Overall expenditures were \$42,330,598.
- Net position from the District's governmental activities decreased \$1,849,709.
- The net position from the District's business-type activity increased \$70,875.

Overview of the Financial Statements

This annual report 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:

- The first two statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more* detail than the District-wide statements.
- The *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, such as 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 financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**HACKETTSTOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

**Figure A-1
Organization of Hackettstown School District's Financial Report**

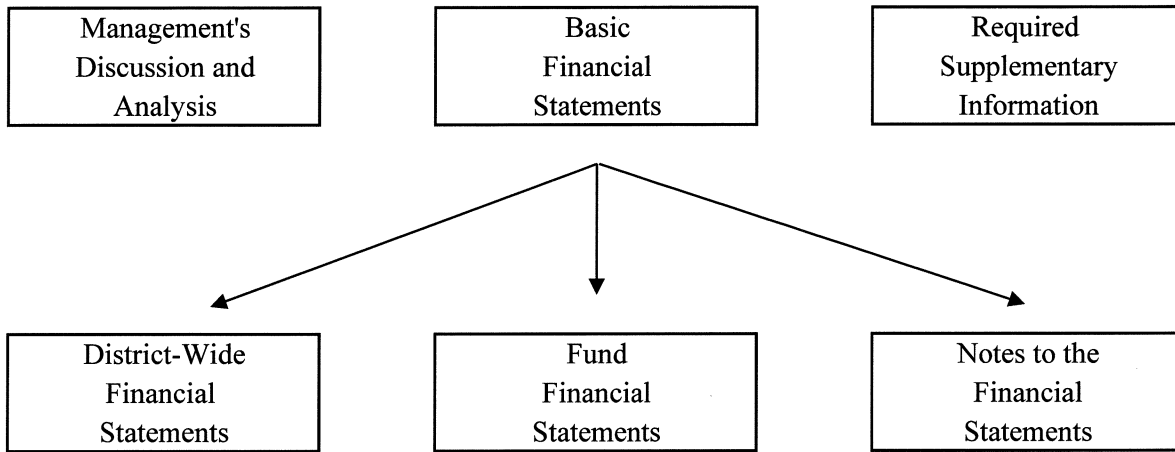


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents of each of the statements.

**HACKETTSTOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities
Required Financial Statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenue, expenses, and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

**HACKETTSTOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

District-Wide Statements

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

The two District-wide statements report the District's *net position* and how they have changed. Net position – the difference between the District's assets, deferred outflows and inflows 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 is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.
- *Business-type activities*: The District charges fees to help it cover the costs of certain services it provides. The District's food services are included here.

Fund Financial Statements

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

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenue (such as federal grants).

The District has three kinds of funds:

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

**HACKETTSTOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

Fund Financial Statements

- *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 assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Notes to the Basic Financial Statements

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

Financial Analysis of the District as a Whole

Net Position. The District's combined net position was \$12,933,217 on June 30, 2017, \$1,778,834 or 12.09% less than it was the year before (See Figure A-3). Net position from governmental activities decreased \$1,849,709 and net position from business-type activities increased by \$70,875 (See Figure A-4). Net investment in capital assets increased \$288,854, restricted net position decreased \$2,708,907 and unrestricted net position increased \$641,219.

Figure A-3

Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total School District		Percent Change
	2017	2016*	2017	2016*	2017	2016*	
Current and							
Other Assets	\$ 5,822,821	\$ 7,694,310	\$ 226,190	\$ 234,569	\$ 6,049,011	\$ 7,928,879	-23.71%
Capital Assets, Net	17,286,371	16,729,780	201,037	114,745	17,487,408	16,844,525	3.82%
Total Assets	23,109,192	24,424,090	427,227	349,314	23,536,419	24,773,404	-4.99%
Deferred Outflows of Resources	3,683,288	1,565,552			3,683,288	1,565,552	135.27%
Other Liabilities	542,658	978,526	35,860	28,822	578,518	1,007,348	-42.57%
Long-Term Liabilities	12,950,679	9,552,067			12,950,679	9,552,067	35.58%
Total Liabilities	13,493,337	10,530,593	35,860	28,822	13,529,197	10,559,415	28.12%
Deferred Inflows of Resources	757,293	1,067,490			757,293	1,067,490	-29.06%
Net Position:							
Net Investment in Capital Assets	14,404,529	14,201,967	201,037	114,745	14,605,566	14,316,712	2.02%
Restricted	2,533,299	5,242,206			2,533,299	5,242,206	-51.67%
Unrestricted/(Deficit)	(4,395,978)	(5,052,614)	190,330	205,747	(4,205,648)	(4,846,867)	-13.23%
Total Net Position	\$ 12,541,850	\$ 14,391,559	\$ 391,367	\$ 320,492	\$ 12,933,217	\$ 14,712,051	-12.09%

*-Restated

**HACKETTSTOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

Financial Analysis of the District as a Whole

Changes in net position. The District's combined net position decreased by \$1,778,834 or 12.09%. Net investment in capital assets increased by \$288,854 due primarily to \$1,278,674 of capital additions, \$290,000 repayment of serial bonds, and \$458,422 in construction in process, offset by \$642,901 net increase in capitalized leases, \$12,972 of deletions net of depreciation and the \$1,081,241 of depreciation expense. Restricted net position decreased \$2,708,907 primarily due to the \$300,000 increase in tuition reserve account offset by the \$200,000 decrease in maintenance reserve, the \$2,691,900 decrease in capital reserve and the decrease in excess surplus of \$112,408. The increase in unrestricted net position is due primarily to the increase in the net pension liability, offset by the related deferred inflows and outflows and unexpended budget appropriations. (See Figure A-4).

Figure A-4

Changes in Net Position from Operating Results

	Governmental Activities		Business-Type Activities		Total School District		Percent Change
	2017	2016	2017	2016	2017	2016	
Revenue:							
Program Revenue:							
Charges for Services	\$ 6,962,021	\$ 8,202,957	\$ 260,167	\$ 276,404	\$ 7,222,188	\$ 8,479,361	-14.83%
Operating Grants & Contributions	12,162,937	715,329	271,160	254,591	12,434,097	969,920	1181.97%
Capital Grants & Contributions	51,314	(69,211)			51,314	(69,211)	174.14%
General Revenue:							
Property Taxes	16,411,291	15,371,890			16,411,291	15,371,890	6.76%
Unrestricted Federal & State Aid	4,206,174	13,671,208			4,206,174	13,671,208	-69.23%
Other	226,700	777,080			226,700	777,080	-70.83%
Total Revenue	<u>40,020,437</u>	<u>38,669,253</u>	<u>531,327</u>	<u>530,995</u>	<u>40,551,764</u>	<u>39,200,248</u>	3.45%
Expenses:							
Instruction	28,919,215	23,586,823			28,919,215	23,586,823	22.61%
Pupil & Instruction Services	5,824,799	6,862,208			5,824,799	6,862,208	-15.12%
Administration and Business	3,514,566	3,534,690			3,514,566	3,534,690	-0.57%
Maintenance & Operations	2,742,309	2,752,332			2,742,309	2,752,332	-0.36%
Transportation	813,369	600,113			813,369	600,113	35.54%
Other	55,888	106,957	460,452	470,009	516,340	576,966	-10.51%
Total Expenses	<u>41,870,146</u>	<u>37,443,123</u>	<u>460,452</u>	<u>470,009</u>	<u>42,330,598</u>	<u>37,913,132</u>	11.65%
Change in Net Position	<u>\$ (1,849,709)</u>	<u>\$ 1,226,130</u>	<u>\$ 70,875</u>	<u>\$ 60,986</u>	<u>\$ (1,778,834)</u>	<u>\$ 1,287,116</u>	-238.20%

Financial Analysis of the District as a Whole

Revenue Sources. The District's total revenue for the 2016-2017 school year was \$40,551,764. (See Figure A-5). Property taxes accounted for most of the District's revenue, with local taxes accounting for \$16,411,291 of the total, or 40.47 percent. (See Figure A-5). Another 41.16 percent came from state and federal aid and the remaining 18.37 percent from charges for services and miscellaneous sources. Hackettstown School District generally conducts its operations from the revenues it receives from its local taxpayers and State Aid.

**HACKETTSTOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

**Figure A-5
Sources of Revenue for Fiscal Year 2017**

Sources of Income	Amount	Percentage
Unrestricted Federal and State Aid	\$ 4,206,174	10.37%
Property Taxes	16,411,291	40.47%
Operating Grants and Contributions	12,434,097	30.66%
Capital Grants and Contributions	51,314	0.13%
Charges for Services	7,222,188	17.81%
Other	226,700	0.56%
	\$ 40,551,764	100.00%

The total cost of all programs and services was \$42,330,598. The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students (84.00 percent). (See Figure A-6). The District's administration and business activities accounted for 8.30 percent of total expenses. Maintenance and operation costs amounted to 6.48 percent of total expenses. Other expenses were 1.22 percent of total expenses and include interest on long term liabilities and business type activities expenses.

**Figure A-6
Expenses for Fiscal Year 2017**

Expense Category	Amount	Percentage
Instruction	\$ 28,919,215	68.32%
Pupil & Instruction Services	5,824,799	13.76%
Administration and Business	3,514,566	8.30%
Maintenance & Operations	2,742,309	6.48%
Transportation	813,369	1.92%
Other	516,340	1.22%
	\$ 42,330,598	100.00%

Governmental Activities

The governmental activities financial position of the District decreased by 12.85%. Maintaining existing programs with expected increased regular pupil enrollment and the provision of a multitude of special programs and services for disabled pupils place great demands on the District's resources. During the past several years, numerous veteran teachers have retired and have been replaced by teachers of less experience. Such changes have generated significant salary savings, but these have not been sufficient enough to provide for increased special education programs and increased health benefit costs. As a result, the Town was subject to a tax increase in fiscal 2017.

Due to the constraints placed upon the District by legislation, it is crucial that the District examine its expenses carefully. Increasing parental and student demands for new activities and programs must be evaluated thoroughly.

**HACKETTSTOWN SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

Figure A-7 presents the cost of six major District activities: instruction, pupil & instructional services, administration & business, maintenance & operations, transportation, and other. The table also shows each activity’s net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District’s taxpayers by each of these functions:

**Figure A-7
Net Cost of Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2017	2016	2017	2016
Instruction	\$ 28,919,215	\$ 23,586,823	\$ 11,135,560	\$ 15,287,363
Pupil & Instruction Services	5,824,799	6,862,208	5,108,347	6,368,736
Administration and Business	3,514,566	3,534,690	2,916,919	3,540,358
Maintenance & Operations	2,742,309	2,752,332	2,682,995	2,690,521
Transportation	813,369	600,113	794,165	600,113
Other	55,888	106,957	55,888	106,957
Total	\$ 41,870,146	\$ 37,443,123	\$ 22,693,874	\$ 28,594,048

Governmental Activities

- The cost of all governmental activities this year was \$41,870,146.
- The federal and state governments subsidized certain programs with grants and contributions.
- Approximately 40% of the District’s costs, however, were financed by District taxpayers.
- A portion of governmental activities were financed with \$5,139,415 in State Aid based on the SFRA formula.
- The remainder of the funding came from charges for services, miscellaneous revenue and investment earnings.

Business-Type Activities

Net position in the District’s business-type activities increased by \$70,875. (Refer to Figure A-4). This was primarily caused by a decrease in operating expenses as well as an increase in subsidy reimbursements.

Financial Analysis of the District’s Funds

The District’s financial position in the General Fund remains positive despite changes in the student population and difficult economic times. Expenditures during the recent year increased.

Difficult economic times have had a direct impact upon the District’s revenue sources. The District has had a multi-year practice of utilizing funds from the unassigned fund balance to reduce the tax levy. Ratables in the Town show little growth; thus generating concern for the local tax levy in the future.

**HACKETTSTOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

All of these factors are likely to continue for the next several years. To maintain a stable financial position, the District must continue to practice sound fiscal management. Due to sizeable balances in the past year's budget expenditures, the District has been able to allocate fund balance to reduce the local tax levy.

General Fund Budgetary Highlights

Over the course of the year, the District revised its annual operating budget several times. These budget amendments consisted of changes made within budgetary line items for changes in school-based needs for programs, supplies and equipment.

Capital Assets and Long-Term Liabilities Administration

**Figure A-8
Capital Assets (Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total School District		Percent Change
	2017	2016*	2017	2016*	2017	2016*	
Construction in Progress	\$ 2,466,885	\$ 5,028,118			\$ 2,466,885	\$ 5,028,118	-50.94%
Site Improvements	592,815	514,789			592,815	514,789	15.16%
Buildings & Bldg. Imps.	12,264,973	8,949,905			12,264,973	8,949,905	37.04%
Machinery, Furniture and Equipment	1,886,233	2,223,129	\$ 201,037	\$ 114,745	2,087,270	2,337,874	-10.72%
Buses and Other Vehicles	75,465	13,839			75,465	13,839	445.31%
Total	\$ 17,286,371	\$ 16,729,780	\$ 201,037	\$ 114,745	\$ 17,487,408	\$ 16,844,525	3.82%

* - Restated

The District's Capital Assets increased \$642,883, or 3.82 percent, on a district-wide basis. (More detailed information about the District's Capital Assets is presented on Note 9 to the basic financial statements.)

**HACKETTSTOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

Long-Term Liabilities

(See Note 10 to the basic financial statements for more detailed information about the District's long-term liabilities.)

Figure A-9

Outstanding Long-Term Liabilities

	Governmental Activities		Percent Change
	2017	2016	
Compensated Absences Payable	\$ 386,334	\$ 358,568	7.74%
Net Pension Liability	9,649,559	6,631,614	45.51%
Serial Bonds Payable	1,795,000	2,085,000	-13.91%
Capital Leases Payable	1,119,786	476,885	134.81%
Total	<u>\$ 12,950,679</u>	<u>\$ 9,552,067</u>	35.58%

- Compensated absences payable increased by \$27,766.
- Net pension liability increased by \$3,017,945.
- Serial bonds payable decreased by \$290,000.
- Capital leases payable increased by a net amount of \$642,901.

Factors Bearing on the District's Future

The Hackettstown School District is in satisfactory financial condition at this time. The District is proud of its community support of the public schools. The District continues to grow its program offerings for its students while being sensitive to the taxpayers. The District has a reliance on local property taxes which is a main source of funding. A future concern is the continued increase in enrollment and its impact on program offerings. The District has been both creative and resilient in lowering administrative costs by sharing an assortment of administrative positions with the Great Meadows Regional School District. The Board and the administration will continue working together, with community input, on developing plans for programs to meet the District's academic needs in light of the continued increase in enrollment. This planning includes the impact on facilities planning.

In conclusion, the Hackettstown School District has committed itself to financial excellence for many years. For four years the District did not exceed the 2% tax levy (2012-2013 through 2015-2016). Further, the District's system for financial planning, budgeting, and internal financial controls are well regarded and have received accolades at public Board of Education meetings. The School District plans to continue its sound fiscal management to meet the challenges of the future.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact School Business Administrator, in the office of the Hackettstown School District Board of Education.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

HACKETTSTOWN SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 3,122,303	\$ 202,948	\$ 3,325,251
Interfund Receivable	3,647		3,647
Receivables from Federal Government	43,254	15,344	58,598
Receivables from State Government	170,851	302	171,153
Receivables - Other	64,924		64,924
Inventory		7,596	7,596
Restricted Cash and Cash Equivalents	2,417,842		2,417,842
Capital Assets, Net:			
Construction in Progress	2,466,885		2,466,885
Depreciable Site Improvements, Buildings and Building Improvements, Furniture, Machinery, Equipment, and Vehicles	14,819,486	201,037	15,020,523
Total Assets	<u>23,109,192</u>	<u>427,227</u>	<u>23,536,419</u>
DEFERRED OUTFLOWS OF RESOURCES			
District Contribution Subsequent to the Measurement Date - Pensions	293,418		293,418
Deferred Amount on Refunding	32,944		32,944
Changes in Assumptions - Pensions	1,998,873		1,998,873
Difference between Expected and Actual Experience - Pensions	179,453		179,453
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	367,946		367,946
Changes in Proportion - Pensions	810,654		810,654
Total Deferred Outflows of Resources	<u>3,683,288</u>	<u> </u>	<u>3,683,288</u>
LIABILITIES			
Current Liabilities:			
Accrued Interest Payable	21,789		21,789
Payable to Federal Government	11,092		11,092
Accounts Payable	506,277	27,637	533,914
Unearned Revenue	3,500	8,223	11,723
Noncurrent Liabilities:			
Due Within One Year	710,293		710,293
Due Beyond One Year	12,240,386		12,240,386
Total Liabilities	<u>13,493,337</u>	<u>35,860</u>	<u>13,529,197</u>
DEFERRED INFLOWS OF RESOURCES			
Changes in Proportion - Pensions	757,293		757,293
Total Deferred Inflows of Resources	<u>757,293</u>	<u> </u>	<u>757,293</u>
NET POSITION			
Net Investment in Capital Assets	14,404,529	201,037	14,605,566
Restricted for:			
Capital Projects	1,084,842		1,084,842
Debt Service	7,255		7,255
Maintenance	333,000		333,000
Emergency	200,000		200,000
Tuition	800,000		800,000
Excess Surplus	108,202		108,202
Unrestricted/(Deficit)	(4,395,978)	190,330	(4,205,648)
Total Net Position	<u>\$ 12,541,850</u>	<u>\$ 391,367</u>	<u>\$ 12,933,217</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

HACKETTSTOWN SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Functions/Programs	Program Revenues				Net (Expenses)/Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 19,393,154	\$ 6,954,021	\$ 6,401,848		\$ (6,037,285)		\$ (6,037,285)
Special Education	5,956,081		3,243,209		(2,712,872)		(2,712,872)
Other Special Instruction	1,745,897		580,548		(1,165,349)		(1,165,349)
School Sponsored Instruction	1,824,083		604,029		(1,220,054)		(1,220,054)
Support Services:							
Tuition	919,698				(919,698)		(919,698)
Student & Instruction Related Services	4,905,101		716,452		(4,188,649)		(4,188,649)
General Administrative Services	645,273				(645,273)		(645,273)
School Administrative Services	2,306,672		597,647		(1,709,025)		(1,709,025)
Central Services	506,384				(506,384)		(506,384)
Administration Information Technology	56,237				(56,237)		(56,237)
Plant Operations and Maintenance	2,742,309	8,000		\$ 51,314	(2,682,995)		(2,682,995)
Pupil Transportation	813,369		19,204		(794,165)		(794,165)
Interest on Long-Term Debt	41,216				(41,216)		(41,216)
Charter School	14,672				(14,672)		(14,672)
Total Governmental Activities	41,870,146	6,962,021	12,162,937	\$ 51,314	(22,693,874)	\$ -0-	(22,693,874)

HACKETTSTOWN SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Functions/Programs	Program Revenues			Net (Expenses)/Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Business-Type Activities:							
Food Service	\$ 460,452	\$ 260,167	\$ 271,160		\$ 70,875	\$ 70,875	\$ 70,875
Total Business-Type Activities	<u>460,452</u>	<u>260,167</u>	<u>271,160</u>		<u>70,875</u>	<u>70,875</u>	<u>70,875</u>
Total Primary Government	<u>\$ 42,330,598</u>	<u>\$ 7,222,188</u>	<u>\$ 12,434,097</u>	<u>\$ 51,314</u>	<u>\$ (22,693,874)</u>	<u>70,875</u>	<u>(22,622,999)</u>
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, Net					16,096,060		16,096,060
Taxes Levied for Debt Service					315,231		315,231
Federal and State Aid Not Restricted					4,206,174		4,206,174
Investment Earnings					151		151
Miscellaneous Income					226,549		226,549
Total General Revenues					<u>20,844,165</u>		<u>20,844,165</u>
Change in Net Position					(1,849,709)	70,875	(1,778,834)
Net Position - Beginning (Restated)					14,391,559	320,492	14,712,051
Net Position - Ending					<u>\$ 12,541,850</u>	<u>\$ 391,367</u>	<u>\$ 12,933,217</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

FUND FINANCIAL STATEMENTS

HACKETTSTOWN SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	\$ 1,861,056		\$ 1,253,992	\$ 7,255	\$ 3,122,303
Interfund Receivable	30,176				30,176
Receivables from Federal Government		\$ 43,254			43,254
Receivables from State Government	170,851				170,851
Receivables - Other	64,924				64,924
Restricted Cash and Cash Equivalents	2,417,842				2,417,842
TOTAL ASSETS	\$ 4,544,849	\$ 43,254	\$ 1,253,992	\$ 7,255	\$ 5,849,350
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Interfund Payable		\$ 26,529			\$ 26,529
Accounts Payable - Vendors	\$ 210,726	2,133			212,859
Intergovernmental Payable - Federal		11,092			11,092
Unearned Revenue		3,500			3,500
Total Liabilities	210,726	43,254			253,980
Fund Balances:					
Restricted for:					
Excess Surplus - For Subsequent Year's Expenditures	108,202				108,202
Capital Reserve Account	1,084,842				1,084,842
Maintenance Reserve Account	333,000				333,000
Emergency Reserve	200,000				200,000
Tuition Reserve	800,000				800,000
Debt Service Fund				\$ 7,255	7,255
Committed			\$ 1,253,992		1,253,992

HACKETTSTOWN SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Fund Balances: (Cont'd)					
Assigned:					
Year-End Encumbrances	\$ 1,136,465				\$ 1,136,465
For Subsequent Year's Expenditures	571,798				571,798
Unassigned	99,816				99,816
Total Fund Balances	<u>4,334,123</u>		<u>\$ 1,253,992</u>	<u>\$ 7,255</u>	<u>5,595,370</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 4,544,849</u>	<u>\$ 43,254</u>	<u>\$ 1,253,992</u>	<u>\$ 7,255</u>	<u>\$ 5,849,350</u>

Amounts Reported for Governmental Activities in the Statement of Net Position (A-1) are Different Because:

Total Fund Balances - Governmental Funds (Above)	\$ 5,595,370
Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$31,449,928 and the accumulated depreciation is \$14,163,557.	17,286,371
Long-Term Liabilities, including Bonds Payable and Net Pension Liability for PERS, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(12,950,679)
Certain amounts related to the Net Pension Liability are deferred and amortized in the Statement of Activities and are not reported in the Governmental Funds:	
Changes in Proportions - Pensions	(757,293)
Changes in Assumptions - Pensions	1,998,873
Difference between Expected and Actual Experience - Pensions	179,453
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investment	367,946
Changes in Proportions - Pensions	810,654
The deferred amount on the refunding is not reported as an expenditure on the Governmental Funds in the year of the expenditure. The Deferred amount on refunding costs is \$35,200 and the accumulated amortization is \$2,256.	32,944
Accrued Interest on Long-Term Liabilities, including Bonds Payable, is not due and payable in the current period and therefore is not reported as a liability in the funds.	(21,789)
Net Position of Governmental Activities	<u>\$ 12,541,850</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

HACKETTSTOWN SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
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	\$ 16,096,060			\$ 315,231	\$ 16,411,291
Tuition from Individuals	2,023				2,023
Tuition from Other LEAs Within the State	6,951,998				6,951,998
Capital Reserve Interest	151				151
Rents and Royalties	8,000				8,000
Miscellaneous	226,549				226,549
Total - Local Sources	23,284,781			315,231	23,600,012
State Sources	9,015,940		\$ 51,314		9,067,254
Federal Sources	5,895	\$ 677,124			683,019
Total Revenues	32,306,616	677,124	51,314	315,231	33,350,285
EXPENDITURES					
Current:					
Instruction:					
Regular Instruction	9,183,923	215,374			9,399,297
Special Education Instruction	2,845,176	404,805			3,249,981
Other Special Instruction	807,748				807,748
School Sponsored Instruction	962,951				962,951
Support Services and Undistributed Costs:					
Tuition	919,698				919,698
Student & Instruction Related Services	3,311,235	51,515			3,362,750
General Administration Services	569,856				569,856
School Administration Services	1,271,312				1,271,312
Central Services	400,828				400,828

HACKETTSTOWN SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

EXPENDITURES	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Current:					
Support Services and Undistributed Costs:					
Administrative Information Technology	\$ 53,791				\$ 53,791
Plant Operations and Maintenance	2,416,663				2,416,663
Pupil Transportation	688,742				688,742
Allocated and Unallocated Benefits	8,402,582				8,402,582
Capital Outlay	2,341,660	\$ 5,430	\$ 458,422		2,805,512
Transfer of Funds to Charter School	14,672				14,672
Debt Service:					
Principal				\$ 290,000	290,000
Interest and Other Charges				29,830	29,830
Total Expenditures	34,190,837	\$ 677,124	458,422	319,830	35,646,213
Deficiency of Revenues Under Expenditures	(1,884,221)		(407,108)	(4,599)	(2,295,928)
OTHER FINANCING SOURCES/(USES):					
Capital Leases	910,000				910,000
Transfers In			1,335,000		1,335,000
Transfers Out	(1,335,000)				(1,335,000)
Total Other Financing Sources/(Uses)	(425,000)		1,335,000		910,000
Net Change in Fund Balances	(2,309,221)		927,892	(4,599)	(1,385,928)
Fund Balance - July 1 (Restated)	6,643,344		326,100	11,854	6,981,298
Fund Balance - June 30	\$ 4,334,123	\$ -0-	\$ 1,253,992	\$ 7,255	\$ 5,595,370

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

HACKETTSTOWN 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 Exhibit B-2) \$ (1,385,928)

Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because:

Capital Outlays are reported in the 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 differ from depreciation and disposals during the period.

	Depreciation Expense	\$ (1,065,557)	
	Disposals, Net of Accumulated Depreciation	(12,972)	
	Capital Outlays	1,635,120	556,591

Repayments of bond principal and capital leases are expenditures in the Governmental Funds, but the repayments reduce Long-term Liabilities in the Statement of Net Position and is not reported in the Statement of Activities.

557,099

Capital leases are an other financing source in the governmental funds. They are not revenue in the statement of activities; capital leases increase long-term liabilities in the statement of net position.

(910,000)

The net pension liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the Governmental Funds:

Change in Net Pension Liability (3,017,945)

Deferred Outflows:

Changes in Assumptions 1,286,691

Changes in Proportion 403,546

Difference between Expected and Actual Experience - Pensions 21,246

Net difference between projected and actual investment earnings on pension plan investments 571,519

Deferred Inflows:

Changes in Proportion 106,624

HACKETTSTOWN 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

In the Statement of Activities, certain operating expenses, e.g., compensated absences (sick days) are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).

In the Statement of Activities, Interest on Long-term Debt in the Statement of Activities is accrued, regardless of when due. In the Governmental Funds, interest is reported when due. When the accrued interest exceeds the interest paid, the difference is a reduction in the reconciliation (-); when the interest paid exceeds the accrued interest, the difference is an addition to the reconciliation (+).

The Governmental Funds report the effect of the deferred amount on bond refunding when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities (-)

Change in Net Position of Governmental Activities (Exhibit A-2)

	\$ (27,766)
	(10,258)
	<u>(1,128)</u>
	<u>\$ (1,849,709)</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

HACKETTSTOWN SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2017

Business-Type
Activities:
Enterprise Funds

ASSETS:

Current Assets:

Cash and Cash Equivalents	\$ 202,948
Receivable from Federal Government	15,344
Receivables from State Government	302
Inventory	7,596
	7,596

Total Current Assets

226,190

Non-Current Assets:

Capital Assets	420,210
Less: Accumulated Depreciation	(219,173)
	(219,173)

Total Non-Current Assets

201,037

Total Assets

427,227

LIABILITIES:

Current Liabilities:

Unearned Revenue - Donated Commodities	964
Unearned Revenue - Prepaid Sales	7,259
Accounts Payable - Vendors	27,637
	27,637

Total Liabilities

35,860

NET POSITION:

Investment in Capital Assets	201,037
Unrestricted	190,330
	190,330

Total Net Position

\$ 391,367

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

HACKETTSTOWN SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Business-Type Activities: Enterprise Funds</u>
Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 162,746
Daily Sales - Non-Reimbursable Programs	97,421
	260,167
Total Operating Revenue	260,167
Operating Expenses:	
Cost of Sales - Reimbursable Programs	194,030
Cost of Sales - Nonreimbursable Programs	19,968
Salaries	148,218
Payroll Taxes	20,466
Employee Benefits	14,403
Purchased Property Services	20,400
Supplies and Materials	27,283
Depreciation Expense	15,684
	460,452
Total Operating Expenses	460,452
Operating Loss	(200,285)
Non-Operating Revenue:	
Federal Sources:	
National School Lunch Program	198,532
School Breakfast Program	48,830
Food Distribution Program	18,530
State Sources:	
School Lunch Program	5,268
	271,160
Total Non-Operating Revenue	271,160
Change in Net Position	70,875
Net Position - Beginning of Year (Restated)	320,492
Net Position - End of Year	\$ 391,367

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

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

	<u>Business-Type Activities: Enterprise Funds</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 260,232
Payments to Food Service Vendor	(411,835)
Payments to Suppliers	(11,787)
Net Cash (Used for) Operating Activities	<u>(163,390)</u>
Cash Flows from Noncapital Financing Activities:	
Federal Reimbursements in Food Service Fund	269,950
State Reimbursements in Food Service Fund	5,265
Net Cash Provided by Noncapital Financing Activities	<u>275,215</u>
Cash Flows from Capital Financing Activities:	
Acquisition of Capital Assets	(101,976)
Net Cash Used for Capital Financing Activities	<u>(101,976)</u>
Net Increase in Cash and Cash Equivalents	9,849
Cash and Cash Equivalents, July 1	<u>193,099</u>
Cash and Cash Equivalents, June 30	<u><u>\$ 202,948</u></u>
Reconciliation of Operating Loss to Net Cash	
Used for Operating Activities:	
Operating Loss	\$ (200,285)
Adjustment to Reconcile Operating Loss to Cash Used for Operating Activities:	
Depreciation	15,684
Federal Food Distribution Program	18,530
Changes in Assets and Liabilities:	
Increase in Unearned Revenue - Donated Commodites	145
(Decrease) in Unearned Revenue - Prepaid Sales	(80)
(Increase) in Inventory	(4,357)
Increase in Accounts Payable	6,973
Net Cash Used for Operating Activities	<u><u>\$ (163,390)</u></u>

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received and utilized commodities from the Federal Food Distribution Program valued at \$18,675 and \$18,530, respectively, for the fiscal year ended June 30, 2017.

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

HACKETTSTOWN SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2017

	Agency	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Trust
ASSETS:				
Cash and Cash Equivalents	\$ 397,124	\$ 29,855	\$ 4,225	\$ 52,679
Total Assets	397,124	29,855	4,225	52,679
LIABILITIES:				
Interfund Payable - General Fund			3,647	
Payroll Deductions and Withholdings	154,060			
Due to Student Groups	243,064			
Total Liabilities	397,124		3,647	
NET POSITION:				
Held in Trust for:				
Unemployment Claims		29,855		
Flexible Spending Claims			578	
Scholarships				52,679
Total Net Position	\$ -0-	\$ 29,855	\$ 578	\$ 52,679

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS
 ARE AN INTEGRAL PART OF THIS STATEMENT

HACKETTSTOWN SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Trust
ADDITIONS:			
Contributions - Employee Donations	\$ 27,769	\$ 9,434	\$ 2,708
Total Contributions	<u>27,769</u>	<u>9,434</u>	<u>2,708</u>
Investment Earnings:			
Interest	192	22	318
Net Investment Earnings	<u>192</u>	<u>22</u>	<u>318</u>
Total Additions	<u>27,961</u>	<u>9,456</u>	<u>3,026</u>
DEDUCTIONS:			
Unemployment Compensation Claims	35,366		
Flexible Spending Claims		12,845	
Scholarships Awarded			3,457
Total Deductions	<u>35,366</u>	<u>12,845</u>	<u>3,457</u>
Change in Net Position	(7,405)	(3,389)	(431)
Net Position - Beginning of Year	<u>37,260</u>	<u>3,967</u>	<u>53,110</u>
Net Position - End of the Year	<u>\$ 29,855</u>	<u>\$ 578</u>	<u>\$ 52,679</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

The Board 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.

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate 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. 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.

B. Basis of Presentation:

District-Wide Financial Statements:

The statement of net position and the statement of activities present financial information about the District's governmental and business type activities. These statements include the financial activities of the overall District in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. These statements distinguish between the governmental and business type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenue and other nonexchange transactions. Business type activities are financed in part by fees charged to external parties.

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation: (Cont'd)

District-Wide Financial Statements: (Cont'd)

The statement of activities presents a comparison between direct expenses and program revenue for business-type activities and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements. Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue. The comparison of direct expenses with program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

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

The District reports the following governmental funds:

General Fund: The General Fund is the general operating fund of the District and is used to account for all expendable financial resources not accounted for and reported 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 NJDOE, the District includes budgeted capital outlay in this fund. GAAP, as it pertains to governmental entities, states 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 revenue. 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 expenses by board resolution.

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation: (Cont'd)

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

Capital Projects Fund: The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (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, funds appropriated from the General Fund, and from aid provided by the state to offset the cost of approved capital projects.

Debt Service Fund: The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest.

Enterprise Funds: The Enterprise Fund accounts for all revenue and expenses pertaining to the Board's Food Service Fund operations. The Enterprise 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 recipients on a continuing basis are financed or recovered primarily through user charges.

Additionally, the District reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the District on behalf of others and includes the Student Activities Fund, Payroll Agency Fund, Flexible Spending Trust Fund, Unemployment Compensation Insurance Trust Fund and Private Purpose Scholarship Trust Fund.

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On an 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.

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. Measurement Focus and Basis of Accounting (Cont'd)

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The District considers all revenue reported in the governmental funds to be available if the revenue is collected within sixty days after the end of the fiscal year. 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. 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.

It is the District's policy, that when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, to apply restricted resources first followed by unrestricted resources. Similarly, within unrestricted fund balance, it is the District's policy to apply committed resources first followed by assigned resources and then unassigned resources when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. Therefore, when program expenses are incurred, both restricted and unrestricted net position may be available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenue.

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the General, Special Revenue, and Debt Service Funds. The budget for the fiscal year ended June 30, 2017 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary 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).

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

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

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Budgets/Budgetary Control: (Cont'd)

The General Fund budgetary revenue differs from GAAP revenue due to a difference in recognition of the last two state aid payments for the current year. Since the State is recording the last two state aid payments in the subsequent fiscal year, the District cannot recognize these payments in the GAAP financial statements.

The Capital Projects Fund budgetary revenue differs from GAAP revenue due to a difference in the recognition of SDA grants receivable. These grants are recognized on the budgetary basis in full at the time of the award but are recognized on the GAAP basis as they are expended and requested for reimbursement.

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 32,319,533	\$ 682,773
Differences - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that the budgetary basis recognizes encumbrances as expenditures and revenue, whereas the GAAP Basis does not.		
Current Year Encumbrances		(9,444)
Cancellation of Prior Year Encumbrances		(509)
Prior Year Encumbrances		4,304
Prior Year State Aid Payments Recognized for GAAP Statements, not recognized for Budgetary Basis	485,006	
Current Year State Aid Payments recognized for Budgetary purposes, not recognized for GAAP Statements	(497,923)	
Total Revenues as reported on the Statement of Revenues, Expenditures & Changes in Fund Balances - Governmental Funds	\$ 32,306,616	\$ 677,124

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Budgets/Budgetary Control: (Cont'd)

	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 34,190,837	\$ 682,773
Differences - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Current Year Encumbrances		(9,444)
Prior Year Encumbrances		4,304
Cancellation of Prior Year Encumbrances		(509)
Total Expenditures as Reported on the Statement of Revenue, Expenditures, & Changes in Fund Balances - Governmental Funds	\$ 34,190,837	\$ 677,124
		Capital Projects Fund
	Fund Balance	Revenue
Revenue and Other Financing Sources/ Fund Balance per Summary Schedule of Revenue, Expenditures and Changes in Fund Balance (Budgetary Basis)	\$ 2,971,055	\$ 1,952,751
Reconciliation to Governmental Funds Statements (GAAP): SDA Grants Revenue Not Recognized on GAAP Basis	(1,717,063)	(566,437)
Revenue and Other Financing Sources/ Fund Balance per Governmental Funds (GAAP)	\$ 1,253,992	\$ 1,386,314

E. Cash and Cash Equivalents and Investments:

Cash and cash equivalents include petty cash and cash in banks. Certificates of deposit with maturities of one year or less when purchased are stated at cost.

The District generally records investments at fair value and records the unrealized gains and losses as part of investment income. Fair value is the price that would be received to sell an investment in an orderly transaction between market participants at the measurement date. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. Cash and Cash Equivalents and Investments: (Cont'd)

New Jersey school districts are limited as to type of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts. Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

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

F. Interfund Transactions:

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

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net position, except for amounts due between governmental and business-type activities, which are presented as internal balances.

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

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

Open encumbrances in the Special Revenue Fund for which the District has received advances are reflected in the balance sheet as unearned revenue at fiscal year-end.

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

H. Encumbrances: (Cont'd)

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.

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund, are recorded as expenditure during the year of purchase.

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2017.

K. Capital Assets:

Capital assets acquired or constructed are recorded at historical cost including ancillary charges necessary to place the asset into service. Capital assets acquired or constructed prior to the establishment of the formal system are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Land has been recorded at estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs is not capitalized. The District does not possess any infrastructure. Capital assets have been reviewed for impairment.

The capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) is \$2,000. The depreciation method is straight-line. The estimated useful lives of capital assets reported in the District-wide statements and proprietary funds are as follows:

	Estimated Useful Life
Buildings and Building Improvements	45 Years
Site Improvements	20 Years
Machinery, Furniture and Equipment	10 to 15 Years
Vehicles	8 Years

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

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

L. Long Term Liabilities:

In the District-wide and enterprise fund statements of net position, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or enterprise funds. Bond premium and discounts, are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

M. Accrued Salaries and Wages:

The District does not allow employees who provide services to the District over a ten-month academic year the option to have their salaries evenly disbursed over the entire twelve-month year; therefore, there are no accrued salaries and wages as of June 30, 2017.

N. 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. Upon termination, employees are paid for accrued vacation. 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.

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

O. Unearned Revenue:

Unearned revenue in the Special Revenue Fund represents cash which has been received but not yet earned. See Note 1(D) regarding the Special Revenue Fund.

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

P. Fund Balance Appropriated:

General Fund: Of the \$4,334,123 General Fund balance at June 30, 2017, \$1,136,465 is assigned for encumbrances; \$108,202 is restricted for excess surplus and has been appropriated and included as anticipated revenue in the fiscal year ended June 30, 2018; \$1,084,842 is restricted in the capital reserve account; \$333,000 is restricted in the maintenance reserve account; \$200,000 is restricted in the emergency reserve account; \$800,000 is restricted in the tuition reserve account; \$571,798 is assigned for subsequent year's expenditures; and \$99,816 is unassigned which is \$497,923 less than the calculated budgetary unassigned fund balance due to the last two state aid payments, which are not recognized on the GAAP basis until the fiscal year ended June 30, 2018.

Capital Projects Fund: The \$1,253,992 fund balance in the Capital Projects Fund at June 30, 2017, is committed which is \$1,717,063 less on a GAAP basis due to the NJ SDA grants which have not been recognized on a GAAP basis.

Debt Service Fund: The Debt Service Fund balance at June 30, 2017 of \$7,255 is restricted of which \$7,254 has been included as anticipated budget revenue for the fiscal year ending June 30, 2018.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, C.73 (S1701) the designation for Restricted Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General 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 year's budget. The District had excess surplus at June 30, 2017 as detailed above.

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$497,923 as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the last two state aid payments as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the June state aid payments in the subsequent fiscal year, the school district cannot recognize the June state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the June state aid payments and not the fund balance reported on the fund statement which excludes the June state aid payments.

Q. Deficit Net Position:

The District had a deficit in unrestricted net position of \$4,395,978 in governmental activities. The deficit in unrestricted governmental activities net position is primarily due to the net pension liability and related deferred inflows and outflows, and compensated absences payable offset by the committed, assigned and unassigned governmental fund balances at June 30, 2017. This deficit does not indicate that the District is in financial difficulties and is a permitted practice under generally accepted accounting principles.

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

R. Net Position:

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had deferred outflows of resources at June 30, 2017 for the deferred amount on refunding, the changes in proportions in pensions, differences between expected and actual experience for pension, the District contribution subsequent to the measurement date with respect to pensions, net difference between projected and actual investment earnings on pension plan investments and changes in assumptions in pensions.

The District had a deferred inflow of resources at June 30, 2017 with respect to changes in proportion in pensions.

Net position is displayed in three components - net investment in capital assets; restricted and unrestricted.

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also would be included in this component of net position.

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

S. Fund Balance Restrictions, Commitments and Assignments:

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined for a formal action of the District's highest level of decision-making authority. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts has been restricted, committed or assigned.

Fund balance restrictions have been established for debt service, a capital reserve, a maintenance reserve, a tuition reserve, and an emergency reserve.

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

S. Fund Balance Restrictions, Commitments and Assignments: (Cont'd)

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District had committed resources at June 30, 2017 in the Capital Projects Fund.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for year-end encumbrances and amounts designated for subsequent year's expenditures in the General Fund at June 30, 2017.

T. Operating Revenue and Expenses:

Operating revenue are those revenues that are generated directly from the primary activity of the Enterprise Fund. For the School District, these revenues are sales for the food service program. Operating expenses are necessary costs incurred to provide the services that are the primary activities of the Enterprise Fund.

U. Revenue - Exchange and Nonexchange Transactions:

Revenue, resulting from exchange transactions in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means within sixty days of the fiscal year end. Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, 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 School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

V. Management Estimates:

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

W. Pensions

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 State of New Jersey Public Employees' Retirement System (PERS) and the State of New Jersey Teachers' Pension and Annuity Fund (TPAF) and additions to/deductions from the PERS's and TPAF's net position have been determined on the same basis as they are reported by the PERS and the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension Plan investments are reported at fair value.

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB requires disclosure of the level of custodial credit risk assumed by the Board in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk – In accordance with its cash management plan, the Board ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk – The Board limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed in the Investments section of this note.

Custodial Credit Risk - The District does not have a formal policy with respect to custodial credit risk. However, the District ensures that District funds are only deposited in financial institutions in which NJ school districts are permitted to invest their funds.

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

Deposits:

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

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

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

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

Investments

New Jersey statutes permit the Board to purchase the following types 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;
- (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, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units;
- (5) Local government investment pools;
- (6) 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
- (7) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

Investments (Cont'd)

- (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and
- (e) a master repurchase agreement providing for the custody and security of collateral is executed.

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

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents	Total
Checking Accounts	\$ 3,809,134	\$ 2,417,842	\$ 6,226,976
	\$ 3,809,134	\$ 2,417,842	\$ 6,226,976

During the period ended June 30, 2017, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents and investments at June 30, 2017, was \$6,226,976 and the bank balance was \$7,056,253.

NOTE 4. 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 State Department of Education, a District can increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line item appropriation amounts, or both. A District may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-5.1(d)7, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT (CONT'D)

The activity of the Capital Reserve Account for the July 1, 2016 to June 30, 2017 fiscal year is as follows:

Beginning Balance at July 1, 2016	\$ 3,776,742
Interest Earnings	151
Unexpended Funds Returned	196,660
Withdrawal by Board Resolution - Capital Projects Fund	(1,335,000)
Withdrawal by Board Resolution - Capital Outlay	(1,343,211)
Budgeted Withdrawal Capital Outlay	<u>(210,500)</u>
Ending Balance at June 30, 2017	<u>\$ 1,084,842</u>

The \$1,084,842 balance in the Capital Reserve Account at June 30, 2017 does not exceed the local support costs of uncompleted capital projects in the District's approved Long Range Facilities Plan ("LRFP"). Withdrawals from the Capital Reserve Account were for use in DOE approved facilities projects, consistent with the District's LRFP.

NOTE 5. MAINTENANCE RESERVE ACCOUNT

A maintenance reserve account established by Board resolution. These funds may be used for specific activities necessary for the purpose of keeping a school facility open and safe for use or in its original condition, and for keeping its constituent buildings systems fully and efficiently functional and for keeping their warranties valid but cannot be used for routine or capital maintenance. The purpose of the reserve is to provide funds for anticipated expenditures required to maintain a building.

Pursuant to N.J.A.C. 6A:26A-4.2 funds may be deposited into the maintenance reserve account at any time by board resolution to meet the required maintenance of the District by transferring unassigned general fund balance or by transferring excess unassigned general fund balance that is anticipated to be deposited during the current year in the advertised recapitulation of balances of the subsequent year's budget that is certified for taxes. Funds may be withdrawn from the maintenance reserve account and appropriated into the required maintenance account lines at budget time or any time during the year by Board resolution for use on required maintenance activities by school facility as reported in the comprehensive maintenance plan. Funds withdrawn from the maintenance reserve account are restricted to required maintenance appropriations and may not be transferred to any other line-item account. In any year that maintenance reserve account funds are withdrawn, unexpended required maintenance appropriations, up to the amount of maintenance reserve account funds withdrawn, shall be restored to the maintenance reserve account at year-end. At no time, shall the maintenance reserve account have a balance that exceeds four percent of the replacement cost of the current year of the District's school facilities. If the account exceeds this maximum amount at June 30, the excess shall be restricted and designated in the subsequent year's budget. The maintenance reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

The activity of the Maintenance Reserve Account for the July 1, 2016 to June 30, 2017 fiscal year is as follows:

Beginning Balance at July 1, 2016	\$ 533,000
Budgeted Withdrawal	<u>(200,000)</u>
Ending Balance at June 30, 2017	<u>\$ 333,000</u>

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 6. EMERGENCY RESERVE ACCOUNT

An emergency reserve account was established by the Hackettstown School District for the accumulation of funds for use as unanticipated general fund expenditures in subsequent fiscal years. The emergency reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

The emergency reserve is restricted to be used to accumulate funds in accordance with N.J.S.A. 18A:7F-41c(1) to finance unanticipated general fund expenditures required for a thorough and efficient education. Unanticipated means reasonably unforeseeable and shall not include additional costs caused by poor planning. The maximum balance permitted at any time in this reserve is the greater of \$250,000 or 1% of the general fund budget not to exceed one million dollars. Deposits may be made to the emergency reserve account by board resolution at year end of any unanticipated revenue or unexpended line item appropriation or both. The Department has defined year end for the purpose of depositing surplus into reserve accounts as an amount approved by the district board of education between June 1st and June 30th. Withdrawals from the reserve require the approval of the Commissioner unless the withdrawal is necessary to meet an increase in total health care costs in excess of four percent or the withdrawal is included in the original budget certified for taxes to finance school security improvements pursuant to N.J.S.A. 18A:7G-6(c)1.

The activity of the Emergency Reserve Account for the July 1, 2016 to June 30, 2017 fiscal year is as follows:

Beginning Balance at July 1, 2016	\$	200,000
Ending Balance at June 30, 2017	\$	<u>200,000</u>

NOTE 7. TUITION RESERVE ACCOUNT

A tuition reserve account may be established in accordance with N.J.A.C. 6A:23-3.1(f) for tuition between two Boards of Education that are in a formal sending/receiving relationship. The maximum amount that may be restricted at year end is 10% of the estimated contract year. Upon certification of tuition rates in the second year following the contract year, full appropriation of the applicable year's reserve must be liquidated, and any remaining balance related to that year must be restricted and budgeted for tax relief.

The District established a \$500,000 tuition reserve during the 2015/2016 school year which has been appropriated to pay for any tuition adjustments for the fiscal year ending June 30, 2018. The District also established a \$300,000 tuition reserve in the current fiscal year which will be appropriated and included in the budget for the fiscal year ending June 30, 2019.

NOTE 8. TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2017, the District transferred \$94,473 to capital outlay accounts for the acquisition of equipment which did not require approval of the County Superintendent. There were also transfers to capital outlay accounts facility acquisition and construction services for which required signatures were obtained.

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 9. CAPITAL ASSETS

Capital asset balances and activity for the fiscal year ended June 30, 2017 were as follows:

	(Restated) Beginning Balance	Increases	Decreases/ Adjustments	Ending Balance
Governmental Activities:				
Capital Assets not being Depreciated:				
Construction in Progress	\$ 5,028,118	\$ 458,422	\$ (3,019,655)	\$ 2,466,885
Total Capital Assets not being Depreciated	<u>5,028,118</u>	<u>458,422</u>	<u>(3,019,655)</u>	<u>2,466,885</u>
Capital Assets being Depreciated:				
Site Improvements	2,384,393		159,401	2,543,794
Buildings and Building Improvements	18,223,706	1,042,209	2,860,254	22,126,169
Machinery and Equipment	4,186,880	55,489	(90,207)	4,152,162
Vehicles	83,918	79,000	(2,000)	160,918
Total Capital Assets being Depreciated	<u>24,878,897</u>	<u>1,176,698</u>	<u>2,927,448</u>	<u>28,983,043</u>
Governmental Activities Capital Assets	<u>29,907,015</u>	<u>1,635,120</u>	<u>(92,207)</u>	<u>31,449,928</u>
Less Accumulated Depreciation for:				
Site Improvements	(1,869,604)	(81,375)		(1,950,979)
Buildings and Building Improvements	(9,273,801)	(587,395)		(9,861,196)
Machinery and Equipment	(1,963,751)	(379,413)	77,235	(2,265,929)
Vehicles	(70,079)	(17,374)	2,000	(85,453)
Total Accumulated Depreciation	<u>(13,177,235)</u>	<u>(1,065,557)</u>	<u>79,235</u>	<u>(14,163,557)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 16,729,780</u>	<u>\$ 569,563</u>	<u>\$ (12,972)</u>	<u>\$ 17,286,371</u>
Business Type Activities:				
Capital Assets Being Depreciated:				
Furniture and Equipment	\$ 318,234	\$ 101,976		\$ 420,210
Less Accumulated Depreciation	(203,489)	(15,684)		(219,173)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 114,745</u>	<u>\$ 86,292</u>	<u>\$ - 0 -</u>	<u>\$ 201,037</u>
Total Governmental and Business-Type Activities	<u>\$ 16,844,525</u>	<u>\$ 655,855</u>	<u>\$ (12,972)</u>	<u>\$ 17,487,408</u>

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 9. CAPITAL ASSETS (Cont'd)

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 417,636
Special Education Instruction	129,383
Other Instruction	122,345
Student and Instruction Related Services	150,577
General Administrative Services	25,914
School Administrative Services	57,812
Central Services	18,227
Administrative Information Technology	2,446
Plant Operations and Maintenance	109,897
Pupil Transportation	31,320
	<hr/>
Total Depreciation	<u>\$ 1,065,557</u>

The District expended \$458,422 towards construction projects in progress and transferred \$3,019,655 of completed capital projects to depreciable capital assets during the fiscal year. As of June 30, 2017, the District has \$2,953,294 in active construction projects of which \$452,640 is encumbered.

NOTE 10. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2017, the following changes occurred in liabilities reported in the district-wide financial statements:

	<u>Balance</u> <u>6/30/2016</u>	<u>Issued/</u> <u>Accrued</u>	<u>Matured/</u> <u>Retired</u>	<u>Balance</u> <u>6/30/2017</u>
Governmental Activities:				
Capital Lease Payable	\$ 476,885	\$ 910,000	\$ 267,099	\$ 1,119,786
Serial Bonds Payable	2,085,000		290,000	1,795,000
Net Pension Liability	6,631,614	3,017,945		9,649,559
Compensated Absences Payable	358,568	27,766		386,334
				<hr/>
Total Governmental Activities	<u>\$ 9,552,067</u>	<u>\$ 3,955,711</u>	<u>\$ 557,099</u>	<u>\$ 12,950,679</u>

A. Bonds Payable:

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

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 10. LONG-TERM LIABILITIES (Cont'd)

A. Bonds Payable: (Cont'd)

On April 20, 2016, the District issued refunding school bonds of \$1,830,000 with interest rates of 1.86% to refund \$1,760,000 of 2006 Construction and Equipment Additions and Renovations bonds with interest rates of 4.00%. The bonds mature on July 15, 2016 through 2022 and are non-callable. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the 2006 school bonds were called on July 15, 2015. The refunding met the requirements of an in-substance debt defeasance and the school bonds were removed from the School's government-wide financial statements.

The District had bonds outstanding as of June 30, 2017 as follows:

<u>Purpose</u>	<u>Final Maturity Date</u>	<u>Interest Rate</u>	<u>Amount</u>
2016 Refunding Bonds	7/15/2022	1.860%	\$ 1,795,000

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

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 280,000	\$ 30,783	\$ 310,783
2019	290,000	25,482	315,482
2020	295,000	20,042	315,042
2021	305,000	14,461	319,461
2022	310,000	8,742	318,742
2023	315,000	2,930	317,930
	<u>\$ 1,795,000</u>	<u>\$ 102,440</u>	<u>\$ 1,897,440</u>

B. Bonds Authorized But Not Issued:

There were no bonds authorized but not issued as of June 30, 2017.

C. Compensated Absences:

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. No portion of the compensated absences balance of the governmental funds at June 30, 2017 is currently payable; therefore, the long-term liability balance of compensated absences is \$386,334.

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 Enterprise Funds.

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 10. LONG-TERM LIABILITIES (Cont'd)

D. Capital Leases:

The District has capital leases related to network infrastructure and computer equipment, and other technology and maintenance equipment. The District has entered into capital leases totaling \$2,085,000 of which \$965,214 has been liquidated as of June 30, 2017 for governmental activities. A schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2017 is as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Governmental</u> <u>Activities</u>
2018	\$ 444,732
2019	202,912
2020	202,912
2021	202,912
2022	<u>101,456</u>
	1,154,924
Less: Amount representing interest	<u>(35,138)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 1,119,786</u>

The current portion for governmental leases is \$430,293 and the long-term portion is \$689,493.

E. Net Pension Liability:

The Public Employees' Retirement System's (PERS) net pension liability of the governmental activities is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2017 is \$-0- and the long-term portion is \$9,649,559. See Note 11 for further information on the PERS.

NOTE 11. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey; or the Defined Contribution Retirement Program (DCRP).

A. Public Employees' Retirement System (PERS)

Plan Description

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

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 11. PENSION PLANS (CONT'D)

A. Public Employees' Retirement System (PERS) (Cont'd)

Benefits Provided

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

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

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$289,445 for fiscal year 2016.

The employee contribution rate was 7.20% effective July 1, 2016. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
 (Continued)

NOTE 11. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

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

At June 30, 2017, the District reported a liability of \$9,649,559 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 0.0326%, which was an increase of 0.003% from its proportion measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the District recognized pension expense of \$917,749. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources as follows:

	<u>Year of Deferral</u>	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	2014	6.44	\$ 121,297	
	2015	5.72	495,646	
	2016	5.57	1,381,930	
			<u>1,998,873</u>	
Changes in Proportion	2014	6.44	315,418	
	2015	5.72		\$ 757,293
	2016	5.57	495,236	
			<u>810,654</u>	<u>757,293</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5.00	(181,766)	
	2015	5.00	116,292	
	2016	5.00	433,420	
			<u>367,946</u>	
Difference Between Expected and Actual Experience	2015	5.72	137,515	
	2016	5.57	41,938	
			<u>179,453</u>	
District Contribution Subsequent to the Measurement Date	2016	1.00	293,418	
			<u>\$ 3,650,344</u>	<u>\$ 757,293</u>

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 11. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts including changes in proportion and the district contribution subsequent to measurement date) related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Total
2017	\$ 573,270
2018	573,269
2019	664,153
2020	557,985
2021	177,595
	\$ 2,546,272

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:

Inflation Rate	3.08%
Salary Increases:	
Through 2026	1.65 – 4.15% based on age
Thereafter	2.65 – 5.15% based on age
Investment Rate of Return	7.65%

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. 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 one year for females).

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 11. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Actuarial Assumptions (Cont'd)

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.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension 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 PERS' target asset allocation as of June 30, 2016 are summarized in the table on the following page.

<u>Asset Class</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 Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex. U.S.	5.00%	-0.25%
REIT	5.25%	5.63%

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 11. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Discount Rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 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 upon the contribution rate in the most recent fiscal year. The local employers 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 District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The figure on the following page presents the District's proportionate share of the collective net pension liability as of June 30, 2016 calculated using the discount rate as disclosed below, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2016		
	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
District's proportionate share of the Net Pension Liability	\$ 11,824,409	\$ 9,649,559	\$ 7,854,033

Pension plan Fiduciary Net Position

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

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 11. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

The State of New Jersey, Teachers' Pension and Annuity Fund (TPAF), is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, by which the State of New Jersey (the State) is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF is administered by the State of New Jersey Division of Pensions and Benefits (the Division). For additional information about the TPAF, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

Benefits Provided

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

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2016, the State's pension contribution was less than the actuarially determined amount.

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 11. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Contributions (Cont'd)

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, such as the District. This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2017, the State of New Jersey contributed \$1,440,289 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$8,110,441.

The employee contribution rate was 7.20% effective July 1, 2016. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

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

At June 30, 2017, the State's proportionate share of the net pension liability associated with the District was \$107,943,351. 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 0.137%, which was a decrease of 0.034% from its proportion measured as of June 30, 2015.

District's Proportionate Share of the Net Pension Liability	\$ -0-
State's Proportionate Share of the Net Pension Liability Associated with the District	107,943,351
Total	\$ 107,943,351

For the fiscal year ended June 30, 2016, the State recognized pension expense on behalf of the District in the amount of \$8,110,441 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2017 financial statements.

The State reported collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions from the sources on the following page.

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 11. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

	<u>Year of Deferral</u>	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	2014	8.5	\$ 1,691,524,165	
	2015	8.3	4,488,602,746	
	2016	8.3	9,522,623,964	
			<u>15,702,750,875</u>	
Difference Between Expected and Actual Experience	2014	8.5		\$ 16,110,615
	2015	8.3	277,221,464	
	2016	8.3		118,421,979
			<u>277,221,464</u>	<u>134,532,594</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5	(870,618,286)	
	2015	5	577,926,182	
	2016	5	1,727,420,767	
			<u>1,434,728,663</u>	
		<u>\$ 17,414,701,002</u>	<u>\$ 134,532,594</u>	

Amounts reported by the State as collective deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense excluding that attributable to employer-paid members contributions as show on the following page.

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>
2017	\$ 2,538,535,636
2018	2,538,535,636
2019	2,973,844,781
2020	2,781,202,718
2021	2,349,347,527
Thereafter	4,098,702,110
	<u>\$ 17,280,168,408</u>

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 11. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

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%

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 years 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.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension 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 PERS' target asset allocation as of June 30, 2016 are summarized in the table on the following page.

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 11. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Long Term Expected Rate of Return (Cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.39%
U.S. Government Bonds	1.50%	1.28%
U.S. Credit Bonds	13.00%	2.76%
U.S. Mortgages	2.00%	2.38%
U.S. Inflation-Indexed Bonds	1.50%	1.41%
U.S. High Yield Bonds	2.00%	4.70%
U.S. Equity Market	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%
Farmland	1.00%	4.39%
Private Equity	9.00%	8.97%
Commodities	0.50%	2.87%
Hedge Funds - MultiStrategy	5.00%	3.70%
Hedge Funds - Equity Hedge	3.75%	4.72%
Hedge Funds - Distressed	3.75%	3.49%

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 3.22% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 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 upon the contribution rate in the most recent fiscal year. The State contributed 30% of the actuarially determined contributions. Based on those assumptions, the pension 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 pension 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.

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 11. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Sensitivity of the State's Proportionate Share of the Net Pension Liability Associated with the District to Changes in the Discount Rate

The table on the following page presents the State's proportionate share of the net pension liability associated with the District as of June 30, 2016 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	June 30, 2016		
	At 1% Decrease (2.22%)	At Current Discount Rate (3.22%)	At 1% Increase (4.22%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 128,908,484	\$ 107,943,351	\$ 90,822,614

Pension Plan Fiduciary Net Position - TPAF

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

C. Defined Contribution Retirement Program (DCRP)

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or TPAF, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

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

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

For DCRP, the District recognized pension expense of \$7,766 for the fiscal years ended June 30, 2017. Employee contributions to DCRP amounted to \$14,237 for the fiscal year ended June 30, 2017.

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 12. POST-RETIREMENT BENEFITS

P.L. 1987, c.384 and P.L. 1990, c.6 of Public Laws 1990 required the TPAF and 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 prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c. 126, which provides employer paid 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.

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pension and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SEHBP. That report may be obtained from the Treasury website at <http://www.nj.gov/treasury/pensions/pdf/financial2015combined.pdf>.

The State's on behalf Post-Retirement Medical Contributions to TPAF for the District amounted to \$1,243,570, \$1,098,610 and \$715,479 for 2017, 2016, and 2015, respectively.

NOTE 13. 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. A complete schedule of insurance coverage can be found in the statistical section of this Comprehensive Annual Financial Report. Health benefits are provided to employees through Horizon Blue Cross Blue Shield of New Jersey.

Property and Liability Insurance

The District is a member of the New Jersey Schools Insurance Group (the "NJSIG"). The NJSIG provides the School Board Legal Liability Insurance, and workers compensation insurance coverage for its members. The NJSIG is a risk-sharing public entity risk pool that is both an insured and self-administered group of school districts established for the purpose of providing low-cost insurance coverage for its members in order to keep local property taxes at a minimum. Each member appoints an official to represent their respective district for the purpose of creating a governing body from which officers for the NJSIG are elected.

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 13. RISK MANAGEMENT (Cont'd)

Property and Liability Insurance (Cont'd)

As a member of the NJSIG, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of the NJSIG were to be exhausted, members would become responsible for their respective shares of the NJSIG's liabilities.

The NJSIG can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body. In accordance with Statement No. 10 of the Governmental Accounting Standards Board, these distributions are used to reduce the amount recorded for membership expense in the year in which the distribution was declared.

Selected, summarized financial information as of June 30, 2017 is as follows:

	<u>NJ Schools Insurance Group</u>
Total Assets	\$ 328,998,652
Net Position	\$ 78,662,630
Total Revenue	\$ 131,811,793
Total Expenses	\$ 121,371,527
Change in Net Position	\$ 10,440,266
Members Dividends	\$ -0-

Financial statements for the NJSIG are available at the Executive Director's Office:

New Jersey Schools Insurance Group
6000 Midlantic Drive
Suite 300 North
Mount Laurel, NJ 08054
(609) 386-6060

The Board is also a member of the School Alliance Insurance Fund ("SAIF"). The SAIF provides its members with Comprehensive General Liability, Automobile Liability, and Property insurance coverage. The SAIF is a risk-sharing fund that is both an insured and self-administered group of school districts insurance coverage established for the purpose of providing low-cost insurance coverage for their members in order to keep local property taxes at a minimum. Each member appoints an official to represent their respective district for the purpose of creating a governing body from which officers for the SAIF are elected.

As a member of the SAIF, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of the SAIF were to be exhausted, members would become responsible for their respective shares of the SAIF's liabilities.

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 13. RISK MANAGEMENT (Cont'd)

Property and Liability Insurance (Cont'd)

The SAIF can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body. In accordance with Statement No. 10 of the Governmental Accounting Standards Board, these distributions are used to reduce the amount recorded for membership expense in the year in which the distribution was declared.

The audit report for the fiscal year ended June 30, 2017 was not available as of the date of this report. Selected financial information for the SAIF as of June 30, 2016 is as follows:

	<u>School Alliance Insurance Fund</u>
Total Assets	\$ 38,579,014
Net Position	\$ 9,463,015
Total Revenue	\$ 41,445,355
Total Expenses	\$ 39,153,730
Change in Net Position	\$ 2,291,625
Members Dividends	\$ -0-

Financial Statements for the Fund are available at the Fund's Executive Director's Office:

Risk and Loss Managers Inc.
51 Everett Drive Suite B40
West Windsor, NJ 08550
(609) 275-1155

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.

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 13. RISK MANAGEMENT (Cont'd)

New Jersey Unemployment Compensation Insurance (Cont'd)

A summary of the District and employee contributions, interest, reimbursements to the State for benefits paid and balance of the District's Unemployment Fiduciary Fund for the current and previous two years follows:

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions and Interest</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2017		\$ 27,961	\$ 35,366	\$ 29,855
2016	\$ 50	27,594	47,295	37,260
2015	15,587	26,698	33,674	56,911

NOTE 14. ECONOMIC DEPENDENCY

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

NOTE 15. DEFERRED COMPENSATION

The Board offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Sections 403(b) and 457(b). The plans, which are administered by the entities listed below, 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. The plan administrators are as follows:

403(b) Plans:
Variable Annuity Life Insurance Company
AXA Equitable
The Legend Fund
Lincoln Financial Group
American United Life Insurance Company

457(b) Plans:
AXA Equitable
The Legend Fund

NOTE 16. COMMITMENTS AND CONTINGENCIES

Litigation

The District is periodically involved in pending lawsuits and estimates that the potential claims resulting from any litigation and not covered by insurance would not materially affect the District's financial statements.

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 16. COMMITMENTS AND CONTINGENCIES (Cont'd)

Grant Programs

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

Encumbrances

At June 30, 2017, there were encumbrances as detailed below in the governmental funds:

General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
\$ 1,136,465	\$ 9,444	\$ 452,640	\$ 1,598,549

On the District's Governmental Funds Balance Sheet as of June 30, 2017, \$-0- is assigned for year-end encumbrances in the Special Revenue Fund. On the GAAP basis, actual encumbrances of \$9,444 are not recognized until paid and are reflected as either a reduction in grants receivable or an increase in unearned revenue in the Special Revenue Fund. The \$452,640 of Capital Projects Fund encumbrances are included in the \$1,253,992 of committed fund balance on a GAAP basis.

NOTE 17. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances existed as of June 30, 2017:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 30,176	
Special Revenue Fund		\$ 26,529
Fiduciary Funds:		
Flexible Spending Trust		3,647
	\$ 30,176	\$ 30,176

The interfund payable in the Special Revenue Fund is for funds received from the General Fund to cover a cash deficit due to grant reimbursements not being received in full at year end. The interfund payable in the Flexible Spending Trust is for funds due to the General Fund as of the end of the plan cycle.

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 18. TAX CALENDAR

Property taxes are levied by the District's constituent municipality as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th, along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1. A ten-day grace period is usually granted before the taxes are considered delinquent and there is an imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the current and prior year may be placed in lien at a tax sale held after December 10.

Taxes are collected by the constituent municipality and are remitted to the District on a predetermined mutually agreed-upon schedule.

NOTE 19. PRIOR PERIOD ADJUSTMENTS

The District made prior year adjustments in the District Wide Financial Statements and Fund Financial Statements for the following: 1 - to reflect the District's contribution subsequent to the measurement date for pensions as an accounts payable as of June 30, 2016; 2 - to adjust the amount of NJ SDA grant revenue/receivable recorded in the Capital Projects Fund to reflect only revenue and receivable for those SDA projects expended and submitted for reimbursement as of June 30, 2016; and 3- to adjust to the amount of capital assets recorded in the District's Capital Assets records including the total expended on capital projects in process which had not been capitalized by the District.

	Balance 6/30/16 as Previously Reported	Retroactive Adjustments	Balance 6/30/16 as Restated
<u>Statement of Net Position:</u>			
<u>Governmental Activities:</u>			
ASSETS			
Receivables, Net	\$ 2,560,417	\$ (874,325)	\$ 1,686,092
Capital Assets, Net:			
Construction in Progress	3,977,569	1,050,549	5,028,118
Depreciable Site Improvements, Buildings and Building Improvements, Machinery and Equipment, and Vehicles	9,336,529	2,365,133	11,701,662
Total Assets	21,882,733	2,541,357	24,424,090
LIABILITIES			
Accounts Payable	697,800	253,983	951,783
Total Liabilities	10,276,610	253,983	10,530,593
NET POSITION			
Net Investment in Capital Assets	10,752,213	3,449,754	14,201,967
Restricted	6,222,021	(979,815)	5,242,206
Unrestricted/(Deficit)	(4,870,049)	(182,565)	(5,052,614)
Total Net Position	12,104,185	2,287,374	14,391,559

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 19. PRIOR PERIOD ADJUSTMENTS (Cont'd)

	<u>Balance 6/30/16</u> as Previously Reported	<u>Retroactive</u> <u>Adjustments</u>	<u>Balance 6/30/16</u> as Restated
<u>Business-Type Activities:</u>			
<u>ASSETS</u>			
Capital Assets, Net:			
Depreciable Site Improvements, Buildings and Building Improvements, Machinery and Equipment, and Vehicles	\$ 54,041	\$ 60,704	\$ 114,745
Total Assets	288,610	60,704	349,314
 <u>NET POSITION</u>			
Investment in Capital Assets	54,041	60,704	114,745
Total Net Position	259,788	60,704	320,492
 <u>Statement of Net Position - Proprietary Funds:</u>			
<u>Food Service Fund:</u>			
<u>ASSETS</u>			
Capital Assets, Net:			
Depreciable Site Improvements, Buildings and Building Improvements, Machinery and Equipment, and Vehicles	54,041	60,704	114,745
Total Assets	288,610	60,704	349,314
 <u>NET POSITION</u>			
Investment in Capital Assets	54,041	60,704	114,745
Total Net Position	259,788	60,704	320,492
 <u>Statement of Revenue, Expenditures, and</u> <u>Changes in Fund Balances:</u>			
<u>Capital Projects Fund:</u>			
Fund Balance - Beginning	1,200,425	(874,325)	326,100

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 20. ACCOUNTS PAYABLE

Accounts payable recorded in the District's Governmental and Business-Type activities as of June 30, 2017 consisted of the following:

	<u>Governmental Funds</u>		District Contribution Subsequent to the Measurement Date	Total Governmental Activities	<u>Business-Type</u>
	General Fund	Special Revenue Fund			Proprietary Funds
Vendors	\$ 210,726	\$ 2,133		\$ 212,859	\$ 27,637
State of New Jersey			\$ 293,418	293,418	
	<u>\$ 210,726</u>	<u>\$ 2,133</u>	<u>\$ 293,418</u>	<u>\$ 506,277</u>	<u>\$ 27,637</u>

NOTE 21. TAX ABATEMENTS

As defined by the Governmental Accounting Standards Board (GASB), a tax abatement is an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. School districts are not authorized by New Jersey statute to enter into tax abatement agreements. However, the county or municipality in which the school district is situated may have entered into tax abatement agreements, and that potential must be disclosed in these financial statements. If the county or municipality entered into tax abatement agreements, those agreements will not directly affect the school district's local tax revenue because N.J.S.A. 54:4-75 and N.J.S.A. 54:4-76 require that amounts so forgiven must effectively be recouped from other taxpayers and remitted to the school district.

For a local school district board of education or board of school estimate that has elected to raise their minimum tax levy using the required local share provisions at N.J.S.A. 18A:7F-5(b), the loss of revenue resulting from the municipality or county having entered into a tax abatement agreement is indeterminate due to the complex nature of the calculation of required local share performed by the New Jersey Department of Education based upon district property value and wealth.

The Town of Hackettstown recognized revenue in the amount of \$41,750 from three payment in lieu of taxes ("PILOT") agreements. The taxes which would have been paid on these properties for 2016 without the abatement would have been \$179,821 of which \$97,916 would have been for the local school tax.

SCHEDULES OF REQUIRED
SUPPLEMENTARY INFORMATION

HACKETTSTOWN SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST THREE FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,		
	2015	2016	2017
District's proportion of the net pension liability	0.0355912340%	0.0295421199%	0.0325810057%
District's proportionate share of the net pension liability	\$ 6,663,652	\$ 6,631,614	\$ 9,649,559
District's covered employee payroll	\$ 2,053,366	\$ 2,128,149	\$ 2,098,588
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	324.52%	311.61%	459.81%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%	40.14%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

HACKETTSTOWN SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST THREE FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,		
	2015	2016	2017
Contractually required contribution	\$ 293,409	\$ 253,983	\$ 289,445
Contributions in relation to the contractually required contribution	<u>(293,409)</u>	<u>(253,983)</u>	<u>(289,445)</u>
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered employee payroll	\$ 2,362,762	\$ 2,053,366	\$ 2,128,149
Contributions as a percentage of covered employee payroll	12.42%	12.37%	13.60%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

HACKETTSTOWN SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF STATE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY ATTRIBUTABLE TO THE DISTRICT
TEACHERS' PENSION AND ANNUITY FUND
LAST THREE FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,		
	2015	2016	2017
State's proportion of the net pension liability attributable to the District	0.1636336229%	0.1711547577%	0.1372166467%
State's proportionate share of the net pension liability attributable to the District	\$ 70,306,742	\$ 83,644,592	\$ 107,943,351
District's covered employee payroll	\$ 13,307,288	\$ 13,286,810	\$ 14,366,197
State proportionate share of the net pension liability attributable to the District as a percentage of its covered employee payroll	528.33%	629.53%	751.37%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%	22.33%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

HACKETTSTOWN SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF STATE CONTRIBUTIONS
TEACHERS' PENSION AND ANNUITY FUND
LAST THREE FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,		
	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 3,783,163	\$ 5,107,255	\$ 8,110,441
Contributions in relation to the contractually required contribution	<u>(558,790)</u>	<u>(711,231)</u>	<u>(1,440,289)</u>
Contribution deficiency/(excess)	<u>\$ 3,224,373</u>	<u>\$ 4,396,024</u>	<u>\$ 6,670,152</u>
District's covered employee payroll	\$ 13,307,288	\$ 13,286,810	\$ 14,366,197
Contributions as a percentage of covered employee payroll	4.20%	5.35%	10.03%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.90% as of June 30, 2015 to 3.98% as of June 30, 2016. The municipal bond rate changed from 3.80% to 2.85%. The long-term expected rate of return on pension plan investments changed from 7.90% to 7.65%.

The inflation rate changed from 3.04% as of June 30, 2015 to 3.08% as of June 30, 2016. The salary increases changed from 2.15% - 4.40% for 2012 – 2021 to 1.65%-4.15% through 2026 and from 3.15%-5.40% thereafter to 2.65%-5.15% thereafter.

The mortality rates in the July 1, 2014 actuarial valuation were based on the following:

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

The mortality rates in the July 1, 2015 actuarial valuation were based on the following:

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. 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 one year for females).

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.13% as of June 30, 2015 to 3.22% as of June 30, 2016. The municipal bond rate changed from 3.80% to 2.85%. The long-term expected rate of return on pension plan investments changed from 7.90% to 7.65%.

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

B. TEACHERS PENSION AND ANNUITY FUND (Cont'd)

Changes of Assumptions (Cont'd)

The mortality rates in the July 1, 2014 actuarial valuation were based on the following:

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

The mortality rates in the July 1, 2015 actuarial valuation were based on the following:

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 years average of Social Security data from 1953 to 2013.

BUDGETARY COMPARISON SCHEDULES

HACKETTSTOWN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 16,096,060	\$	\$ 16,096,060	16,096,060	
Tuition from Individuals				2,023	\$ 2,023
Tuition from Other LEAs Within the State	7,481,336		7,481,336	6,951,998	(529,338)
Rents and Royalties	15,000		15,000	8,000	(7,000)
Interest Earned on Capital Reserve Funds	500		500	151	(349)
Unrestricted Miscellaneous	75,000		75,000	226,549	151,549
Total - Local Sources	23,667,896		23,667,896	23,284,781	(383,115)
State Sources:					
School Choice Aid	19,610		19,610	19,610	
Categorical Special Education Aid	755,124		755,124	755,124	
Equalization Aid	4,257,538		4,257,538	4,257,538	
Categorical Security Aid	38,497		38,497	38,497	
Categorical Transportation Aid	19,534		19,534	19,534	
Adjustment Aid	19,610		19,610	19,610	
PARCC Readiness Aid	13,860		13,860	13,860	
Per Pupil Growth Aid	13,860		13,860	13,860	
Professional Learning Community Aid	14,220		14,220	14,220	
Host District Support Aid	479		479	479	
Extraordinary Aid	25,000		25,000	119,996	94,996
On-Behalf TPAF Pension Contributions (Non-Budgeted)				1,440,289	1,440,289
On-Behalf TPAF Non-Contributory Insurance (Non-Budgeted)				52,185	52,185
On-Behalf TPAF Post Retirement Medical Benefits (Non-Budgeted)				1,243,570	1,243,570
On-Behalf TPAF Long-Term Disability Insurance (Non-Budgeted)				3,935	3,935
Reimbursed TPAF Social Security Contributions (non-budgeted)				1,016,550	1,016,550
Total State Sources	5,177,332		5,177,332	9,028,857	3,851,525
Federal Sources:					
ARRA Extension - Medicaid Reimbursement				1,840	1,840
Medicaid Reimbursement	39,525		39,525	4,055	(35,470)
Total Federal Sources	39,525		39,525	5,895	(33,630)
TOTAL REVENUES	28,884,753		28,884,753	32,319,533	3,434,780

HACKETTSTOWN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 419,901	\$ 86,695	\$ 506,596	\$ 506,455	\$ 141
Grades 1-5 - Salaries of Teachers	2,418,691	(21,997)	2,396,694	2,396,694	
Grades 6-8 - Salaries of Teachers	1,470,975	(11,065)	1,459,910	1,459,910	
Grades 9-12 - Salaries of Teachers	4,110,209	(22,985)	4,087,224	4,054,044	33,180
Regular Programs - Home Instruction:					
Salaries of Teachers	38,000	4,371	42,371	42,371	
Purchased Professional - Educational Services	85,000	(1,820)	83,180	59,263	23,917
Other Purchased Services (400-500 Series)	115,875	(115,875)			
Regular Programs - Undistributed Instruction:					
Unused Vacation Payment to Retired / Terminated Staff	3,000	10,095	13,095	13,095	
Purchased Professional - Educational Services	200,639	(12,220)	188,419	181,776	6,643
Purchased Technical Services	157,776	(34,608)	123,168	116,053	7,115
Other Purchased Services (400-500 Series)	104,200		104,200	101,089	3,111
General Supplies	290,603	(32,599)	258,004	243,859	14,145
Textbooks	9,100	19	9,119	6,984	2,135
Other Objects	4,850		4,850	2,330	2,520
Total Regular Programs - Instruction	9,428,819	(151,989)	9,276,830	9,183,923	92,907
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	155,030		155,030	155,030	
Other Salaries for Instruction		45,150	45,150	44,497	653
Purchased Professional - Educational Services	3,181	749	3,930	3,930	
General Supplies	500	(246)	254	254	
Total Learning and/or Language Disabilities	158,711	45,653	204,364	203,711	653

HACKETTSTOWN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Special Education - Instruction:					
Auditory Impairments:					
General Supplies	\$ 356		\$ 356	\$ 356	
Total Auditory Impairments	356		356	356	
Multiple Disabilities:					
Salaries of Teachers	137,840		137,840	137,840	
Other Salaries for Instruction		\$ 13,948	13,948		\$ 13,948
Purchased Professional-Educational Services	1,500	226	1,726	1,726	
General Supplies	856	(284)	572	572	
Total Multiple Disabilities	140,196	13,890	154,086	140,138	13,948
Resource Room/Resource Center:					
Salaries of Teachers	1,685,000	(25,589)	1,659,411	1,598,962	60,449
Other Salaries for Instruction	274,075	46,228	320,303	320,303	
Purchased Professional - Educational Services	124,526	7,024	131,550	131,550	
General Supplies	19,947	(3,201)	16,746	10,986	5,760
Textbooks	1,582	(1,582)			
Other Objects	6,500	(4,497)	2,003	2,003	
Total Resource Room/Resource Center	2,111,630	18,383	2,130,013	2,063,804	66,209
Autism:					
Salaries of Teachers	192,930	(14,100)	178,830	178,830	
Other Salaries for Instruction	36,000	168,714	204,714	132,243	72,471
Purchased Professional - Educational Services	56,095		56,095	54,130	1,965
Other Purchased Services (400-500 series)	3,000		3,000	1,057	1,943
Other Objects	2,900		2,900		2,900
Total Autism	290,925	154,614	445,539	366,260	79,279

HACKETTSTOWN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Preschool Disabilities - Part-time:					
Salaries of Teachers	\$ 57,260		\$ 57,260	\$ 57,260	
Other Salaries for Instruction	28,000	(13,700)	14,300	12,320	\$ 1,980
Purchased Professional - Educational Services	2,000		2,000	1,190	810
General Supplies	2,250		2,250	137	2,113
Total Preschool Disabilities - Part-time	89,510	(13,700)	75,810	70,907	4,903
Total Special Education Instruction	2,791,328	218,840	3,010,168	2,845,176	164,992
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	481,198	18,757	499,955	499,955	
Purchased Professional-Educational Services	4,121		3,334	3,334	
General Supplies	2,352	(642)	1,710	1,103	607
Total Basic Skills/Remedial - Instruction	487,671	17,328	504,999	504,392	607
Bilingual Education - Instruction:					
Salaries of Teachers	285,320	14,378	299,698	297,359	2,339
Unused Vacation Payment to Retired / Terminated Staff	1,995		1,995	1,995	
Purchased Professional-Educational Services	1,500	47	1,547	1,547	
General Supplies	4,500	551	5,051	2,455	2,596
Total Bilingual Education - Instruction	293,315	14,976	308,291	303,356	4,935
School-Sponsored Cocurricular/Extracurricular Activities - Instruction:					
Salaries	160,720	1,260	161,980	161,163	817
Purchased Services (300-500 series)	11,241		11,241	7,328	3,913
Supplies and Materials	22,569	(884)	21,685	11,946	9,739
Other Objects	13,299		13,299	4,818	8,481
Total School-Sponsored Cocurricular/Extracurricular Activities - Instruction	207,829	376	208,205	185,255	22,950

HACKETTSTOWN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	\$ 678,356		\$ 678,356	\$ 668,398	\$ 9,958
Purchased Services (300-500 series)	94,526		94,526	65,264	29,262
Supplies and Materials	34,246		34,246	29,445	4,801
Other Objects	15,075		15,075	14,589	486
Total School-Sponsored Cocurricular Athletics - Instruction	822,203		822,203	777,696	44,507
Total Instruction	14,031,165	\$ 99,531	14,130,696	13,799,798	330,898
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within State - Regular		8,001	8,001	8,001	
Tuition to Other LEAs Within State - Special	116,959	141,958	258,917	258,917	
Tuition to County Vocational School District - Regular	82,650	19,350	102,000	102,000	
Tuition to County Vocational School District - Special	25,600	(25,600)			
Tuition to CSSD & Regular Day Schools	169,495	(16,877)	152,618	152,618	
Tuition to Private Schools for the Handicapped - Within State	415,208	(14,039)	401,169	398,162	3,007
Total Undistributed Expenditures - Instruction	809,912	112,793	922,705	919,698	3,007
Attendance and Social Work:					
Salaries	55,018		55,018	55,018	
Total Attendance and Social Work	55,018		55,018	55,018	
Health Services:					
Salaries	298,865	811	299,676	299,676	
Purchased Professional and Technical Services	69,644	(1,513)	68,131	33,349	34,782
Supplies and Materials	17,367	(298)	17,069	9,052	8,017
Other Objects	1,400		1,400	680	720
Total Health Services	387,276	(1,000)	386,276	342,757	43,519

HACKETTSTOWN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Speech, OT, PT & Related Services:					
Salaries	\$ 156,115		\$ 156,115	\$ 156,115	
Purchased Professional - Educational Services	386,107	(11,390)	374,717	364,892	\$ 9,825
Supplies and Materials	3,054	82	3,136	2,704	432
Total Speech, OT, PT & Related Services	545,276	(11,308)	533,968	523,711	10,257
Other Support Services - Students - Extraordinary Services:					
Salaries	284,700	(159,050)	125,650	119,613	6,037
Total Other Support Services - Students - Extraordinary Services	284,700	(159,050)	125,650	119,613	6,037
Guidance:					
Salaries of Other Professional Staff	762,043	(4,597)	757,446	734,952	22,494
Salaries of Secretarial and Clerical Assistants	47,318		47,318	47,318	
Unused Vacation Payment to Retired / Terminated Staff	1,005	1,028	2,033	2,033	
Purchased Professional - Educational Services	10,058	6,218	16,276	15,268	1,008
Other Purchased Professional and Technical Services	5,500	2,255	7,755	7,755	
Other Purchased Services (400-500 Series)	3,279	28,150	31,429	31,429	
Supplies and Materials	14,146	(7,700)	6,446	6,446	
Other Objects	2,055	(2,035)	20	20	
Total Guidance	845,404	23,319	868,723	845,221	23,502
Child Study Teams:					
Salaries of Other Professional Staff	585,210	(2,244)	582,966	538,179	44,787
Salaries of Secretarial and Clerical Assistants	25,000		25,000	25,000	
Unused Vacation Payment to Retired / Terminated Staff	8,820	625	9,445	9,445	
Purchased Professional - Educational Services	24,600	4,599	29,199	28,455	744
Other Purchased and Technical Services	10,095	5,062	15,157	15,157	
Other Purchased Services (400-500 Series)	2,762	(8)	2,754	2,754	
Supplies and Materials	14,859	(4,662)	10,197	9,997	200
Other Objects	1,475	(26)	1,449	1,449	
Total Child Study Teams	672,821	3,346	676,167	630,436	45,731

HACKETTSTOWN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Improvement of Instructional Services:					
Salaries of Supervisor of Instruction	\$ 58,180	\$ 66	\$ 58,246	\$ 58,246	\$ 7,334
Salaries of Other Professional Staff	7,400	(66)	7,334		5,500
Purchased Professional - Educational Services	38,500		38,500	33,000	240
Other Purchased Services (400-500 series)	300		300	60	830
Supplies and Materials	1,200	(46)	1,154	324	
Other Objects	820		820	820	
Total Improvement of Instructional Services	106,400	(46)	106,354	92,450	13,904
Educational Media Services/School Library:					
Salaries	545,772	(4,513)	541,259	538,790	2,469
Salaries of Technology Coordinators	102,156	(3,462)	98,694	98,694	
Purchased Professional and Technical Services	9,800	2,030	11,830	7,000	4,830
Other Purchased Services (400-500 series)	17,200	(2,030)	15,170	14,500	670
Supplies and Materials	29,091	15,811	44,902	24,689	20,213
Total Educational Media Services/School Library	704,019	7,836	711,855	683,673	28,182
Instructional Staff Training Services:					
Purchased Professional - Educational Services	5,100		5,100	4,020	1,080
Other Purchased Services (400-500 Series)	28,045	(1,836)	26,209	14,240	11,969
Supplies and Materials	1,000		1,000	96	904
Total Instructional Staff Training Services	34,145	(1,836)	32,309	18,356	13,953

HACKETTSTOWN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Support Services - General Administration:					
Salaries	\$ 191,704	\$ 776	\$ 192,480	\$ 192,480	
Legal Services	93,850	8,285	102,135	102,135	
Audit Fees	31,000	(1,217)	29,783	29,783	
Architectural/Engineering Services	15,000	(9,527)	5,473	24	\$ 5,449
Other Purchased Professional Services	63,593	(38,553)	25,040	19,040	6,000
Purchased Technical Services		911	911	911	
Communications/Telephone	107,985	(19,844)	88,141	82,601	5,540
BOE Other Purchased Services	5,000		5,000	2,441	2,559
Miscellaneous Purchased Services (400-500 Series)	124,640	(4,963)	119,677	111,037	8,640
General Supplies	8,224	2,567	10,791	10,523	268
Miscellaneous Expenditures	20,000	(489)	19,511	18,881	630
Total Support Services - General Administration	660,996	(62,054)	598,942	569,856	29,086
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	837,514	(5,240)	832,274	820,795	11,479
Salaries of Secretarial and Clerical Assistants	335,596	52,233	387,829	379,886	7,943
Unused Vacation Payment to Terminated/Retired Staff	9,514	12,700	22,214	22,214	
Other Purchased Services (400-500 series)	16,800	(7,271)	9,529	4,767	4,762
Supplies and Materials	35,536	1,973	37,509	34,754	2,755
Other Objects	17,295		17,295	8,896	8,399
Total Support Services - School Administration	1,252,255	54,395	1,306,650	1,271,312	35,338

HACKETTSTOWN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Central Services:					
Salaries	\$ 334,740	\$ 1,126	\$ 335,866	\$ 335,866	\$ 6,098
Purchased Professional Services	47,660	(1,137)	46,523	40,425	760
Purchased Technical Services	19,151	(18,151)	1,000	240	
Miscellaneous Purchased Services (400-500 Series)	1,000	158	1,158	1,158	279
Supplies and Materials	8,805	(2,493)	6,312	6,033	
Interest on Lease Purchase Agreements	10,000	2,346	12,346	12,346	
Miscellaneous Expenditures	4,860		4,860	4,760	100
Total Central Services	426,216	(18,151)	408,065	400,828	7,237
Administrative Information Technology:					
Purchased Technical Services	39,218	(6,000)	33,218	13,488	19,730
Supplies and Materials	43,593		43,593	40,303	3,290
Total Administrative Information Technology	82,811	(6,000)	76,811	53,791	23,020
Required Maintenance of School Facilities:					
Salaries	183,369	5,968	189,337	186,783	2,554
Cleaning, Repair and Maintenance Services	171,464	(9,499)	161,965	114,519	47,446
Lead Testing of Drinking Water		10,660	10,660	7,731	2,929
General Supplies	160,219	(55,247)	104,972	91,127	13,845
Other Objects	5,174		5,174	2,509	2,665
Total Required Maintenance of School Facilities	520,226	(48,118)	472,108	402,669	69,439

HACKETTSTOWN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Custodial Services:					
Salaries	\$ 442,592	\$ (7,083)	\$ 435,509	\$ 418,164	\$ 17,345
Purchased Professional and Technical Services	43,713	554	44,267	41,351	2,916
Cleaning, Repair and Maintenance Services	396,700	(13,485)	383,215	383,215	
Insurance	152,000	(8,100)	143,900	143,900	
Miscellaneous Purchased Services	900	(900)			
General Supplies	59,000	(19,467)	39,533	37,860	1,673
Energy (Natural Gas)	203,300	(34,036)	169,264	155,461	13,803
Energy (Electricity)	280,000	(17,521)	262,479	249,924	12,555
Energy (Oil)	14,000	(12,000)	2,000	1,377	623
Energy (Gasoline)	14,000	(7,500)	6,500	5,812	688
Other Objects	9,901	(2,866)	7,035	7,035	
Total Custodial Services	1,616,106	(122,404)	1,493,702	1,444,099	49,603
Care and Upkeep of Grounds:					
Salaries	112,590	(70,733)	41,857	41,856	1
Unused Vacation Payment to Terminated/Retired Staff	13,094		13,094	13,034	60
Cleaning, Repair and Maintenance Services	193,331	70,155	263,486	263,429	57
General Supplies	86,455	(41,869)	44,586	44,586	
Total Care and Upkeep of Grounds	405,470	(42,447)	363,023	362,905	118
Security					
Salaries	149,270	39,493	188,763	188,763	
Purchased Professional and Technical Services	5,000	7,903	12,903	12,903	
General Supplies	19,442	(9,881)	9,561	5,214	4,347
Other Objects	750	(640)	110	110	
Total Security	174,462	36,875	211,337	206,990	4,347

HACKETTSTOWN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Student Transportation Services:					
Salaries for Pupil Transportation:					
Between Home and School - Special	\$	5,130	\$ 5,130	\$ 5,130	
Contracted Services:					
Between Home and School - Vendors	\$	6,250	6,250	6,250	
Other Than Between Home and School - Vendors		(4,655)	140,745	128,572	\$ 12,173
Special Education Students - Vendors	500,000	46,336	546,336	546,336	
Aid in Lieu of Payments - Choice School	2,000	121	2,121	2,121	
Transportation Supplies	3,000	(2,370)	630	308	322
Other Objects		25	25	25	
Total Student Transportation Services	650,400	50,837	701,237	688,742	12,495
Unallocated Benefits:					
Social Security Contributions	367,415	(6,979)	360,436	319,471	40,965
Other Retirement Contribution - PERS	315,000	(17,003)	297,997	297,997	
Other Retirement Contribution - Regular	10,000	(594)	9,406	7,766	1,640
Unemployment Compensation		594	594	594	
Workmen's Compensation	145,000	(12,312)	132,688	119,728	12,960
Health Benefits	4,123,399		4,123,399	3,696,070	427,329
Tuition Reimbursement	59,610		59,610	55,093	4,517
Other Employee Benefits	239,027	(54,486)	184,541	149,334	35,207
Total Unallocated Benefits	5,259,451	(90,780)	5,168,671	4,646,053	522,618

HACKETTSTOWN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
On-Behalf Contributions (Non-Budgeted):					
On-Behalf TPAF Pension Contributions (Non-Budgeted)				\$ 1,440,289	\$ (1,440,289)
On-Behalf TPAF Non-Contributory Insurance (Non-Budgeted)				52,185	(52,185)
On-Behalf TPAF Post Retirement Medical Benefits (Non-Budgeted)				1,243,570	(1,243,570)
On-Behalf TPAF Long-Term Disability Insurance (Non-Budgeted)				3,935	(3,935)
Reimbursed TPAF Social Security Contributions (non-budgeted)				1,016,550	(1,016,550)
Total On-Behalf Contributions				3,756,529	(3,756,529)
Total Undistributed Expenses	\$ 15,493,364	\$ (273,793)	\$ 15,219,571	18,034,707	(2,815,136)
TOTAL GENERAL CURRENT EXPENSE	29,524,529	(174,262)	29,350,267	31,834,505	(2,484,238)
CAPITAL OUTLAY:					
Equipment:					
Regular Programs - Instruction:					
Grades 9-12		12,360	12,360		12,360
Undistributed Expenditures:					
School Sponsored and Other Instructional Programs		12,349	12,349	12,349	
Care and Upkeep of Grounds		69,764	69,764	5,140	64,624
Total Equipment		94,473	94,473	17,489	76,984
Facilities Acquisition and Construction Services:					
Architectural / Engineering Services	51,664	93,443	145,107	100,837	44,270
Construction Services	876,400	1,098,014	1,974,414	1,010,883	963,531
Lease Purchase Agreements - Principal	237,099	30,000	267,099	267,099	
Assessment for Debt Service on SDA Funding	35,352		35,352	35,352	
Total Facilities Acquisition and Construction Services	1,200,515	1,221,457	2,421,972	1,414,171	1,007,801

HACKETTSTOWN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CAPITAL OUTLAY:					
Assets Acquired Under Capital Leases (non-budgeted):					
Regular Instruction and Student Transportation					
Total Assets Acquired Under Capital Leases (non-budgeted)					
TOTAL CAPITAL OUTLAY	\$ 1,200,515	2,225,930	3,426,445	2,341,660	\$ 1,084,785
Transfer of Funds to Charter Schools	9,788	4,884	14,672	14,672	
TOTAL EXPENDITURES	30,734,832	2,056,552	32,791,384	34,190,837	(1,399,453)
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(1,850,079)	(2,056,552)	(3,906,631)	(1,871,304)	2,035,327
Other Financing Uses:					
Capital Leases (non-budgeted)		910,000	910,000	910,000	
Transfer Out:		(1,335,000)	(1,335,000)	(1,335,000)	
Transfer from Capital Reserve to Capital Projects Fund		(425,000)	(425,000)	(425,000)	
Total Other Financing Uses					
Excess/(Deficiency) of Revenues Over/(Under) Expenditures and Other Financing Uses	(1,850,079)	(2,481,552)	(4,331,631)	(2,296,304)	2,035,327
Fund Balance, July 1	7,128,350		7,128,350	7,128,350	
Fund Balance, June 30	\$ 5,278,271	\$ (2,481,552)	\$ 2,796,719	\$ 4,832,046	\$ 2,035,327

HACKETTSTOWN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<u>Recapitulation of Fund Balance at June 30, 2017:</u>					
Restricted:					
Excess Surplus - For Subsequent Year's Expenditures	\$ 108,202				
Capital Reserve	1,084,842				
Maintenance Reserve	333,000				
Emergency Reserve	200,000				
Tuition Reserve - For 2018-19 School Year	300,000				
Tuition Reserve - For 2017-18 School Year	500,000				
Assigned:					
Year-End Encumbrances	1,136,465				
For Subsequent Year's Expenditures	571,798				
Unassigned	597,739				
				<u>4,832,046</u>	
Reconciliation to Governmental Funds Statement (GAAP):					
Last State Aid Payments not Recognized on GAAP Basis				(497,923)	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 4,334,123</u>	

HACKETTSTOWN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

SPECIAL REVENUE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources		\$ 3,500	\$ 3,500	\$ 3,254	\$ (246)
Federal Sources	\$ 523,232	168,521	691,753	679,519	(12,234)
Total Revenues	<u>523,232</u>	<u>172,021</u>	<u>695,253</u>	<u>682,773</u>	<u>(12,480)</u>
EXPENDITURES:					
Instruction:					
Salaries	148,485	44,796	193,281	189,123	4,158
Other Purchased Services	310,000	94,805	404,805	404,805	
General Supplies	25,632	12,273	37,905	31,355	6,550
Other Objects	1,315	(715)	600	545	55
Total Instruction	<u>485,432</u>	<u>151,159</u>	<u>636,591</u>	<u>625,828</u>	<u>10,763</u>
Support Services:					
Salaries		11,150	11,150	11,137	13
Purchase Professional and Technical Services	21,800	(2,900)	18,900	17,939	961
Purchased Professional Services	1,100	(1,100)			
Other Purchased Services	8,400	10,499	18,899	18,235	664
Supplies and Materials	2,000	2,205	4,205	4,204	1
Other Objects		40	40		40
Total Support Services	<u>33,300</u>	<u>19,894</u>	<u>53,194</u>	<u>51,515</u>	<u>1,679</u>
Equipment:					
Instructional Equipment	4,500	968	5,468	5,430	38
Total Equipment	<u>4,500</u>	<u>968</u>	<u>5,468</u>	<u>5,430</u>	<u>38</u>
Total Expenditures	<u>523,232</u>	<u>172,021</u>	<u>695,253</u>	<u>682,773</u>	<u>12,480</u>
Excess of Revenues Over Expenditures	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

HACKETTSTOWN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures	General	Special
Sources/Inflows of Resources:	Fund	Revenue
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 32,319,533	\$ 682,773
Difference - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that the budgetary basis recognizes encumbrances as expenditures and revenue, whereas the GAAP basis does not.		
Current Year Encumbrances		(9,444)
Cancellation of Prior Year Encumbrances		(509)
Prior Year Encumbrances		4,304
Prior Year State aid payments recognized for GAAP statements, not recognized for budgetary purposes.	485,006	
Current Year State aid payments recognized for budgetary purposes, not recognized for GAAP statements.	(497,923)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 32,306,616</u>	<u>\$ 677,124</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 34,190,837	\$ 682,773
Differences - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Current Year Encumbrances		(9,444)
Cancellation of Prior Year Encumbrances		(509)
Prior Year Encumbrances		4,304
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 34,190,837</u>	<u>\$ 677,124</u>

Annual appropriated budgets are prepared in the spring of each year for the General, Special Revenue, and Debt Service Funds. The budget for the fiscal year ended June 30, 2017 was submitted to the County Office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)l. Transfers of appropriations may be made by Board resolution at any time during the fiscal year. All budgetary 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).

HACKETTSTOWN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

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

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

The General Fund budgetary revenue differs from the GAAP revenue due to a difference in recognition of the last two state aid payments for the current year. Since the State is recording the last two state aid payments in the subsequent fiscal year, the District cannot recognize these payments in the GAAP financial statements.

SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)

SPECIAL REVENUE FUND

HACKETTSTOWN SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	No Child Left Behind			IDEA Part B, Basic Regular	IDEA Part B, Basic Preschool
	Title I	Title II Part A	Title III Immigrant		
REVENUE:					
Local Sources					
Federal Sources	\$ 185,072	\$ 31,773	\$ 25,977	\$ 404,805	\$ 11,137
Total Revenue	185,072	31,773	25,977	404,805	11,137
EXPENDITURES:					
Instruction:					
Salaries	167,955	3,748	17,420		
Other Purchased Services				404,805	
General Supplies	11,267		7,057		5,356
Other Objects					
Total Instruction	179,222	3,748	24,477	404,805	
Support Services:					
Salaries					11,137
Purchased Professional and Technical Services		17,939			
Other Purchased Services	5,850	10,086	1,500		
Supplies and Materials					
Total Support Services	5,850	28,025	1,500		11,137
Facilities Acquisition:					
Instructional Equipment					
Total Facilities Acquisition					
Total Expenditures	\$ 185,072	\$ 31,773	\$ 25,977	\$ 404,805	\$ 11,137

HACKETTSTOWN SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Perkins Secondary</u>	<u>Other Local Grants</u>	<u>Total Expenditures</u>
REVENUE:			
Local Sources		\$ 3,254	\$ 3,254
Federal Sources	\$ 15,399		679,519
Total Revenue	<u>15,399</u>	<u>3,254</u>	<u>682,773</u>
EXPENDITURES:			
Instruction:			
Salaries of Teachers			189,123
Other Purchased Services			404,805
General Supplies	4,421	3,254	31,355
Other Objects	545		545
Total Instruction	<u>4,966</u>	<u>3,254</u>	<u>625,828</u>
Support Services:			
Salaries			11,137
Purchased Professional and Technical Services			17,939
Other Purchased Services	799		18,235
Supplies and Materials	4,204		4,204
Total Support Services	<u>5,003</u>		<u>51,515</u>
Facilities Acquisition:			
Instructional Equipment	5,430		5,430
Total Facilities Acquisition	<u>5,430</u>		<u>5,430</u>
Total Expenditures	<u>\$ 15,399</u>	<u>\$ 3,254</u>	<u>\$ 682,773</u>

CAPITAL PROJECTS FUND

HACKETTSTOWN SCHOOL DISTRICT
SUMMARY SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGETARY BASIS
CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Revenue and Other Financing Sources:	
State Sources - SDA Grant	\$ 617,751
Transfer from General Fund - Capital Reserve	<u>1,335,000</u>
Total Revenue and Other Financing Sources	<u>1,952,751</u>
Expenditures:	
Purchased Professional and Technical Services	101,044
Other Purchased Services	3,056
Construction Services	<u>354,322</u>
Total Expenditures	<u>458,422</u>
Excess of Revenue and Other Financing Sources Over Expenditures	1,494,329
Fund Balance - Beginning	<u>1,476,726</u>
Fund Balance - Ending	<u><u>\$ 2,971,055</u></u>
Recapitulation:	
Committed - Encumbrances	\$ 452,640
Committed	<u>2,518,415</u>
	2,971,055
Reconciliation to Governmental Funds Statement (GAAP):	
State Sources - SDA Grant not Recognized on GAAP Basis	<u>(1,717,063)</u>
Fund Balance per Governmental Funds - GAAP	<u><u>\$ 1,253,992</u></u>

HACKETTSTOWN SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
HIGH SCHOOL PARKING LOT
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Project Authorization</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 52,051		\$ 52,051	\$ 52,051
Transfer from Capital Reserve	80,000		80,000	80,000
Total Revenue and Other Financing Sources	<u>132,051</u>		<u>132,051</u>	<u>132,051</u>
Expenditures:				
Purchased Professional & Technical Services	12,000		12,000	12,000
Construction Services	9,741		9,741	120,051
Total Expenditures	<u>21,741</u>		<u>21,741</u>	<u>132,051</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	<u>\$ 110,310</u>	<u>\$ -0-</u>	<u>\$ 110,310</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number(s)	1870-050-10-1004
Grant Date	3/26/2012
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 130,127
Change Orders	\$ 1,924
Revised Authorized Cost	\$ 132,051
Change Order Percentage	1.48%
Percentage Completion	16.46%
Original Target Completion Date	6/30/2019

HACKETTSTOWN SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
MIDDLE SCHOOL COURTYARD DRAINAGE
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Project Authorization</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 51,314		\$ 51,314	\$ 51,314
Transfer from Capital Outlay	150,000		150,000	150,000
Total Revenue and Other Financing Sources	201,314		201,314	201,314
Expenditures:				
Purchased Professional & Technical Services	43,391	\$ 8,954	52,345	54,745
Construction Services		101,136	101,136	146,569
Total Expenditures	43,391	110,090	153,481	201,314
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	<u>\$ 157,923</u>	<u>\$ (110,090)</u>	<u>\$ 47,833</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number(s)	1870-060-10-1006
Grant Date	3/26/2012
Bonds/Notes Authorization Date	N/A
Bonds/ Notes Authorized	N/A
Bonds/Notes Issued	N/A
Original Authorized Cost	\$ 128,284
Change Orders	\$ 73,030
Revised Authorized Cost	\$ 201,314
Change Order Percentage	56.93%
Percentage Completion	76.24%
Original Target Completion Date	9/1/2016
Revised Target Completion Date	9/30/2017

HACKETTSTOWN SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
HIGH SCHOOL SCIENCE LAB RENOVATION
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Project Authorization</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 358,759		\$ 358,759	\$ 358,759
Transfer from Capital Reserve	296,111		296,111	296,111
Transfer from Capital Outlay	230,000		230,000	230,000
Total Revenue and Other Financing Sources	884,870		884,870	884,870
Expenditures:				
Purchased Professional & Technical Services	116,910		116,910	125,000
Construction Services	676,817		676,817	731,804
Equipment Purchases	24,566		24,566	24,566
Supplies	3,500		3,500	3,500
Total Expenditures	821,793		821,793	884,870
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	<u>\$ 63,077</u>	<u>\$ -0-</u>	<u>\$ 63,077</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number(s)	1870-050-10-1002
Grant Date	6/20/2013
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 919,859
Change Orders	\$ (34,989)
Revised Authorized Cost	\$ 884,870
Change Order Percentage	-3.80%
Percentage Completion	92.87%
Original Target Completion Date	9/1/2020

HACKETTSTOWN SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
HIGH SCHOOL AUDITORIUM
FROM INCEPTION AND FOR THE YEAR FISCAL ENDED JUNE 30, 2017

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 152,442		\$ 152,442	\$ 152,442
Transfer from Capital Reserve	228,662		228,662	228,662
Total Revenue and Other Financing Sources	<u>381,104</u>		<u>381,104</u>	<u>381,104</u>
Expenditures:				
Purchased Professional & Technical Services				25,000
Construction Services				356,104
Total Expenditures				<u>381,104</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	<u>\$ 381,104</u>	<u>\$ -0-</u>	<u>\$ 381,104</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number(s)	1870-050-10-1001
Grant Date	6/20/2013
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 381,104
Percentage Completion	0.00%
Original Target Completion Date	9/1/2019

HACKETTSTOWN SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
MIDDLE SCHOOL AUDITORIUM VENTILATION SYSTEM REPLACEMENT PROJECT
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 108,551		\$ 108,551	\$ 108,551
Transfer from Capital Reserve	162,826		162,826	162,826
Total Revenue and Other Financing Sources	<u>271,377</u>		<u>271,377</u>	<u>271,377</u>
Expenditures:				
Purchased Professional & Technical Services				23,392
Construction Services				247,985
Total Expenditures				<u>271,377</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	<u>\$ 271,377</u>	<u>\$ -0-</u>	<u>\$ 271,377</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number(s)	1870-060-09-1006
Grant Date	7/1/2013
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 271,377
Percentage Completion	0.00%
Original Target Completion Date	9/1/2020

HACKETTSTOWN SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
HIGH SCHOOL AUDITORIUM VENTILATION SYSTEM REPLACEMENT PROJECT
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 108,551		\$ 108,551	\$ 108,551
Transfer from Capital Reserve	162,826		162,826	162,826
Total Revenue and Other Financing Sources	<u>271,377</u>		<u>271,377</u>	<u>271,377</u>
Expenditures:				
Purchased Professional & Technical Services				23,392
Construction Services				247,985
Total Expenditures				<u>271,377</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	<u>\$ 271,377</u>	<u>\$ -0-</u>	<u>\$ 271,377</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number(s)	1870-050-09-1002
Grant Date	7/1/2013
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 271,377
Percentage Completion	0.00%
Original Target Completion Date	9/1/2019

HACKETTSTOWN SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
MIDDLE SCHOOL SECURITY CAMERAS, SECURITY VESTIBULE, DOORS AND ROOF REPLACEMENT
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 43,189	\$ 178,011	\$ 221,200	\$ 221,200
Transfer from Capital Reserve	73,947	401,126	475,073	475,073
Total Revenue and Other Financing Sources	<u>117,136</u>	<u>579,137</u>	<u>696,273</u>	<u>696,273</u>
Expenditures:				
Purchased Professional & Technical Services	8,884	40,031	48,915	57,771
Other Purchased Services	289		289	1,000
Construction Services	105,264	37,013	142,277	637,502
Total Expenditures	<u>114,437</u>	<u>77,044</u>	<u>191,481</u>	<u>696,273</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	<u>\$ 2,699</u>	<u>\$ 502,093</u>	<u>\$ 504,792</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number(s)	1870-060-14-1005
Grant Date	6/30/2014
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 696,273
Percentage Completion	27.50%
Original Target Completion Date	9/1/2018

HACKETTSTOWN SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
HATCHERY HILL SCHOOL: SECURITY CAMERAS, SECURITY VESTIBULE,
RESTROOM RENOVATION AND WINDOW REPLACEMENT
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Project Authorization</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 54,040	\$ 119,840	\$ 173,880	\$ 173,880
Transfer from Capital Reserve	132,777	179,760	312,537	312,537
Total Revenue and Other Financing Sources	<u>186,817</u>	<u>299,600</u>	<u>486,417</u>	<u>486,417</u>
Expenditures:				
Purchased Professional & Technical Services	12,606		12,606	34,450
Other Purchased Services	289	1,528	1,817	1,000
Construction Services	67,333	76,491	143,824	450,967
Total Expenditures	<u>80,228</u>	<u>78,019</u>	<u>158,247</u>	<u>486,417</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	<u>\$ 106,589</u>	<u>\$ 221,581</u>	<u>\$ 328,170</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number(s)	1870-070-14-1006
Grant Date	6/30/2014
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 490,670
Change Orders	\$ (4,253)
Revised Authorized Cost	\$ 486,417
Change Order Percentage	-0.87%
Percentage Completion	32.53%
Original Target Completion Date	9/1/2020

HACKETTSTOWN SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
WILLOW GROVE SCHOOL: SECURITY CAMERAS, SECURITY VESTIBULE,
RESTROOM RENOVATION AND WINDOW REPLACEMENT
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Project Authorization</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 65,000	\$ 120,900	\$ 185,900	\$ 185,900
Transfer from Capital Reserve	146,437	184,214	330,651	330,651
Total Revenue and Other Financing Sources	<u>211,437</u>	<u>305,114</u>	<u>516,551</u>	<u>516,551</u>
Expenditures:				
Purchased Professional & Technical Services	12,182		12,182	37,000
Other Purchased Services	289	1,528	1,817	1,000
Construction Services	86,696	79,355	166,051	478,551
Total Expenditures	<u>99,167</u>	<u>80,883</u>	<u>180,050</u>	<u>516,551</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	<u>\$ 112,270</u>	<u>\$ 224,231</u>	<u>\$ 336,501</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number(s)	1870-090-14-1007
Grant Date	6/30/2014
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 464,750
Change Orders	\$ 51,801
Revised Authorized Cost	\$ 516,551
Change Order Percentage	11.15%
Percentage Completion	34.86%
Original Target Completion Date	9/1/2020

HACKETTSTOWN SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
HIGH SCHOOL SECURITY CAMERAS, SECURITY VESTIBULE, DOORS AND ROOF REPLACEMENT
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Project Authorization</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 297,400	\$ 199,000	\$ 496,400	\$ 496,400
Transfer from Capital Reserve	530,306	569,900	1,100,206	1,100,206
Total Revenue and Other Financing Sources	827,706	768,900	1,596,606	1,596,606
Expenditures:				
Purchased Professional & Technical Services	19,384	52,059	71,443	103,750
Other Purchased Services	289		289	1,000
Construction Services	808,033	60,327	868,360	1,491,856
Total Expenditures	827,706	112,386	940,092	1,596,606
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	\$ -0-	\$ 656,514	\$ 656,514	\$ -0-

Additional Project Information:

Project Number(s)	1870-050-14-1004
Grant Date	6/30/2014
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 1,241,000
Change Orders	\$ 355,606
Revised Authorized Cost	\$ 1,596,606
Change Order Percentage	28.65%
Percentage Completion	58.88%
Original Target Completion Date	8/31/2014
Revised Target Completion Date	9/1/2018

PROPRIETARY FUNDS

HACKETTSTOWN SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2017

	<u>Food Service</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 202,948
Receivable from Federal Government	15,344
Receivable from State Government	302
Inventory	7,596
Total Current Assets	226,190
Non-Current Assets:	
Capital Assets	420,210
Less: Accumulated Depreciation	(219,173)
Total Non-Current Assets	201,037
Total Assets	427,227
LIABILITIES:	
Current Liabilities:	
Unearned Revenue - Donated Commodities	964
Unearned Revenue - Prepaid Sales	7,259
Accounts Payable - Vendors	27,637
Total Liabilities	35,860
NET POSITION:	
Investment in Capital Assets	201,037
Unrestricted	190,330
Total Net Position	\$ 391,367

HACKETTSTOWN SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Food Service</u>
Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 162,746
Daily Sales - Non-Reimbursable Programs	97,421
	260,167
Total Operating Revenue	260,167
Operating Expenses:	
Cost of Sales - Reimbursable Programs	194,030
Cost of Sales - Nonreimbursable Programs	19,968
Salaries	148,218
Payroll Taxes	20,466
Employee Benefits	14,403
Management Fee	20,400
Supplies and Materials	27,283
Depreciation Expense	15,684
	460,452
Total Operating Expenses	460,452
Operating Loss	(200,285)
Non-Operating Revenue:	
Federal Sources:	
National School Lunch Program	198,532
School Breakfast Program	48,830
Food Distribution Program	18,530
State Sources:	
State School Lunch Program	5,268
	271,160
Total Non-Operating Revenue	271,160
Change in Net Position	70,875
Net Position - Beginning of Year (Restated)	320,492
Net Position - End of Year	\$ 391,367

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

	<u>Food Service</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 260,232
Payments to Food Service Vendor	(411,835)
Payments to Suppliers	(11,787)
	(163,390)
Cash Flows from Noncapital Financing Activities:	
Federal Reimbursements in Food Service Fund	269,950
State Reimbursements in Food Service Fund	5,265
	275,215
Net Cash Provided by Noncapital Financing Activities	
Cash Flows from Capital Financing Activities:	
Acquisition of Capital Assets	(101,976)
	(101,976)
Net Cash (Used for) Capital Financing Activities	
Net Increase in Cash and Cash Equivalents	9,849
Cash and Cash Equivalents, July 1	193,099
Cash and Cash Equivalents, June 30	\$ 202,948
Reconciliation of Operating Loss to Net Cash	
Used for Operating Activities:	
Operating Loss	\$ (200,285)
Adjustment to Reconcile Operating Loss to Cash	
Used for Operating Activities:	
Depreciation	15,684
Federal Food Distribution Program	18,530
Changes in Assets and Liabilities:	
Increase in Unearned Revenue - Donated Commodities	145
(Decrease) in Unearned Revenue - Prepaid Sales	(80)
(Increase) in Inventory	(4,357)
Increase in Accounts Payable	6,973
	(163,390)
Net Cash Used for Operating Activities	\$ (163,390)

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received and utilized commodities from the Federal Food Distribution Program valued at \$18,675 and \$18,530, respectively, for the fiscal year ended June 30, 2017.

FIDUCIARY FUNDS

HACKETTSTOWN SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2017

	Student Activity	Agency Payroll	Total	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Trust
ASSETS:						
Cash and Cash Equivalents	\$ 243,064	\$ 154,060	\$ 397,124	\$ 29,855	\$ 4,225	\$ 52,679
Total Assets	243,064	154,060	397,124	29,855	4,225	52,679
LIABILITIES:						
Interfund Payable: General Fund					3,647	
Payroll Deductions and Withholdings Due to Student Groups	243,064	154,060	243,064			
Total Liabilities	243,064	154,060	397,124		3,647	
NET POSITION:						
Held in Trust for:						
Unemployment Claims				29,855		
Flexible Spending Claims					578	
Scholarships						52,679
Total Net Position	\$ -0-	\$ -0-	\$ -0-	\$ 29,855	\$ 4,225	\$ 52,679

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

	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>	<u>Private Purpose Scholarship Trust</u>	<u>Totals</u>
ADDITIONS:				
Contributions - Employee Donations	\$ 27,769	\$ 9,434	\$ 2,708	\$ 37,203
Total Contributions	<u>27,769</u>	<u>9,434</u>	<u>2,708</u>	<u>39,911</u>
Investment Earnings:				
Interest	192	22	318	532
Net Investment Earnings	<u>192</u>	<u>22</u>	<u>318</u>	<u>532</u>
Total Additions	<u>27,961</u>	<u>9,456</u>	<u>3,026</u>	<u>40,443</u>
DEDUCTIONS:				
Unemployment Compensation Claims	35,366			35,366
Flexible Spending Claims		12,845		12,845
Scholarships Awarded			3,457	3,457
Total Deductions	<u>35,366</u>	<u>12,845</u>	<u>3,457</u>	<u>51,668</u>
Change in Net Position	(7,405)	(3,389)	(431)	(11,225)
Net Position - Beginning of the Year	<u>37,260</u>	<u>3,967</u>	<u>53,110</u>	<u>94,337</u>
Net Position - End of the Year	<u>\$ 29,855</u>	<u>\$ 578</u>	<u>\$ 52,679</u>	<u>\$ 83,112</u>

HACKETTSTOWN SCHOOL DISTRICT
STUDENT ACTIVITY 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>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
ASSETS:				
Cash and Cash Equivalents	\$ 229,720	\$ 510,167	\$ 496,823	\$ 243,064
Total Assets	<u>\$ 229,720</u>	<u>\$ 510,167</u>	<u>\$ 496,823</u>	<u>\$ 243,064</u>
LIABILITIES:				
Due to Student Groups	\$ 229,720	\$ 510,167	\$ 496,823	\$ 243,064
Total Liabilities	<u>\$ 229,720</u>	<u>\$ 510,167</u>	<u>\$ 496,823</u>	<u>\$ 243,064</u>

HACKETTSTOWN SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY
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>
Hackettstown Board of Education Student Activites Account	\$ 229,720	\$ 510,167	\$ 496,823	\$ 243,064
Total All Schools	<u>\$ 229,720</u>	<u>\$ 510,167</u>	<u>\$ 496,823</u>	<u>\$ 243,064</u>

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

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
ASSETS:				
Cash and Cash Equivalents	\$ 17,668	\$ 20,745,361	\$ 20,608,969	\$ 154,060
Interfund Receivable - Flexible Spending Trust	<u>252</u>	<u> </u>	<u>252</u>	<u> </u>
Total Assets	<u>\$ 17,920</u>	<u>\$ 20,745,361</u>	<u>\$ 20,609,221</u>	<u>\$ 154,060</u>
LIABILITIES:				
Accrued Salaries and Wages	\$ 54		\$ 54	
Interfund Payable - General Fund	2,189		2,189	
Interfund Payable - Flexible Spending Trust	<u>1,777</u>		<u>1,777</u>	
Payroll Deductions and Withholdings	<u>13,900</u>	<u>\$ 20,745,361</u>	<u>20,605,201</u>	<u>\$ 154,060</u>
Total Liabilities	<u>\$ 17,920</u>	<u>\$ 20,745,361</u>	<u>\$ 20,609,221</u>	<u>\$ 154,060</u>

LONG-TERM DEBT

HACKETTSTOWN SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding		Interest Rate	Matured	Balance July 1, 2016	Balance June 30, 2017
			Date	Amount				
Refunding School Bonds of 2006	3/17/2006	\$ 3,330,000				\$ 255,000	\$ 255,000	
Refunding School Bonds of 2016	4/20/2016	1,830,000	7/15/2017	\$ 280,000	1.860%			
			7/15/2018	290,000	1.860%			
			7/15/2019	295,000	1.860%			
			7/15/2020	305,000	1.860%			
			7/15/2021	310,000	1.860%			
			7/15/2022	315,000	1.860%	35,000	\$ 1,795,000	
						\$ 290,000	\$ 1,795,000	

HACKETTSTOWN SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Purpose	Original Issue	Interest Rate	Balance July 1, 2016	Issued	Matured	Balance June 30, 2017
Network Infrastructure and Computers	\$ 1,175,000	1.76%	\$ 476,885		\$ 237,099	\$ 239,786
Bus and Technology Equipment	910,000	1.49%		\$ 910,000	30,000	880,000
			\$ 476,885	\$ 910,000	\$ 267,099	\$ 1,119,786

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

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 315,231		\$ 315,231	\$ 315,231	
Total Revenues	315,231		315,231	315,231	
EXPENDITURES:					
Regular Debt Service:					
Interest and Other Charges	29,831		29,831	29,830	\$ 1
Redemption of Principal	290,000		290,000	290,000	
Total Regular Debt Service	319,831		319,831	319,830	1
Total Expenditures	319,831		319,831	319,830	1
Excess/(Deficit) of Revenues Over/(Under) Expenditures	(4,600)		(4,600)	(4,599)	1
Fund Balance, July 1	11,854		11,854	11,854	
Fund Balance, June 30	<u>\$ 7,254</u>	<u>\$ -0-</u>	<u>\$ 7,254</u>	<u>\$ 7,255</u>	<u>\$ 1</u>

Recapitulation of Fund Balance at June 30, 2017:

Restricted:

For Subsequent Year's Expenditures

Other Purposes

\$ 7,254
<u>1</u>
<u>\$ 7,255</u>

STATISTICAL SECTION

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

Contents

Exhibit

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 thru J-5

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the District's ability to generate its property taxes.

J-6 thru 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 thru 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 and to help make comparisons over time and with other governments.

J-14 thru J-15

Operating Information

These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.

J-16 thru J-20

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

HACKETTSTOWN SCHOOL DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
UNAUDITED
(accrual basis of accounting)

	June 30,				
	2008	2009	2010	2011	2012
Governmental Activities:					
Net Investment in Capital Assets	\$ 5,259,580	\$ 5,952,191	\$ 7,101,189	\$ 3,838,002	\$ 5,201,910
Restricted	3,345,327	3,452,501	2,479,431	3,959,208	4,653,487
Unrestricted/(Deficit)	200,447	(39,897)	209,806	431,649	726,559
Total Governmental Activities Net Position	<u>\$ 8,805,354</u>	<u>\$ 9,364,795</u>	<u>\$ 9,790,426</u>	<u>\$ 8,228,859</u>	<u>\$ 10,581,956</u>
Business-Type Activities:					
Investment in Capital Assets	\$ 54,355	\$ 49,091	\$ 43,826	\$ 38,561	\$ 33,295
Unrestricted	65,400	80,736	83,927	80,705	90,264
Total Business-Type Activities Net Position	<u>\$ 119,755</u>	<u>\$ 129,827</u>	<u>\$ 127,753</u>	<u>\$ 119,266</u>	<u>\$ 123,559</u>
District-Wide:					
Net Investment in Capital Assets	\$ 5,313,935	\$ 6,001,282	\$ 7,145,015	\$ 3,876,563	\$ 5,235,205
Restricted	3,345,327	3,452,501	2,479,431	3,959,208	4,653,487
Unrestricted/(Deficit)	265,847	40,839	293,733	512,354	816,823
Total District Net Position	<u>\$ 8,925,109</u>	<u>\$ 9,494,622</u>	<u>\$ 9,918,179</u>	<u>\$ 8,348,125</u>	<u>\$ 10,705,515</u>

HACKETTSTOWN SCHOOL DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
UNAUDITED
(accrual basis of accounting)

	June 30,				
	2013	2014	2015	2016*	2017
Governmental Activities:					
Net Investment in Capital Assets	\$ 5,125,664	\$ 8,853,718	\$ 10,231,444	\$ 14,201,967	\$ 14,404,529
Restricted	4,805,085	5,079,224	5,814,511	5,242,206	2,533,299
Unrestricted/(Deficit)	1,932,126	(5,298,589)	(5,010,834)	(5,052,614)	(4,395,978)
Total Governmental Activities Net Position	<u>\$ 11,862,875</u>	<u>\$ 8,634,353</u>	<u>\$ 11,035,121</u>	<u>\$ 14,391,559</u>	<u>\$ 12,541,850</u>
Business-Type Activities:					
Investment in Capital Assets	\$ 28,030	\$ 50,379	\$ 44,421	\$ 114,745	\$ 201,037
Unrestricted	107,617	87,923	154,381	205,747	190,330
Total Business-Type Activities Net Position	<u>\$ 135,647</u>	<u>\$ 138,302</u>	<u>\$ 198,802</u>	<u>\$ 320,492</u>	<u>\$ 391,367</u>
District-Wide:					
Net Investment in Capital Assets	\$ 5,153,694	\$ 8,904,097	\$ 10,275,865	\$ 14,316,712	\$ 14,605,566
Restricted	4,805,085	5,079,224	5,814,511	5,242,206	2,533,299
Unrestricted/(Deficit)	2,039,743	(5,210,666)	(4,856,453)	(4,846,867)	(4,205,648)
Total District Net Position	<u>\$ 11,998,522</u>	<u>\$ 8,772,655</u>	<u>\$ 11,233,923</u>	<u>\$ 14,712,051</u>	<u>\$ 12,933,217</u>

* -Restated

Source: School District Financial Reports

HACKETTSTOWN SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
UNAUDITED
(accrual basis of accounting)

	Fiscal Year Ending June 30,				
	2008	2009	2010	2011	2012
Expenses:					
Governmental Activities					
Instruction:					
Regular	\$ 12,368,177	\$ 12,076,978	\$ 12,361,284	\$ 11,845,030	\$ 12,147,396
Special Education	2,581,817	2,720,320	3,013,800	2,986,413	3,343,104
Other Special Education	1,742,169	1,705,619	1,753,667	1,865,656	1,826,316
School Sponsored Instruction					
Support Services:					
Tuition	953,174	997,494	1,008,646	950,970	692,987
Student & Instruction Related Services	4,383,884	4,684,047	4,686,913	4,088,168	4,472,546
General and Business Administrative Services	1,308,218	1,170,041	1,274,366	1,313,188	1,260,196
General Administrative Services					
School Administrative Services	1,478,548	1,437,742	1,442,167	1,440,142	1,469,697
Central Services					
Administrative Information Technology					
Plant Operations and Maintenance	2,816,081	2,785,411	2,736,314	2,660,248	2,603,741
Pupil Transportation	405,612	505,292	503,176	346,966	392,279
Interest on Long-term Debt	146,373	139,031	130,942	123,800	116,800
Unallocated Depreciation	211,855	269,825	409,345	200,417	202,503
Charter Schools					
Total Governmental Activities Expenses	<u>28,395,908</u>	<u>28,491,800</u>	<u>29,320,620</u>	<u>27,820,998</u>	<u>28,527,565</u>
Business-Type Activities:					
Food Service	528,428	539,235	519,205	494,900	483,403
Total Business-type Activities Expense	<u>528,428</u>	<u>539,235</u>	<u>519,205</u>	<u>494,900</u>	<u>483,403</u>
Total District Expenses	<u>\$ 28,924,336</u>	<u>\$ 29,031,035</u>	<u>\$ 29,839,825</u>	<u>\$ 28,315,898</u>	<u>\$ 29,010,968</u>
Program Revenues					
Charges for Services:					
Regular Instruction	\$ 2,874,842	\$ 3,019,246	\$ 3,041,236	\$ 3,296,723	\$ 3,297,568
Special Education Instruction	600,114	680,080	741,483	831,182	907,529
Other Instruction	404,948	426,405	431,453	519,252	495,777
Tuition	221,555	249,374	248,156	264,675	188,120
Student & Instructional Related Services	1,018,985	1,171,013	1,153,117	1,137,824	1,214,130
General & Business Administration Services	343,672	359,436	354,815	400,822	398,968
School Administration Services	304,081	292,510	313,531	365,488	342,096
Plant Operations & Maintenance	654,567	696,353	673,213	740,404	706,819
Pupil Transportation	94,280	126,323	123,796	96,568	106,489
Operating Grants and Contributions and Charges for Services	857,498	863,122	1,063,543	707,527	724,332
Capital Grants and Contributions					699,006
Total Governmental Activities Program Revenues	<u>7,374,542</u>	<u>7,883,862</u>	<u>8,144,343</u>	<u>8,360,465</u>	<u>9,080,834</u>
Business-Type Activities:					
Charges for Services:					
Food Service	378,169	377,610	330,301	300,496	289,986
Operating Grants and Contributions	153,878	171,697	186,830	185,917	197,710
Total Business-type Activities Program Revenues	<u>532,047</u>	<u>549,307</u>	<u>517,131</u>	<u>486,413</u>	<u>487,696</u>

HACKETTSTOWN SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
UNAUDITED
(accrual basis of accounting)

	Fiscal Year Ending June 30,				
	2008	2009	2010	2011	2012
Total District Program Revenues	\$ 7,906,589	\$ 8,433,169	\$ 8,661,474	\$ 8,846,878	\$ 9,568,530
Net (Expense)/Revenue					
Governmental Activities	\$ (21,021,366)	\$ (20,607,938)	\$ (21,176,277)	\$ (19,460,533)	\$ (19,446,731)
Business-type Activities	3,619	10,072	(2,074)	(8,487)	4,293
Total District-wide Net Expense	\$ (21,017,747)	\$ (20,597,866)	\$ (21,178,351)	\$ (19,469,020)	\$ (19,442,438)
Governmental Activities:					
Property Taxes Levied for General Purposes, net	\$ 13,524,545	\$ 13,705,866	\$ 14,162,187	\$ 14,508,126	\$ 14,103,472
Property Taxes Levied for Debt Service	299,535	302,405	314,675	322,213	320,300
Unrestricted Grants and Contributions	8,034,234	7,135,725	6,559,047	6,187,799	7,075,896
Investment Earnings	86,524	13,534			
Miscellaneous Income	43,243	9,849	565,999	574,482	534,530
Special Item-FEMA Proceeds - Storm Damage					
Special Item-Loss on Disposal of Capital Assets					
Total Governmental Activities	21,988,081	21,167,379	21,601,908	21,592,620	22,034,198
Business-Type Activities:					
Investment Earnings					
Total Business-Type Activities					
Total District-Wide	\$ 21,988,081	\$ 21,167,379	\$ 21,601,908	\$ 21,592,620	\$ 22,034,198
Change in Net Position:					
Governmental Activities	\$ 966,715	\$ 559,441	\$ 425,631	\$ 2,132,087	\$ 2,587,467
Business-type Activities	3,619	10,072	(2,074)	(8,487)	4,293
Total District	\$ 970,334	\$ 569,513	\$ 423,557	\$ 2,123,600	\$ 2,591,760

HACKETTSTOWN SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
UNAUDITED
(accrual basis of accounting)

	Fiscal Year Ending June 30,				
	2013	2014	2015	2016	2017
Expenses:					
Governmental Activities					
Instruction:					
Regular	\$ 12,423,812	\$ 12,366,691	\$ 14,655,433	\$ 16,352,336	\$ 19,393,154
Special Education	3,144,683	2,937,318	3,667,111	4,364,747	5,956,081
Other Special Education	1,853,559	2,136,173	2,555,084	2,869,740	1,745,897
School Sponsored Instruction					1,824,083
Support Services:					
Tuition	921,647	1,063,533	1,036,842	1,074,988	919,698
Student & Instruction Related Services	4,849,150	4,743,869	5,777,590	5,787,220	4,905,101
General and Business Administrative Services	1,303,874	1,413,122	1,338,399	1,472,732	
General Administrative Services					645,273
School Administrative Services	1,694,204	1,781,359	1,960,532	2,061,958	2,306,672
Central Services					506,384
Administrative Information Technology					56,237
Plant Operations and Maintenance	3,006,465	2,714,611	2,750,990	2,752,332	2,742,309
Pupil Transportation	510,604	545,056	532,913	600,113	813,369
Interest on Long-term Debt	129,309	145,655	131,577	99,127	41,216
Unallocated Depreciation	202,137				
Charter Schools			9,974	7,830	14,672
Total Governmental Activities Expenses	30,039,444	29,847,387	34,416,445	37,443,123	41,870,146
Business-Type Activities:					
Food Service	452,960	427,609	411,479	470,009	460,452
Total Business-type Activities Expense	452,960	427,609	411,479	470,009	460,452
Total District Expenses	\$ 30,492,404	\$ 30,274,996	\$ 34,827,924	\$ 37,913,132	\$ 42,330,598
Program Revenues					
Charges for Services:					
Regular Instruction	\$ 2,973,291	\$ 6,560,087	\$ 7,581,460	\$ 7,506,714	\$ 6,954,021
Special Education Instruction	752,592	681,638	754,941	631,923	
Other Instruction	443,598		1,175		
Tuition	220,571				
Student & Instructional Related Services	1,160,509				
General & Business Administration Services	405,461	907	3,429	2,509	
School Administration Services	312,046				
Plant Operations & Maintenance	719,514	14,869	47,233	61,811	8,000
Pupil Transportation	122,199				
Operating Grants and Contributions and Charges for Services	639,391	535,353	711,907	715,329	12,162,937
Capital Grants and Contributions	733,743	276,582	677,890	(69,211)	51,314
Total Governmental Activities Program Revenues	8,482,915	8,069,436	9,778,035	8,849,075	19,176,272
Business-Type Activities:					
Charges for Services:					
Food Service	276,507	226,323	241,249	276,404	260,167
Operating Grants and Contributions	188,541	203,941	230,719	254,591	271,160
Total Business-type Activities Program Revenues	465,048	430,264	471,968	530,995	531,327

HACKETTSTOWN SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
UNAUDITED
(accrual basis of accounting)

	Fiscal Year Ending June 30,				
	2013	2014	2015	2016	2017
Total District Program Revenues	<u>\$ 8,947,963</u>	<u>\$ 8,499,700</u>	<u>\$ 10,250,003</u>	<u>\$ 9,380,070</u>	<u>\$ 19,707,599</u>
Net (Expense)/Revenue					
Governmental Activities	\$ (21,556,529)	\$ (21,777,951)	\$ (24,638,410)	\$ (28,594,048)	\$ (22,693,874)
Business-type Activities	<u>12,088</u>	<u>2,655</u>	<u>60,489</u>	<u>60,986</u>	<u>70,875</u>
Total District-wide Net Expense	<u>\$ (21,544,441)</u>	<u>\$ (21,775,296)</u>	<u>\$ (24,577,921)</u>	<u>\$ (28,533,062)</u>	<u>\$ (22,622,999)</u>
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Property Taxes Levied for General Purposes, net	\$ 14,275,024	\$ 14,531,027	\$ 14,776,549	\$ 15,041,390	\$ 16,096,060
Property Taxes Levied for Debt Service	293,476	278,923	329,600	330,500	315,231
Unrestricted Grants and Contributions	7,833,593	7,620,565	11,859,737	13,671,208	4,206,174
Investment Earnings		8,258	6		151
Miscellaneous Income	1,094,110	1,152,681	73,286	812,709	226,549
Special Item-FEMA Proceeds - Storm Damage		100,844			
Special Item-Loss on Disposal of Capital Assets		<u>(156,720)</u>		<u>(35,629)</u>	
Total Governmental Activities	<u>23,496,203</u>	<u>23,535,578</u>	<u>27,039,178</u>	<u>29,820,178</u>	<u>20,844,165</u>
Business-Type Activities:					
Investment Earnings			11		
Total Business-Type Activities			<u>11</u>		
Total District-Wide	<u>\$ 23,496,203</u>	<u>\$ 23,535,578</u>	<u>\$ 27,039,189</u>	<u>\$ 29,820,178</u>	<u>\$ 20,844,165</u>
Change in Net Position:					
Governmental Activities	\$ 1,939,674	\$ 1,757,627	\$ 2,400,768	\$ 1,226,130	\$ (1,849,709)
Business-type Activities	<u>12,088</u>	<u>2,655</u>	<u>60,500</u>	<u>60,986</u>	<u>70,875</u>
Total District	<u>\$ 1,951,762</u>	<u>\$ 1,760,282</u>	<u>\$ 2,461,268</u>	<u>\$ 1,287,116</u>	<u>\$ (1,778,834)</u>

Source: School District Financial Reports

HACKETTSTOWN SCHOOL DISTRICT
FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

UNAUDITED

(modified accrual basis of accounting)

	June 30,				
	2008	2009	2010	2011	2012
General Fund:					
Reserved/Restricted	\$ 3,314,245	\$ 2,465,116	\$ 1,238,256	\$ 2,523,851	\$ 1,413,044
Committed	5,005	705,005	1,055,005	1,555,005	2,950,799
Assigned	515,149	809,531	879,797	953,212	938,448
Unassigned/(Deficit)	296,498	(6,417)	102,551	110,933	(123,596)
Total General Fund	\$ 4,130,897	\$ 3,973,235	\$ 3,275,609	\$ 5,143,001	\$ 5,178,695
All Other Governmental Funds:					
Restricted, Reported in:					
Capital Projects Fund	\$ 4,953	\$ 4,953	\$ 4,953	\$ 4,953	\$ 894,817
Debt Service Fund	29,118	29,118	29,118	29,124	29,124
Committed					
Assigned, Reporting in:					
Capital Projects Fund					95,461
Unreserved/(Deficit), Reported in:					
Special Revenue Fund	(2,911)				
Total All Other Governmental Funds	\$ 31,160	\$ 34,071	\$ 34,071	\$ 34,077	\$ 1,019,402

HACKETTSTOWN SCHOOL DISTRICT
FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

UNAUDITED

(modified accrual basis of accounting)

	June 30,				
	2013	2014	2015	2016*	2017
General Fund:					
Reserved/Restricted	\$ 4,475,799	\$ 2,318,877	\$ 112,408	\$ 5,230,352	\$ 2,526,044
Committed	963,730	1,078,710	3,969,747	1,327,671	1,708,263
Assigned	73,261	210,693	124,272	85,321	99,816
Unassigned/(Deficit)					
Total General Fund	\$ 5,512,790	\$ 3,608,280	\$ 5,491,632	\$ 6,643,344	\$ 4,334,123
All Other Governmental Funds:					
Restricted, Reported in:					
Capital Projects Fund	\$ 1,097,384	\$ 2,755,393	\$ 1,835,210		
Debt Service Fund	45,078	4,954	9,554	11,854	7,255
Committed				326,100	1,253,992
Assigned, Reporting in:					
Capital Projects Fund	655,351				
Unreserved/(Deficit), Reported in:					
Special Revenue Fund					
Total All Other Governmental Funds	\$ 1,797,813	\$ 2,760,347	\$ 1,844,764	\$ 337,954	\$ 1,261,247

* -Restated

Source: School District Financial Reports

HACKETTSTOWN SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

UNAUDITED

(modified accrual basis of accounting)

	Fiscal Year Ending June 30,				
	2008	2009	2010	2011	2012
Revenues:					
Tax Levy	\$ 13,824,080	\$ 14,008,271	\$ 14,476,862	\$ 14,830,339	\$ 14,423,772
Tuition	6,517,044	7,020,740	7,080,800	7,652,938	7,657,496
Tuition from Other LEA's Within the State					
Interest Earned on Capital Reserve Funds					
Rents and Royalties					7,416
Interest Earnings	86,529	13,534			529,835
Miscellaneous	44,495	13,816	570,743	755,237	6,944,375
State Sources	8,296,050	7,275,965	5,827,927	6,250,023	699,006
State Sources-Capital Projects					853,132
Federal Sources	594,425	718,915	1,789,919	643,961	
Total Revenue	<u>29,362,623</u>	<u>29,051,241</u>	<u>29,746,251</u>	<u>30,132,498</u>	<u>31,115,032</u>
Expenditures:					
Instruction:					
Regular Instruction	8,392,522	8,610,491	8,679,963	8,405,246	8,296,803
Special Education Instruction	1,883,240	2,082,265	2,311,467	2,258,567	2,526,023
Other Instruction	489,845	522,983	516,308	581,587	569,993
School Sponsored Instruction	780,935	782,581	828,686	829,373	809,957
Support Services:					
Tuition	953,174	997,494	1,008,646	950,970	692,987
Student & Instruction Related Services	2,767,919	2,972,412	2,968,477	2,741,268	3,019,214
General Administrative Services	584,712	528,679	567,966	597,884	616,628
School Administrative Services	1,073,992	1,094,790	1,097,396	1,084,897	1,106,192
Central Services	367,715	366,927	409,423	395,255	335,566
Administrative Information Technology					
Plant Operations and Maintenance	2,048,697	2,125,184	2,088,171	2,006,766	1,962,184
Student Transportation	419,803	502,851	499,473	345,153	390,447
Unallocated Benefits	4,185,066	4,431,133	4,456,582	4,515,549	4,394,691
On-Behalf TPAF Pension & Social Security Contributions	3,037,622	1,821,485	1,868,574	1,879,832	2,232,875

HACKETTSTOWN SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

UNAUDITED

(modified accrual basis of accounting)

	Fiscal Year Ending June 30,				
	2008	2009	2010	2011	2012
Expenditures:					
Capital Outlay	\$ 832,774	\$ 1,204,101	\$ 1,764,527	\$ 643,013	\$ 1,018,505
Charter Schools					
Special Revenue	857,498	860,211	1,063,543	707,527	724,332
Capital Projects	1,819				897,903
Debt Service:					
Principal	150,000	160,000	180,000	195,000	200,000
Interest and Other Charges	149,535	142,405	134,675	127,213	120,300
Total Expenditures	<u>28,976,868</u>	<u>29,205,992</u>	<u>30,443,877</u>	<u>28,265,100</u>	<u>29,914,600</u>
Excess/(Deficit) of Revenue Over/(Under) Expenditures	<u>385,755</u>	<u>(154,751)</u>	<u>(697,626)</u>	<u>1,867,398</u>	<u>1,200,432</u>
Other Financing Sources/(Uses):					
Capital Leases (Non-Budgeted)					
Proceeds from Refunding Bond Issue					
Proceeds for Capital Lease					
Payment to Refunding Bond Agent					
Insurance Claim Proceeds for Storm Damage					
Total Other Financing Sources/(Uses)					
Net Change in Fund Balances	<u>\$ 385,755</u>	<u>\$ (154,751)</u>	<u>\$ (697,626)</u>	<u>\$ 1,867,398</u>	<u>\$ 1,200,432</u>
Debt Service as a Percentage of Noncapital Expenditures	1.06%	1.08%	1.10%	1.17%	1.14%

HACKETTSTOWN SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

UNAUDITED

(modified accrual basis of accounting)

	Fiscal Year Ending June 30,				
	2013	2014	2015	2016	2017
Revenues:					
Tax Levy	\$ 14,568,500	\$ 14,809,950	\$ 15,106,149	\$ 15,371,890	\$ 16,411,291
Tuition from Individuals	7,109,781	7,241,725	8,335,731	8,138,637	6,951,998
Tuition from Other LEA's Within the State					2,023
Interest Earned on Capital Reserve Funds					151
Rents and Royalties					8,000
Interest Earnings	5,759	8,258	6		
Miscellaneous	1,095,408	1,168,888	113,998	842,562	226,549
State Sources	7,881,198	7,600,547	8,024,212	8,540,045	9,067,254
State Sources-Capital Projects	733,743	276,582	677,890	(69,211)	
Federal Sources	584,729	554,071	762,262	737,946	683,019
Total Revenue	31,979,118	31,660,021	33,020,248	33,561,869	33,350,285
Expenditures:					
Instruction:					
Regular Instruction	8,936,367	9,022,263	8,984,603	9,207,249	9,399,297
Special Education Instruction	2,399,477	2,069,885	2,186,275	2,499,752	3,249,981
Other Instruction	520,854	652,918	678,375	739,364	807,748
School Sponsored Instruction	893,461	857,540	864,978	908,496	962,951
Support Services:					
Tuition	921,647	751,155	633,392	637,660	919,698
Student & Instruction Related Services	3,423,773	3,621,017	3,617,517	3,622,735	3,362,750
General Administrative Services	618,590	635,944	622,058	633,219	569,856
School Administrative Services	1,288,432	1,277,695	1,221,536	1,187,838	1,271,312
Central Services	374,769	408,225	391,378	419,423	400,828
Administrative Information Technology	1,532	127,716	26,240	35,675	53,791
Plant Operations and Maintenance	2,288,840	2,426,654	2,373,646	2,312,078	2,416,663
Student Transportation	508,775	542,763	530,621	600,113	688,742
Unallocated Benefits	3,898,673	3,977,125	4,212,129	4,496,162	8,402,582
On-Behalf TPAF Pension & Social Security Contributions	2,829,151	2,463,522	2,827,575	3,403,670	

HACKETTSTOWN SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

UNAUDITED

(modified accrual basis of accounting)

	Fiscal Year Ending June 30,				
	2013	2014	2015	2016	2017
Expenditures:					
Capital Outlay	\$ 694,072	\$ 2,733,163	\$ 112,904	\$ 594,573	\$ 2,805,512
Charter Schools			9,974	7,830	14,672
Special Revenue	639,391	535,353	711,907	715,329	
Capital Projects	306,208	1,183,693	1,455,204	455,982	
Debt Service:					
Principal	210,000	451,858	461,815	479,442	290,000
Interest and Other Charges	112,600	139,352	130,352	120,852	29,830
Total Expenditures	30,866,612	33,877,841	32,052,479	33,077,442	35,646,213
Excess/(Deficit) of Revenue Over/(Under) Expenditures	1,112,506	(2,217,820)	967,769	484,427	(2,295,928)
Other Financing Sources/(Uses):					
Capital Leases (Non-Budgeted)				1,830,000	910,000
Proceeds from Refunding Bond Issue		1,175,000			
Proceeds for Capital Lease				(1,795,200)	
Payment to Refunding Bond Agent		100,844			
Insurance Claim Proceeds for Storm Damage		1,275,844		34,800	910,000
Total Other Financing Sources/(Uses)		1,275,844		34,800	910,000
Net Change in Fund Balances	\$ 1,112,506	\$ (941,976)	\$ 967,769	\$ 519,227	\$ (1,385,928)
Debt Service as a Percentage of Noncapital Expenditures	1.07%	1.97%	1.94%	1.87%	0.97%

Source: School District Financial Reports

HACKETTSTOWN SCHOOL DISTRICT
GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
UNAUDITED
(modified accrual basis of accounting)

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Tuition</u>	<u>Other</u> <u>Miscellaneous</u>	<u>Rentals - Use of</u> <u>Facilities</u>	<u>Total</u>
2008	\$ 86,529	\$ 6,517,044	\$ 37,803		\$ 6,641,376
2009	13,534	7,020,740	9,849		7,044,123
2010		7,080,800	565,999		7,646,799
2011		7,652,938	753,889		8,406,827
2012	7,416	7,657,496	527,114		8,192,026
2013	5,759	7,109,781	1,088,351		8,203,891
2014	8,258	7,241,725	1,153,588	14,000	8,417,571
2015	6	8,335,731	83,711	28,280	8,447,728
2016	6	8,138,637	810,403	28,562	8,977,608
2017	45,534	6,954,021	181,166	8,000	7,188,721

Source: School District Financial Reports

HACKETTSTOWN SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS
UNAUDITED

Year Ended December 31,	Vacant Land	Residential	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2007	\$ 17,758,600	\$ 384,305,622	\$ 110,782,930	\$ 53,337,350	\$ 32,346,900	\$ 598,531,402	\$ 2,965,599	\$ 601,497,001	\$ 2.30	\$ 985,296,750
2008	20,215,400	385,594,132	109,713,750	56,059,750	31,676,900	603,259,932	2,900,906	606,160,838	2.31	1,079,757,514
2009	13,485,200	396,047,132	108,900,950	58,399,900	33,040,500	609,873,682	2,893,681	612,767,363	2.36	1,091,530,496
2010	* 16,257,100	674,037,600	216,404,300	121,495,800	69,479,300	1,097,674,100	4,981,775	1,102,655,875	1.37	1,148,402,733
2011	13,219,400	677,005,900	205,832,850	119,045,100	64,936,400	1,080,039,650	4,808,983	1,084,848,633	1.33	1,099,941,693
2012	13,419,300	671,079,600	202,926,500	116,521,800	65,211,500	1,069,158,700	4,981,299	1,074,139,999	1.36	1,043,467,596
2013	11,174,900	663,305,760	200,084,510	115,687,600	68,475,500	1,058,728,270	3,724,495	1,062,452,765	1.39	988,954,599
2014	11,404,700	661,390,260	197,514,410	102,891,500	70,155,500	1,043,356,370	3,256,338	1,046,612,708	1.44	941,610,839
2015	11,174,900	660,131,910	194,971,350	96,829,200	72,784,400	1,035,891,760	100	1,035,891,860	1.48	1,014,983,208
2016	15,186,800	659,000,560	192,531,850	95,281,900	70,560,100	1,032,561,210	100	1,032,561,310	1.59	993,516,130

Source: Municipal Tax Assessors and State of New Jersey Website

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.

* Revaluation of Real Property became effective.

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

b Tax rates are per \$100

HACKETTSTOWN SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES

LAST TEN YEARS

UNAUDITED

(rate per \$100 of assessed value)

Year Ended December 31,	Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Municipality	County	
2007	\$ 2.25	\$ 0.05	\$ 2.30	\$ 0.76	\$ 0.92	\$ 3.98
2008	2.26	0.05	2.31	0.86	0.99	4.16
2009	2.31	0.05	2.36	0.90	0.99	4.25
2010	*	1.32	1.35	0.52	0.59	2.46
2011		1.30	1.33	0.53	0.63	2.49
2012		1.33	1.36	0.58	0.60	2.54
2013		1.36	1.39	0.60	0.62	2.61
2014		1.41	1.44	0.61	0.65	2.70
2015		1.45	1.48	0.63	0.68	2.79
2016		1.56	1.59	0.64	0.69	2.92

Note: NJSA 18A:7F-5d limits the amount that the district can submit for a general fund tax levy. The levy when added to other components of the district's net budget may not exceed the prebudget year net budget by more than the spending growth limitation calculation.

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.

* Revaluation became effective.

Source: Municipal Tax Collectors

HACKETTSTOWN SCHOOL DISTRICT
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

	2017		2008		
	Taxpayer	Taxable Assessed Value	Taxpayer	Taxable Assessed Value	
		% of Total District Net Assessed Value		% of Total District Net Assessed Value	
Food Manufacturers, Inc.	\$ 40,982,700	3.97%	Food Manufacturers, Inc.	\$ 27,499,700	4.54%
Hackettstown Interstate, LLC	28,237,000	2.73%	Interstate Properties	14,507,700	2.39%
Hackettstown 15, LLC	9,500,000	0.92%	Van Paffino's	9,697,800	1.60%
Hackettstown Community Hospital	8,907,000	0.86%	A. Klingman Assoc.	8,750,000	1.44%
River's Edge Gardens, LLC	8,333,000	0.81%	B&W Associates	6,694,400	1.10%
Jane Paffinos, LLC	7,932,500	0.77%	Willow Co.	5,750,800	0.95%
Hackettstown Community Hospital	6,542,700	0.63%	Nedellec Properties	4,150,000	0.68%
Ti-Med Associates, LLC	6,377,600	0.62%	55 Newburgh Road, LLC	3,914,000	0.65%
Hackettstown Com Pk 3	6,009,300	0.58%	Marketplace at Hackettstown	1,400,000	0.23%
Willo Company	5,828,100	0.56%	Bergen Machine & Tool Company	1,311,200	0.22%
Total	\$ 128,649,900	12.45%		\$ 83,675,600	13.80%

Source: Municipal Tax Assessor

Note: A revaluation was effective in 2010.

HACKETTSTOWN SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2008	\$ 13,824,080	\$ 13,824,080	100.00%	- 0 -
2009	14,008,271	14,008,271	100.00%	- 0 -
2010	14,476,862	14,476,862	100.00%	- 0 -
2011	14,830,339	14,830,339	100.00%	- 0 -
2012	14,423,772	14,423,772	100.00%	- 0 -
2013	14,568,500	14,568,500	100.00%	- 0 -
2014	14,809,950	14,809,950	100.00%	- 0 -
2015	15,106,149	15,106,149	100.00%	- 0 -
2016	15,371,890	15,371,890	100.00%	- 0 -
2017	16,411,291	16,411,291	100.00%	- 0 -

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

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

HACKETTSTOWN SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	Governmental Activities			Business-Type Activities Capital Leases	Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Capital Leases	Bond Anticipation Notes (BANs)				
2008	\$3,655,000		\$ 687,116		\$ 4,342,116	1.10%	\$ 461.04
2009	3,495,000		687,116		4,182,116	0.99%	439.76
2010	3,315,000		367,558		3,682,558	0.88%	385.93
2011	3,120,000			\$ 619,422	3,739,422	0.87%	384.44
2012	2,920,000			213,233	3,133,233	0.71%	323.92
2013	2,710,000				2,710,000	0.60%	281.85
2014	2,490,000	\$ 943,142			3,433,142	0.76%	359.53
2015	2,260,000	711,327			2,971,327	0.64%	311.04
2016	2,085,000	476,885			2,561,885	0.52%	267.06
2017	1,795,000	1,119,786			2,914,786	0.60%	305.25

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

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

Source: School District Financial Reports

HACKETTSTOWN SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2008	\$ 3,655,000	\$ -0-	\$ 3,655,000	0.61%	388
2009	3,495,000	-0-	3,495,000	0.58%	368
2010	3,315,000	-0-	3,315,000	0.54%	347
2011	3,120,000	-0-	3,120,000	0.28%	321
2012	2,920,000	-0-	2,920,000	0.27%	302
2013	2,710,000	-0-	2,710,000	0.25%	282
2014	2,490,000	-0-	2,490,000	0.23%	261
2015	2,260,000	-0-	2,260,000	0.22%	237
2016	2,085,000	-0-	2,085,000	0.20%	217
2017	1,795,000	-0-	1,795,000	0.17%	188

Source: School District Financial Reports

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

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

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

HACKETTSTOWN SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
UNAUDITED
AS OF DECEMBER 31, 2016

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable^a</u>	<u>Estimated Share of Overlapping Debt</u>
<u>Debt Repaid With Property Taxes</u>			
Town of Hackettstown	\$ 2,707,078	100.00%	\$ 2,707,078
Warren County County General Obligation Debt	8,145,667	10.09%	822,296
Subtotal, Overlapping Debt			<u>3,529,374</u>
Hackettstown School District Direct Debt			<u>1,795,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 5,324,374</u></u>

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 Hackettstown. This process recognizes that, when considering the District's ability to issue and repay long-term, 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 unit.

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

Sources: Assessed value data used to estimate applicable percentages provided by the Warren County Board of Taxation; debt outstanding data provided by each governmental unit.

HACKETTSTOWN SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED

Legal Debt Margin Calculation for Fiscal Year 2017

	Equalized Valuation Basis
	2014 \$1,022,297,051
	2015 996,720,639
	2016 975,586,833
	\$2,994,604,523
Average Equalized Valuation of Taxable Property	\$ 998,201,508
Debt Limit (4% of average equalization value) ^a	\$ 39,928,060
Net Bonded School Debt as of June 30, 2017	1,795,000
Legal Debt Margin	\$ 38,133,060

	Fiscal Year Ending June 30,				
	2008	2009	2010	2011	2012
Debt Limit	\$ 38,075,086	\$ 41,101,514	\$ 43,355,336	\$ 43,947,717	\$ 43,583,500
Total Net Debt Applicable to Limit	3,655,000	3,495,000	3,315,000	3,120,000	2,920,000
Legal Debt Margin	\$ 34,420,086	\$ 37,606,514	\$ 40,040,336	\$ 40,827,717	\$ 40,663,500
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	9.60%	8.50%	7.65%	7.10%	6.70%

	Fiscal Year Ending June 30,				
	2013	2014	2015	2016	2017
Debt Limit	\$ 41,857,340	\$ 39,833,550	\$ 39,592,172	\$ 39,615,961	\$ 39,928,060
Total Net Debt Applicable to Limit	2,710,000	2,490,000	2,260,000	2,085,000	1,795,000
Legal Debt Margin	\$ 39,147,340	\$ 37,343,550	\$ 37,332,172	\$ 37,530,961	\$ 38,133,060
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	6.47%	6.25%	5.71%	5.26%	4.50%

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

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

HACKETTSTOWN SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN YEARS
UNAUDITED

Year	Population ^a	Personal Income ^b	Warren County Per Capita Personal Income ^c	Unemployment Rate ^d
2008	9,510	\$ 424,298,160	\$ 44,616	3.50%
2009	9,542	416,241,124	43,622	6.40%
2010	9,727	428,075,543	44,009	6.60%
2011	9,673	441,504,739	45,643	6.10%
2012	9,615	450,664,665	46,871	5.90%
2013	9,549	452,431,620	47,380	6.00%
2014	9,553	466,434,778	48,826	6.60%
2015	9,593	488,302,886	50,902	5.50%
2016	9,549	486,063,198 ***	50,902 *	5.30%
2017	9,549 **	486,063,198 ***	50,902 *	N/A

* - Latest Warren County per capita personal income available (2015) was used for calculation purposes.

** - Latest population data available (2016) was used for calculation purposes.

*** - Latest personal income available (2015) was used for calculation purposes.

N/A - Information not available

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

HACKETTSTOWN SCHOOL DISTRICT
PRINCIPAL EMPLOYERS - COUNTY OF WARREN
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

INFORMATION IS NOT AVAILABLE

HACKETTSTOWN SCHOOL DISTRICT
 FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

UNAUDITED

(accrual basis of accounting)

<u>Function/Program:</u>	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Instruction:										
Regular	127.0	127.0	139.0	124.0	128.5	120.0	120.0	119.0	119.0	119.0
Special Education	57.0	57.0	56.0	59.0	54.5	48.1	41.0	42.0	41.0	42.0
Other	18.0	19.0	21.0	19.0	20.0	23.5	25.0	20.2	30.7	41.9
Support Services:										
Student & Instruction Related Services	23.5	23.5	24.0	16.0	20.0	42.0	42.0	42.0	40.4	24.0
School Administrative Services	13.0	13.0	8.0	9.0	15.5	14.0	15.0	15.0	14.0	15.0
General and Business Administrative Services	9.0	9.0	6.0	9.0	9.5	3.0	4.0	4.0	4.0	4.0
Central Services						4.6	4.6	4.6	5.0	5.0
Plant Operations and Maintenance	10.0	10.0	10.0	10.0	10.0	17.6	17.6	17.2	18.0	15.2
Pupil Transportation	1.0	1.0	1.0							0.5
Total	<u>258.5</u>	<u>259.5</u>	<u>265.0</u>	<u>246.0</u>	<u>258.0</u>	<u>272.8</u>	<u>269.2</u>	<u>264.0</u>	<u>272.1</u>	<u>266.6</u>

Source: School District Financial Reports

HACKETTSTOWN SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil ^d	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio	Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
2008	1868	\$ 27,842,740	\$14,905	5.40%	182.0	10.0:1	1,867.9	1,772.1	0.62%	94.87%
2009	1855	27,699,486	14,932	0.18%	179.0	10.1:1	1,819.9	1,752.6	-2.57%	96.30%
2010	1855	28,285,128	15,248	2.11%	174.0	10.4:1	1,793.0	1,724.6	-1.48%	96.19%
2011	1835	27,272,663	14,862	-2.53%	171.0	10.4:1	1,836.9	1,773.8	2.45%	96.56%
2012	1809	27,649,259	15,284	2.84%	172.0	10.4:1	1,786.7	1,700.7	-2.73%	95.19%
2013	1823	29,531,752	16,200	5.99%	184.0	9.3:1	1,774.2	1,691.9	-0.70%	95.36%
2014	1853	30,018,115	16,200	0.00%	179.0	10.3:1	1,853.3	1,746.3	4.46%	94.23%
2015	1899	29,892,204	15,741	-2.83%	176.0	10.8:1	1,898.6	1,789.2	2.44%	94.24%
2016	1935	31,426,593	16,241	3.18%	181.0	10.7:1	1,927.1	1,833.6	1.50%	95.15%
2017	1921	32,506,199	16,921	4.19%	182.0	10.6:1	1,921.3	1,823.3	-0.30%	94.90%

Sources: School 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).
- d The Cost per Pupil calculated above is the sum of the operating expenditures divided by enrollment. This cost per pupil may be different from other cost per pupil calculations.

HACKETTSTOWN SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED

<u>District Building</u>	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<u>Hatchery Hill Elementary</u>										
Square Feet	40,600	40,600	40,600	40,600	40,600	40,600	40,600	40,600	40,600	40,600
Capacity (students)	315	315	315	315	315	315	315	315	315	315
Enrollment	253	242	220	215	302	227	239	246	309	359
<u>Willow Grove Elementary</u>										
Square Feet	40,855	40,855	40,855	40,855	40,855	40,855	40,855	40,855	40,855	40,855
Capacity (students)	350	350	350	350	350	350	350	350	350	350
Enrollment	252	240	260	280	292	298	316	333	289	247
<u>Hackettstown Middle School</u>										
Square Feet	84,059	84,059	84,059	84,059	84,059	84,059	84,059	84,059	84,059	84,059
Capacity (students)	499	499	499	499	499	499	499	499	499	499
Enrollment	400	436	426	407	407	357	378	387	398	432
<u>Hackettstown High School</u>										
Square Feet	133,062	133,062	133,062	133,062	133,062	133,062	133,062	150,224	150,224	150,224
Capacity (students)	1,078	1,078	1,078	1,078	1,078	1,078	1,078	1,078	1,078	1,078
Enrollment	963	937	949	933	908	941	965	921	923	883

Number of Schools at June 30, 2017

Elementary = 2

Middle School = 1

High School = 1

Source: School District Records

Note: Enrollment is based on the annual October district count.

HACKETTSTOWN SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
LAST TEN FISCAL YEARS
UNAUDITED

Undistributed Expenditures - Required Maintenance
For School Facilities - Account #11-000-261-XXX:

Fiscal Year Ended	Willow Grove Elementary School	Hatchery Hill Elementary School	Hackettstown Middle School	Hackettstown High School	Total School Facilities*
2008	\$ 37,498	\$ 34,089	\$ 40,907	\$ 57,951	\$ 170,445
2009	39,594	35,994	43,193	61,190	179,971
2010	35,364	32,149	38,579	54,653	160,745
2011	34,817	31,651	37,981	53,807	158,256
2012	38,500	35,001	42,001	59,501	175,003
2013	115,180	104,708	125,650	178,004	523,542
2014	71,043	77,724	75,454	362,099	586,320
2015	71,127	64,875	71,557	335,162	542,721
2016	79,125	117,768	85,505	180,226	462,624
2017	21,922	25,245	49,577	305,925	402,669

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

Source: School District Records

HACKETTSTOWN SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2017
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
School Commercial Package Policy:		
<u>School Alliance Insurance Fund (SAIF):</u>		
Blanket Building and Contents (fund limit)	\$ 500,000,000	\$ 2,500
Comprehensive General Liability	5,000,000	
Comprehensive Automobile Liability	5,000,000	
Crime Policy	400,000	
Accounts Receivable	300,000	1,000
 <u>Excess Liability Policy - School Alliance Insurance Fund</u>		
Policy Limit	5,000,000	
 <u>School Board Legal Liability - New Jersey Schools Insurance Group</u>		
Limit of Liability	10,000,000	5,000
 <u>Environmental Service - School Alliance Insurance Fund</u>		
Policy Limit	1,000,000	10,000
 <u>Worker's Compensation - New Jersey Schools Insurance Group</u>		
Employer's Liability	2,000,000	
 <u>Public Employee's Faithful Performance Blanket Position Bond -</u> <u>RLI Insurance Company</u>		
Board Secretary - Business Administrator	250,000	

Source: School District Records

SINGLE AUDIT SECTION



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07856
 973-328-1825 | 973-328-0507 Fax
 Lawrence Business Park
 11 Lawrence Road
 Newton, NJ 07860
 973-383-6699 | 973-383-6555 Fax

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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Hackettstown School District, in the County of Warren (the "District") as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 1, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of the 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.

The Honorable President and Members
of the Board of Education
Hackettstown School District
Page 2

Compliance and Other Matters

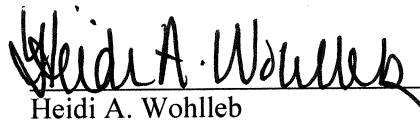
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

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 result 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.

Mount Arlington, New Jersey
November 1, 2017

NISIVOCCIA, LLP



Heidi A. Wohlleb
Licensed Public School Accountant #2140
Certified Public Accountant



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07856
 973-328-1825 | 973-328-0507 Fax

Lawrence Business Park
 11 Lawrence Road
 Newton, NJ 07860
 973-383-6699 | 973-383-6555 Fax

Report on Compliance For Each Major Federal and State Program:
Report on Internal Control Over Compliance

Independent Auditors' Report

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

Report on Compliance for Each Major Federal and State Program

We have audited the Board of Education of the Hackettstown School District's (the "District's") compliance with the types of compliance requirements described in the *OMB Compliance Supplement and the New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the District's major federal and state programs for the fiscal year ended June 30, 2017. The District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Honorable President and Members
of the Board of Education
Hackettstown School District
Page 2

Opinion on Each Major Federal and State Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as Finding 2017-001. Our opinion on the Extraordinary Aid state program is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

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

Honorable President and Members
of the Board of Education
Hackettstown School District
Page 3

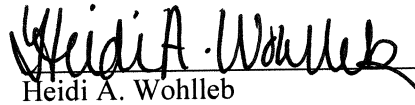
Findings and Questioned Costs as Finding 2017-001 that we consider to be a significant deficiency.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Mount Arlington, New Jersey
November 1, 2017

NISIVOCCIA, LLP



Heidi A. Wohlleb

Licensed Public School Accountant #2140
Certified Public Accountant

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

Federal Grantor/Pass Through Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2016		Cash Received	Budgetary Expenditures	Cancellation of Prior Year Encumbrance	Adjustments	Balance at June 30, 2017		Amount Paid to Subrecipients
					Balance at June 30, 2016 (Budgetary Accounts Receivable)/Unearned Revenue	Balance at June 30, 2016 (Budgetary Accounts Receivable)/Unearned Revenue							
U.S. Department of Education Passed-through State Department of Education:													
Special Revenue Fund:													
IDEA Special Education Cluster:													
ID.E.A. Part B, Basic	84.027	IDEA187016	7/1/15-6/30/16	\$419,013	\$ (100,163)	\$ 100,163	\$ (404,805)				\$ (1,321)		
ID.E.A. Part B, Basic	84.027	IDEA187017	7/1/16-6/30/17	404,805	(469)	403,484							
ID.E.A. Part B, Preschool	84.173	IDEA187016	7/1/15-6/30/16	10,936		469							
ID.E.A. Part B, Preschool	84.173	IDEA187017	7/1/16-6/30/17	11,150		7,327	(11,137)				(3,810)		
Total IDEA Special Education Cluster					(100,632)	511,443	(415,942)				(5,131)		
No Child Left Behind Consolidated Grant:													
Title I	84.010	NCLB187016	7/1/15-6/30/16	179,850	10,909			\$ 58				\$ 10,967	
Title I	84.010	NCLB187017	7/1/16-6/30/17	195,544		154,872	(185,072)				(30,200)		
Title II, Part A	84.367	NCLB187016	7/1/15-6/30/16	35,316	(1,342)								
Title II, Part A	84.367	NCLB187017	7/1/16-6/30/17	32,486		26,806	(31,773)				(4,967)		
Title III	84.365	NCLB187016	7/1/15-6/30/16	20,274	(14,428)	13,151		\$ 1,277					
Title III	84.365	NCLB187017	7/1/16-6/30/17	27,457		20,113	(25,977)				(5,864)		
Title III - Immigrant	84.365	NCLB187016	7/1/15-6/30/16	4,155	(2,117)	812		401			(476)		125
Title III - Immigrant	84.365	NCLB187017	7/1/16-6/30/17	6,261		4,880	(5,356)						
Perkins Secondary	84.048	PERKSEC-187016	7/1/15-6/30/16	14,087	(1,439)	1,514		50			(2,807)		
Perkins Secondary	84.048	PERKSEC-187017	7/1/16-6/30/17	15,105	(8,417)	236,082	(263,577)	509		2,181	(44,314)		
Total No Child Left Behind Consolidated Grant					(109,049)	747,525	(679,519)	509		2,181	(49,445)		
Total Special Revenue Fund					(109,049)	747,525	(679,519)	509		2,181	(49,445)		
Total U.S. Department of Education													
U.S. Department of Agriculture Passed-through State Department of Agriculture:													
Child Nutrition Cluster:													
School Breakfast Program	10.553	N/A	7/1/15-6/30/16	44,532	(3,806)	3,806							
School Breakfast Program	10.553	N/A	7/1/16-6/30/17	48,830		45,050	(48,830)				(3,780)		
Food Distribution Program	10.555	N/A	7/1/15-6/30/16	29,403	819		(819)						
Food Distribution Program	10.555	N/A	7/1/16-6/30/17	18,675		18,675	(17,711)					\$ 964	
National School Lunch Program	10.555	N/A	7/1/15-6/30/16	175,660	(10,925)	10,925							
National School Lunch Program	10.555	N/A	7/1/16-6/30/17	198,532	(13,912)	186,968	(198,532)				(11,564)		
Total U.S. Department of Agriculture/Child Nutrition Cluster					(13,912)	265,424	(265,892)				(15,344)		964
U.S. Department of Health and Human Services:													
Medicaid Cluster:													
Medical Assistance Program	93.778	N/A	7/1/16-6/30/17	4,055		4,055	(4,055)						
ARRA - Medicaid Assistance Program	93.778	N/A	4/1/09-12/31/09	1,840		1,840	(1,840)						
Total U.S. Department of Health and Human Services/Total Medicaid Cluster						5,895	(5,895)						
U.S. Department of Homeland Security (DHS):													
Disaster Grants - Public Assistance:													
FEMA - Disaster Relief	97.036	N/A	1/22/16-1/24/16	14,962		14,962	(14,962)						
Total U.S. Department of Homeland Security						14,962	(14,962)						
Total Federal Awards					\$ (122,961)	\$ 1,033,806	\$ (966,268)	\$ 509		\$ 2,181	\$ (64,789)	\$ 964	\$ 11,092
													\$ -0-

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

HACKETTSTOWN SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2016		Cash Received	Balance at June 30, 2017		MEMO	
				Budgetary Accounts Receivable	GAAP Accounts Receivable		Budgetary Expenditures	Budgetary Accounts Receivable	Cumulative Total Expenditures	
New Jersey Department of Education										
General Fund:										
Categorical Special Education Aid	16-495-034-5120-089	7/1/15 - 6/30/16	\$ 740,338	\$ (70,388)	\$ 70,388	\$ 740,338	\$ (70,388)	\$ 70,388	\$ 740,338	
Equalization Aid	16-495-034-5120-078	7/1/15 - 6/30/16	4,244,551	(403,556)	403,556	4,244,551	(403,556)	403,556	4,244,551	
Categorical Security Aid	16-495-034-5120-084	7/1/15 - 6/30/16	33,016	(3,139)	3,139	33,016	(3,139)	3,139	33,016	
School Choice Aid	16-495-034-5120-085	7/1/15 - 6/30/16	39,220	(3,729)	3,729	39,220	(3,729)	3,729	39,220	
Categorical Transportation Aid	16-495-035-5120-014	7/1/15 - 6/30/16	16,384	(1,558)	1,558	16,384	(1,558)	1,558	16,384	
Extraordinary Aid	16-495-034-5120-044	7/1/15 - 6/30/16	28,594	(28,594)	28,594	28,594	(28,594)	28,594	28,594	
Per Pupil Growth Aid	16-495-034-5120-097	7/1/15 - 6/30/16	13,860	(1,318)	1,318	13,860	(1,318)	1,318	13,860	
PARCC Readiness Aid	16-495-034-5120-098	7/1/15 - 6/30/16	13,860	(1,318)	1,318	13,860	(1,318)	1,318	13,860	
Reimbursed TPAF Social Security Contributions	16-495-034-5094-003	7/1/16 - 6/30/17	996,919	(49,246)	49,246	996,919	(49,246)	49,246	996,919	
Categorical Special Education Aid	17-495-034-5120-089	7/1/16 - 6/30/17	755,124		682,148	755,124		682,148	755,124	
Equalization Aid	17-495-034-5120-078	7/1/16 - 6/30/17	4,257,538		3,846,088	4,257,538		3,846,088	4,257,538	
Categorical Security Aid	17-495-034-5120-084	7/1/16 - 6/30/17	38,497		34,776	38,497		34,776	38,497	
Adjustment Aid	17-495-034-5120-085	7/1/16 - 6/30/17	19,610		17,715	19,610		17,715	19,610	
School Choice Aid	17-495-034-5120-068	7/1/16 - 6/30/17	19,610		17,715	19,610		17,715	19,610	
Categorical Transportation Aid	17-495-035-5120-014	7/1/16 - 6/30/17	19,534		17,646	19,534		17,646	19,534	
Extraordinary Aid	17-495-034-5120-044	7/1/16 - 6/30/17	119,996			119,996			119,996	
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16 - 6/30/17	13,860		12,521	13,860		12,521	13,860	
PARCC Readiness Aid	17-495-034-5120-098	7/1/16 - 6/30/17	13,860		12,521	13,860		12,521	13,860	
Professional Learning Communication Aid	17-495-034-5120-101	7/1/16 - 6/30/17	14,220		12,846	14,220		12,846	14,220	
Host District Aid	17-495-034-5120-102	7/1/16 - 6/30/17	479		433	479		433	479	
Reimbursed TPAF Social Security Contributions	17-495-034-5094-003	7/1/16 - 6/30/17	1,016,550		965,695	1,016,550		965,695	1,016,550	
On-Behalf TPAF Post Retirement Contributions	17-495-034-5094-001	7/1/16 - 6/30/17	1,243,570		1,243,570	1,243,570		1,243,570	1,243,570	
On-Behalf TPAF Pension Contributions	17-495-034-5094-002	7/1/16 - 6/30/17	1,440,289		1,440,289	1,440,289		1,440,289	1,440,289	
On-Behalf TPAF Long Term Disability Insurance	17-495-034-5094-004	7/1/16 - 6/30/17	3,935		3,935	3,935		3,935	3,935	
On-Behalf TPAF Non-Contributory Insurance	17-495-034-5094-004	7/1/16 - 6/30/17	52,185		52,185	52,185		52,185	52,185	
Total New Jersey Department of Education/General Fund				(562,846)	8,922,929		(170,851)	(668,774)	15,155,599	
New Jersey Department of Agriculture:										
Enterprise Fund:										
State School Lunch Program	16-100-010-3350-023	7/1/15 - 6/30/16	4,941	(299)	299	4,941	(299)	299	4,941	
State School Lunch Program	17-100-010-3350-023	7/1/16 - 6/30/17	5,268		4,966	5,268		4,966	5,268	
Total Enterprise Fund				(299)	5,265		(302)	(302)	10,209	
Total New Jersey Department of Agriculture				(299)	5,265		(302)	(302)	10,209	

HACKETTSTOWN SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2016		Balance at June 30, 2017		MEMO	
				Budgetary Accounts Receivable	Cash Received	GAAP Accounts Receivable	Budgetary Accounts Receivable	Cumulative Total Expenditures	
N.J. School Development Authority Grants									
Capital Projects Fund:									
High School Parking Lot	1870-050-10-1004	3/26/12 - 6/30/19	\$ 52,051	\$ (52,051)		\$ (52,051)			
Hatchery Hill Playground	1870-070-10-1010	3/26/12 - 9/30/17	18,077	(18,077)		(18,077)			
High School Auditorium	1870-050-10-1001	6/20/13 - 9/1/19	152,442	(137,198)		(137,198)			
High School Science Lab	1870-050-10-1002	6/20/13 - 9/1/20	358,759	(215,255)		(215,255)			
Middle School Courtyard Drainage	1870-060-10-1006	3/26/12 - 9/30/17	51,314	(51,314)	\$ 51,314			\$ 51,314	
Hatchery Hill Asbestos	1870-070-10-1011	6/20/13 - 6/30/16	293,815	(193,895)	193,895				293,815
Middle School Auditorium Ventilation System	1870-060-09-1006	7/1/13 - 9/1/20	108,551	(108,551)				(108,551)	
High School Auditorium Ventilation System	1870-050-09-1002	7/1/13 - 9/1/19	108,551	(108,551)				(108,551)	
High School Security Cameras, Security Vestibule, Doors and Roof Replacement	1870-050-14-1004	6/30/14 - 9/1/18	496,400	(297,400)				(496,400)	
Middle School Security Cameras, Security Vestibule, Doors and Roof Replacement	1870-060-14-1005	6/30/14 - 9/1/18	221,200	(43,189)				(221,200)	
Hatchery Hill School Security Cameras, Security Vestibule, Restroom Renovation and Window Replacement	1870-070-14-1006	6/30/14 - 9/1/20	173,880	(54,040)				(173,880)	
Willow Grove School Security Cameras, Security Vestibule, Restroom Renovation and Window Replacement	1870-090-14-1007	6/30/14 - 9/1/20	185,900	(65,000)				(185,900)	
Total Capital Projects Fund				(1,344,521)	245,209			(1,717,063)	345,129
Total N.J. School Development Authority Grants				(1,344,521)	245,209			(1,717,063)	345,129
Total State Awards Subject to Single Audit Determination				<u>\$(1,907,666)</u>	<u>\$9,173,403</u>		<u>\$ (171,153)</u>	<u>\$(2,386,139)</u>	<u>\$15,510,937</u>
Less: State Awards Not Subject to Single Audit Major Program Determination									
On-Behalf TPAF Pension System Contributions:									
On-Behalf TPAF Post Retirement Contributions	17-495-034-5094-001	7/1/16-6/30/17						1,243,570	
On-Behalf TPAF Pension Contributions	17-495-034-5094-002	7/1/16-6/30/17						1,440,289	
On-Behalf TPAF Long-Term Disability Insurance	17-495-034-5094-004	7/1/16-6/30/17						3,935	
On-Behalf TPAF Non-Contributory Insurance	17-495-034-5094-004	7/1/16-6/30/17						52,185	
Subtotal - On-Behalf TPAF Pension System Contributions								<u>2,739,979</u>	
Total State Awards Subject to Single Audit Major Program Determination									<u>\$(6,294,146)</u>

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards (the “Schedules”) include the federal and state grant activity of the Hackettstown School District under programs of the federal and state governments for the fiscal year ended June 30, 2017. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”) and New Jersey’s OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented on the accrual basis of accounting. These bases of accounting are described in Note 1 to the District’s basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3. INDIRECT COST RATE

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

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last two state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes these payments are not recognized until the subsequent budget year due to the state deferral and recording of the last two state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not. Grant revenue in the capital projects fund is recognized on the budgetary basis in the fiscal year of award but is not recognized on the GAAP basis until expended and submitted for reimbursement.

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (Cont'd)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$12,917) for the general fund, (\$5,649) for the special revenue fund (of which \$3,254 is for local grants) and (\$566,437) for the capital projects fund. See Note 1D for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general, special revenue and capital projects funds. Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 5,895	\$ 9,015,940	\$ 9,021,835
Special Revenue Fund	677,124		677,124
Capital Projects Fund		51,314	51,314
Food Service Fund	265,892	5,268	271,160
Total Awards	<u>\$ 948,911</u>	<u>\$ 9,072,522</u>	<u>\$ 10,021,433</u>

NOTE 5. 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 6. OTHER

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 fiscal year ended June 30, 2017. Revenue and expenditures reported under the Federal Food Distribution Program represent current year value received and current year distributions, respectively.

NOTE 7. NJ SCHOOLS DEVELOPMENT AUTHORITY (SDA) GRANTS

In prior years, the District was awarded grants in the amount of \$2,220,940 from the Schools Development Authority (SDA) under the Educational Facilities Construction and Financing Act. As of June 30, 2017, two of the grants totaling \$345,129 have been expended and drawn down on a GAAP basis. In the Capital Projects Fund, the District realized the full amount of the grant revenue on a budgetary basis in the year awarded and realizes the grant revenue on a GAAP basis as it is expended and submitted for reimbursement. Expenditures reported on the NJSDA grants on the Schedule of Expenditures of State Awards represent reimbursement requests submitted to the NJSDA.

HACKETTSTOWN SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There was a significant deficiency in internal control over major state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major Federal and State Program; Report on Internal Control Over Compliance* as Finding 2017-001. No material weaknesses were reported.
- The auditor's report on compliance for the major federal and state programs for the District expresses an unmodified opinion on all major federal and state programs.
- Audit finding 2017-001 which is required to be reported in accordance with New Jersey's OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance is reported in this schedule.
- The District's programs tested as major federal and state programs for the current fiscal year consisted of the following:

	<u>CFDA Number or State Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
Federal Aid:				
Special Education Cluster:				
I.D.E.A. Part B, Basic	IDEA-1870-17	7/1/16-6/30/17	\$ 404,805	\$ 404,805
I.D.E.A. Part B, Preschool	IDEA-1870-17	7/1/16-6/30/17	11,150	11,137
State Aid Public:				
Categorical Special Education Aid	17-495-034-5120-089	7/1/16-6/30/17	755,124	755,124
Equalization Aid	17-495-034-5120-078	7/1/16-6/30/17	4,257,538	4,257,538
Categorical Security Aid	17-495-034-5120-084	7/1/16-6/30/17	38,497	38,497
Adjustment Aid	17-495-034-5120-085	7/1/16-6/30/17	19,610	19,610
School Choice Aid	17-495-034-5120-068	7/1/16-6/30/17	19,610	19,610
PARCC Readiness Aid	17-495-034-5120-098	7/1/16-6/30/17	13,860	13,860
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16-6/30/17	13,860	13,860
Professional Learning Communication Aid	17-495-034-5120-101	7/1/16-6/30/17	14,220	14,220
Host District Aid	17-495-034-5120-102	7/1/16-6/30/17	479	479
Extraordinary Aid	17-495-034-5120-044	7/1/16-6/30/17	119,996	119,996

HACKETTSTOWN SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
 (Continued)

Summary of Auditors' Results (Cont'd):

- The threshold used for distinguishing between Type A and Type B federal and state programs was \$750,000.
- The District was determined to be a "low-risk" auditee for federal programs. However, the District was not determined to be a "low-risk" auditee for state programs.

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

- The audit did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards.

Findings and Questioned Costs for Federal Awards:

- The audit did not disclose any findings or questioned costs for federal awards as defined in 2 CFR 200.516(a) of the Uniform Guidance.

Findings and Questioned Costs for State Awards:

Finding 2017-001 (Repeat Findings 2016-001/2016-003): N.J. Department of Education – Extraordinary Aid – Types of Services Allowed or Unallowed.

<u>Program Title</u>	<u>State Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>	<u>Questioned Costs</u>
Extraordinary Aid	17-495-034-5120-044	7/1/16-6/30/17	\$ 119,996	\$ 119,996	\$ 2,379

Criteria:

N.J.S.A 18A:7F-55(c) requests a school district to file an application with the N.J. Department of Education for reimbursement of current year’s expenses in which the actual cost of providing an education for an individual pupil, excluding transportation costs, exceeds a predetermined threshold within a single fiscal year.

Condition and Context:

During our review of the costs reported in the Extraordinary Aid application, it was noted that certain in-District student costs reported were not supported by the District’s accounting records and related application documentation.

Effect:

Based on our testing of 3 out of 11 students whose special education costs were reported in the Extraordinary Aid Application, one student was under-reported for eligible special education costs of \$13,129 and one student was over-reported for eligible special education costs in the amount of \$10,750.

HACKETTSTOWN SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

Findings and Questioned Costs for State Awards: (Cont'd)

Finding 2017-001 (Repeat Findings 2016-001/2016-003): N.J. Department of Education – Extraordinary Aid – Types of Services Allowed or Unallowed. (Cont'd)

Cause:

Extra care was not taken to ensure that in-District student costs reported on the Extraordinary Aid application were supported by the District's accounting records and related application documentation.

Recommendation:

The District ensure that the in-District costs reported on the Extraordinary Aid application are supported by the District's accounting records and related application documentation.

Management's Response:

The District will make every effort to ensure that the in-District costs reported on the Extraordinary Aid application are supported by the District's accounting records and related application documentation.

HACKETTSTOWN SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Status of Prior Year Findings:

Audit Report, dated November 16, 2016 for the fiscal year ended June 30, 2017 issued by Bedard, Kurowicki & Co., CPA's, PC

Finding 2016-001 N.J. Department of Education – Extraordinary Aid – Types of Services Allowed or Unallowed.

<u>Program Title</u>	<u>State Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>	<u>Questioned Costs</u>
Extraordinary Aid	16-495-034-5120-044	7/1/15-6/30/16	\$ 28,594	\$ 28,594	\$ -0-

Condition:

The audit issued by Bedard, Kurowicki & Co., CPA's, PC noted that the District under-reported their eligible special education costs on their Extraordinary Aid application.

Status:

Condition 2016-001 has not been completely resolved and is included on the Schedule of Findings and Questioned Costs as Finding 2017-001. Based on our testing of 3 out of 11 students whose special education costs were reported in the Extraordinary Aid Application, one student was under-reported for eligible special education costs of \$13,129 and one student was over-reported for eligible special education costs in the amount of \$10,750.

Management's Response:

The District will make every effort to ensure that the in-District costs reported on the Extraordinary Aid application are supported by the District's accounting records and related application documentation.

Audit Report, dated November 16, 2016 for the fiscal year ended June 30, 2017 issued by Bedard, Kurowicki & Co., CPA's, PC

Finding 2016-002 U.S. Department of Education – NCLB Title I – Reporting

<u>Program Title</u>	<u>CFDA Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>	<u>Questioned Costs</u>
NCLB Title IA	84.010A	7/1/15-6/30/16	\$ 179,850	\$ 162,497	\$ -0-

Condition:

The District was reimbursed for more than the amount expended in the NCLB Title I special revenue federal grant for fiscal year ended June 30, 2016.

HACKETTSTOWN SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Status of Prior Year Findings: (Cont'd)

Audit Report, dated November 16, 2016 for the fiscal year ended June 30, 2017 issued by Bedard, Kurowicki & Co., CPA's, PC (Cont'd)

Finding 2016-002 U.S. Department of Education – NCLB Title I – Reporting (Cont'd)

Status:

Condition 2016-002 has been completely resolved. The District was not reimbursed for more than the amount expended in the NCLB Title I special revenue federal grant for fiscal year ended June 30, 2017.

Audit Report, dated November 16, 2016 for the fiscal year ended June 30, 2017 issued by Bedard, Kurowicki & Co., CPA's, PC

Finding 2016-003 N.J. Department of Education – Extraordinary Aid – Types of Services Allowed or Unallowed.

<u>Program Title</u>	<u>State Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>	<u>Questioned Costs</u>
Extraordinary Aid	16-495-034-5120-044	7/1/15-6/30/16	\$ 28,594	\$ 28,594	\$ -0-

Condition:

The audit issued by Bedard, Kurowicki & Co., CPA's, PC noted that the District under-reported their eligible special education costs on their Extraordinary Aid application.

Status:

Condition 2016-003 has not been completely resolved and is included on the Schedule of Findings and Questioned Costs as Finding 2017-001. Based on our testing of 3 out of 11 students whose special education costs were reported in the Extraordinary Aid Application, one student was under-reported for eligible special education costs of \$13,129 and one student was over-reported for eligible special education costs in the amount of \$10,750.

Management's Response:

The District will make every effort to ensure that the in-District costs reported on the Extraordinary Aid application are supported by the District's accounting records and related application documentation.