

**HASBROUCK HEIGHTS
SCHOOL DISTRICT**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR FISCAL YEAR ENDED
JUNE 30, 2017**

HASBROUCK HEIGHTS SCHOOL DISTRICT OUTLINE OF CAFR

	Page
INTRODUCTORY SECTION	
Letter of Transmittal.....	1
Organizational Chart.....	5
Roster of Officials	6
Consultants and Advisors	7
FINANCIAL SECTION	
Independent Auditors' Report.....	8
Required Supplementary Information - Part I	
Management's Discussion and Analysis	11
BASIC FINANCIAL STATEMENTS	
A. District-Wide Financial Statements:	
A-1 Statement of Net Position.....	16
A-2 Statement of Activities	17
B. Fund Financial Statements:	
Governmental Funds:	
B-1 Balance Sheet	19
B-2 Statement of Revenues, Expenditures and Changes in Fund Balances.....	20
B-3 Reconciliation of the Governmental Funds to the Statement of Revenues, Expenditures and Changes in Fund Balance with the District-Wide Statements	21
Proprietary Funds:	
B-4 Statement of Net Position.....	22
B-5 Statement of Revenues, Expenses and Changes in Fund Net Position	23
B-6 Statement of Cash Flows	24
Fiduciary Funds:	
B-7 Statement of Fiduciary Net Position	25
B-8 Statement of Changes in Fiduciary Net Position	26
Notes to the Financial Statements	27
Required Supplementary Information - Part II	
C. Budgetary Comparison Schedules:	
C-1 Budgetary Comparison Schedule - General Fund	56
C-2 Budgetary Comparison Schedule - Special Revenue Fund	63

**HASBROUCK HEIGHTS SCHOOL DISTRICT
OUTLINE OF CAFR
(Continued)**

	Page
Notes to Required Supplementary Information - Part II	
C. Budgetary Comparison Schedules: (Continued)	
C-3 Budget-to-GAAP Reconciliation	64
Required Supplementary Information – Part III	
L. Schedules Related to Accounting and Reporting for Pensions (GASB 68)	
L-1 Schedule of the District's Proportionate Share of the Net Pension Liability NJ Public Employees' Retirement System (PERS)	65
L-2 Schedule of Contributions NJ Public Employee's Retirement System (PERS)	66
L-3 Schedule of the District's Proportionate Share of the Net Pension Liability NJ Teachers' Pension and Annuity Fund (TPAF)	67
Other Supplementary Information	
D. School Level Schedules	N/A
E. Special Revenue Fund:	
E-1 Combining Schedule of Revenues and Expenditures - Budgetary Basis	68
F. Capital Projects Fund:	
F-1 Summary Schedule of Project Expenditures	71
F-2 Summary Schedule of Revenues, Expenditures and Changes in Fund Balance - Budgetary Basis.....	72
F-2a Schedule of Project Revenues, Expenditures, and Project Balances Middle/High School Mechanical Upgrades.....	73
F-2b Schedule of Project Revenues, Expenditures, and Project Balances Euclid School Mechanical Upgrades.....	74
F-2c Schedule of Project Revenues, Expenditures, and Project Balances Lincoln Elementary School Mechanical Upgrades	75

**HASBROUCK HEIGHTS SCHOOL DISTRICT
OUTLINE OF CAFR
(Continued)**

	Page
G. Proprietary Funds:	
Enterprise Fund:	N/A
Internal Service Fund:	N/A
H. Fiduciary Funds:	
H-1 Combining Statement of Fiduciary Net Position	76
H-2 Statement of Changes in Fiduciary Net Position	77
H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements	78
H-4 Payroll Agency Fund Schedule of Receipts and Disbursements	79
I. Long-Term Debt:	
I-1 Statement of Serial Bonds and Loans Payable	80
I-2 Schedule of Obligations Under Capital Leases	81
I-3 Budgetary Comparison Schedule	82
Introduction to the Statistical Section	84
Financial Trends	
J-1 Net Position by Component	83
J-2 Changes in Net Position (Deficit)	84
J-3 Fund Balances (Deficit) - Governmental Funds	86
J-4 Changes in Fund Balances – Governmental Funds	87
J-5 General Fund – Other Local Revenue by Source	89
Revenue Capacity	
J-6 Assessed Value and Estimated Actual Value of Taxable Property	90
J-7 Direct and Overlapping Property Tax Rates	91
J-8 Principal Property Taxpayers	92
J-9 Property Tax Levies and Collections	93

**HASBROUCK HEIGHTS SCHOOL DISTRICT
OUTLINE OF CAFR
(Continued)**

Page

STATISTICAL SECTION (Unaudited)

Debt Capacity

J-10	Ratios of Outstanding Debt by Type	94
J-11	Ratios of Net General Bonded Debt Outstanding	95
J-12	Direct and Overlapping Governmental Activities Debt.....	96
J-13	Legal Debt Margin Information	97

Demographic and Economic Information

J-14	Demographic and Economic Statistics	98
J-15	Principal Employers	99

Operating Information

J-16	Full time Equivalent District Employees by Function/Program	100
J-17	Operating Statistics	101
J-18	School Building Information.....	102
J-19	Schedule of Required Maintenance Expenditures by School Facility	103
J-20	Insurance Schedule.....	104

Single Audit Section

K-1	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	105
K-2	Report on Compliance For Each Major Program and Report on Internal Control Over Compliance of Federal and State Awards Required in Accordance by OMB Uniform Guidance and New Jersey OMB Circular 15-08.....	107
K-3	Schedules of Expenditures of Federal Awards, Schedule A	109
K-4	Schedules of Expenditures of State Awards, Schedule B.....	110
K-5	Notes to the Schedules of Expenditures of Federal and State Awards.....	111
K-6	Schedule of Findings and Questioned Costs	113
K-7	Summary Schedule of Prior Audit Findings.....	116

INTRODUCTORY SECTION

**HASBROUCK HEIGHTS BOARD OF EDUCATION
379 BOULEVARD
HASBROUCK HEIGHTS, NEW JERSEY 07604**

(201) 288-6150 TEL
(201) 288-0289 FAX

**Dina Messery
School Business Admin/Board Secretary**

November 30, 2017

Honorable President and
Members of the Board of Education
Hasbrouck Heights School District
County of Bergen, New Jersey 07604

Dear Board Members:

The comprehensive annual financial report of the Hasbrouck Heights School District (the "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 (the "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 basic financial statements and results of operations 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 Independent Auditors' Report, management's discussion and analysis, the basic financial statements and notes providing an overview of the District's financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected economic and demographic information, financial trends and the fiscal capacity of the District, 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 (CFR) Part 200 Uniform Administrative Requirements Costs Principles and Audit Requirements for federal award, and New Jersey OMB Circular NJOMB 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. It is noted that a federal single audit was not required for their audit year. Information related to this single audit, including the auditors' reports on the internal control and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, is included in the single audit section of this report.

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

2) EDUCATIONAL PROGRAM: The District provides a full range of educational services appropriate to grade levels Pre-K through 12 for regular and special education handicapped youngsters serving approximately 1849 students. All schools are accredited by the New Jersey State Department of

Education. The District is served by 141 (FTE) teachers and 10 (FTE) administrators. Approximately 72.7% of the faculty has earned masters degrees.

The District provides a full range of educational services appropriate to levels Pre-K through Grade 12. These include reading, language arts, social studies, mathematics, science, computer education, remedial instructions, special education, resource room instruction, family life, physical and health education, career education, world languages and enrichment. The curriculum is aligned with the New Jersey Core Curriculum Content Standards and the Common Core Standards.

The District's Spring 2017 results for Language Arts Literacy (LAL) and Mathematics are as follows:

	<u>Language Arts Literacy (LAL)</u>				
	Did not yet meet Expectations	Partially Met Expectations	Approaching Expectations	Met Expectations	Exceeded Expectations
Grade 3	2.3%	7.8%	15.6%	57.8%	16.4%
Grade 4	0.7%	6.1%	23.1%	45.6%	24.5%
Grade 5	0.0%	4.9%	15.9%	56.1%	23.2%
Grade 6	1.3%	6.5%	26.5%	52.9%	12.9%
Grade 7	4.7%	8.0%	26.7%	39.3%	21.3%
Grade 8	5.9%	9.9%	20.4%	52.0%	11.8%
Grade 9	6.0%	16.4%	35.1%	35.1%	7.5%
Grade 10	9.1%	9.8%	30.3%	36.4%	14.4%
Grade 11	7.4%	13.3%	19.3%	46.7%	13.3%

	<u>Mathematics</u>				
	Did not yet meet Expectations	Partially Met Expectations	Approaching Expectations	Met Expectations	Exceeded Expectations
Grade 3	4.6%	8.4%	21.4%	47.3%	18.3%
Grade 4	4.1%	12.8%	29.7%	49.3%	4.1%
Grade 5	3.0%	10.8%	32.3%	41.3%	12.6%
Grade 6	3.8%	17.9%	30.8%	43.6%	3.8%
Grade 7	2.0%	8.0%	30.7%	46.7%	12.7%
Grade 8	14.3%	11.0%	27.5%	47.3%	0.0%
Algebra I	0.8%	10.6%	24.4%	49.6%	14.6%
Algebra II	36.6%	15.5%	28.2%	19.7%	0.0%
Geometry	3.3%	9.8%	31.4%	50.3%	5.2%

The District completed the 2016-2017 fiscal year with an average daily enrollment of 1,850 students, which is a decrease of 9 students compared to the previous year's average daily enrollment.

The following details the changes in the student enrollment of the Hasbrouck Heights School District over the last five years:

Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2017	1,850	(0.48)%
2016	1,859	(0.59)%
2015	1,870	(0.48)%
2014	1,884	(0.74)%
2013	1,904	5.43%

3) ECONOMIC CONDITION AND OUTLOOK: The District's primary funding source is property tax revenue. Overall tax revenue for the General Fund was increased for the 2016-2017 school year. The District's administration continues to closely monitor the cost of operations and continues to look for innovative ways to cut costs in addition to finding new funding sources in order to maintain the quality educational services that the District has been accustomed to providing.

4) MAJOR INITIATIVES: Specific initiatives for the 2016-2017 school year include the following accomplishments:

- Curriculum revisions
- Expanded the robotics club at the middle school
- Continued to expand our technology program by implementing a 1:1 initiative
- Expanded Google Apps for education
- Launched online administration of state assessments

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

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

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

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

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

7) ACCOUNTING SYSTEMS AND REPORTS: The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds. These funds are explained in "Notes to the Financial Statements," Note 2.

8) DEBT ADMINISTRATION: At June 30, 2017, the District had \$5,540,000 in outstanding statutory debt, comprised entirely of school bonds to improve District facilities.

9) CASH MANAGEMENT: The investment policy of the District is guided in large part by State Statute as detailed in "Notes to the Financial Statements," 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.

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

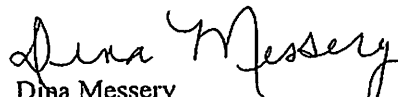
11) OTHER INFORMATION: Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of PFK O'Connor Davies was selected by the Board of Education. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Federal Uniform Guidance Act and New Jersey OMB Circular NJOMB 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. The auditors' 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 are included in the single audit section of this report.

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

Respectfully submitted,



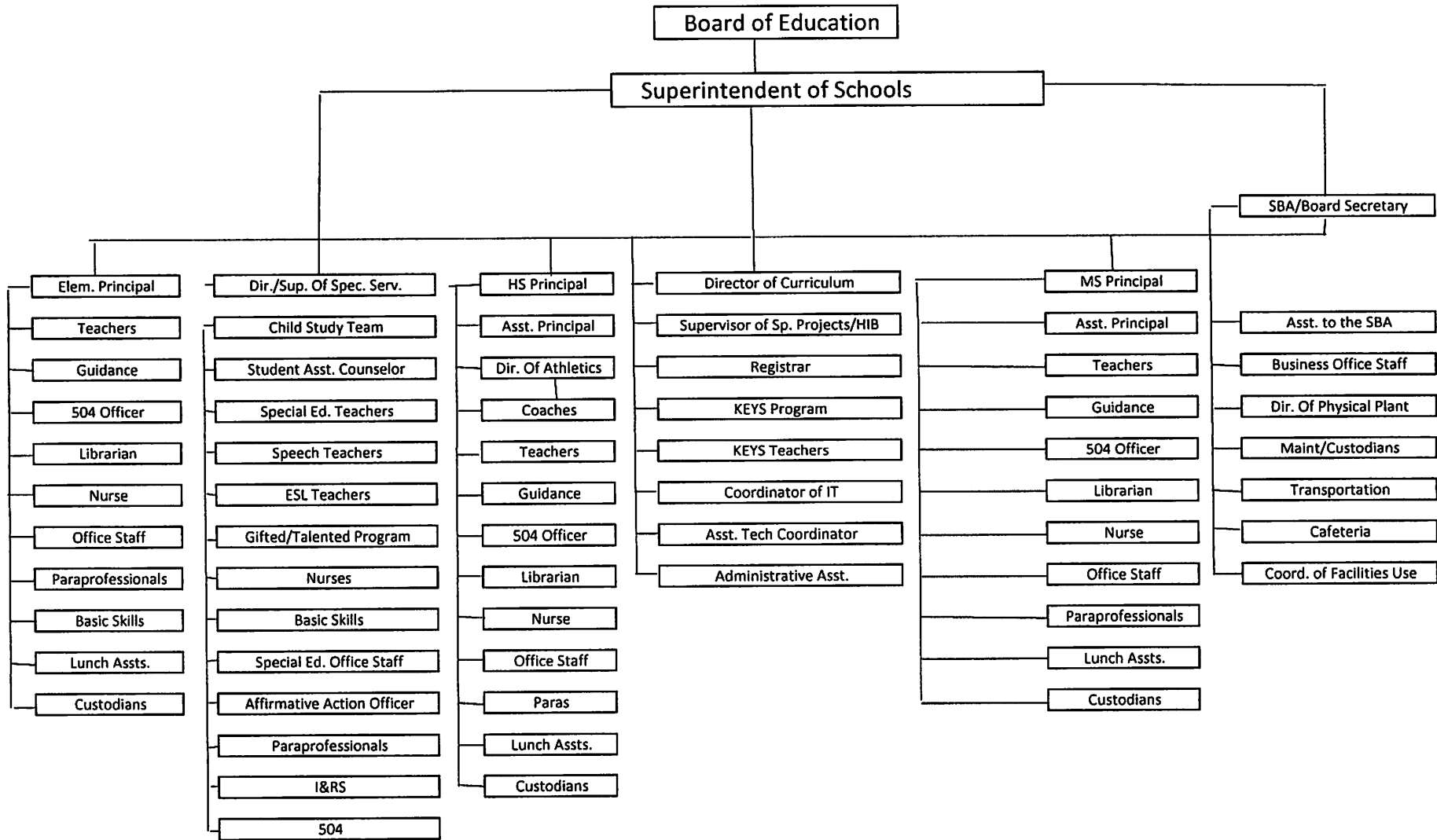
Matthew Helfant
Superintendent of Schools



Dina Messery
Business Admin/Board Secretary

ORGANIZATIONAL CHART (DRAFT)

Hasbrouck Heights Public Schools



Approved: June 23, 2005

Revised: May 26, 2011

Revised: July 19, 2012

Revised: July 21, 2016

**HASBROUCK HEIGHTS BOARD OF EDUCATION
HASBROUCK HEIGHTS, NEW JERSEY**

**ROSTER OF OFFICIALS
JUNE 30, 2017**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Joseph Samperi– <i>President</i>	2017
Patricia Caruso - <i>Vice President</i>	2019
Debra Bruno	2017
Nicole Campbell-Russo	2017
Robert Salerno	2017
Alan Baker	2018
Constance Doheny	2018
Robert Faussette	2019
Joseph Rinke	2019

Other Officials

Matthew Helfant – *Superintendent of Schools*

Dina Messery - *Board Secretary/School Business Administrator*

HASBROUCK HEIGHTS BOARD OF EDUCATION
HASBROUCK HEIGHTS, NEW JERSEY

CONSULTANTS AND ADVISORS

Architect

EI Associates
6 Ridgedale Avenue
Cedar Knolls, New Jersey 07927

Audit Firm

PKF O'Connor Davies, LLP
293 Eisenhower Parkway, Suite 270
Livingston, New Jersey 07039

Attorney

Isabel Machado, Esq.
Machado Law Group, LLC
1 Cleveland Place
Springfield, NJ 07081

Official Depository

Valley National Bank
1445 Valley Road
Wayne, New Jersey 07470

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

**The Honorable President and Members
of the Board of Education
Hasbrouck Heights School District
County of Bergen
Hasbrouck Heights, 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 Hasbrouck Heights School District, in the County of Bergen, State of New Jersey (the "District"), as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

**The Honorable President and Members
of the Board of Education
Hasbrouck Heights School District
Page 2**

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 District, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of District's proportionate share of the net pension liability – PERS, schedule of the District's contributions-PERS, schedule of State's proportionate share of net pension liability associated with District-TPAF and budgetary comparison information as identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about 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 have obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual fund financial statements and long-term debt schedules and the schedules of expenditures of federal and state financial assistance are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting 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 supplemental sections and schedules of expenditures of federal and state awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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 them.

**The Honorable President and Members
of the Board of Education
Hasbrouck Heights School District
Page 3**

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 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.

PKF O'Connor Davies, LLP

Livingston, New Jersey
December 4, 2017

Francis M. McEnerney

Francis McEnerney, CPA, PSA
Licensed Public School Accountant #245500

REQUIRED SUPPLEMENTARY – PART I

**HASBROUCK HEIGHTS PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED**

The "Management's Discussion and Analysis" is a new element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement NO. 34 - Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments issued in June 1999.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2016-2017 are as follows:

The district general fund balance decreased by \$155,098 to \$2,286,323

Total revenues increased by \$1,818,156 in comparison to revenues from June 30, 2016

General revenues accounted for \$33.3 million in revenue or 94% of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$2.2 million or 6% of total revenues of \$35.5 million.

USING THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the district as a financial operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole school district, presenting both an aggregate view of the district's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For government funds, these statements tell how services were financed in the short-term as well as what remains for the future. The fund financial statements also look at the district's most significant funds with all other non-major funds presented in total in one column.

REPORTING THE SCHOOL DISTRICT AS A WHOLE

Statement of Net Position and the Statement of Activities

These statements include all assets, liabilities, deferred inflows and outflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the district's net assets and changes in those assets. The change in net position is important because it tells the reader that, for the district as a whole, the financial position has improved or diminished due to the increase or decrease of assets,

including cash and property, or liabilities, including long term indebtedness or short term accounts payable.

In the Statement of Net Position and the Statement of Activities, the district is divided into two types of activities:

Governmental Activities

Includes all the district's education programs, services, administration and physical plant operations.

Business Type Activities

Program or functions that are conducted that require payments for goods and services.

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Fund financial reports provide detailed information about the District's funds. The district uses various funds to account for a multitude of financial transactions. The district's governmental funds are the General Fund, Special Revenue Fund, Capital Projects Fund, and Debt Service Fund. The district's business fund is the Enterprise Fund.

Governmental Funds

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

Enterprise Fund

The enterprise fund uses a simpler basis of accounting than the governmental funds. While the governmental funds are strictly regulated by state laws, statutes, codes, and regulations, the enterprise fund is not. The enterprise fund is maintained on an accrual basis.

Notes to the 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 School District as a Whole

The District's financial position is the product of several types of financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Table 1 provides a summary of the District's net position on June 30

Table 1 - Net Position

	2017	2016
Assets		
Cash and Cash Equivalents	\$ 1,380,439	\$ 2,681,552
Accounts Receivable - Net	1,058,617	431,063
Capital Assets - Net	8,724,357	7,687,030
Total Assets	11,163,413	10,799,645
Deferred Outflows of Resources	2,860,448	1,556,681
Total Assets and Deferred Outflows	\$ 14,023,861	\$ 12,356,326
Liabilities		
Accounts Payable	\$ 764,439	\$ 875,241
Short-term Liabilities	988,482	831,115
Long-term Liabilities	14,949,715	13,931,912
Unearned Revenue	6,944	6,445
Total Liabilities	\$ 16,709,580	\$ 15,644,713
Deferred Inflows of Resources	\$399,849	\$312,211
Net Position		
Investment in Capital Assets	\$3,184,357	\$1,233,882
Restricted	1,643,510	1,543,510
Unrestricted	(7,913,435)	(6,377,990)
Total Net Position	\$ (3,085,568)	\$ (3,600,598)

Table 2 - Comparison of Revenues and Expenses

Revenues

General Revenues:

Tax Levy	\$ 28,572,770	\$ 27,918,125
Grants and Other Entitlements	11,811,729	5,550,786
Other Miscellaneous	581,210	243,356
Total Revenues	\$ 40,965,709	\$ 33,712,267

Program Expenses

Instruction	\$ 23,454,433	\$ 18,412,577
Support Services	17,041,185	14,288,675
Depreciation & Other	486,799	572,329
Total Expenses	\$ 40,982,417	\$ 33,273,581

Proprietary funds. The District maintains two proprietary fund types. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses enterprise funds to account for the operations of its food service and Pre-K Education programs, both of which are considered major funds of the District. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 22 - 24 of this report

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

The District uses agency funds to account for resources held for student activities and groups, and payroll related liabilities. The basic fiduciary fund financial statements can be found on pages 25 - 26 of this report.

Table 3 shows the distribution of all operating revenue:

Table 3 - Distribution of Operating Revenue by Source

Property Taxes:	
For General Purposes	\$27,951,872
For Debt Service	620,898
Federal and State Aid:	
Federal and State - Non-restricted	4,504,058
Federal and State Aid - Restricted	2,182,413
Tuition	45,914
Other	3,217,569
Total	<u>\$38,522,724</u>

General Fund Budgeting Highlights

The district's budget is prepared according to New Jersey law, statutes, codes and regulations. The most significant fund is the General Fund. It accounts for most of the activities and transactions. The following is a summary of major changes from amounts budgeted vs. actual revenues or appropriations. This summary excludes payments made by the state to the pension fund or taxes on-behalf of district employees. On behalf payments amounted to \$3,598,695 for the past fiscal year.

- 1 Revenues were \$131,953 less than anticipated due to decreased income from unrestricted and miscellaneous revenues.
- 2 The district's general fund balance decreased by \$155,098 to \$2,286,323

Capital Assets

At the end of the fiscal year 2016-2017, the value of all district fixed assets before depreciation was \$15,290,868. Accumulated depreciation was \$6,566,511. Table 4 provides a breakdown of the present book value of fixed assets net of depreciation.

Table 4 - Fixed Assets Net of Depreciation

Land	\$ 3,058,776
Construction in process	1,329,345
Building and Improvements	8,856,789
Machinery and Equipment	2,045,958
Less Accumulated Depreciation	(6,566,511)
	<u>\$ 8,724,357</u>

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, parents, investors 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 the Board offices at 379 Boulevard, Hasbrouck Heights, New Jersey 07604.

BASIC FINANCIAL STATEMENTS

A. DISTRICT WIDE FINANCIAL STATEMENTS

HASBROUCK HEIGHTS SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

A-1

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and equivalents	\$ 1,380,439	\$ 646,513	\$ 2,026,952
Receivables, net			
Federal	101,779	8,572	110,351
State	907,643	295	907,938
Other receivables	49,195		49,195
Capital assets, net			
Nondepreciable Assets	4,388,121		4,388,121
Depreciable Assets	4,336,236		4,336,236
DEFERRED OUTFLOWS OF RESOURCES			
Loss on refunding bonds	87,780		87,780
Pension deferrals	<u>2,772,668</u>		<u>2,772,668</u>
	<u>2,860,448</u>		<u>2,860,448</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 14,023,861</u></u>	<u><u>\$ 655,380</u></u>	<u><u>\$ 14,679,241</u></u>
LIABILITIES			
Accounts payable	\$ 593,029	\$ 4,860	\$ 597,889
Accrued interest payable	58,297		58,297
Payable to State government	113,113		113,113
Unearned revenue	6,944	62,414	69,358
Noncurrent Liabilities			
Pension liability	8,561,536		8,561,536
Due within one year	988,482		988,482
Due beyond one year	<u>6,388,179</u>		<u>6,388,179</u>
Total Liabilities	<u>16,709,580</u>	<u>67,274</u>	<u>16,776,854</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Deferrals	<u>399,849</u>		<u>399,849</u>
NET POSITION			
Net Investment in capital assets	3,184,357		3,184,357
Restricted for:			
Capital reserve	1,159,006		1,159,006
Maintenance reserve	484,504		484,504
Unassigned	<u>(7,913,435)</u>	<u>588,106</u>	<u>(7,325,329)</u>
Total Net Position	<u>(3,085,568)</u>	<u>588,106</u>	<u>(2,497,462)</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u><u>\$ 14,023,861</u></u>	<u><u>\$ 655,380</u></u>	<u><u>\$ 14,679,241</u></u>

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

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

A-2
Sheet 1

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants	Governmental Activities	Business-type Activities	
Government Activities							
Instruction:							
Regular	\$ 16,442,957	\$	\$ 5,178,120		\$ (11,264,837)	\$	\$ (11,264,837)
Special education	5,562,604		1,732,830		(3,829,774)		(3,829,774)
Other special instruction	1,448,872		382,577		(1,066,295)		(1,066,295)
Support Services:							
Tuition	2,984,551		354,118		(2,630,433)		(2,630,433)
Student and instruction related services	6,053,709		1,615,173		(4,438,536)		(4,438,536)
General administrative services	802,112		81,772		(720,340)		(720,340)
School administrative services	2,063,849		355,048		(1,708,801)		(1,708,801)
Other administrative services	581,331		99,223		(482,108)		(482,108)
Central services	201,672		21,832		(179,840)		(179,840)
Plant operations and maintenance	3,037,806		328,880	531,738	(2,177,188)		(2,177,188)
Pupil transportation	921,197		11,481		(909,716)		(909,716)
Instructional equipment	47,051				(47,051)		(47,051)
Leases issued	347,907				(347,907)		(347,907)
Interest on long-term debt	145,051				(145,051)		(145,051)
Depreciation	341,748				(341,748)		(341,748)
Total Governmental Activities	40,982,417		10,161,054	531,738	(30,289,625)		(30,289,625)
Business-Type Activities							
Food service	517,246	393,830	140,373			16,957	16,957
Keys and other programs	417,174	379,319				(37,855)	(37,855)
Total Business-Type Activities	934,420	773,149	140,373			(20,898)	(20,898)
Total Primary Government	\$ 41,916,837	\$ 773,149	\$ 10,301,427	\$ 531,738	\$ (30,289,625)	\$ (20,898)	\$ (30,310,523)

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

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

A-2
Sheet 2

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
General Revenues and adjustments:			
Property taxes, levied for general purposes, net	\$ 27,951,872	\$	\$ 27,951,872
Taxes levied for debt service	620,898		620,898
Federal and State Aid - restricted	1,650,675		1,650,675
Tuition received	45,914		45,914
Miscellaneous income	244,241		244,241
Other revenue	291,055		291,055
 Total General Revenues and Special Items	 30,804,655		 30,804,655
 Change in Net Position	 515,030	 (20,898)	 494,132
Net Position, beginning of year	(3,600,598)	609,004	(2,991,594)
Net Position, end of year	<u>\$ (3,085,568)</u>	<u>\$ 588,106</u>	<u>\$ (2,497,462)</u>

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

B. FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

HASBROUCK HEIGHTS SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

B-1

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and equivalents	\$ 1,293,923	\$ 71,637	\$	\$ 14,879	\$ 1,380,439
Receivable from State Government	375,905		531,738		907,643
Receivable from Federal Government		101,779			101,779
Interfund receivable	829,343				829,343
Other receivables	49,195				49,195
Total Assets	\$ 2,548,366	\$ 173,416	\$ 531,738	\$ 14,879	\$ 3,268,399
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 229,384	\$ 86,018	\$	\$	\$ 315,402
Interfund payable			829,343		829,343
Payable to State government	32,659	80,454			113,113
Unearned revenue		6,944			6,944
Total Liabilities	262,043	173,416	829,343		1,264,802
Fund Balances:					
Restricted for:					
Capital reserve	1,159,006				1,159,006
Maintenance reserve	484,504				484,504
Assigned:					
Subsequent Year's Exp	200,000			14,879	214,879
Other purposes	49,200				49,200
Unassigned:					
Capital Projects			(297,605)		(297,605)
General fund	393,613				393,613
Total Fund Balances	2,286,323		(297,605)	14,879	2,003,597
Total Liabilities and Fund Balances	\$ 2,548,366	\$ 173,416	\$ 531,738	\$ 14,879	\$ 3,268,399

Amounts reported for *governmental activities* in the statement of net position (A-1) are different because:

Total fund balances - Governmental Funds \$ 2,003,597

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$13,961,523 and the accumulated depreciation is \$6,566,511. Including contruction in progress of \$1,329,345. 8,724,356

Accrued interest is a current liability that will be paid from the debt service fund. Therefore, the liability decreases that fund balance. (58,297)

Some liabilities, including net pension obligations, are not due and payable in the current period and therefore are not reported in the funds.

Net pension liability (8,561,536)
Accounts payable (277,627)

Deferred outflows and inflows or resources related to pension are applicable to future periods and therefore are not reported in the funds.

Deferred outflows of resources related to pensions 2,772,668
Deferred inflows of resources related to pensions (399,849)

Deferred amounts on refunding 87,780

Long-term liabilities, including capital leases payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. (7,376,660)

Net assets of governmental activities \$ (3,085,568)

HASBROUCK HEIGHTS SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

B-2

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local Sources					
Local Tax Levy	\$ 27,951,872	\$	\$	\$ 620,898	\$ 28,572,770
Tuition Charges	45,914				45,914
Interest	13,948		2		13,950
Rentals	500				500
Refund Prior Year Expenditure	50,156				50,156
Miscellaneous	179,635				179,635
Total - Local Sources	28,242,025		2	620,898	28,862,925
On-behalf Payments	3,598,695				3,598,695
State Sources	1,486,124	256,632	531,738	161,270	2,435,764
Federal Sources	3,281	648,731			652,012
Total Revenues	33,330,125	905,363	531,740	782,168	35,549,396
EXPENDITURES					
Current					
Instruction					
Regular Instruction	9,053,513	378,215			9,431,728
Special Education Instruction	3,031,456				3,031,456
Other Special Instruction	890,041				890,041
Total Instruction	12,975,010	378,215			13,353,225
Support Services and Undistributed Costs					
Tuition	2,630,433	354,118			2,984,551
Student and Instruction Related Services	3,767,996	159,698			3,927,694
General Administrative Services	592,594				592,594
School Administrative Services	1,154,133				1,154,133
Central Services	327,098				327,098
Other Administrative Services	145,733				145,733
Plant Operations and Maintenance	2,367,389				2,367,389
Pupil Transportation	891,781				891,781
Unallocated Benefits	4,637,833	13,332			4,651,165
On-behalf Payments	3,598,695				3,598,695
Debt Service					
Principal				670,000	670,000
Interest and Other Charges				170,550	170,550
Instructional Equipment	47,051				47,051
Capital Lease Payments	90,801				90,801
Assets Acquired under Capital Leases	347,907				347,907
Capital Outlay	49,731		1,329,345		1,379,076
Total Expenditures	33,624,185	905,363	1,329,345	840,550	36,699,443
Deficiency of Revenues under Expenditures	(294,060)		(797,605)	(58,382)	(1,150,047)
Other Financing Sources (Uses):					
Adjustment - State fica reimbursement 15-16	(26,644)				(26,644)
Adjustment - to correct recording of extraordinary aid	317,699				317,699
Adjustment - capital reserve transfer to capital projects fund	(500,000)		500,000		
Capital Leases (non-budgeted)	347,907				347,907
Miscellaneous Adjustments					
Total other financing sources and uses	138,962		500,000		638,962
(Deficiency) of Revenues and Other Sources Under Expenditures and other Uses	(155,098)		(297,605)	(58,382)	(511,085)
Fund Balances, Beginning of Year	\$ 2,441,421	\$		73,261	2,514,682
Fund Balances, End of Year	\$ 2,286,323	\$	\$ (297,605)	\$ 14,879	\$ 2,003,597

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

HASBROUCK HEIGHTS SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE WITH THE DISTRICT-WIDE STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Total net change in fund balances - governmental funds (B-2) \$ (511,085)

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

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

Capital Outlays	\$ 49,731	
Construction in progress	1,329,345	
Depreciation Expense/ Adjustment to capital assets	<u>(341,748)</u>	1,037,328

Repayment of bond principal is an expenditure in the governmental
funds, but it reduces long-term liabilities in the statement of net assets and
does not affect the statement of activities.

Principal paid on bonds	670,000	
Amortization of bond premium	30,936	
Amortization of loss on refunding	<u>(12,540)</u>	688,396

Repayment of Lease Principal is an expenditure in the governmental funds, but
the repayment reduces long-term liabilities in the statement of net assets and
is not reported in the statement of activities:

Leases issued	(347,907)	
Leases paid	<u>228,895</u>	(119,012)

Interest on long-term debt in the statement of activities differs from the amount
reported in the governmental funds because interest is recorded as an
expenditure in the funds when it is due, and thus requires the use of
current financial resources. In the statement of activities, however, interest
expense is recognized as the interest accrues, regardless of when it is due.

7,100

Certain expenses reported in the Statement of Activities do not require the use
of current financial resources and therefore are not reported as expenditures
in the governmental funds

Pension expense	(533,684)
-----------------	-----------

In the statement of activities, certain operating expenses, e.g. compensated
absences (vacations), are measured by the amounts earned during the
year. In the governmental funds, however, expenditures for these items
are reported in the amount of the financial resources used (paid). When
the earned amount exceeds the paid amount, the difference is a reduction
in the reconciliation (-); when the paid amount exceeds the earned amount,
the difference is an addition to the reconciliation (+).

(54,013)

Change in net assets of governmental activities (A-2)

	<u><u>\$ 515,030</u></u>
--	--------------------------

PROPRIETARY FUNDS

HASBROUCK HEIGHTS SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

B-4

	Business-Type Activities - Enterprise Funds			
	Keys Program	Other Programs	Food Service	Total Enterprise
ASSETS				
Current Assets				
Cash and equivalents	\$ 425,116	\$ 105,973	\$ 115,424	\$ 646,513
Accounts receivable			8,867	8,867
Total Current Assets	<u>\$ 425,116</u>	<u>\$ 105,973</u>	<u>\$ 124,291</u>	<u>\$ 655,380</u>
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 4,860	\$	\$	\$ 4,860
Unearned revenue	59,814	2,600		62,414
Total Current Liabilities	64,674	2,600		67,274
NET POSITION				
Unrestricted	360,442	103,373	124,291	588,106
Total Liabilities and Net Position	<u>\$ 425,116</u>	<u>\$ 105,973</u>	<u>\$ 124,291</u>	<u>\$ 655,380</u>

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

B-5

	Business-Type Activities - Enterprise Fund			
	Keys Program	Other Programs	Food Service	Total Enterprise
Operating Revenues:				
Charges for services:				
Daily sales - reimbursable programs	\$	\$	\$ 393,830	\$ 393,830
Daily sales - non-reimbursable programs	357,881	21,438		379,319
Total Operating Revenues	357,881	21,438	393,830	773,149
Operating Expenses				
Salaries and wages	261,378	19,116		280,494
Employee benefits	19,361	1,463		20,824
Other purchased professional services			25,343	25,343
Rent	57,000			57,000
Supplies and materials	58,471	385	491,848	550,704
Miscellaneous			55	55
Total Operating Expenses	396,210	20,964	517,246	934,420
Operating (Loss) Income	(38,329)	474	(123,416)	(161,271)
Nonoperating Revenues				
State Sources			4,685	4,685
Federal Sources			135,688	135,688
Total Nonoperating Revenues			140,373	140,373
Change in Net Position	(38,329)	474	16,957	(20,898)
Net Position, Beginning of Year	398,771	102,899	107,334	609,004
Net Position, End of Year	\$ 360,442	\$ 103,373	\$ 124,291	\$ 588,106

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

B-6

	Business-Type Activities - Enterprise Funds			
	Keys Program	Other Programs	Food Service	Total Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 381,689	\$ 22,438	\$ 393,830	\$ 797,957
Salaries and benefits	(280,739)	(20,579)		(301,318)
Payments to suppliers	(119,059)	(385)	(569,905)	(689,349)
Net Cash (Used in) Provided By Operating Activities	(18,109)	1,474	(176,075)	(192,710)
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES				
Federal and State sources			141,541	141,541
Net Cash Provided by Non Capital Financing Activities			141,541	141,541
Net (Decrease) Increase in Cash and Cash Equivalents	(18,109)	1,474	(34,534)	(51,169)
Cash and cash equivalents, beginning of year	443,224	104,499	149,958	697,681
Cash and cash equivalents, end of year	<u>\$ 425,115</u>	<u>\$ 105,973</u>	<u>\$ 115,424</u>	<u>\$ 646,512</u>
Reconciliation of Operating (Loss) Income to Net Cash (used in) Provided by Operating Activities:				
Operating (Loss) Income	(38,329)	474	(123,417)	(161,272)
Adjustments to Reconcile Operating (Loss) Income to Net Cash (used in) Provided by Operating Activities				
Increase in Unearned Revenue	23,808	1,000		24,808
(Decrease) in Accounts Payable	(3,588)		(52,658)	(56,246)
Total Adjustments	20,220	1,000	(52,658)	(31,438)
Net Cash Provided By (Used In) Operating Activities	<u>\$ (18,109)</u>	<u>\$ 1,474</u>	<u>\$ (176,075)</u>	<u>\$ (192,710)</u>

FIDUCIARY FUNDS

HASBROUCK HEIGHTS SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

B-7

	<u>Private Purpose Scholarship Funds</u>	<u>Student Activity</u>	<u>Payroll Agency</u>	<u>Total Agency Funds</u>
ASSETS				
Cash	<u>\$ 67,287</u>	<u>\$ 82,868</u>	<u>\$ 275,715</u>	<u>\$ 358,583</u>
LIABILITIES				
Payroll Deductions and Withholdings Due to Student Groups	<u>\$</u>	<u>\$ 82,868</u>	<u>\$ 275,715</u>	<u>\$ 275,715</u> <u>82,868</u>
Total Liabilities	<u>\$</u>	<u>\$ 82,868</u>	<u>\$ 275,715</u>	<u>\$ 358,583</u>
NET ASSETS				
Reserved for Scholarships	<u>\$ 67,287</u>			

HASBROUCK HEIGHTS SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30,2017

B-8

	<u>Private Purpose Scholarship Fund</u>
ADDITIONS	
Contributions	
Donations	\$ 750
Investment earnings:	
Interest	<u>22</u>
DEDUCTIONS	
Scholarships awarded	<u>2,500</u>
Change in net position	(1,728)
Net position, beginning of year	<u>69,015</u>
Net position, end of year	<u><u>\$ 67,287</u></u>

NOTES TO FINANCIAL STATEMENTS

HASBROUCK HEIGHTS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Hasbrouck Heights School District (the "District") is a Type II District located in the County of Bergen, State of New Jersey. As a Type II District, the District functions independently through a Board of Education (the "Board"). The Board is comprised of nine members elected to three-year terms. The purpose of the District is to educate students in grades K-12. The District had an approximate enrollment at June 30, 2017 of 1,849 students.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

HASBROUCK HEIGHTS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The statement of net position presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities.

Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance.

Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column.

Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

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

HASBROUCK HEIGHTS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

Proprietary Fund Type

The focus of Proprietary Fund measurement is upon determination of net income, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the Proprietary Fund of the District.

Enterprise Fund - The Enterprise Fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the District is that the costs (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges; or, where the District has decided that periodic determination of revenues earned,

HASBROUCK HEIGHTS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The District's Enterprise Fund is comprised of the Food Service Fund, Keys After School Program and other Minor Funds.

All Proprietary Funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities, whether current or noncurrent, associated with their activity are included on their balance sheets. Their reported fund equity (net total position) is segregated into contributed capital and unreserved retained earnings, if applicable. Proprietary Fund type operating statements present increases (revenues) and decreases (expenses) in net total position.

Fiduciary Funds

Fiduciary Fund reporting focuses on net position and changes in net position. They are used to account for assets held in a trustee or agency capacity for others and therefore cannot be used to support the District's own programs. There are four fiduciary fund types - pension (and other employee benefit) trust funds, investment trust funds, private-purpose trusts and agency funds. The overarching rule for these funds is that they should never be used to report resources that can be used for programs of the reporting district.

Private Purpose Scholarship and Partnership Program - These are a private-purpose trust funds under which principal and income benefit individuals, private organizations or other governments. It is a default fund type for assets held in trust for others outside the reporting district.

Agency Funds - Agency Funds are used to account for the assets that the District holds on behalf of others as their agent. These funds are custodial in nature and do not involve measurement of results of operations. Agency Funds include payroll and student activities funds.

Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included in the Statement of Net Position.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current

HASBROUCK HEIGHTS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total position) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total position.

Fiduciary funds are reported using the economic resources measurement focus.

Basis of Accounting

The modified accrual basis of accounting is used for measuring financial position and operating results of all governmental fund types.. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. State equalization monies are recognized as revenue during the period in which they are appropriated. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recognized in the accounting period in which the fund liability is incurred, except for principal and interest on general long-term debt, which are recorded when due.

Ad Valorem (Property) Taxes are susceptible to accrual and, under New Jersey State Statute, a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available.

The District is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable".

In its accounting and financial reporting, the District follows the pronouncements of the GASB.

The accrual basis of accounting is used for measuring financial position and operating results of proprietary fund types and nonexpendable trust funds. Under this method,

HASBROUCK HEIGHTS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

revenues are recognized in the accounting period in which they are earned and expenses are recognized when they are incurred.

Federal and State Assistance

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These basis of accounting are described in Note 1 to the board's basic financial statements. The information in this schedule is presented in accordance with the requirements of 2 CFR 200-*Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements. Charter schools as districts are not permitted to defer the June payments to charter schools.

Relationship to Basic Financial Statements

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the one or more deferred June state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44-2. For GAAP purposes payments are not recognized until the subsequent budget year due to the state deferral and recording of the one or more June state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the one or more state aid June payments in the current budget year, consistent with N.J.S.A. 18A:22-4.2

Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the General, Special Revenue and Debt Service Funds. The budgets are submitted to the County Office for approval and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting, except for the special revenue fund, as described later. 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

HASBROUCK HEIGHTS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

appropriations may be made by Board resolution at any time during the fiscal year. The transfer of appropriations was changed under N.J.S.A. 1701. Any transfers of advertised line item appropriations over 10% must be approved by the County Office and the State of New Jersey Department of Education.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the legally mandated revenue recognition of the last State Aid payment for budgetary purposes only and 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.

<u>Explanation of Differences Between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures Fund</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule.	\$ 33,344,445	\$ 905,363
2015-2016 State aid payment recognized in 2016-2017 for GAAP statements.	76,536	
State Aid payment recognized for budgetary purposes not recognized for GAAP statements.	(90,856)	
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u>\$ 33,330,125</u>	<u>\$ 905,363</u>
Uses/Outflows of Resources:		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule.	<u>\$ 33,624,185</u>	<u>\$ 905,363</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund expenditures, and changes in fund balances - balances - governmental funds.	<u>\$ 33,624,185</u>	<u>\$ 905,363</u>

HASBROUCK HEIGHTS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 reservations of fund balances at fiscal year end, as they do not constitute expenditures or liabilities, but rather commitments related to unperformed contracts for goods and services.

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

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

Cash, Cash Equivalents and Investments

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

New Jersey School Districts are limited to the types of investments and types of financial institutions they may invest in. N.J.S.A. 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 provisions of the Governmental Unit Deposit Protection Act ("GUDPA" or the "Act"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

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

HASBROUCK HEIGHTS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tuition Receivable

Tuition charges were established by the District based on estimated costs. The charges are subject to adjustment when the final costs have been determined.

Tuition Payable

Tuition charges for the fiscal years 2015-16 and 2016-17 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

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.

Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received.

The District maintains a capitalization threshold of \$2,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets, except for land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	20 - 50 Years
Furniture and Equipment	5 - 25 Years
Vehicles	8 - 12 Years

Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the District and its employees, is accrued as the employees

HASBROUCK HEIGHTS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the District and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

The total sick leave and vacation leave liabilities are reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is in the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

In proprietary and similar trust funds, compensated absences are recorded as an expense and liability of the fund that will pay for them.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds. However, the noncurrent portion of capital leases, compensated absences and loans payable that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable, available financial resources.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Unearned Revenue

Unearned revenue in the special revenue fund represents cash that has been received, but not yet earned.

HASBROUCK HEIGHTS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Equity

Reserves represent those portions of fund equity not available for appropriation for expenditure or legally segregated for a specific future use. Subsequent year fund balances represent plans for future use of financial resources.

Fund Balance

The State Department of Education has established a policy of classifying fund balances in accordance with GASB #54:

Committed Fund Balance – amounts constrained to specific purposes by the DOE itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the DOE takes the highest level action to remove or change the constraint.

Assigned Fund Balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body which the governing body delegates the authority.

Restricted – includes amounts that can be spent only for the specific purposes stipulated by external resource providers or through enabling legislation. Effectively, restrictions may be changed or lifted only with the consent of the provider.

Unassigned Fund Balance – amounts that are available for any purpose; these amounts are reported only in the General Fund.

The DOE has the authority to express intended use resources in the assignment and restriction of fund balance.

Proprietary Funds Revenues and Expenses

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's principal ongoing operations. The principal operating revenues of the District Enterprise Fund the Food Service, are charges to customers for sales of food service. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expense and depreciation on Capital Assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Rebatable Arbitrage

Rebatable arbitrage results from investing the proceeds of borrowed funds either directly or indirectly into investments that are higher in yield than the bond yield incurred on the

HASBROUCK HEIGHTS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

borrowed funds. All interest income is reported as revenue of the capital projects fund. The liability, if any, is recorded in the "Statement of Net Position".

Non-Monetary Transactions

Commodities received under the Federal Food Distribution Program are received by the District and are recorded as nonoperating revenue when received in the food service enterprise fund at market value. The use of the commodities is included in cost of sales.

Allocation of Expenses

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Employee benefits, including the employer's share of social security, workers compensation and medical and dental benefits, are allocated based on salaries of that program. Depreciation expense, where practicable, is specifically identified by function and is included in the direct expense column of the Statement of Activities.

Depreciation expense that could not be attributed to a specific function is reported separately on the Statement of Activities. No expenses were allocated as "Indirect Expenses".

Extraordinary and Special Items

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

Accounting Pronouncements

GASB pronouncements implemented in the 2017 fiscal year:

As defined by the Governmental Accounting Standards Board ("GASB"), a tax abatement is 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. Furthermore, if a county or municipality entered into tax abatement agreements, those agreements will not directly affect the school district's local 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.

HASBROUCK HEIGHTS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 Borough of Hasbrouck Heights has not entered into any of tax abatements over recent years.

GASB's recently issued accounting pronouncements to be implemented in future years:

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

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

Investments are stated at cost, which approximates market. The District classifies certificates of deposit that have original maturity dates of more than three months but less than 12 months from the date of purchase, as investments. The District is in compliance with GASB Statement No. 3, as amended by GASB Statement No. 40.

Deposits

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

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

HASBROUCK HEIGHTS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

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

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

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

The District's cash and cash equivalents are classified below to inform financial statement users about the extent to which the District's deposits and investments are exposed to custodial credit risk.

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

Checking Accounts, Interest Bearing	<u>\$ 3,185,662</u>
-------------------------------------	---------------------

Operating cash accounts are held in the District's name by several commercial banking institutions. At June 30, 2017, the District's carrying amount of deposits was \$2,453,866 and the bank balance was \$3,185,662. Of the bank balance, \$250,000 was secured by federal depository insurance and \$2,362,648 was covered by the New Jersey Governmental Unit Deposit Protection Act (GUDPA). \$573,013 held in the District's agency accounts are not covered by GUDPA.

Investments

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

- Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America. This includes instruments such as Treasury bills, notes and bonds.
- Government money market mutual funds.
- Any federal agency or instrumentality obligation authorized by Congress that matures within 397 days from the date of purchase, and has a fixed rate of interest not dependent on any index or external factors.
- Bonds or other obligations of the school district or local unit which the school district is a part.
- Any other obligations with maturities not exceeding 397 days, as permitted by the Division of Investments, New Jersey State Department of Treasury.
- Local government investment pools.

HASBROUCK HEIGHTS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

- New Jersey State Cash Management Fund.
- Repurchase agreements of fully collateralized securities, subject to special conditions.

As of June 30, 2017, the District did not have any investments on hand.

4. CAPITAL RESERVE/MAINTENANCE ACCOUNT

A capital reserve account was established by the District by inclusion of \$1.00 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the Governmental 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 DOE, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6A:23.A-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

Beginning balance, July 1, 2017	\$ 1,359,006
Transfers in	300,000
Transfers out – Capital Projects Fund	<u>500,000</u>
Ending balance, June 30, 2018	<u>\$ 1,159,006</u>

A maintenance reserve account was established in the amount of \$126,287 on June 21, 2012. The balance as of June 30, 2017 is \$484,504.

5. CAPITAL ASSETS

The following schedule is a summarization of the changes in capital assets by source for the fiscal year ended June 30, 2017:

HASBROUCK HEIGHTS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

5. CAPITAL ASSETS (continued)

Land	\$ 3,058,776	\$	\$ 3,058,776
Construction in Progress	<u>1,329,345</u>	<u>1,329,345</u>	<u>1,329,345</u>
	3,058,776	1,329,345	4,388,121
Capital Assets Being Depreciated			
Building & Site Improvements	8,856,789		8,856,789
Equipment	<u>1,996,227</u>	<u>49,731</u>	<u>2,045,958</u>
Total Capital Assets Being Depreciated	10,853,016	49,731	10,902,747
Total Assets - Historical Cost	13,911,792		15,290,868
Less: Accumulated Depreciation	<u>(6,224,763)</u>	<u>(341,748)</u>	<u>(6,566,511)</u>
Capital Assets - Net	<u>\$ 7,687,029</u>	<u>\$ 1,037,328</u>	<u>\$ 8,724,357</u>

6. LONG-TERM DEBT

During the fiscal year ended June 30, 2017, the following changes occurred in liabilities reported in long-term debt:

Bonds Payable	\$ 6,210,000		\$ 670,000	\$ 5,540,000	\$ 690,000
Plus - Issuance Premium	<u>243,148</u>		<u>30,936</u>	<u>212,212</u>	<u>30,936</u>
	6,453,148		700,936	5,752,212	720,936
Capital Leases	321,178	\$ 347,907	228,895	440,190	117,546
Pension Liability	6,820,001	1,741,535		8,561,536	
Compensated Absences Payable	<u>1,130,245</u>	<u>54,013</u>		<u>1,184,258</u>	<u>150,000</u>
	<u>\$ 14,724,572</u>	<u>\$ 2,143,455</u>	<u>\$ 929,831</u>	<u>\$ 15,938,196</u>	<u>988,482</u>

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 of general obligation bonds.

During the fiscal year ended June 30, 2016, the Board voted and authorized the issuance of Refunding School Bonds in the amount of \$4,740,000.

The purpose of the Bonds is to (i) currently refund all of the \$4,830,000 outstanding callable principal amount of the originally issued \$8,370,000 Refunding School Bonds of the Board dated May 1, 2005 (the "2005 Bonds") and maturing from 2016 and 2023, inclusive (the "Refunded Bonds"), at par plus any unpaid accrued interest to September 10, 2015, the date fixed for redemption (the "Redemption Date"); and (ii) pay the costs of issuance of the Bonds.

HASBROUCK HEIGHTS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

6. LONG-TERM DEBT (continued)

The total amount of principal and interest due annually on the two issues of serial bonds outstanding is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2018	\$ 690,000	\$ 138,963	\$ 828,963
June 30, 2019	710,000	121,463	811,463
June 30, 2020	735,000	103,463	813,463
June 30, 2021	760,000	84,813	819,813
June 30, 2022	785,000	65,514	825,514
June 30, 2023-2025	<u>1,860,000</u>	<u>72,500</u>	<u>1,932,500</u>
	<u>\$ 5,540,000</u>	<u>\$ 586,714</u>	<u>\$ 6,126,714</u>

Bonds Authorized

As of June 30, 2017, the District had bonds and notes authorized of \$6,225,000.

Capital Leases Payable

The District is leasing several copiers and computer equipment under capital leases. The following is a schedule of the future minimum lease payments under these capital leases and the net minimum lease payments at June 30, 2017:

<u>Year ending June 30,</u>	<u>Total</u>
2018	\$227,210
2019	201,122
2020	<u>30,733</u>
Total Minimum Lease Payments	459,065
Less: Amount representing Interest Expense	<u>18,875</u>
Principal Payments Due	<u>\$440,190</u>

HASBROUCK HEIGHTS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

7. PENSION PLANS

Description of Systems

Substantially all of the Board's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employees' Retirement System (PERS). These systems are sponsored and administered by the State of New Jersey. The Teachers' Pension and Annuity Fund Retirement System is considered a cost-sharing multiple-employer plan, with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Board and the system's other related non-contributing employers. The Public Employees' Retirement System is considered a cost-sharing multiple-employer plan.

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

Anyone who retires early and is under their respective tier's retirement age receives retirement benefits as calculated in the above mentioned formulas but at a reduced rate in accordance with applicable New Jersey Statute based upon their tier.

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

HASBROUCK HEIGHTS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

7. PENSION PLANS (continued)

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

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

Funding Policy

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing members. Plan member and employer contributions may be amended by State of New Jersey legislation. Under the provisions of Chapter 78, P.L. 2011, employee contribution rates for TPAF and PERS increased from 5.5% to 6.5% of employees' annual compensation. An additional increase is to be phased in over the next seven years that will bring the total pension contribution rate to 7.5% of employees' annual compensation.

Employers are required to contribute at an actuarially determined rate in both the TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the Board is a noncontributing employer of the TPAF.

The District's actuarially determined contributions to PERS for the years ended June 30, 2017, 2016 and 2015 were \$277,627, \$261,198, and \$260,972, respectively, for each of the three years equal to the required contributions for each year.

During the year ended June 30, 2017, in accordance with N.J.S.A. 18A:66-66, the State of New Jersey reimbursed the District \$967,307 for the employer's share of social security contributions for TPAF members as calculated on their base salaries and \$2,631,388 for post-retirement pension benefits on behalf of the District. These amounts have been included in the fund financial statements.

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

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

HASBROUCK HEIGHTS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

7. PENSION PLANS (continued)

Public Employee's Retirement System (PERS)

At June 30, 2017, the District reported a liability of \$8,561,536 for its proportionate share of the net pension liability, all of which is allocated to the District's governmental activities. The District's food service enterprise fund is outsourced to a third party food service management company. 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 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 school districts, actuarially determined. At June 30, 2016, the District's proportion was 0.0289073761 percent, which was a decrease of 0.0014739590 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized full accrual pension expense of \$790,493 in the government-wide financial statements. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 159,219	
Changes of assumptions	1,773,493	
Net difference between projected and actual earnings on pension plan investments	326,459	\$ 399,849
Changes in proportion	235,870	
District contributions subsequent to the measurement date	277,627	
	<u>\$ 2,772,668</u>	<u>\$ 399,849</u>

\$277,627 is reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2018	\$ 488,478
2019	488,478
2020	488,478
2021	493,891
2022	135,867
	<u>\$ 2,095,192</u>

HASBROUCK HEIGHTS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

7. PENSION PLANS (continued)

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 included in the measurement:

	<u>June 30, 2016</u>
Inflation Rate	3.08%
Salary Increase	1.65 - 4.15%
2021-2026	based on age
Thereafter	2.65 - 5.15%
	based on age
Investment rate of return	7.65%

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.

Mortality Rates

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

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) 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 rate

HASBROUCK HEIGHTS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

7. PENSION PLANS (continued)

(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 of return by weighting the expecting future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U. S Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds / Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%
	<u>100.00%</u>	

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 municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local 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.

HASBROUCK HEIGHTS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

7. PENSION PLANS (continued)

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

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

Pension Plan Fiduciary Net Position

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

	At 1% Decrease (2.98%)	At Current Discount Rate (3.98%)	At 1% Increase (4.98%)
District's proportionate share of the net pension liability	\$ 10,491,163	\$ 8,561,536	\$ 6,968,462

Additional Information

Collective balances of the Local Group at June 30, 2016 are as follows:

Deferred outflows of resources	\$ 8,685,338,380
Deferred inflows of resources	\$ 870,133,595
Net pension liability	\$ 29,617,131,759
the District' Proportion	0.028907376%

Collective pension expense for the Local Group for the measurement period ended June 30, 2016 is \$2,830,763,540.

The average of the expected remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined at June 30, 2016, 2015 and 2014 is 5.57, 5.72 and 6.44 years, respectively.

Teachers Pensions and Annuity Fund (TPAF)

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer 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

HASBROUCK HEIGHTS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

7. PENSION PLANS (continued)

or inflows to report in the financial statements of the local participating employers. However, the notes to the financial statements of the local participating employers must disclose the portion of the non-employer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer.

The State's proportionate share of the TPAF net pension liability associated with the District as of June 30, 2016 was \$94,393,812. The District's proportionate share was \$0.

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 State's proportionate share of the net pension liability associated with the District was based on a projection of the State's long-term contributions to the pension plan associated with the District relative to the projected contributions by the State associated with all participating school districts, actuarially determined. At June 30, 2016, the State's proportionate share of the TPAF net pension liability associated with the District was 0.1199925907%, which was a decrease of 0.0026180499% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized on-behalf pension expense and revenue in the government wide financial statements of \$7,092,382 for contributions incurred by the State.

Actuarial assumptions

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

	<u>June 30, 2016</u>
Inflation rate	2.50%
Salary increases	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment rate of return	7.65%

Mortality Rates

Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60-year average of Social Security data from 1953 to 2013. The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

HASBROUCK HEIGHTS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

7. PENSION PLANS (continued)

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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%
	100.00%	

HASBROUCK HEIGHTS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

7. PENSION PLANS (continued)

Discount Rate

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 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 on the average of the last five years. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2029. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2029, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

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

	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	\$ 112,727,306	\$ 94,393,812	\$ 79,422,148

Pension plan fiduciary net position

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

Additional Information

Collective balances of the State Group at June 30, 2016 are as follows:

Deferred outflows of resources	\$ 17,581,004,496
Deferred inflows of resources	\$ 300,836,088
Net pension liability	\$ 79,028,907,033

the District' Proportion

0.012261064%

HASBROUCK HEIGHTS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

7. PENSION PLANS (continued)

Collective pension expense-Local Group for the plan for the measurement period ended June 30, 2015 is \$5,938,166,374. The average of the expected remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined at June 30, 2016, 2015 and 2014 is 8.3, 8.3 and 8.5 years, respectively.

8. POST-RETIREMENT BENEFITS

P.L. 1987, c. 384 and P.L. 1990, c.6 required PERS and TPAF, 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 PERS and TPAF. 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 110512 retirees receiving post-retirement medical benefits and the State contributed \$1.37 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

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

9. DEFERRED COMPENSATION

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

The Variable Annuity Life Insurance Company
Faculty Services Corporation
AXA Equitable Life Insurance Company
Metropolitan Life & Affiliated Companies
Primerica Financial Services

10. RISK MANAGEMENT

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

Property and Liability Insurance - The District maintains commercial insurance coverage for property, liability, student accident and surety bonds. A complete schedule of insurance

HASBROUCK HEIGHTS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

10. RISK MANAGEMENT (continued)

coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

New Jersey Unemployment Compensation Insurance - The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State. The district is billed quarterly for amounts due to the State.

11. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2017:

	Interfunds <u>Receivable</u>	Interfunds <u>Payable</u>
General Fund	\$ 829,343	\$
Capital Projects Fund		829,343
Total	<u>\$ 829,343</u>	<u>\$ 829,343</u>

12. FUND BALANCE APPROPRIATED

General Fund - Of the \$2,286,323 General Fund, balance at June 30, 2017, \$1,159,006 is restricted for capital reserve; \$484,504 is restricted for maintenance reserve; \$393,613 is unassigned. \$200,000 is unassigned for subsequent year's expense and \$49,200 is assigned for other purposes.

Capital Projects Fund - There was fund balance deficit of \$297,605 in the Capital Projects Fund at June 30, 2017.

Debt Service Fund - There is a fund balance in the Debt Service Fund at June 30, 2017 of \$14,879 which has been designated for subsequent year expenditures.

13. CALCULATION OF EXCESS SURPLUS

In accordance with N.J.S.A. 18:7F-7, the designation for Reserved 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 reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess surplus fund balance at June 30, 2017 was zero.

HASBROUCK HEIGHTS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

14. CONTINGENT LIABILITIES

Litigation

In the opinion of the District's legal counsel, there were no litigation, pending litigation, claims, contingent liabilities, unasserted claims or assessments or statutory violations which involve the Board of Education of the Borough of Hasbrouck Heights and which might materially affect the District's financial position or results of operations.

Federal and State Awards

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

15. SUBSEQUENT EVENTS

The District has evaluated subsequent events occurring after June 30, 2017 through the date of December 4, 2017; the District has determined the subsequent event having occurred requires disclosure in the financial statements.

\$6,225,000 of School Promissory Notes were issued on July 14, 2017, payable July 13, 2018, bearing interest from its date at the rate 2.00% per annum, payable at maturity, and issued pursuant to Article 2 of Chapter 24 of Title 18A, Education, of the New Jersey Statutes, as amended, and a resolution adopted by the board of Education of the School District on June 22, 2017 and in anticipation of issuance of bonds authorized to be issued by the legal voters of the School District at a special school election held on March 8, 2016.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

C. BUDGETARY COMPARISON SCHEDULES

**HASBROUCK HEIGHTS SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

C-1
Sheet #1

	<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	\$ 27,951,872	\$	\$ 27,951,872	\$ 27,951,872	\$
Tuition				45,914	45,914
Interest on Investments	2,200		2,200	13,948	11,748
Interest Earned on Capital Res	2,800		2,800		
Rentals	48,000		48,000	500	(47,500)
Refund Prior Year Expenditure				50,156	50,156
Unrestricted Miscellaneous	108,000		108,000	179,635	71,635
Total Local Sources	28,112,872		28,112,872	28,242,025	131,953
State Sources:					
Special Education Aid	1,125,954		1,125,954	1,125,954	
Extraordinary Aid	268,258		268,258	328,040	59,782
Categorical Security Aid	46,450		46,450	46,450	
TPAF Pension (On-Behalf - Non-Budgeted)				1,435,386	1,435,386
TPAF Post Retirement Med. Contrib.(On Behalf- Non Budgeted)				1,196,002	1,196,002
TPAF Social Security (Reimbursed - Non-Budgeted)				967,307	967,307
Total - State Sources	1,440,662		1,440,662	5,099,139	3,658,477
Federal Sources:					
Medicaid Reimbursement	24,521		24,521	3,281	(21,240)
Total Revenues	29,578,055		29,578,055	33,344,445	3,769,190
EXPENDITURES:					
Current Expense:					
Instruction - Regular Programs:					
Salaries of Teachers	529,590	10,200	539,790	539,790	-
Kindergarten	3,065,896	(56,886)	3,009,010	3,008,313	697
Grades 1 - 5	1,786,474	34,954	1,821,428	1,821,428	-
Grades 6 - 8	3,097,528	(37,435)	3,060,093	3,054,788	5,305
Grades 9-12	-	-	-	-	-
Regular Programs - Undistributed Instruction:	72,700	9,378	82,078	75,730	6,348
Purchased Professional-Educational Services	90,750	(19,954)	70,796	70,790	6
Purchased Technical Services	-	83,275	83,275	83,275	-
Other Purchased Services	249,000	124,441	373,441	331,293	42,148
General Supplies	60,000	12,928	72,928	64,722	8,206
Textbooks	7,000	(130)	6,870	3,384	3,486
Other Objects					
Total Regular Programs	8,958,938	160,771	9,119,709	9,053,513	66,196

**HASBROUCK HEIGHTS SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

C-1
Sheet #2

(Continued from Prior Page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Special Education - Learning and/or Language Disabilities:					
Salaries of Teachers	\$ 116,995	\$ -	\$ 116,995	\$ 110,983	\$ 6,012
Other Salaries for Instruction	87,250	-	87,250	87,250	-
General Supplies	1,000	-	1,000	202	798
Textbooks	500	-	500	-	500
Total Learning and/or Language Disabilities	205,745	-	205,745	198,435	7,310
Special Education Instruction -Resource Room/Resource Center					
Salaries of Teachers	2,034,304	(18,578)	2,015,726	2,014,374	1,352
Other Salaries for Instruction	478,000	3,664	481,664	480,970	694
General Supplies	8,000	(1,200)	6,800	1,324	5,476
Textbooks	500	-	500	-	500
Other Objects	-	-	-	-	-
Total Resource Room/Resource Center	2,520,804	(16,114)	2,504,690	2,496,668	8,022
Special Education Instruction - Preschool Disabilities Full Time					
Salaries of Teachers	143,905	7,500	151,405	151,405	-
Other Salaries for Instruction	86,500	70	86,570	86,570	-
General Supplies	4,000	(220)	3,780	167	3,613
Other Objects	-	-	-	-	-
Total Preschool Disabilities Full Time	234,405	7,350	241,755	238,142	3,613
Special Education - Home Instruction					
Salaries of Teachers	55,000	(11,923)	43,077	32,960	10,117
Total Special Education - Home Instruction	55,000	(11,923)	43,077	32,960	10,117
Special Education Instruction - Extended School Year					
Personal Services Salaries	32,751	(6,342)	26,409	26,409	-
Other Salaries for Instruction	19,708	(3,121)	16,587	16,587	-
Purchased Professional - Educational Services	20,000	2,255	22,255	22,255	-
General Supplies	500	(500)	-	-	-
Total Special Education Instruction-Extended School Year	72,959	(7,708)	65,251	65,251	-
Total Special Education	3,088,913	(28,395)	3,060,518	3,031,456	29,062
Basic Skills/Remedial - Instruction					
Salaries of Teachers	99,390	117	99,507	99,507	-
Other Salaries for Instruction	-	100	100	84	16
Purchased Professional/Educational Services	-	-	-	-	-
General Supplies	-	-	-	-	-
Total Basic Skill / Remedial - Instruction	99,390	217	99,607	99,591	16
Bilingual Education - Instruction					
Salaries of Teachers	55,500	41,090	96,590	96,590	-
Supplies and Materials	1,100	-	1,100	-	1,100
Textbooks	200	-	200	-	200
Total Bilingual Education - Instruction	56,800	41,090	97,890	96,590	1,300
School Sponsored Co-Curricular Activities - Instruction					
Personal Services Salaries	198,420	-	198,420	193,920	4,500
Other Purchased Services	-	-	-	-	-
General Supplies	11,000	1,500	12,500	10,049	2,451
Miscellaneous Expenditures	4,500	-	4,500	4,500	-
Total School Sponsored Co-Curricular Activities - Instruction	213,920	1,500	215,420	208,469	6,951
School Sponsored Athletics - Instruction					
Personal Services Salaries	325,605	(6,369)	319,236	315,144	4,092
Purchased Services	45,000	1,238	46,238	45,136	1,102
Supplies and Materials	91,000	311	91,311	89,175	2,136
Other Objects	35,000	1,036	36,036	35,936	100
Total School Sponsored Athletics - Instruction	496,605	(3,784)	492,821	485,391	7,430
Total Other Instruction	866,715	39,023	905,738	890,041	15,697
Total Instruction	12,914,566	171,399	13,085,965	12,975,010	110,955

**HASBROUCK HEIGHTS SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

C-1
Sheet #3

(Continued from Prior Page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undistributed Expenditures - Instruction					
Tuition to CSSD & Reg. Day Schools	\$ 814,779	\$ (133,321)	\$ 681,458	\$ 681,457	\$ 1
Tuition to Private Schools for the Handicapped - Within State	788,589	4,879	793,468	793,468	-
Tuition - Other LEAs Instate Special	410,005	186,808	596,813	596,812	1
Tuition - Co Vocational - Special	321,048	(208,019)	113,029	113,028	1
Tuition - Co Vocational - Regular	339,162	22,946	362,108	362,108	-
Tuition - Other (Charter Schools)	58,508	25,052	83,560	83,560	-
Total Undistributed Expenditures - Instruction	2,732,091	(101,655)	2,630,436	2,630,433	3
Undistributed Expenditures - Attendance & Social Work					
Salaries	61,158	112	61,270	61,270	-
Total Undistributed Attendance & Social Work	61,158	112	61,270	61,270	-
Undistributed Expenditures - Health Services					
Salaries	218,672	(4,114)	214,558	214,558	-
Purchased Professional and Technical Services	8,000	34,349	42,349	42,349	-
Supplies and Materials	11,000	(3,146)	7,854	7,713	141
Other Objects	3,500	(88)	3,412	2,594	818
Total Undistributed Expenditures - Health Services	241,172	27,001	268,173	267,214	959
Unidist. Expend. - Other Supp. Serv. Students - Speech					
Salaries	265,685	(65,624)	200,061	200,061	-
Purchased Professional - Educational Services	774,987	235,237	1,010,224	1,008,179	2,045
Supplies and Materials	7,000	4,232	11,232	10,904	328
Other Objects	-	1,900	1,900	1,215	685
Total Unidist. Exp. - Other Supp. Serv. Students - Speech	1,047,672	175,745	1,223,417	1,220,359	3,058
Unidist. Expend. - Other Supp. Serv. Students - Extra Serv.					
Salaries	348,593	(50,629)	297,964	297,964	-
Purchased Professional - Educational Services	90,000	14,874	104,874	104,874	-
Miscellaneous	-	-	-	-	-
Total Other Supp. Serv. Students - Extra Serv.	438,593	(35,755)	402,838	402,838	-
Unidist. Expend. - Guidance					
Salaries of Other Professional Staff	372,710	16,519	389,229	389,229	-
Salaries of Secretarial and Clerical Assistants	50,308	407	50,715	50,715	-
Other Purchased Services	500	-	500	149	351
Supplies and Materials	500	-	500	-	500
Other Objects	500	-	500	250	250
Total Unidist. Expend. - Guidance	424,518	16,926	441,444	440,343	1,101
Unidist. Expend. - Child Study Teams					
Salaries of Other Professional Staff	671,070	7,296	678,366	678,366	-
Salaries of Secretarial and Clerical Assistants	102,116	(873)	101,243	99,560	1,683
Purchased Prof Ed Services	-	-	-	-	-
Misc Pur Serv (400-500)	500	320	820	285	535
Supplies and Materials	12,000	(5,570)	6,430	6,429	1
Other Objects	2,000	750	2,750	2,404	346
Total Unidist. Expend. - Child Study Teams	787,686	1,923	789,609	787,044	2,565
Unidist. Expend. - Curriculum					
Salaries Supervisors of Instruction	201,433	-	201,433	200,087	1,346
Supplies and Materials	3,000	(64)	2,936	1,681	1,255
Other Objects	2,500	703	3,203	3,178	25
Total Curriculum	206,933	639	207,572	204,946	2,626
Unidist. Expend. - Educational Media Serv./School Library					
Salaries	362,496	200	362,696	362,696	-
Other Purchased Services	6,000	6,530	12,530	12,530	-
Supplies and Materials	14,000	(7,780)	6,220	1,733	4,487
Other Objects	700	725	1,425	809	616
Total Unidist. Expenditures - Edu. Media Serv./School Library	383,196	(325)	382,871	377,768	5,103
Unidist. Expend. - Instructional Staff Training Services					
Other Purchased Services (400 - 500 series)	6,000	2,316	8,316	6,065	2,251
Other Objects	-	149	149	149	-
Total Instructional Staff Training Services	6,000	2,465	8,465	6,214	2,251

See Independent Auditors' Report

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

C-1
Sheet #4

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Undist. Expend. - Support Services - General Administration					
Salaries	\$ 251,747	\$ -	\$ 251,747	\$ 251,746	\$ 1
Legal Services	75,000	(62)	74,938	52,423	22,515
Audit Fees	30,000	(1,001)	28,999	25,500	3,499
Purchased Technical Services	19,050	1,800	20,850	11,926	8,924
Communications/Telephone	156,900	1,063	157,963	157,963	-
BOE Other Purchased Services	2,500	537	3,037	2,482	555
Miscellaneous Purchased Services	65,000	(3,810)	61,190	58,191	2,999
General Supplies	7,000	(3,109)	3,891	2,380	1,511
Miscellaneous Expenditures	15,750	2,572	18,322	17,996	326
BOE Membership Dues and Fees	13,250	-	13,250	11,987	1,263
Total Undist. Exp. - Support Services - General Administration	636,197	(2,010)	634,187	592,594	41,593
Undist. Expend. - Support Services - School Administration					
Salaries of Principals/Assistant Principals	713,047	1	713,048	713,047	1
Salaries of Other Professional Staff	121,089	1	121,090	121,089	1
Salaries of Secretarial and Clerical Assistants	264,636	740	265,376	258,930	6,446
Purchased Prof Ed Services	-	-	-	-	-
Other Purchased Services - Travel	-	-	-	-	-
Supplies and Materials	38,000	(6,481)	31,519	27,492	4,027
Miscellaneous Expenditure	18,000	16,641	34,641	33,575	1,066
Total Undist. Expend. - Support Serv. - School Administration	1,154,772	10,902	1,165,674	1,154,133	11,541
Undistributed Expenditures - Central Services					
Personal Services Salaries	313,928	(742)	313,186	305,473	7,713
Other Purchased Professional Services	-	-	-	-	-
Purchased Technical Services	15,804	150	15,954	11,533	4,421
Misc. Purchased Services (400 -500 series)	-	500	500	117	383
Supplies and Materials	10,000	(346)	9,654	6,510	3,144
Interest on Current Loans	-	-	-	-	-
Interest Lease Purchase Agreement	-	-	-	-	-
Miscellaneous Expenditures	4,500	-	4,500	3,465	1,035
Total Undistributed Expenditures - Central Services	344,232	(438)	343,794	327,098	16,696
Undistributed Expenditures - Admin. Info. Tech.					
Salaries	90,696	-	90,696	67,213	23,483
Purchased Technical Services	8,000	-	8,000	3,686	4,314
Other Purchased Services	33,500	6,333	39,833	39,402	431
Supplies and Materials	60,000	4,525	64,525	35,432	29,093
Other Objects	3,500	-	3,500	-	3,500
Total Undistributed Expenditures - Admin. Info. Tech	195,696	10,858	206,554	145,733	60,821

**HASBROUCK HEIGHTS SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

C-1
Sheet #5

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Undistributed Expenditures - Required Maint for School Facilities					
Salaries	\$ 96,743	\$ (13,700)	\$ 83,043	\$ 82,410	\$ 633
Cleaning, Repair, and Maintenance Services	200,000	179,302	379,302	379,061	241
General Supplies	2,500	13,280	15,780	15,779	1
Other Objects	500	(500)	-	-	-
Total Undist. Expend - Required Maint for School Facilities	299,743	178,382	478,125	477,250	875
Undistributed Expenditures - Custodial					
Salaries	752,744	1,779	754,523	754,522	1
Salaries of Non-Instructional Aides	187,743	(53,214)	134,529	134,528	1
Cleaning, Repair, and Maintenance	50,000	(40,417)	9,583	6,846	2,737
Other Purchased Property Services	33,000		33,000	28,615	4,385
Insurance	137,250	(11,848)	125,402	125,307	95
Miscellaneous Purchased Services	96,540	4,796	101,336	97,955	3,381
General Supplies	130,000	44,771	174,771	172,782	1,989
Energy (Natural Gas)	128,500	378	128,878	107,904	20,974
Energy (Electricity)	264,200	(29,357)	234,843	223,085	11,758
Other Objects	15,600	5,855	21,455	21,455	-
Total Undist. Exp. - Custodial services	1,795,577	(77,257)	1,718,320	1,672,999	45,321
Undistributed Expenditures - Care & Upkeep of Grounds					
Cleaning, Repair, and Maintenance	38,000	10,956	48,956	40,924	8,032
General Supplies	500	2,280	2,780	2,754	26
Other Objects	500	(500)	-	-	-
Total - Care & Upkeep of Grounds	39,000	12,736	51,736	43,678	8,058
Undistributed Expenditures - Security					
Purchased Prof Services	100,000	15,297	115,297	115,297	-
Cleaning, Repair, and Maintenance	42,772	1,378	44,150	40,413	3,737
General Supplies	500	100	600	570	30
Other Objects	500	(500)	-	-	-
Total Security	143,772	16,275	160,047	156,280	3,767
Undistributed Expenditures - Student Transportation Services					
Sal for Pupil Trans (Betwn. Home & School) - Regular	30,485	-	30,485	29,615	870
Sal for Pupil Trans (Betwn. Home & School) - Sp Ed	-	-	-	-	-
Sal for Pupil Trans (Betwn. Home & School) - Other	28,756	(23,115)	5,641	5,640	1
Cleaning, Repair, & Maint. Services	14,000	589	14,589	14,589	-
Lease Purchase Payments - School Buses	-	-	-	-	-
Aid in Lieu Charter Schools	2,652	(963)	1,689	-	1,689
Contract Serv. (Other Betwn. Home and School) - Vendors	62,000	(3,777)	58,223	58,223	-
Contract Serv. (Betwn. Home & School) - Joint Agrmnts	70,068	(20,076)	49,992	47,779	2,213
Contract Serv. (Special Ed Students) - Joint Agrmnts	527,943	210,392	738,335	732,571	5,764
Transportation Supplies	10,000	(5,100)	4,900	2,767	2,133
Other Objects	1,000	-	1,000	597	403
Total Undistributed Expend. - Student Transportation Expenses	746,904	157,950	904,854	891,781	13,073

**HASBROUCK HEIGHTS SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

C-1
Sheet #6

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Unallocated Benefits - Employee Benefits					
Social Security Contributions	\$ 320,000	\$ (8,855)	\$ 311,145	\$ 309,076	\$ 2,069
Other Retirement Contributions - PERS	283,000	(9,669)	273,331	267,144	6,187
Unemployment Compensation	30,000	(30,000)	-	-	-
Workmen's Compensation	150,000	(41,783)	108,217	108,217	-
Health Benefits	4,125,353	(256,911)	3,868,442	3,827,303	41,139
Tuition Reimbursement	50,000	(6,912)	43,088	43,088	-
Other Employee Benefits	66,318	17,188	83,506	83,005	501
Total Unallocated Benefits - Employee Benefits	5,024,671	(336,942)	4,687,729	4,637,833	49,896
On-behalf TPAF Contributions (non-budgeted)				1,435,386	(1,435,386)
On-behalf Post Retirement Med. Contribution (non-budgeted)				1,196,002	(1,196,002)
On-behalf Social Security Contributions (non-budgeted)				967,307	(967,307)
				3,598,695	(3,598,695)
Total Expenditures - Current Expense	29,624,149	228,931	29,853,080	33,071,513	380,262
Capital Outlay					
Instructional Equipment	-	18,892	18,892	18,891	1
Maintenance Equipment	-	25,852	25,852	25,851	1
Technology Equipment	-	2,310	2,310	2,309	1
School Buses - Regular	-	20,467	20,467	-	20,467
Capital Equipment/Improvements	-	-	-	-	-
Total Equipment		67,521	67,521	47,051	20,470
Facilities Acquisitions and Construction Services					
Construction Services	60,000	56	60,056	60,055	1
Lease Purchase Agreements - Principal	87,048	3,754	90,802	90,801	1
Building other Non-lease Purchase Agreements	-	-	-	-	-
Other Objects	6,858	-	6,858	6,858	-
Total Facilities Acquisitions and Construction Services	153,906	3,810	157,716	157,714	2
Assets Acquired Under Capital Leases (non-budgeted)				347,907	(347,907)
Total Capital Outlay	153,906	71,331	225,237	552,672	20,472
General Fund					
Transfer of Funds to Charter Schools					
Total General Fund Expenditures	29,778,055	300,262	30,078,317	33,624,185	400,734
Special Schools					
Summer School - Instructions					
Salaries of Teachers					
Other Salaries - Aides					
General Supplies					
Total Summer School - Instruction					
Total Special Schools					
Total General Fund Expenditures	29,778,055	300,262	30,078,317	33,624,185	400,734
(Deficiency) of Revenues (Under) Expenditures	(200,000)	(300,262)	(500,262)	(279,740)	4,169,924
Other Financing Sources (Uses):					
Operating Transfers Out:					
Adjustment - State fica reimbursement 15-16				(26,644)	26,644
Adjustment - to correct recording of extraordinary aid				317,699	(317,699)
Adjustment - capital reserve transfer to capital projects fund				(500,000)	500,000
Capital Leases (non-budgeted)				347,907	(347,907)
				138,962	(138,962)
(Deficiency) of Revenues and Other Financing Sources (Under) Expenditures and Other Financing (Uses)	(200,000)	(300,262)	(500,262)	(140,778)	4,030,962
Fund Balances, Beginning of Year	2,517,956	-	2,517,956	2,517,957	-
Fund (Deficit) Balances, End of Year	\$ 2,317,956	\$ (300,262)	\$ 2,017,694	\$ 2,377,179	\$ 4,030,962

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

C-1
Sheet #7

Restricted Fund Balance:	
Capital Reserve	\$ 1,159,006
Maintenance Reserve	484,504
Assigned:	
Designated for Subsequent Year's Expenditures	200,000
Year-End Encumbrances	49,200
Unassigned Fund Balance	<u>484,469</u>
	2,377,179
Less: State Aid Revenue Not Recognized for GAAP basis	(90,856)
Fund Balance per Governmental Funds (GAAP)	<u>\$ 2,286,323</u>

HASBROUCK HEIGHTS SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

C-2

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenues:					
Local Sources	\$ 1,300	\$ -	\$ 1,300	\$ -	\$ 1,300
State Sources	313,000	24,080	337,080	256,632	80,448
Federal Sources	697,700	77,080	774,780	648,731	126,049
Total Revenues	<u>\$ 1,012,000</u>	<u>\$ 101,160</u>	<u>\$ 1,113,160</u>	<u>\$ 905,363</u>	<u>\$ 207,797</u>
Expenditures:					
Instruction:					
Salaries of Teachers	\$ 222,200	\$ (60,583)	\$ 161,617	\$ 145,021	\$ 16,596
Purchased Professional Technical Services	-	-	-	-	-
Purchased Professional/Educational Services	694,810	(432,426)	262,384	182,629	79,755
Other Purchased Services (400-500 series)	-	-	-	-	-
General Supplies	17,250	41,771	59,021	31,313	27,708
Textbooks	19,650	(398)	19,252	19,252	-
Tuition	18,540	354,882	373,422	354,118	19,304
Other Objects	-	-	-	-	-
Total Instruction	<u>972,450</u>	<u>(96,754)</u>	<u>875,696</u>	<u>732,333</u>	<u>143,363</u>
Support Services					
Personal Services - Salaries	30,950	(3,774)	27,176	27,176	-
Personal Services - Employee Benefits	-	39,891	39,891	13,332	26,559
Other - Employee Benefits	-	-	-	-	-
Purchased Professional - Educational Services	-	146,491	146,491	113,275	33,216
Other Purchased Services (400-500 series)	8,600	14,501	23,101	18,633	4,468
General Supplies	-	805	805	614	191
Total Support Services	<u>39,550</u>	<u>197,914</u>	<u>237,464</u>	<u>173,030</u>	<u>64,434</u>
Total Expenditures	<u>\$ 1,012,000</u>	<u>\$ 101,160</u>	<u>\$ 1,113,160</u>	<u>\$ 905,363</u>	<u>\$ 207,797</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)					
Fund Balances, Beginning of Year					
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**HASBROUCK HEIGHTS SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGET-TO-GAAP RECONCILIATION
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

C-3

Note A: Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures.

		<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:			
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule.	C-1, C-2	\$ 33,344,445	\$ 905,363
Difference - Budget to GAAP:			
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.			
2015-2016 State aid payment recognized in 2016-2017 for GAAP statements.		76,536	
State aid payment recognized for budgetary purposes, not recognized for GAAP statements.		<u>(90,856)</u>	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	B-2	<u>\$ 33,330,125</u>	<u>\$ 905,363</u>
Uses/Outflows of Resources:			
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule.	C-1, C-2	\$ 33,624,185	\$ 905,363
Difference - Budget to GAAP:			
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.			
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	B-2	<u>\$ 33,624,185</u>	<u>\$ 905,363</u>

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PART III

**L. SCHEDULES RELATED TO ACCOUNTING AND
REPORTING FOR PENSIONS (GASB 68)**

HASBROUCK HEIGHTS SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF THE
DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
NEW JERSEY PUBLIC EMPLOYEES' RETIREMENTS SYSTEM (PERS)
LAST THREE FISCAL YEARS (1)

L-1

	2017	2016	2015
School District's proportion of the net pension liability	<u>0.028907377%</u>	<u>0.030381335%</u>	<u>0.031656451%</u>
School District's proportionate share of the net pension liability	<u>\$ 8,561,536</u>	<u>\$ 6,820,001</u>	<u>\$ 4,642,698</u>
School District's covered-employee payroll	<u>\$ 2,084,989</u>	<u>\$ 2,023,905</u>	<u>\$ 2,125,036</u>
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>410.63%</u>	<u>336.97%</u>	<u>218.48%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>40.14%</u>	<u>47.93%</u>	<u>48.52%</u>

Note - The amounts presented for each fiscal year were determined as of the June 30 measurement date within the current fiscal year.

(1) Data not available prior to fiscal year 2015 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

HASBROUCK HEIGHTS SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION -SCHEDULE OF CONTRIBUTIONS
NEW JERSEY PUBLIC EMPLOYEES' RETIREMENTS SYSTEM (PERS)
LAST THREE FISCAL YEARS (1)

L-2

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	<u>\$ 277,627</u>	<u>\$ 261,198</u>	<u>\$ 260,972</u>
Contributions in relation to the contractually required contribution	<u>(277,627)</u>	<u>(261,198)</u>	<u>(260,972)</u>
Contribution deficiency (excess)	<u>\$</u>	<u></u>	<u></u>
School District's covered-employee payroll	<u>\$ 2,084,989</u>	<u>2,023,905</u>	<u>2,125,036</u>
Contributions as a percentage of covered-employee payroll	<u>13.32%</u>	<u>12.91%</u>	<u>12.28%</u>

(1) Data not available prior to fiscal year 2015 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

HASBROUCK HEIGHTS SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF THE
DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
NEW JERSEY TEACHERS' PENSION AND ANNUITY FUND (TPAF)
LAST THREE FISCAL YEARS (1)

L-3

	<u>2017</u>	<u>2016</u>	<u>2015</u>
School District's proportion of the net pension liability	<u>0.011999259%</u>	<u>0.012261064%</u>	<u>0.011579452%</u>
School District's proportionate share of the net pension liability	<u>\$ 94,393,812</u>	<u>77,495,161</u>	<u>61,888,404</u>
School District's covered-employee payroll	<u>\$ -</u>	<u>-</u>	<u>-</u>
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>#DIV/0!</u>	<u>#DIV/0!</u>	<u>#DIV/0!</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>22.33%</u>	<u>28.71%</u>	<u>33.64%</u>

Note - The amounts presented for each fiscal year were determined as of the June 30 measurement date within the current fiscal year.

(1) Data not available prior to fiscal year 2015 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

OTHER SUPPLEMENTARY INFORMATION

E. SPECIAL REVENUE FUND

PROPRIETARY FUNDS

ENTERPRISE FUND

INTERNAL SERVICE FUND

H. FIDUCIARY FUNDS

HASBROUCK HEIGHTS SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

H-1

	<u>Private Purpose Scholarship Funds</u>	<u>Student Activity</u>	<u>Payroll Agency</u>	<u>Total Agency Funds</u>
ASSETS				
Cash	\$ 67,287	\$ 82,868	\$ 275,715	\$ 425,870
Total Assets	<u>\$ 67,287</u>	<u>\$ 82,868</u>	<u>\$ 275,715</u>	<u>\$ 425,870</u>
LIABILITIES				
Payroll Deductions and Withholdings Due to Student Groups	\$	\$ 82,868	\$ 275,715	\$ 275,715 82,868
Total Liabilities	<u>\$</u>	<u>\$ 82,868</u>	<u>\$ 275,715</u>	<u>\$ 358,583</u>
NET ASSETS				
Reserved for Scholarships	<u>\$ 67,287</u>			<u>\$ 67,287</u>

HASBROUCK HEIGHTS SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

H-2

	<u>Private Purpose Scholarship Fund</u>
ADDITIONS	
Contributions	
Donations	\$ 750
Other	
Total Contributions	<u>750</u>
Investment earnings:	
Interest	<u>22</u>
Total Additions	<u>772</u>
DEDUCTIONS	
Other	
Scholarships awarded	<u>2,500</u>
Total Deductions	<u>2,500</u>
Change in Net Position	(1,728)
Net Position, Beginning of Year	<u>69,015</u>
Net Position, End of Year	<u><u>\$ 67,287</u></u>

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

H-3

	<u>Balance</u> <u>July 1, 2016</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance,</u> <u>June 30, 2017</u>
Elementary Schools:				
Euclid	\$ 8,355	\$ 14,418	\$ 12,019	\$ 10,754
Lincoln	5,933	20,035	21,964	4,004
High School	72,579	256,028	261,877	66,730
Athletic Account	<u>366</u>	<u>42,773</u>	<u>41,759</u>	<u>1,380</u>
Total All Schools	<u>\$ 87,233</u>	<u>\$ 333,254</u>	<u>\$ 337,619</u>	<u>\$ 82,868</u>

HASBROUCK HEIGHTS SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
JUNE 30, 2017

H-4

	<u>Balance July 1, 2016</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance, June 30, 2017</u>
ASSETS:				
Cash and Cash Equivalents	\$ 151,302	\$ 9,523,180	\$ 9,398,767	\$ 275,715
Total Assets	<u>\$ 151,302</u>	<u>\$ 9,523,180</u>	<u>\$ 9,398,767</u>	<u>\$ 275,715</u>
LIABILITIES:				
Payroll Deductions and Withholdings	\$ 151,302	\$ 9,523,180	\$ 9,398,767	\$ 275,715
Total Liabilities	<u>\$ 151,302</u>	<u>\$ 9,523,180</u>	<u>\$ 9,398,767</u>	<u>\$ 275,715</u>

I. LONG-TERM DEBT

HASBROUCK HEIGHTS SCHOOL DISTRICT
LONG-TERM DEBT
STATEMENT OF SERIAL BONDS AND LOANS PAYABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

I-1

Issue	Date of Issue	Amount of Issue	Annual Maturities of Bonds and Loans Outstanding June 30, 2016		Interest Rate	Balance July 1, 2016	Retired	Balance June 30, 2017
			Date	Amount				
\$1,740,000 School Bonds	7/1/2014	\$ 1,740,000	8/15/2017	\$ 160,000	2.00%-2.50%	\$ 1,590,000	\$ 155,000	\$ 1,435,000
			8/15/2018	165,000				
			8/15/2019	170,000				
			8/15/2020	175,000				
			8/15/2021	180,000				
			8/15/2022	190,000				
			8/15/2023	195,000				
			8/15/2024	200,000				
Refunding School Bonds; Refunds school refunding bonds issued on 4/7/05	7/23/2015	4,740,000	8/15/2017	530,000	3.00%	4,620,000.00	515,000	4,105,000
			8/15/2018	545,000				
			8/15/2019	565,000				
			8/15/2020	585,000				
			8/15/2021	605,000				
			8/15/2022	625,000				
			8/15/2023	650,000				
						<u>\$ 6,210,000</u>	<u>\$ 670,000</u>	<u>\$ 5,540,000</u>

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

I-2

<u>Purpose</u>	<u>Original Issue</u>	<u>Balance 7/1/2016</u>	<u>Issued or Adjusted</u>	<u>Matured</u>	<u>Balance 6/30/2017</u>
Savin Copiers (8/2014)	248,497	\$ 166,719	\$	\$ 49,173	\$ 117,546
Savin Copiers (3/2017)	20,483		20,483	1,174	19,309
Dell Computers (7/2014 - 36 month)	86,746	27,753		27,753	
Dell Computers (7/2015 - 36 month)	72,000	48,847		23,900	24,947
Dell Computers (7/2016 - 36 month)	231,195		231,195	74,183	157,012
Dell Computers (7/2016 - 36 month)	96,229		96,229	30,877	65,352
Security Cameras	109,987	77,859		21,835	56,024
		<u>\$ 321,178</u>	<u>\$ 347,907</u>	<u>\$ 228,895</u>	<u>\$ 440,190</u>

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

I-3

	<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	\$ 620,896	\$	\$ 620,896	\$ 620,898	\$
State Sources					
Debt Service Aid	161,270		161,270	161,270	
Total Revenues	<u>782,166</u>		<u>782,166</u>	<u>782,168</u>	
EXPENDITURES					
Regular Debt Service					
Principal	670,000		670,000	670,000	
Interest	170,550		170,550	170,550	
Total Expenditures	<u>840,550</u>		<u>840,550</u>	<u>840,550</u>	
Deficiency of Revenues Under Expenditures	(58,384)		(58,384)	(58,382)	
Fund Balance, Beginning of Year				73,261	
Fund Balance, End of Year	<u>\$ (58,384)</u>	<u>\$</u>	<u>\$ (58,384)</u>	<u>\$ 14,879</u>	<u>\$</u>

INTRODUCTION TO THE STATISTICAL SECTION

J. FINANCIAL TRENDS

Statistical Section
Unaudited

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

Sources: *Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Report (CAFR) for the relevant year.*

HASBROUCK HEIGHTS SCHOOL DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)
(unaudited)

J-1

	June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Net Investment in capital assets,	\$ 5,115,530	\$ 8,081,016	\$ 9,096,426	\$ 9,131,083	\$ 8,866,227	\$ 79,815	\$ 722,622	\$ 845,032	\$ 1,477,030	\$ 3,184,357
Restricted	-	219,305	584,608	1,952,692	2,048,865	2,604,032	2,911,788	1,386,416	1,543,510	1,643,510
Unrestricted	(577,146)	(862,123)	2,159,577	447,942	440,295	174,487	403,169	(6,310,500)	(6,557,060)	(7,913,435)
Total governmental activities net position	<u>\$ 4,538,384</u>	<u>\$ 7,438,198</u>	<u>\$ 11,840,611</u>	<u>\$ 11,531,717</u>	<u>\$ 11,355,387</u>	<u>\$ 2,858,334</u>	<u>\$ 4,037,579</u>	<u>\$ (4,079,052)</u>	<u>\$ (3,536,520)</u>	<u>\$ (3,085,568)</u>
Business-type activities										
Net Investment in capital assets,	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	175,379	225,274	225,555	299,485	422,669	476,639	505,384	549,438	609,004	588,105
Total business-type activities net assets	<u>\$ 175,379</u>	<u>\$ 225,274</u>	<u>\$ 225,555</u>	<u>\$ 299,485</u>	<u>\$ 422,669</u>	<u>\$ 476,639</u>	<u>\$ 505,384</u>	<u>\$ 549,438</u>	<u>\$ 609,004</u>	<u>\$ 588,105</u>
District-wide										
Net Investment in capital assets,	\$ 5,115,530	\$ 8,081,016	\$ 9,096,426	\$ 9,131,083	\$ 8,866,227	\$ 79,815	\$ 722,622	\$ 845,032	\$ 1,477,030	\$ 3,184,357
Restricted	-	219,305	584,608	1,952,692	2,048,865	2,604,032	2,911,788	1,386,416	1,543,510	1,643,510
Unrestricted	(401,767)	(636,849)	2,385,132	747,427	862,984	651,126	908,553	(5,761,062)	(5,948,056)	(7,325,330)
Total district net position	<u>\$ 4,713,763</u>	<u>\$ 7,663,472</u>	<u>\$ 12,066,166</u>	<u>\$ 11,831,202</u>	<u>\$ 11,778,076</u>	<u>\$ 3,334,973</u>	<u>\$ 4,542,963</u>	<u>\$ (3,529,614)</u>	<u>\$ (2,927,516)</u>	<u>\$ (2,497,463)</u>

Source: CAFR Schedule A-1 and District Records
GASB 68 was implemented during the 2015 Fiscal Year, which required
restatement of the beginning balance.

HASBROUCK HEIGHTS SCHOOL DISTRICT
CHANGES IN NET POSITION (DEFICIT)
LAST TEN FISCAL YEARS
(accrual basis of accounting)
(unaudited)

J-2
Sheet #1

	Year ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities										
Instruction										
Regular	\$ 10,784,129	\$ 9,607,501	\$ 9,802,342	\$ 11,153,083	\$ 9,688,415	\$ 11,712,322	\$ 11,898,575	\$ 11,118,742	\$ 12,955,085	\$ 16,442,957
Special education	3,213,170	1,895,434	2,659,113	2,570,068	2,580,175	3,219,855	3,369,768	3,572,400	4,250,640	5,562,604
Other special education	317,394				837,943	663,788	954,998	775,700	1,206,852	1,448,872
Nonpublic school programs										
Adult/continuing education programs										
Support Services:										
Tuition	2,309,017	2,152,110	2,500,593	2,594,241	2,514,312	2,659,415	2,947,018	2,875,701	2,819,933	2,984,551
Student and instruction related services	2,952,366	2,953,777	2,936,178	3,562,726	3,658,864	4,777,808	4,716,062	4,236,669	5,126,097	6,053,709
School administrative services	1,409,065	559,450	981,448	589,208	764,733	1,267,248	1,203,928	1,232,176	729,565	2,063,849
General and other administration	970,543	1,535,267	1,080,893	1,649,898	1,647,304	1,277,420	1,113,537	1,369,359	2,525,470	1,585,115
Plant operations and maintenance	2,278,820	2,018,370	2,026,498	1,988,990	2,000,457	2,172,803	2,452,148	2,499,991	2,269,536	3,037,806
Pupil transportation	714,746	687,600	681,930	712,384	738,513	653,674	701,864	673,390	827,807	921,197
Business and other support services	-	-	-	21,945	62,161	61,033				
Interest on long-term debt/lease payment/other	502,625	277,297	301,286	425,023	455,831	371,769	581,807	750,364	458,751	540,009
Unallocated depreciation/amortization/other	41,126	188,398	946,799	1,036,184	1,043,606	9,651,199				341,748
Total governmental activities expenses	<u>25,883,385</u>	<u>22,577,313</u>	<u>24,644,149</u>	<u>27,493,689</u>	<u>26,235,223</u>	<u>38,488,334</u>	<u>29,939,705</u>	<u>29,104,492</u>	<u>33,169,736</u>	<u>40,982,417</u>
Business-type activities:										
Food service	-	354,029	434,716	483,752	542,610	459,545	479,702	508,418	503,341	517,246
Keys and other programs	358,936	-	382,859	325,328	335,981	540,595	435,643	417,212	425,075	417,174
Total business-type activities expense	<u>358,936</u>	<u>354,029</u>	<u>817,575</u>	<u>809,080</u>	<u>878,591</u>	<u>1,000,140</u>	<u>915,345</u>	<u>925,630</u>	<u>928,416</u>	<u>934,420</u>
Total district expenses	<u>\$ 26,242,321</u>	<u>\$ 22,931,342</u>	<u>\$ 25,461,724</u>	<u>\$ 28,302,769</u>	<u>\$ 27,113,814</u>	<u>\$ 39,488,474</u>	<u>\$ 30,855,050</u>	<u>\$ 30,030,122</u>	<u>\$ 34,098,152</u>	<u>\$ 41,916,837</u>
Program Revenues										
Governmental activities:										
Charges for services:										
Operating grants and contributions	\$ 2,931,401	\$ 2,246,611	\$ 2,754,365	\$ 1,493,580	\$ 2,760,240	\$ 3,346,953	\$ 918,842	\$ 980,872	\$ 3,918,280	\$ 10,301,427
Capital grants and contributions			1,843,113							531,738
Total governmental activities program revenues	<u>2,931,401</u>	<u>2,246,611</u>	<u>4,597,478</u>	<u>1,493,580</u>	<u>2,760,240</u>	<u>3,346,953</u>	<u>918,842</u>	<u>980,872</u>	<u>3,918,280</u>	<u>10,833,165</u>

HASBROUCK HEIGHTS SCHOOL DISTRICT
CHANGES IN NET POSITION (DEFICIT)
LAST TEN FISCAL YEARS
(accrual basis of accounting)
(unaudited)

J-2
Sheet #2

	Year ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Business-type activities:										
Charges for services										
Food service	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Keys and other programs	444,731	403,924	443,211	395,356	401,654	368,943	382,324	360,360	375,761	393,830
Operating grants and contributions			373,561	391,163	472,575	566,585	431,099	468,661	468,778	379,319
Capital grants and contributions				95,560	127,566	131,362	130,667	142,350	143,443	140,373
Total business type activities program revenues	<u>444,731</u>	<u>403,924</u>	<u>816,772</u>	<u>882,079</u>	<u>1,001,795</u>	<u>1,066,890</u>	<u>944,090</u>	<u>971,371</u>	<u>987,982</u>	<u>913,522</u>
Total district program revenues	<u>\$ 3,376,132</u>	<u>\$ 3,335,325</u>	<u>\$ 5,414,250</u>	<u>\$ 2,375,659</u>	<u>\$ 3,762,035</u>	<u>\$ 4,413,843</u>	<u>\$ 1,862,932</u>	<u>\$ 1,952,243</u>	<u>\$ 4,906,262</u>	<u>\$ 11,746,687</u>
Net (Expense)/Revenue										
Governmental activities	\$ (22,806,824)	\$ (20,330,702)	\$ (20,046,671)	\$ (26,000,109)	\$ (26,235,223)	\$ (35,141,381)	\$ (29,020,863)	\$ (28,123,620)	\$ (29,355,301)	\$ (30,289,625)
Business-type activities	56,232	49,895	(803)	72,999	123,204	66,750	28,745	45,741	59,566	(20,898)
Total district-wide net expense	<u>\$ (22,750,592)</u>	<u>\$ (20,280,807)</u>	<u>\$ (20,047,474)</u>	<u>\$ (25,927,110)</u>	<u>\$ (26,112,019)</u>	<u>\$ (35,074,631)</u>	<u>\$ (28,992,118)</u>	<u>\$ (28,077,879)</u>	<u>\$ (29,295,735)</u>	<u>\$ (30,310,523)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 19,965,249	\$ 20,367,886	\$ 21,430,551	\$ 23,039,193	\$ 23,332,543	\$ 24,154,512	\$ 25,506,891	\$ 26,544,747	\$ 27,211,837	\$ 27,951,872
Taxes levied for debt service	524,280	561,556	617,275	608,305	544,321	616,448	609,408	626,631	706,288	620,898
Grants and contributions	1,675,589	1,939,780	1,969,988	1,793,567	1,908,636	1,392,326	3,730,917	1,556,062	1,632,506	2,182,413
Tuition received	261,853	212,694	319,323	116,074	167,283	128,504	59,380	160,000	69,615	45,914
Cancellation of unfunded capital projects								(1,608,545)		
Investment Earnings	23,030	73,933	20,060		8,349	7,278				
Rentals			19,772		5,100					
Refund Prior Years Expenditures			14,833		23,360					
Miscellaneous income	273,261	74,667	57,282	134,076	69,301	332,460	293,513	183,688	173,742	535,296
Total governmental activities	<u>22,723,262</u>	<u>23,230,516</u>	<u>24,449,084</u>	<u>25,691,215</u>	<u>26,058,893</u>	<u>26,631,528</u>	<u>30,200,109</u>	<u>27,462,583</u>	<u>29,793,988</u>	<u>31,336,393</u>
Business-type activities:										
Investment earnings/other expense			1,084	931				(1,687)		
Transfers										
Total business-type activities			<u>1,084</u>	<u>931</u>				<u>(1,687)</u>		
Total district-wide	<u>\$ 22,723,262</u>	<u>\$ 23,230,516</u>	<u>\$ 24,450,168</u>	<u>\$ 25,692,146</u>	<u>\$ 26,058,893</u>	<u>\$ 26,631,528</u>	<u>\$ 30,200,109</u>	<u>\$ 27,460,896</u>	<u>\$ 29,793,988</u>	<u>\$ 31,336,393</u>
Change in Net Position (Deficit)										
Governmental activities	\$ (244,829)	\$ 2,899,814	\$ 4,402,413	\$ (308,894)	\$ (176,330)	\$ (8,509,853)	\$ 1,179,246	\$ (661,037)	\$ 438,686	\$ 515,030
Business-type activities	85,795	49,895	281	73,930	123,204	66,750	28,745	44,054	59,566	(20,898)
Total district	<u>\$ (159,034)</u>	<u>\$ 2,949,709</u>	<u>\$ 4,402,694</u>	<u>\$ (234,964)</u>	<u>\$ (53,126)</u>	<u>\$ (8,443,103)</u>	<u>\$ 1,207,991</u>	<u>\$ (616,983)</u>	<u>\$ 498,252</u>	<u>\$ 494,132</u>

HASBROUCK HEIGHTS SCHOOL DISTRICT
FUND BALANCES (DEFICIT) - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
(unaudited)

J-3

	June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	319,611	195,053	369,745	-	-	-	-	-	-	-
Restricted for	49,328	279,553	101,562	232,512	398,385	941,405	1,234,903	1,850,318	2,043,773	1,643,510
Assigned to	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	474,083	472,264	440,295	456,169	474,184	397,648	642,813
Total general fund	<u>\$ 368,939</u>	<u>\$ 474,606</u>	<u>\$ 471,307</u>	<u>\$ 706,595</u>	<u>\$ 870,649</u>	<u>\$ 1,381,700</u>	<u>\$ 1,691,072</u>	<u>\$ 2,324,502</u>	<u>\$ 2,441,421</u>	<u>\$ 2,286,323</u>
All Other Governmental Funds										
Unreserved, reported in:										
Special revenue fund (deficit)	-	-	-	-	-	-	-	-	-	-
Capital projects fund (deficit)	-	(19,218)	1,671,077	-	-	-	-	-	-	-
Debt service fund (deficit)	-	8,970	81,746	-	-	-	-	-	-	-
Restricted for:										
Capital projects fund	-	-	520,055	-	-	-	-	-	-	-
Debt service fund	-	-	-	-	-	-	-	-	-	-
Assigned to										
Capital projects fund	-	-	-	1,647,404	1,643,440	1,641,973	1,640,566	-	-	(297,605)
Debt services fund	-	-	-	72,776	7,040	20,654	36,318	81,088	73,261	14,879
Total all other governmental funds	<u>\$ -</u>	<u>\$ (10,248)</u>	<u>\$ 2,272,878</u>	<u>\$ 1,720,180</u>	<u>\$ 1,650,480</u>	<u>\$ 1,662,627</u>	<u>\$ 1,676,884</u>	<u>\$ 81,088</u>	<u>\$ 73,261</u>	<u>\$ (282,726)</u>

Source: CAFR Schedule B-1 and District Income

GASB No. 54 was implemented in the 2011 fiscal year, which required the presentation of fund balances to be reported in difference classifications from those presented in prior years. Prior years have not been restated above, nor are they required to be.

HASBROUCK HEIGHTS SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST FOUR FISCAL YEARS
(modified accrual basis of accounting)
(unaudited)

J-4
Sheet #1

	For the year ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Local Tax Levy	\$ 20,489,529	\$ 20,929,442	\$ 22,047,826	\$ 23,647,498	\$ 23,876,774	\$ 24,770,960	\$ 26,116,299	\$ 27,171,378	\$ 27,918,125	\$ 28,572,770
Other Local Revenue	560,505	361,294	431,270	248,168	271,300	409,342	371,247	335,684	262,309	290,155
State sources	4,172,533	3,735,986	5,658,712	2,714,365	3,311,772	4,208,415	4,040,437	4,605,988	4,915,741	14,729,012
Local Sources	-	1,000	1,636	1,982	-	-	-	-	-	-
Federal sources	437,531	449,407	911,924	572,782	54,141	589,765	609,322	617,726	635,044	652,012
Total revenue	25,660,098	25,477,129	29,051,368	27,184,795	27,513,987	29,978,482	31,137,305	32,730,776	33,731,219	44,243,949
Expenditures										
Instruction										
Regular Instruction	7,554,055	7,737,721	7,544,117	7,821,972	8,581,952	8,620,124	8,471,816	8,597,979	8,719,704	9,431,728
Special Education Instruction	1,974,380	1,633,410	2,310,932	1,893,079	2,087,605	2,259,813	2,379,806	2,906,417	2,883,326	3,031,456
Other	187,676	205,149	644,817	933,142	704,163	623,103	719,688	623,074	871,575	890,041
School-Sponsored/Other Instructional	310,018	416,762	-	-	-	-	-	-	-	-
Total Instruction	10,026,129	9,993,042	10,499,866	10,648,193	11,373,720	11,503,040	11,571,310	12,127,470	12,474,605	13,353,225
Undistributed:										
Instructional Staff Training	2,309,017	2,152,110	2,500,593	2,594,241	2,514,312	2,322,098	2,596,479	2,503,491	2,400,266	2,630,433
Support Services-Students	2,201,608	2,632,980	2,595,787	2,670,723	3,132,058	3,369,783	3,234,440	3,577,338	3,796,496	3,767,996
General Administration	938,047	500,469	988,907	925,574	523,589	597,516	974,938	654,037	619,169	592,594
School Administration	868,137	1,375,112	854,428	839,525	925,912	1,008,811	969,640	974,595	1,110,888	1,154,133
Other Administrative Services	-	-	-	-	131,543	112,768	102,414	422,875	508,894	472,831
Operations and Maintenance	1,994,997	1,893,317	1,888,343	1,697,285	1,700,198	1,835,799	2,088,368	2,089,633	2,266,962	2,350,207
Student Transportation	663,454	671,416	667,723	669,885	694,603	628,024	687,797	660,067	810,755	891,781
Business and Other Support Services:										
Employee Benefits	3,035,224	2,969,633	3,299,123	3,542,107	3,321,779	2,963,788	4,071,906	4,195,448	4,533,247	4,637,833
On-behalf TPAF Pension Contributions	1,311,234	745,108	727,571	753,657	349,364	2,378,341	1,293,041	1,215,197	2,104,645	2,631,388
Reimbursed TPAF Social Security Contributions	739,976	815,644	921,837	830,269	702,312	881,007	891,939	921,581	872,113	967,307
Transfers - Charter Schools	-	-	-	-	62,161	61,033	-	29,608	-	-
Total Undistributed	14,061,694	13,755,789	14,444,312	14,523,266	14,057,831	16,158,968	16,910,962	17,243,870	19,023,435	20,096,503
Capital Outlay:										
Equipment	55,047	-	-	-	-	-	-	-	-	-
Increase in Capital Reserve	-	15062	-	-	-	-	-	-	-	-
Facilities Acquisition and Construction Services	112,386	162,977	2,654,286	662,822	278,213	110,441	224,347	388,310	139,168	47,051
Assets Acquired under Capital Leases	-	-	130,140	-	-	68,475	-	-	72,000	347,907
Assets Acquired under Mortgages	-	-	69,131	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-	49,407	1,329,345
Capital Lease Payment	-	-	-	-	262,530	149,565	154,775	382,243	86,781	90,801
Total Capital Outlay	167,433	178,039	2,853,557	662,822	540,743	328,481	379,122	770,553	347,356	1,815,104
Total General Fund Expenditures	24,255,256	23,926,870	27,797,735	25,834,281	25,972,294	27,990,489	28,861,394	30,141,893	31,845,396	35,264,832
Special Revenue:										
Federal	437,531	449,407	842,450	572,782	588,791	589,766	609,322	617,726	635,044	648,731
State	226,795	235,454	262,507	272,829	267,986	263,738	259,593	313,146	305,602	256,632
Local	2,361	1,000	1,636	1,982	2,183	56,135	49,927	50,000	875	-
Total Special Revenue Expenditures	666,687	685,861	1,106,593	847,593	856,960	909,639	918,842	980,872	941,521	905,363

HASBROUCK HEIGHTS SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST FOUR FISCAL YEARS
(modified accrual basis of accounting)
(unaudited)

J-4
Sheet #2

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Debt Service Expenditures	\$ 767,412	\$ 768,978	\$ 803,521	\$ 820,331	\$ 795,716	\$ 874,426	\$ 777,089	\$ 802,077	\$ 888,239	\$ 840,550
Total Governmental Fund Expenditures	\$ 25,689,355	\$ 25,381,709	\$ 29,707,849	\$ 27,502,205	\$ 27,624,970	\$ 29,774,554	\$ 30,557,325	\$ 32,424,842	\$ 33,675,155	\$ 36,699,443
Excess (Deficiency) of Revenues Over (under) Expenditures	(29,257)	95,420	(656,481)	(317,410)	(110,983)	203,928	581,408	305,934	56,062	7,544,506
Other Financing Sources (Uses)										
Premium on Promissory Note in Cap Projects Adjustments			25,620							291,055
Capital Leases (non-budgeted)	102,120		130,140		262,530	68,475		382,243 (32,770)	72,000	347,907
Proceeds from refunding								(1,608,545)		
Cancellation of Unfunded Capital Projects								(9,228)	(979)	
Write-off of Prior year Revenue							(18,354)			
Interest earned in Capital Projects Fund			15,880							
Transfers In				8,757	2,554	12,800			21	(500,000)
Transfers Out				(8,757)	(2,554)				(18,014)	500,000
Total Other Financing Sources (uses)	<u>102,120</u>	<u>-</u>	<u>2,936,308</u>	<u>(8,757)</u>	<u>262,530</u>	<u>81,275</u>	<u>(18,354)</u>	<u>(1,268,300)</u>	<u>53,028</u>	<u>638,962</u>
Net Change in Fund Balances	<u>\$ 72,863</u>	<u>\$ 95,420</u>	<u>\$ 2,279,827</u>	<u>\$ (317,410)</u>	<u>\$ 151,547</u>	<u>\$ 285,203</u>	<u>\$ 563,054</u>	<u>\$ (962,366)</u>	<u>\$ 109,090</u>	<u>\$ 8,183,468</u>
Debt Service as a Percentage of Non Capital Expenditures	3.01%	3.05%	2.72%	3.06%	2.94%	2.97%	2.58%	2.53%	2.67%	2.29%

Source: CAFR Schedule B-2

Note: Non capital expenditures are total expenditures less capital outlay.

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

J-5

Description	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	Annual Totals
Interest on Investments	\$ 13,948	\$ 12,324	\$ 8,770	\$ 8,876	\$ 7,279	\$	\$	\$ 20,060	\$	\$	\$ 57,309
Tuition	45,914	69,616	160,000	59,380	128,504	167,283	116,074	319,323			1,020,180
Rentals	500	48,400	1,150	51,475	48,900			19,772			169,697
Prior Year Tuition Refunds	50,156	25,635	26,957	6,784	46,084			14,833			120,293
Miscellaneous Income	179,635	106,334	138,787	244,709	178,576	103,921	134,076	57,282			963,685
Total	<u>\$ 290,153</u>	<u>\$262,309</u>	<u>\$ 335,664</u>	<u>\$ 371,224</u>	<u>\$ 409,343</u>	<u>\$271,204</u>	<u>\$250,150</u>	<u>\$ 431,270</u>	<u>\$</u>	<u>\$</u>	<u>\$2,331,164</u>

Source: District records

REVENUE CAPACITY-N/A TO CHARTER SCHOOLS

HASBROUCK HEIGHTS SCHOOL DISTRICT
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(unaudited)

J-6

<u>Fiscal Year Ended June 30,</u>	<u>Net Assessed Valuations</u>	<u>Estimated Full Cash Valuations</u>	<u>Percentage of Net Assessed to Estimated Full Cash Valuations</u>
2008	\$ 1,856,759,375	\$ 1,896,757,560	98.16%
2009	1,867,662,044	1,945,451,054	96.26%
2010	1,872,097,822	1,928,211,589	97.35%
2011	1,865,367,200	1,833,104,560	101.76%
2012	1,544,763,900	1,654,808,677	93.35%
2013	1,547,020,681	1,712,005,582	90.36%
2014	1,551,931,320	1,678,988,516	92.65%
2015	1,551,911,749	1,764,238,083	88.15%
2016	1,561,099,137	1,788,301,616	87.30%
2017	1,679,791,800	1,764,762,500	95.19%

Source: County Abstract of Ratables

HASBROUCK HEIGHTS SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN YEARS
UNAUDITED
(rate per \$100 of assessed value)

J-7

Calendar Year	Total Direct School Tax Rate	Overlapping Rates		Total Direct and Overlapping Tax Rate
		Municipality	County	
2008	\$ 1.115	\$ 0.692	\$0.190	\$ 1.997
2009	1.150	0.719	0.201	2.070
2010	1.221	0.746	0.202	2.169
2011	1.273	0.765	0.205	2.243
2012 *	1.574	0.932	0.236	2.742
2013	1.641	0.941	0.254	2.836
2014	1.708	0.946	0.250	2.904
2015	1.767	0.947	0.272	2.986
2016	1.801	0.952	0.282	3.035
2017	1.704	0.888	0.264	2.856

Source: Tax Collector

* Reassessment

**HASBROUCK HEIGHTS SCHOOL DISTRICT
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED**

J-8

	2008		2017	
	Assessed Valuation	As a % of District's Net Assessed Valuation	Assessed Valuation	As a % of District's Net Assessed Valuation
<u>Taxpayers</u>				
Prime Properties, LLC	\$ 38,003,000	2.05%	\$ 35,500,000	2.11%
Heights Plaza, Associates	27,099,400	1.46%	27,211,700	1.74%
Heights Plaza, LLC	11,790,000	0.63%	21,427,500	1.37%
Ess Prisa LLC	15,503,000	0.83%	13,834,000	0.89%
621 Route 46 Associates	14,470,600	0.78%	15,322,100	0.98%
Ottawa House Limited	12,980,000	0.70%	14,730,200	0.94%
611 Routh 46, LLC	11,900,000	0.64%	12,053,900	0.77%
Hasbrouck Motel Company	11,500,000	0.62%	12,300,000	0.79%
Touro Univ. College of Med. Inc.	11,450,200	0.62%		
377 LaSalle Group LLC	-	0.00%	11,780,000	0.75%
Skyline Associates	9,920,000	0.53%	11,972,900	0.77%
Total	<u>\$ 164,616,200</u>	<u>8.86%</u>	<u>\$ 176,132,300</u>	<u>11.12%</u>

Source: Municipal Tax Assessor

HASBROUCK HEIGHTS SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(unaudited)

J-9

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy	
		Amount	Percentage of Levy
2008	\$ 19,965,249	\$ 19,965,249	100.00%
2009	20,387,886	20,367,886	100.00%
2010	22,047,826	22,047,826	100.00%
2011	23,647,498	23,647,498	100.00%
2012	23,332,543	23,332,543	100.00%
2013	24,770,960	24,770,960	100.00%
2014	26,116,297	26,116,297	100.00%
2015	27,030,709	27,030,709	100.00%
2016	27,804,795	27,804,795	100.00%
2017	28,572,770	28,572,770	100.00%

HASBROUCK HEIGHTS SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(unaudited)

J-10

Fiscal Year Ended June 30,	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	<u>Total District</u>	<u>Population</u>	<u>Per Capita ^a</u>
	<u>General Obligation Bonds</u>	<u>Capital Leases</u>	<u>Capital Leases</u>			
2008	\$ 8,773,296	\$ 144,251		\$ 8,917,547	11,662	764
2009	8,342,703	222,826		8,565,529	11,410	751
2010	7,813,430	217,575		8,031,005	11,445	702
2011	7,345,542	240,796		7,586,338	11,856	640
2012	6,867,842	371,339		7,239,181	11,919	607
2013	6,369,341	290,249		6,659,590	11,960	557
2014	5,855,000	135,474		5,990,474	12,092	495
2015	7,065,000	399,530		7,464,530	12,165	614
2016	6,210,000	321,177		6,531,177	12,227	534
2017	5,540,000	440,190		5,980,190	12,182	491

Note: Details regarding the District's outstanding debt can be found in the Notes to Financial Statements.

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

HASBROUCK HEIGHTS SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
Unaudited

J-11

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Estimated</u> <u>School District</u> <u>Population</u>	<u>Assessed Value</u>	<u>Net Bonded</u> <u>Debt</u>	<u>Ratio of</u> <u>Bonded Debt to</u> <u>Assessed</u> <u>Value</u>	<u>Net Bonded</u> <u>Debt per</u> <u>Capita</u>
2008	11,410	\$1,856,759,375	\$ 9,718,472	0.52%	\$ 851.75
2009	11,445	1,867,662,044	8,145,000	0.44%	711.66
2010	11,856	1,872,097,822	7,715,000	0.41%	650.73
2011	11,919	1,865,367,200	7,275,000	0.39%	610.37
2012	11,936	1,544,763,900	6,820,000	0.44%	571.38
2013	11,936	1,547,020,681	6,369,341	0.41%	533.62
2014	12,022	1,551,931,320	5,855,000	0.38%	487.02
2015	12,165	1,551,911,749	7,065,000	0.46%	580.76
2016	12,227	1,561,099,137	6,210,000	0.40%	507.89
2017	12,182	1,679,791,800	5,540,000	0.33%	454.77

Source: Data regarding District population was provided by the State Department of Labor.

Assessed valuations were provided by the Abstract of Ratables, County Board of Taxation.

HASBROUCK HEIGHTS SCHOOL DISTRICT
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2017
(unaudited)

J-12

Net Direct Debt of District as of June 30, 2017		
Bonds issued	\$ 5,540,000	
Authorized and unissued	<u>6,225,000</u>	\$ 11,765,000
Net Overlapping Debt of School District		
Borough of Hasbrouck Heights (100%)	\$ 8,651,498	
County of Bergen - Borough's share (0.101%)	<u>1,217,081</u>	<u>9,868,579</u>
Total Direct and Overlapping Bond Debt as of June 30, 2017		<u><u>\$ 21,633,579</u></u>

Source:

Borough of Hasbrouck Heights Chief Financial Officer and Bergen County Treasurer's Office.

HASBROUCK HEIGHTS SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
(unaudited)

J-13

Equalized valuation basis

2016	\$	1,843,997,932
2015		1,783,367,741
2014		1,759,402,042

(A)	\$	<u>5,386,767,715</u>
-----	----	----------------------

Average equalized valuation of taxable property	(A-3)	\$	1,795,589,238
---	-------	----	---------------

Debt limit (4 % of average equalization value)	(B)		71,823,570
--	-----	--	------------

Net school debt as of June 30, 2017	(C)		<u>11,765,000</u>
-------------------------------------	-----	--	-------------------

School borrow margin available	(B-C)	\$	<u>60,058,570</u>
--------------------------------	-------	----	-------------------

2017

Debt limit		\$	71,823,570
------------	--	----	------------

Net school debt			<u>11,765,000</u>
-----------------	--	--	-------------------

School borrowing margin available		\$	<u>60,058,570</u>
-----------------------------------	--	----	-------------------

Total net debt applicable to the limit as a percentage of debt limit			16.380%
---	--	--	---------

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

a Limit set by NJSA 18A:24-19 for a K through 12 District; other limits apply to other districts

HASBROUCK HEIGHTS SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
(unaudited)

J-14

<u>Year</u>	<u>Estimated School District Population</u>	<u>County Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2008	11,410	\$ 67,696	0.48%
2009	11,445	63,198	8.50%
2010	11,856	65,486	8.80%
2011	11,919	66,096	9.40%
2012	11,936	69,919	8.80%
2013	11,960	67,240	8.60%
2014	12,092	73,536	5.00%
2015	12,165	N/A	6.50%
2016	12,227	N/A	N/A
2017	12,182	N/A	N/A

Source: New Jersey State Department of Education

HASBROUCK HEIGHTS SCHOOL DISTRICT
PRINCIPAL EMPLOYERS
CURRENT AND PREVIOUS FISCAL YEARS
(unaudited)

J-15

Employer	2008		2017	
	Employees	Percentage of Total Municipal Employment	Employees	Percentage of Total Municipal Employment
N/A	N/A	N/A	N/A	N/A
		<u>0.00%</u>		<u>0.00%</u>

N/A - Data Not Available

HASBROUCK HEIGHTS SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(unaudited)

J-16

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<u>Function/Program</u>										
Instruction										
Regular	137.0	144.0	105.1	105.1	95.3	95.3	104.6	104.4	106.4	106.0
Special Education	0.0	0.0	24.8	24.8	22.0	22.0	27.4	32.4	34.4	32.4
Other Instruction	0.0	0.0	24.5	24.5	26.6	26.6	26.0	29.0	30.0	31.0
Support Services:										
Attendance & Social Work	0.0	0.0	3.4	3.4	1.0	1.0	1.0	1.0	1.0	1.0
Health Services	0.0	0.0	3.0	3.0	3.0	3.0	3.6	3.6	3.6	3.6
Student & Instruction Related Services	23.0	20.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Extraordinary Services	0.0	0.0	10.0	10.0	11.0	11.0	17.0	15.0	15.0	14.5
Support Services - Students Regular	0.0	0.0	5.0	5.0	4.5	4.5	6.0	6.0	6.0	6.0
Support Services - Students Special	0.0	0.0	8.2	8.2	8.7	8.7	8.8	8.4	9.0	9.0
Improvement of Instructional Services	0.0	0.0	1.0	1.0	0.0	0.0	0.0	2.0	2.0	2.0
Educational Media/School Library	0.0	0.0	4.5	4.5	4.5	4.5	4.8	4.8	4.8	4.8
General administration	3.0	3.0	3.0	3.0	2.0	2.0	3.0	2.0	2.0	2.0
School Administrative Services	9.0	9.0	9.5	9.5	10.3	10.3	10.6	10.6	12.1	12.1
Central Services	3.0	5.0	4.8	4.8	4.5	4.5	4.0	4.0	4.0	4.0
Administrative Information Technology	1.0	1.0	0.5	0.5	0.5	0.5	0.3	0.3	1.3	1.3
Plant Operations and Maintenance	16.0	15.5	15.5	15.5	12.0	12.0	14.0	14.0	15.0	15.0
Pupil transportation	1.0	1.5	1.5	1.5	1.5	1.5	0.5	0.5	0.5	0.0
Other support services	6.0	6.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0
Total	199.0	205.0	227.3	227.3	210.4	210.4	234.6	241.0	250.0	248.7

Source: District Records

HASBROUCK HEIGHTS SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
(unaudited)

J-17

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil/Teacher Ratio Elementary	Pupil/Teacher Ratio Senior High School	Pupil/Teacher Ratio Middle School	Average Daily Enrollment (ADE)	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
2008	1,565.0	\$ 24,754,510	\$ 15,818	5.11%	128	17:01	18:01	11:01	1,565.3	1,481.0	0.58%	94.61%
2009	1,615.0	23,912,886	14,807	-6.39%	140	12:01	11:01	11:01	1,614.5	1,547.2	0.57%	95.80%
2010	1,654.0	24,944,178	15,081	1.85%	130	13:01	12:01	12:01	1,662.0	1,596.5	2.94%	96.06%
2011	1,712.0	26,005,864	15,190	0.72%	130	13:01	12:01	12:01	1,710.6	1,638.6	2.92%	95.80%
2012	1,770.0	26,224,844	14,816	0.77%	117	15.13	15.13	15.13	1,805.7	1,734.6	5.56%	96.10%
2013	1,896.0	27,988,994	14,762	-0.37%	134	14.15	14.15	14.15	1,903.5	1,821.7	5.42%	95.70%
2014	1,892.0	26,675,523	14,099	-4.49%	132	14.33	14.33	14.33	1,883.5	1,811.6	-1.05%	96.18%
2015	1,875.0	27,615,185	14,728	3.52%	137	13.71	13.71	13.71	1,869.6	1,796.8	-0.74%	96.11%
2016	1,866.0	28,523,853	15,286	3.79%	142	13.14	13.14	13.14	1,859.0	1,787.7	-0.06%	96.16%
2017	1,849.0	29,472,818	15,940	1.62%	141	13.11	13.11	13.11	1,850.1	1,771.9	-0.88%	95.77%

Sources: District records

Note: Enrollment based on annual October District count.

HASBROUCK HEIGHTS SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
(unaudited)

J-18

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<u>District Building</u>										
<u>Elementary</u>										
Square Feet	33,317	33,317	33,317	33,317	33,317	33,317	33,317	33,317	33,317	33,317
Capacity (students)	425	425	425	425	425	425	425	425	425	425
Enrollment	366	386	371	367	394	455	448	439	439	387
Square Feet	33,317	33,317	33,317	33,317	33,317	33,317	33,317	33,317	33,317	33,317
Capacity (students)	425	425	425	425	425	425	425	425	425	425
Enrollment	366	387	421	412	454	469	455	446	439	414
<u>Middle/High School</u>										
Square Feet	103,681	103,681	103,681	103,681	103,681	103,681	103,681	103,681	103,681	103,681
Capacity (students)	850	850	850	850	850	850	850	850	850	850
Enrollment	833	844	862	859	944	999	989	990	990	1,048
Number of Schools at June 30, 2017										
Elementary = 2	2	2	2	2	2	2	2	2	2	2
Middle School =1	1	1	1	1	1	1	1	1	1	1
Senior High School = 1	1	1	1	1	1	1	1	1	1	1
	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>

Source: District Facilities Office

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

HASBROUCK HEIGHTS SCHOOL DISTRICT
SCHEDULE OF REQUIRED MAINTENANCE EXPENDITURES BY SCHOOL FACILITY
LAST TEN FISCAL YEARS
(unaudited)

J-19

**UNDISTRIBUTED EXPENDITURES - REQUIRED
MAINTENANCE FOR SCHOOL FACILITIES**

<u>*School Facilities</u>	<u>School Number</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Hasbrouck Heights Middle/High School	50	\$ 185,317	\$ 196,325	\$ 162,483	\$ 144,429	\$ 154,006	\$ 200,817	\$ 211,204	\$ 176,635	\$ 254,185	\$ 286,350
Euclid	60	59,241	65,441	54,161	48,143	51,335	66,939	70,401	58,878	84,728	95,450
Lincoln	80	59,241	65,441	54,161	48,143	51,336	66,939	70,401	58,878	84,728	95,450
Total School Facilities		<u>\$ 303,799</u>	<u>\$ 327,207</u>	<u>\$ 270,805</u>	<u>\$ 240,715</u>	<u>\$ 256,677</u>	<u>\$ 334,695</u>	<u>\$ 352,006</u>	<u>\$ 294,391</u>	<u>\$ 423,641</u>	<u>\$ 477,250</u>

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

Source: District records

HASBROUCK HEIGHTS SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2017
(unaudited)

J-20

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy - School Alliance Ins. Fund (SAIF)		
Commercial Property - Blanket Building and Contents, Flood, Earthquake	\$ 53,480,717	\$ 1,000
Comprehensive General Liability	5,000,000	
Comprehensive Automobile Liability	5,000,000	
Commercial Inland Marine Coverage	Various	
Board of Education Legal Liability-Darwin National-PGU	5,000,000	10,000/30,000
Crime	500,000	1,000
Umbrella Liability - SAIF Insurance AL/GL only	15,000,000	
Boiler and Machinery - SAIF (Hartford Steam)	100,000,000	1,000
Environmental Impairment Liability	1,000,000	1,000
Ace Illinois Insurance Company	25,000,000	Policy Aggregate
Student and Athletic Insurance	25,000	
Full Excess	5,000,000	
Additional Excess Liability Policy		
Fireman's Fund	50,000,000	
Foreign Liability	1,000,000	
Workers Compensation - Sober VII JIF	Pool Limits	
Official Bonds		
Dina Messery, Board Secretary/Business Admin.	25,000	
Robyn Scholz, Assistant to the Business Admin.	10,000	

SINGLE AUDIT SECTION

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

Independent Auditors' Report

**The Honorable President and Members of
the Board of Education
Hasbrouck Heights School District
County of Bergen
Hasbrouck Heights, New Jersey**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Hasbrouck Heights School District, in the County of Bergen, State of New Jersey (the "District"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise District's basic financial statements, and have issued our report thereon dated December 4, 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

PKF O'Connor Davies, LLP

Livingston, New Jersey
December 4, 2017

Francis M. McEnerney

Francis McEnerney, CPA, PSA
Licensed Public School Accountant #245500

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

Independent Auditors' Report

**The Honorable President and Members of
the Board of Education
Hasbrouck Heights School District
County of Bergen
Hasbrouck Heights, New Jersey**

Report on Compliance for Each Major Federal and State Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal and State Program

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

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 program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with the Uniform Guidance and New Jersey OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

Purpose of This Report

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

PKF O'Connor Davies, LLP

Livingston, New Jersey
December 4, 2017

Francis M. McEnerney

Francis McEnerney, CPA, PSA
Licensed Public School Accountant #245500

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

Federal Grant/ Program Title	Federal CFDA Program	FED #	Award Amount	Grant Period	Pass Through Identification Number	Pass Through to SUSSEX COUNTY	Accounts Debit	Due To County	Cash Received	Subcontract Expenditures	Adjustments	Repayment of Federal Grant Balance	Balance, June 30, 2017	
													Accounts Receivable	Due To Grantee
U.S. Department of Education Passed-Through State Department of Education Reading Assistance Program (SEUN)	93.778	1705NLMAP	\$ 24,521	7/1/16-6/30/17			\$	\$	\$ 3,261	\$ 3,261	\$	\$	\$	\$
Total General Fund									3,261	3,261				
U.S. Department of Education Passed-Through State Department of Education Title I, Part A, Grants to Local Agencies Title I, Part A, Grants to Local Agencies Subtotal Title I, Part A, Grants to Local Agencies	84.027 84.027 84.125	H027A1750100 H027A1850100 H173A1850114	442,854 482,908 19,581	7/1/16-6/30/17 7/1/16-6/30/17 7/1/16-6/30/17			207,482 207,482 207,482		394,545 207,482 602,024	423,710 423,710 423,710			31,165 31,165 31,165	
Title I, Part A, Grants to Local Agencies Title I, Part A, Grants to Local Agencies Subtotal Title I, Part A, Grants to Local Agencies	84.010A 84.010A	5010A1750030 5010A1850030	183,180 182,902	7/1/16-6/30/17 7/1/16-6/30/17			58,122 58,122		114,372 114,372	149,921 149,921			35,549 35,549	
Title I, Part A, Improving Teacher Quality Title I, Part A, Improving Teacher Quality Subtotal Title I, Part A, Improving Teacher Quality	84.367A 84.367A	5367A1750029 5367A1850029	27,755 72,396	7/1/16-6/30/17 7/1/16-6/30/17			4,192 4,192		34,885 39,077	41,683 41,683			6,403 6,403	
Title II, NCLB English Language Acquisition Title II, NCLB English Language Acquisition Subtotal Title II, NCLB English Language Acquisition	84.365A 84.365A 84.365A	5365A1750030 5365A1850030 5365A1750030	59,364 53,387 10,323	7/1/16-6/30/17 7/1/16-6/30/17 7/1/16-6/30/17			35,121 35,121 1,897		2,711 35,121 444	36,103 1,314 31,437			27,392 870 28,262	
Title III, Immigrant Subtotal Title III, Immigrant	84.363A	5363A1850030	14,612	7/1/16-6/30/17			24,824		40,435	31,437			28,262	
Total Special Revenue Fund							352,819		837,822	649,731			191,278	
U.S. Department of Education Passed-Through State Department of Ed Entomology Fund National Reading Research Program National School Lunch Program Total Special Revenue Fund	10.555 10.555	17161NLM04199 16161NLM04199		7/1/16-6/30/17 7/1/16-6/30/17			9,708 9,708		127,115 9,708	125,648 125,648			8,573 8,573	
Total Federal Financial Awards							\$ 315,318	\$	\$ 977,002	\$ 977,002	\$	\$	\$ 119,357	\$

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

K-4
Schedule 0

State Grants/Program Title	Grant or State Project Number	Award Amount	Grant Period	Pass Through Identification Number	Pass Through Subprojects	Balance, June 30, 2016 Accounts Receivable	Cash Received	Budgetary Expenditures	Adjustments	Reimbursement of Prior Year Balance	Accounts Receivable	Due To Grants	Budgetary Expenditures	WELP Due to Grants	
State Department of Education:	General Funds:														
	Second Education Ad	17-495-034-5120-069	7/1/16-6/30/17				906,001	997,437	3	\$	\$	\$	90,656	\$ 997,437	
	Extracurricular Ad	17-100-034-5120-044	328,040	7/1/16-6/30/17				328,040			328,040			328,040	
	Transportation Ad	17-495-034-5120-014	40,399	7/1/16-6/30/17				40,399					3,131	40,399	
	Security Ad	17-495-034-5120-064	15,477	7/1/16-6/30/17				15,477					1,120	15,477	
	Security Ad	17-495-034-5120-064	48,450	7/1/16-6/30/17				48,450					3,600	48,450	
	Security Ad	16-495-034-5120-064	40,367	7/1/15-6/30/16		23,065		23,065							
	Account Ad	17-495-034-5120-065	14,450	7/1/15-6/30/16		1		14,450						1	
	Account Ad	17-495-034-5120-065	18,150	7/1/15-6/30/16		1		18,150						1	
	PARCC Readiness Ad	17-495-034-5120-096	18,510	7/1/16-6/30/17				18,510					1,512	18,510	
	Per Fuel Growth Ad	17-495-034-5120-097	18,510	7/1/16-6/30/17				18,510					1,512	18,510	
	Professional Learning Community Ad	17-495-034-5120-101	18,150	7/1/16-6/30/17				18,150					1,484	18,150	
	On-behalf TFAF Pension Contributions	17-495-034-5095-001	1,435,366	7/1/16-6/30/17			53,471		1,435,366					1,435,366	
	TFAF Social Security Contributions	17-495-034-5094-003	1,196,002	7/1/16-6/30/17				1,196,002	1,435,366		47,665			1,196,002	
	On-behalf TFAF Pension Contributions	17-495-034-5094-003	919,416	7/1/16-6/30/17				919,416	1,196,002					919,416	
Total General Funds		997,307				48,303	4,153,817	3,079,132			315,903		104,416	3,079,132	
Special Revenue Funds															
	Textbook Ad	17-100-034-5120-064	19,252	7/1/16-6/30/17			19,252	19,252						19,252	
	Textbook Ad	16-100-034-5120-064	19,643	7/1/16-6/30/17		684		19,252						77,845	
	Compensation Education	17-100-034-5120-067	120,833	7/1/16-6/30/17		24,535	120,833	77,845				43,000			
	Enrollment Education	17-100-034-5120-067	12,789	7/1/16-6/30/17			12,789	4,842				7,947		4,842	
	Enrollment as a Second Language	16-100-034-5120-067	10,871	7/1/16-6/30/17		683		683							
	Enrollment as a Second Language	17-100-034-5120-067	15,300	7/1/16-6/30/17			15,300	15,300						15,300	
	Instructional Technology	17-100-034-5120-067	26,660	7/1/16-6/30/17				23,541					3,199	23,541	
	Socioemotional Instruction	16-100-034-5120-066	28,732	7/1/15-6/30/16		2,673		2,673					12,599	2,673	
	Examination and Classification	17-100-034-5120-066	33,877	7/1/16-6/30/17		7,644		33,877					12,968	40,022	
	Instructional Technology	17-100-034-5120-066	53,010	7/1/16-6/30/17			53,010	40,022						40,022	
	Curriculum Search	16-100-034-5120-066	48,820	7/1/15-6/30/16		10,535		10,535					191	29,869	
	Nurse Services	17-100-034-5120-070	30,060	7/1/16-6/30/17			30,060	29,869						29,869	
	Instructional Technology	17-100-034-5120-067	18,700	7/1/16-6/30/17			837	18,700					502	18,198	
	Security Ad	16-100-034-5120-509	8,600	7/1/15-6/30/16		225		8,600							
Technology	17-100-034-5120-373	8,664	7/1/16-6/30/17			8,664	8,664						8,664		
Total Special Revenue Funds		6,364				48,317	337,653	238,531	0.00			89,454	238,531		
Capital Projects Fund:															
	NJ School Development Authority (SDA)														
	Debt Service Fund:														
	Debt Service Fund:	17-495-034-5120-075	174,102	7/1/16-6/30/17			174,102	174,102						174,102	
	Debt Service Fund:														
	Enterprise Fund	17-100-010-3150-020	4,665	7/1/16-6/30/17			4,390	4,665			295			4,665	
	National School Lunch Program	16-100-010-3150-020	4,468	7/1/15-6/30/16			3,278	5,654,772			907,335			5,654,772	
	Total State Financial Awards						133,168	5,871,133	5,871,133		907,335	89,454		5,871,133	
	Less: On-behalf TFAF Pension System Contribution														
		Total for State Financial Awards - After Grant Depreciation							(3,631,561)						(3,631,561)
									3,239,572						3,239,572

HASBROUCK HEIGHTS SCHOOL DISTRICT**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

JUNE 30, 2017

1. GENERAL

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

2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of federal and state awards are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 2 to the Board's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of basic financial statements.

3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$(14,320) for the general fund and \$-0- for the special revenue fund. See Exhibit "C-3" (the Notes to Required Supplementary Information) for a reconciliation of the budgetary basis to the modified accrual basis of accounting for general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented on the following page:

HASBROUCK HEIGHTS SCHOOL DISTRICT

NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

JUNE 30, 2017

3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (Continued)

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 3,281	\$ 5,088,100	\$ 5,088,100
Special Revenue Fund	648,731	256,632	905,363
Capital Projects Fund		531,738	531,738
Debt Service Fund		161,270	161,270
Food Service Fund	<u>135,688</u>	<u>4,685</u>	<u>140,373</u>
Total Awards and Financial Assistance	<u>\$ 787,700</u>	<u>\$ 6,042,425</u>	<u>\$ 6,830,125</u>

4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

5. FEDERAL AND STATE LOANS OUTSTANDING

The Hasbrouck Heights School District had no loans outstanding as of June 30, 2017.

6. OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions, respectively. The amount reported as TPAF Pension Contributions/Medical Benefits represents the amount paid by the state on behalf of the District for the year ended June 30, 2017. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2017.

7. INDIRECT COSTS

The District did not use 10% of the de minimis indirect cost rate.

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

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

1) Material weakness(es) identified?

_____ Yes √ No

2) Were significant deficiencies identified that are not considered to be material weaknesses?

_____ Yes √ None Reported

Noncompliance material to basic financial statements noted?

_____ Yes √ No

Federal Awards Section

Internal control over major programs:

1) Material weakness(es) identified?

_____ Yes √ No

2) Were significant deficiencies identified that are not considered to be material weaknesses?

_____ Yes √ No

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with OMB Uniform Guidance?

_____ Yes √ No

Identification of major Programs:

<u>CFDA Number(s)</u>	<u>FAIN #</u>	<u>Name of Federal Program</u>
84.027	S027A170100	Special Education – Individuals With Disabilities (IDEA)

Dollar threshold used to distinguish between Type A and Type B Programs:

\$750,000

Auditee qualified as low-risk auditee?

√ Yes _____ No

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

State Awards

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

\$750,000

Auditee qualified as low-risk auditee? √ Yes No

Internal control over major programs:

1) Material weakness(es) identified) Yes √ No

2) Significant deficiencies identified that are not considered to be material weaknesses? Yes √ None Reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 05-08?

 Yes √ No

Identification of major programs:

GMIS/Program NumberName of State Program or Cluster

495-034-5120-089	Special Education Categorical Aid
495-034-5120-084	Security Aid
495-034-5120-085	Additional Adjustment Aid
495-034-5120-101	Professional Learning Community Aid
495-034-5120-096	Under Adequacy Aid
495-034-5120-098	PARCC Readiness Aid
495-034-5120-097	Per Pupil Growth Aid
495-034-5120-078	Equalization Aid

Dollar Threshold used to distinguish between Type A and Type B Programs

\$750,000

Auditee qualified as low-risk auditee? √ Yes No

Section II - Financial Statement Findings

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

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

Section III - Summary of Auditor's Results

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

a) Federal Award Findings and Questioned Costs:

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

b) State Award Findings and Questioned Costs:

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

HASBROUCK HEIGHTS SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2017

Section IV:

a) Federal Award Findings and Questioned Costs:

NONE

b) State Award Findings and Questioned Costs:

NONE