

**Comprehensive Annual
Financial Report**

of the

Borough of Hawthorne Board of Education

County of Passaic

Hawthorne, New Jersey

For the Fiscal Year Ended June 30, 2017

Prepared by

**Borough of Hawthorne, Board of Education
Finance Department**

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INTRODUCTORY SECTION

HAWTHORNE PUBLIC SCHOOLS

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November 13, 2017

Trude Engle

School Business Administrator

Honorable President and
Members of the Board of Education
Hawthorne Public Schools
County of Passaic, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Hawthorne Public Schools (District) for the fiscal year ended June 30, 2017 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

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

REPORTING ENTITY AND ITS SERVICES:

The Hawthorne Public Schools is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB) as established by National Council on Governmental Accounting (NCGA) Statement No. 3. The Hawthorne Board of Education and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre-K through 12. These include regular, vocational and special education programs. The District completed the 2016-2017 fiscal year with an average daily enrollment of 2506 students, an increase of 54 students from 2015-2016. The following details the in-District student enrollment of the District over the last ten years.

Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Annual Percent Change</u>
2016-2017	2506	1.022%
2015-2016	2452	1.012%
2014-2015	2424	(.98%)
2013-2014	2448	(.69%)
2012-2013	2464	.14%
2011-2012	2430	(.21%)
2010-2011	2481	.61%
2009-2010	2,466	.78%
2008-2009	2,447	.78%
2007-2008	2,428	1.9%

2. MAJOR INITIATIVES 2016-2017:

1. Introduction of Integrated Pre-School class
2. Teaming in Grade 7
3. Readers/Writers Workshop
4. Expanded Work Language K-8
5. Ongoing Professional development
6. Revisions to numerous curriculum:
7. Adopted New Math series
8. Created a STEM class at middle school
9. Renovated TV studio at high school
10. District mobile App
11. Point of sales at middle school
12. Network switches
13. Epson projectors and boards
14. Lighting upgrades
15. Cameras installed on all district buses
16. Baseball and softball field upgrades at HHS
17. District wide lead testing

3. INTERNAL ACCOUNTING CONTROLS:

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

As a recipient of federal and state financial assistance, the District also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the District's management. As part of the District's single audit described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal and state financial assistance programs, as well as to determine that the District has complied with applicable laws and regulations.

4. BUDGETARY CONTROLS:

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

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

5. ACCOUNTING SYSTEM AND REPORTS:

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

6. CASH MANAGEMENT:

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

7. RISK MANAGEMENT:

The District is a member of the Northeast Bergen County School Board Insurance Group (the “Fund”). The Fund is a risk-sharing public entity pool established for the purpose of insuring against workers’ compensation claims, general liability, property and vehicle insurance.

8. OTHER INFORMATION:

State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The Board’s finance committee selected the accounting firm of Suplee, Clooney & Company. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act as amended and the related Uniform Guidance and State Treasury Circular Letter 15-08 OMB. The auditor’s report on the basic financial statements is included in the financial section of this report.

The auditor’s reports related specifically to the single audit are included in the single audit section of this report.

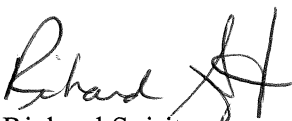
The Hawthorne School Board entered into a new contract with Pomptonian Food Services to manage the District’s cafeteria operation for the 2014/2015, 2015/2016, 2016/2017, 2017/2018 & 2018/2019 school years. The award is based on Pomptonian’s prior performance and that firm’s 2014/2015 selection via the Request for Proposal process. The Hawthorne School Board will conduct Request for Proposal process for the 2019/2020 school year.

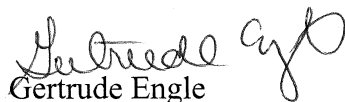
The Hawthorne Board of Education renewed its membership in the Northeast Bergen County Insurance Group. This is a joint insurance group participating with other local school boards to provide general liability, vehicle, and worker’s compensation coverage in a cost-effective manner. The Hawthorne Board of Education participates with State Health Benefit Program (SHBP) for medical insurance/prescription, and dental coverage from Delta Dental.

9. ACKNOWLEDGMENTS:

We would like to express our appreciation to the members of the Hawthorne 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 administrative, financial, accounting, and secretarial staffs.

Respectfully submitted,


Richard Spirito
Superintendent of Schools


Gertrude Engle
Board Secretary/Business Administrator

**HAWTHORNE BOARD OF EDUCATION
HAWTHORNE, NJ**

**ROSTER OF OFFICIALS
JUNE 30, 2017**

<u>Board Members</u>	<u>Term Expires</u>
Mr. Alexander Clavijo, President	2019
Mr. Michael Sciarra, Vice President	2017
Ms. Abigail Goff	2018
Mr. Bruce Reicher	2019
Mr. Victor Terraglia	2018
Mr. Louis B. Turco	2019
Mr. Michael Doyle	2017
Mr. Anthony Puluse	2017
Ms. Tania Sanford	2018

Other Officials

Mr. Richard Spirito, Superintendent of Schools
Ms. Gertrude Engle, Business Administrator/Board Secretary
Mr. Stephen Fogarty, Esq.

**HAWTHORNE BOARD OF EDUCATION
HAWTHORNE, NJ
CONSULTANTS AND ADVISORS**

Audit Firm

Suplee, Clooney & Company
308 East Broad Street
Westfield, NJ 07090

Attorney

Fogarty & Hara, Esqs.
21-00 Route 208 South
Fair Lawn, NJ 07410

Official Depository

Columbia Bank
496 Lafayette Ave
Hawthorne, NJ 07506

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FINANCIAL SECTION



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

Telephone 908-789-9300 Fax 908-789-8535

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INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
Borough of Hawthorne School District
County of Passaic
Hawthorne, New Jersey 07506

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey, and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and State of New Jersey *OMB Circular 15-08* "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid." Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

SUPLEE, CLOONEY & COMPANY

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

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

Opinion

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

Other Matters

Required Supplementary Information

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

SUPLEE, CLOONEY & COMPANY

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 13, 2017 on our consideration of the Borough of Hawthorne School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough of Hawthorne School District's internal control over financial reporting and compliance.


CERTIFIED PUBLIC ACCOUNTANTS


PUBLIC SCHOOL ACCOUNTANT NO. 948

November 13, 2017

REQUIRED SUPPLEMENTARY INFORMATION – Part I

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

BOROUGH OF HAWTHORNE SCHOOL DISTRICT

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

The discussion and analysis of the Borough of Hawthorne School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements-Management's Discussion and Analysis-for the State and Local Governments* issued in June 1999. Certain comparative information between the current fiscal year (2016-2017) and the prior fiscal year (2015-2016) is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for 2017 are as follows:

- The state continues to delay the final two state aid payments into the subsequent budget year. Therefore, the final two payments were not reflected on the GAAP basis financial statements for the 2016/2017 school year. The amount of the deferred state aid payments, which were received in July 2017, is \$132,927.
- General revenues accounted for \$37,824,991 or 70% of all revenues. Program specific revenues in the form of charges for services and operating/capital grants and contributions accounted for \$16,125,225 or 30% of all revenues.
- The District had \$52,102,024 in expenses that were adequately provided for by general revenues consisting primarily of state aid and property taxes.

Using this 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 whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

BOROUGH OF HAWTHORNE SCHOOL DISTRICT

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

The *Statement of Net Position and Statement of Activities* provide information about the activities of the whole 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 governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. 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. In the case of the district, the General Fund is by far the most significant fund.

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2017?" The Statement of Net Position and the Statement of Activities answers this question. These statements include all assets and liabilities 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 position and changes in those assets. This change in net position is important because it tells the reader that, for the school district as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial and some not. Non-financial factors include current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the District is divided into two distinct kinds of activities:

- **Government Activities** – All of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant facilities, student transportation and extracurricular activities.
- **Business-Type Activities** – This service is provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service program, School Aged Child Care and the Integrated Preschool program are reported as business activities.

BOROUGH OF HAWTHORNE SCHOOL DISTRICT

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

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund Financial reports provide detailed information about the District's funds. The District uses many 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.

Governmental Funds

The District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps 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 (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Enterprise Fund

The enterprise fund uses the same basis of accounting as business-type activities. These statements closely resemble financial statements of a private sector business entity.

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the District as a whole.

BOROUGH OF HAWTHORNE SCHOOL DISTRICT

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

Table 1 provides a comparative summary of the District's net position for 2017 and 2016.

	Table 1	
	Net Position	
	<u>2017</u>	<u>2016</u>
Assets		
Current and Other Assets	\$4,694,915.56	\$3,984,055.12
Capital Assets	<u>7,751,695.00</u>	<u>7,168,125.00</u>
Total Assets	12,446,610.56	11,152,180.12
 Deferred Outflows:		
Related to Pensions	4,399,009.00	2,069,372.00
Loss on Refunding of Long-term Debt	<u>3,251.19</u>	<u>4,324.25</u>
	4,402,260.19	2,073,696.25
 Liabilities		
Other Liabilities	15,992,457.56	13,424,425.05
Long-Term Liabilities	<u>6,853,302.21</u>	<u>7,870,933.64</u>
Total Liabilities	22,845,759.77	21,295,358.69
 Deferred Inflows:		
Related to Pensions	<u>1,864,679.00</u>	<u>1,640,279.00</u>
 Net Position		
Net Investment in Capital Assets(Deficit)	1,612,496.32	86,603.63
Restricted	2,165,919.63	1,142,805.23
Unrestricted(Deficit)	<u>(11,639,983.97)</u>	<u>(10,939,170.18)</u>
Total Net Position	<u><u>(\$7,861,568.02)</u></u>	<u><u>(\$9,709,761.32)</u></u>

The District's combined net position were (\$7,861,568.02) on June 30, 2017. The District's investment in capital assets is shown net of any related debt used to acquire those assets.

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

Table 2 shows changes in net assets for fiscal years 2017 and 2016.

Table 2
Changes in Net Position

	<u>2017</u>	<u>2016</u>
Revenues		
Program Revenues:		
Charges for Services	\$861,182.01	\$776,769.09
Operating Grants and Contributions	15,264,043.94	12,272,875.64
Capital Grants and Contributions		
General Revenues:		
Property Taxes	37,061,382.00	36,347,601.00
Grants and Entitlements	659,794.00	646,123.00
Other	<u>103,815.12</u>	<u>126,090.41</u>
Total Revenues	<u>53,950,217.07</u>	<u>50,169,459.14</u>
Program Expenses		
Instruction	31,492,910.56	29,182,661.52
Support Services:		
Student and Instruction Related	9,306,084.01	8,533,607.20
General Administration	734,750.80	597,187.56
School Administration	2,283,893.70	2,222,727.57
Central Services/ Adm. Of Technology	972,016.48	705,806.69
Maintenance of Facilities	4,233,715.56	3,784,139.57
Student Transportation	1,709,229.47	1,611,191.20
Business Type Activities	1,174,140.58	1,185,350.36
Other	<u>195,282.61</u>	<u>423,195.38</u>
Total Expenses	<u>52,102,023.77</u>	<u>48,245,867.05</u>
Increase/ (Decrease) in Net Position	<u>\$1,848,193.30</u>	<u>\$1,923,592.09</u>

Both revenues and expenses increased mainly as a result of the district recognizing a larger on-behalf TPAF contribution as a revenue and as an expense based upon the State's Actuarial report

BOROUGH OF HAWTHORNE SCHOOL DISTRICT

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

Government Activities

The nature of funding public education primarily through property taxes in New Jersey creates the legal requirements to annually seek voter approval for the School District budget. Property taxes made up 70 percent of revenues for governmental activities in the District. There was a \$713,781 increase in property taxes or 2 percent from the prior year. The District's total revenues were \$52,720,490 for the year ended June 30, 2017.

Instruction comprises 62 percent of district expenses. Support services make up 37 percent of the district expenses and other services and expenses make up 1 percent.

Business-Type Activities

Revenues for the District's business-type activities were comprised of charges for services and operating grants and contributions in the food service program and the adult community school program. The following are some of our major business type activity results.

- Business type revenues exceeded expenses by \$55,886.
- Revenues consist of \$861,182 in operating revenue from charges for services and \$397,081 in grants and contributions from State, Federal and other sources.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Table 3
Net Cost of Services**

	<u>Total Cost of Services 2017</u>	<u>Total Cost of Services 2016</u>	<u>Net Cost of Services 2017</u>	<u>Net Cost of Services 2016</u>
Instruction	\$31,492,910.56	29,182,661.52	\$20,043,219.06	\$19,823,168.29
Support Services:				
Students and Instruction Related	9,306,084.01	8,533,607.20	6,937,646.37	6,693,337.63
General Administration, School				
& Central Administration	3,990,660.98	3,525,721.82	3,223,598.96	2,979,013.90
Maintenance of Facilities	4,233,715.56	3,784,139.57	4,126,576.49	3,784,139.57
Student Transportation	1,709,229.47	1,611,191.20	1,505,602.14	1,467,446.20
Other	195,282.61	423,195.38	195,282.61	423,195.38
Business-Type Activities	<u>1,174,140.58</u>	<u>1,185,350.36</u>	<u>(55,127.80)</u>	<u>25,921.36</u>
Total Net Cost of Services	<u>\$52,102,023.77</u>	<u>\$48,245,867.05</u>	<u>\$35,976,797.83</u>	<u>\$35,196,222.33</u>

BOROUGH OF HAWTHORNE SCHOOL DISTRICT

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

Instruction expenses include activities directly dealing with the teaching of students and the interaction between teacher and student, including extracurricular activities. Tuition paid to other schools for regular and special education students is also included here.

Students and instruction related include the activities involved with assisting staff with the content and process of teaching to students, including curriculum and staff development.

General administration, school administration, and central services include expenses associated with administrative and financial management of the District.

Operation and maintenance of facilities involve keeping the school grounds, buildings and equipment in an effective operating condition.

Student transportation includes activities with the conveyance of special education students to and from school, school activities and athletic events, as provided by state law.

"Other" includes unallocated depreciation and interest on long term debt.

Business-Type activities include activities in the food service program and the adult community school program.

The School District's Funds

All governmental funds (i.e., general fund, special revenue fund, capital projects fund, and debt service fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$45,987,909.80 and expenditures were \$45,705,587.52.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management, which required significant budget adjustments to contend with state aid reductions. The following schedules, which do not include the Capital Project Fund's activity, present a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2017, and the amount and percentage of increase or decrease in relation to prior year revenues.

<u>Revenues</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase(Decrease) from FY 2016</u>	<u>Percent Increase (Decrease)</u>
Local Sources	\$37,237,053.42	80.97%	\$812,925.23	2.86%
State Sources	7,582,597.23	16.49%	931,292.54	3.67%
Federal Sources	<u>1,168,259.15</u>	<u>2.54%</u>	<u>(42,454.74)</u>	<u>(2.87)%</u>
Total	<u>\$45,987,909.80</u>	<u>100.00%</u>	<u>\$1,701,763.03</u>	<u>3.08%</u>

BOROUGH OF HAWTHORNE SCHOOL DISTRICT

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

The following schedule represents a summary of general fund, special revenue fund, and debt service fund expenditures for the fiscal year ended June 30, 2017, and the percentage of increases and decreases in relation to prior year amounts.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase(Decrease) from FY 2016</u>	<u>Percent Increase (Decrease)</u>
Current:				
Instruction	\$16,701,284.73	36.54%	\$141,439.00	0.84%
Support Services	26,524,487.17	58.03%	1,352,642.83	4.85%
Capital Outlay	1,184,886.21	2.59%	574,713.36	32.66%
Debt Service	<u>1,294,929.41</u>	<u>2.83%</u>	<u>(60,661.35)</u>	<u>(4.91)%</u>
Total	<u>\$45,705,587.52</u>	<u>100.00%</u>	<u>\$2,008,133.84</u>	<u>3.73%</u>

General Fund Budgeting Highlights

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

Over the course of the year, the Board of Education, when appropriate, approved budget transfers to keep accounts in balance. Transfers to the budget were made to accurately reflect expenditures according to state guidelines and prevent over-expenditures in specific line item accounts. These revisions bear notation:

- TPAF, which is the State's contribution to the pension fund, post-retirement benefits and the employer's share of FICA costs, is neither a revenue or expenditure item in the budget; however, the School District is required to present this information in the revenue and expenditure sections of the report.

Debt Administration

At June 30, 2017, the District had \$21,814,895 of outstanding long-term liabilities. Of this amount, \$611,691 is for compensated absences; \$281,376 for capital leases; \$84,235 for deferred pension obligation, \$14,961,593 for pension liability and \$6,981,000 of serial bonds.

Capital Assets

At the end of the fiscal year 2017, the District had a net of \$7,751,695 invested in land, building and building improvements, and machinery and equipment. Table 4 shows fiscal year 2017 balances compared to 2016.

BOROUGH OF HAWTHORNE SCHOOL DISTRICT

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

**Table 4
Capital Assets (Net of Depreciation)**

	<u>2017</u>	<u>2016</u>
Governmental Activities Capital Assets, Net:		
Land	\$310,876.00	\$310,876.00
Building and Building Improvements	6,370,429.00	5,922,520.00
Machinery and Equipment	<u>893,037.00</u>	<u>739,220.00</u>
Total Governmental Activities Capital Assets, Net	<u>7,574,342.00</u>	<u>6,972,616.00</u>
Business Type Activities Capital Assets, Net:		
Machinery and Equipment	<u>177,353.00</u>	<u>195,509.00</u>
Total Business Type Activities Capital Assets, Net:	<u>177,353.00</u>	<u>195,509.00</u>
Total Capital Assets, Net	<u><u>\$7,751,695.00</u></u>	<u><u>\$7,168,125.00</u></u>

Overall net capital assets increased by \$583,570 from fiscal year 2016 to fiscal year 2017.

For the Future

Everyone associated with the Hawthorne School District is grateful for the community support of the schools. A major concern is the financial support required to maintain appropriate class sizes and services. This, in an environment of virtually flat state aid support, means an ever-increasing reliance on local property taxes.

In conclusion, the Hawthorne School District has committed itself to financial and educational excellence. Its system for financial planning, budgeting and internal financial controls is audited annually and it plans to continue to manage its finances in order to meet the many challenges ahead.

Contacting the School District's Financial Management Office

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information contact: Gertrude Engle, Business Administrator/Board Secretary, Hawthorne Board of Education, 445 Lafayette Avenue, Hawthorne, NJ 07507. Also, please visit our website to learn more about our School District.

BASIC FINANCIAL STATEMENTS

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

DISTRICT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of changes in net position display information about the District. These statements include the financial activities of the overall district, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the District.

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>	<u>TOTAL</u>
ASSETS:			
Cash and cash equivalents	\$3,436,488.87	\$285,390.52	\$3,721,879.39
Receivables, net	873,377.22	21,986.87	895,364.09
Internal Balances		70,778.21	70,778.21
Inventory		6,893.87	6,893.87
Capital assets:			
Non Depreciable	310,876.00		310,876.00
Depreciable - Net	<u>7,263,466.00</u>	<u>177,353.00</u>	<u>7,440,819.00</u>
Total Assets	<u>11,884,208.09</u>	<u>562,402.47</u>	<u>12,446,610.56</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Related to pension	4,399,009.00		4,399,009.00
Loss on Refunding of Long-Term Debt	<u>3,251.19</u>		<u>3,251.19</u>
Total deferred outflow of resources	<u>4,402,260.19</u>	<u>0.00</u>	<u>4,402,260.19</u>
LIABILITIES:			
Accounts payable	812,927.31	7,997.45	820,924.76
Payable to state government	55,917.51		55,917.51
Payable to other funds	58,168.96		58,168.96
Unearned revenue	24,035.95	7,370.16	31,406.11
Accrued interest payable	64,447.22		64,447.22
Net pension liability	14,961,593.00		14,961,593.00
Noncurrent liabilities:			0.00
Due within one year	1,235,363.86		1,235,363.86
Due beyond one year	<u>5,617,938.35</u>		<u>5,617,938.35</u>
Total liabilities	<u>22,830,392.16</u>	<u>15,367.61</u>	<u>22,845,759.77</u>
DEFERRED INFLOWS OF RESOURCES:			
Related to pension	<u>1,864,679.00</u>		<u>1,864,679.00</u>
NET POSITION:			
Net Investment in capital assets	1,435,143.32	177,353.00	1,612,496.32
Restricted for:			0.00
Capital projects	6,397.11		6,397.11
Debt service(deficit)	(39,258.16)		(39,258.16)
Other purposes	2,198,780.68		2,198,780.68
Unrestricted(deficit)	<u>(12,009,665.83)</u>	<u>369,681.86</u>	<u>(11,639,983.97)</u>
Total net position	<u>(\$8,408,602.88)</u>	<u>\$547,034.86</u>	<u>(\$7,861,568.02)</u>

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

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
JUNE 30, 2017

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
			Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 11,081,573.71	\$ 8,437,531.01	\$ 27,036.49	\$ 6,063,513.40	\$ (13,428,554.84)	\$	\$ (13,428,554.84)
Special	6,929,886.96	3,382,334.69	1,500.00	5,078,943.03	(5,231,778.62)		(5,231,778.62)
Other Instruction	1,168,223.16	493,361.03		278,698.59	(1,382,885.60)		(1,382,885.60)
Support services:				0.00	0.00		0.00
Student & instruction related services	5,766,775.65	3,539,308.36		2,368,437.64	(6,937,646.37)		(6,937,646.37)
General administrative services	511,024.52	223,726.28		194,653.36	(540,097.44)		(540,097.44)
School administrative services	1,250,785.41	1,033,108.29		545,090.51	(1,738,803.19)		(1,738,803.19)
Central services	297,684.98	112,159.99		18,255.55	(391,589.42)		(391,589.42)
Administration information technology	478,846.98	83,324.53		9,062.60	(553,108.91)		(553,108.91)
Plant operations and maintenance	3,159,864.52	1,073,851.04		107,139.07	(4,126,576.49)		(4,126,576.49)
Pupil transportation	1,473,058.48	236,170.99		203,627.33	(1,505,602.14)		(1,505,602.14)
Unallocated benefits	18,140,662.21	(18,140,662.21)					
Unallocated depreciation and amortization	474,214.00	(474,214.00)					
Interest on Long-Term Debt	195,282.61				(195,282.61)		(195,282.61)
Total governmental activities	50,927,883.19		28,536.49	14,867,421.08	(36,031,925.63)		(36,031,925.63)
Business-type activities							
Food Service	907,612.87		529,612.02	396,622.86		18,622.01	18,622.01
Integrated Preschool	28,513.59		39,000.00			10,486.41	10,486.41
School Aged Child Care Program	238,014.12		264,033.50			26,019.38	26,019.38
Total business-type activities	1,174,140.58		832,645.52	396,622.86		55,127.80	55,127.80
Total primary government	\$ 52,102,023.77	\$	\$ 861,182.01	\$ 15,264,043.94	\$ (36,031,925.63)	\$ 55,127.80	\$ (35,976,797.83)
General Revenues:							
Taxes:							
Property taxes, levied for general purpose					\$ 35,932,607.00	\$	\$ 35,932,607.00
Taxes levied for debt service					1,128,775.00		1,128,775.00
Federal and state aid not restricted					468,452.00		468,452.00
Federal and state aid restricted					191,342.00		191,342.00
Miscellaneous income					104,058.24	458.61	104,516.85
Canceled accounts payable					8,441.28		8,441.28
Loss on disposal of assets					(9,143.00)		(9,143.00)
Total general revenues and special items					37,824,532.52	458.61	37,824,991.13
Change in net position					1,792,606.89	55,586.41	1,848,193.30
Net Position- beginning					(10,201,209.77)	491,448.45	(9,709,761.32)
Net Position ending					(8,408,602.88)	547,034.86	(7,861,568.02)

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

MAJOR FUND FINANCIAL STATEMENTS

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

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	<u>GENERAL</u> <u>FUND</u>	<u>SPECIAL</u> <u>REVENUE</u> <u>FUND</u>	<u>CAPITAL</u> <u>PROJECTS</u> <u>FUND</u>	<u>DEBT</u> <u>SERVICE</u> <u>FUND</u>	<u>TOTAL</u> <u>GOVERNMENTAL</u> <u>FUNDS</u>
ASSETS:					
Cash and cash equivalents	\$ 3,283,371.48	\$ 105,533.62	\$ 21,323.71	\$ 26,260.06	\$ 3,436,488.87
Accounts receivable:					
Federal		178,345.22			178,345.22
State	692,382.00				692,382.00
Local	2,650.00				2,650.00
Interfunds	<u>155,504.10</u>				<u>155,504.10</u>
Total assets	<u>\$ 4,133,907.58</u>	<u>\$ 283,878.84</u>	<u>\$ 21,323.71</u>	<u>\$ 26,260.06</u>	<u>\$ 4,465,370.19</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts payable	\$ 300,869.78	\$ 61,030.53			\$ 361,900.31
Interfund payable	70,778.21	142,894.85			213,673.06
Intergovernmental payables:					
State		55,917.51			55,917.51
Unearned revenue		<u>24,035.95</u>			<u>24,035.95</u>
Total liabilities	<u>371,647.99</u>	<u>283,878.84</u>			<u>655,526.83</u>
Fund balances:					
Restricted for:					
Capital reserve account	1,000,000.00				1,000,000.00
Maintenance reserve account	850,000.00				850,000.00
Excess surplus	193,542.68				193,542.68
Excess surplus - Designated for subsequent years expenditures	155,238.00				155,238.00
Capital projects					0.00
Debt service				25,189.06	25,189.06
Assigned:					0.00
Year-end encumbrances	612,908.26		21,323.71		634,231.97
Designated for subsequent years expenditures				1,071.00	1,071.00
Unassigned	<u>950,570.65</u>				<u>950,570.65</u>
Total fund balances	<u>3,762,259.59</u>		<u>21,323.71</u>	<u>26,260.06</u>	<u>3,809,843.36</u>
					0.00
Total liabilities and fund balances	<u>\$ 4,133,907.58</u>	<u>\$ 283,878.84</u>	<u>\$ 21,323.71</u>	<u>\$ 26,260.06</u>	<u>\$ 4,465,370.19</u>

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

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

Total Fund Balances (Brought Forward)	\$	3,809,843.36
<p>Amounts Reported for Governmental Activities in the Statement of Net Position (A-1) are different because:</p> <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		
Cost of assets	\$ 23,375,358.00	
Accumulated depreciation	<u>(15,801,016.00)</u>	7,574,342.00
<p>Cost associated with the issuance of Bonds are expensed in the Governmental Funds in the year the bonds are issued, but are capitalized on the Statement of Net position:</p>		
Deferred amount on refunding, net		3,251.18
<p>Long term liabilities, including bonds payable, and other related amounts that are not due and payable in the current period and therefore are not reported as liabilities in the funds.</p>		
Serial bonds payable	(5,876,000.00)	
Net pension liability	(14,961,593.00)	
Capital leases payable	(281,376.47)	
Deferred pension obligation	(84,235.00)	
Compensated absences payable	<u>(611,690.74)</u>	(21,814,895.21)
<p>Deferred Outflows and Inflows of resources are applicable to future periods and therefore are not reported in the funds.</p>		
Pensions:		
Deferred Outflows		
Pension related		4,399,009.00
Deferred Inflows:		
Pension related		(1,864,679.00)
<p>Certain liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.</p>		
Accounts payable - pension related		(451,027.00)
Accrued interest payable		<u>(64,447.22)</u>
Net Position of Governmental Activities	\$	<u><u>(8,408,602.88)</u></u>

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

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

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
Local sources:					
Local tax levy	\$ 35,932,607.00	\$	\$	\$ 1,128,775.00	\$ 37,061,382.00
Tuition	28,536.49				28,536.49
Miscellaneous	104,058.24	43,076.69			147,134.93
Total - local sources	<u>36,065,201.73</u>	<u>43,076.69</u>		<u>1,128,775.00</u>	<u>37,237,053.42</u>
State sources	7,075,765.74	315,489.49		191,342.00	7,582,597.23
Federal sources	21,608.11	1,146,651.04			1,168,259.15
Total revenues	<u>43,162,575.58</u>	<u>1,505,217.22</u>		<u>1,320,117.00</u>	<u>45,987,909.80</u>
EXPENDITURES:					
Current expense:					
Regular instruction	10,045,031.40	525,778.38			10,570,809.78
Special instruction	4,103,947.59	858,304.20			4,962,251.79
Other Instruction	1,161,189.21	7,033.95			1,168,223.16
Support services:					0.00
Tuition	2,501,025.34				2,501,025.34
Student & instruction related services	5,654,552.16	114,100.69			5,768,652.85
General administrative services	512,901.72				512,901.72
School administrative services	1,252,662.61				1,252,662.61
Central services	299,562.18				299,562.18
Administrative information technology	478,846.98				478,846.98
Plant operations and maintenance	3,386,708.64				3,386,708.64
Student transportation	1,509,133.29				1,509,133.29
Unallocated benefits	10,814,993.56				10,814,993.56
Debt Service:					0.00
Principal				1,105,000.00	1,105,000.00
Interest				189,929.41	189,929.41
Capital outlay	976,145.74		208,740.47		1,184,886.21
Total expenditures	<u>42,696,700.42</u>	<u>1,505,217.22</u>	<u>208,740.47</u>	<u>1,294,929.41</u>	<u>45,705,587.52</u>
Excess (deficiency) of revenues over (under) expenditures	<u>465,875.16</u>		<u>(208,740.47)</u>	<u>25,187.59</u>	<u>282,322.28</u>
Other financing sources (uses):					0.00
Prior Year Accounts Payable Cancelled	8,441.28				8,441.28
Capital leases (non-budgeted)	388,293.00				388,293.00
Total other financing sources	<u>396,734.28</u>				<u>396,734.28</u>
Net change in fund balances	862,609.44		(208,740.47)	25,187.59	679,056.56
Fund balances, July 1, 2016	2,899,650.15	-0-	230,064.18	1,072.47	3,130,786.80
Fund balances, June 30, 2017	<u>\$ 3,762,259.59</u>	<u>\$ -0-</u>	<u>\$ 21,323.71</u>	<u>\$ 26,260.06</u>	<u>\$ 3,809,843.36</u>

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

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

Total net change in fund balances - governmental funds (from B-2) \$ 679,056.56

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

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

Depreciation expense	\$ (474,214.00)	
Capital outlays	1,184,886.21	
Loss on Disposal of capital assets	(9,143.00)	
Less: Capital outlays not capitalized	(99,803.21)	
		601,726.00

Proceeds from debt issues are a financing source in governmental funds. They are not revenue in the statement of activities; issuing debt increases long-term liabilities in the statement of net position.

Capital lease proceeds		(388,293.00)
Deferred Amount of Interest Costs on Refunding		(1,073.06)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.

Payment of capital lease principal	372,807.08	
Payment of deferred pension	9,386.00	
Payment of bond principal	1,105,000.00	
		1,487,193.08

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

Decrease in accrued interest payable		6,383.96
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District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.

District pension contributions	448,783.00	
Less: Pension expense	(959,901.00)	
		(511,118.00)

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

Decrease in compensated absences payable		(81,268.65)
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Change in net position of governmental activities		\$ 1,792,606.89
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The accompanying Notes to the Financial Statements are an integral part of this statement.

OTHER FUNDS

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

BUSINESS-TYPE
ACTIVITIES
ENTERPRISE
FUNDS
NON-MAJOR

ASSETS:

Current assets:

Cash and cash equivalents	\$ 285,390.52
Accounts receivable:	
Federal	21,414.52
State	572.35
Interfunds	70,778.21
Inventories	<u>6,893.87</u>
Total current assets	<u>385,049.47</u>

Noncurrent assets:

Furniture, machinery and equipment	430,031.00
Less accumulated depreciation	<u>(252,678.00)</u>
Total noncurrent assets	<u>177,353.00</u>
Total assets	<u>562,402.47</u>

LIABILITIES:

Current liabilities:

Accounts payable	7,997.45
Unearned revenue	<u>7,370.16</u>
Total current liabilities	<u>15,367.61</u>
Total liabilities	<u>15,367.61</u>

NET POSITION:

Net Investment in capital assets	177,353.00
Unrestricted	<u>369,681.86</u>
Total net position	<u>\$ 547,034.86</u>

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

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

	<u>BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS NON-MAJOR</u>
OPERATING REVENUES:	
Charges for services:	
Daily sales	\$ 252,621.42
Daily sales - non-reimbursable programs	252,744.75
Miscellaneous	24,245.85
Tuition	39,000.00
Child care activities	264,033.50
	832,645.52
OPERATING EXPENSES:	
Cost of sales-reimbursable	307,795.91
Cost of sales-non reimbursable	97,427.00
Salaries	445,174.92
Employee benefits	99,085.76
Other purchased services	71,213.25
Supplies and materials	77,447.49
Miscellaneous	52,894.25
Depreciation	23,102.00
	1,174,140.58
Total operating expenses	1,174,140.58
Operating (loss)	(341,495.06)
NON-OPERATING REVENUES:	
State Sources	
State school lunch program	9,111.08
Federal Sources	
National school lunch program	317,080.70
National school breakfast program	14,926.82
National food distribution commodities	55,504.26
Interest and investment revenue	458.61
	397,081.47
Total non-operating revenues	397,081.47
Net income (loss) before contributions and transfers	55,586.41
Change in net position	55,586.41
Total net position - beginning	491,448.45
Total net position - ending	\$ 547,034.86

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

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

	<u>BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS NON-MAJOR</u>
Cash flows from operating activities:	
Receipts from customers	\$ 836,784.28
Payments to employees and employee benefits	(544,260.68)
Payments to suppliers	<u>(544,876.95)</u>
Net cash provided by (used for) operating activities)	<u>(252,353.35)</u>
Cash flows from noncapital financing activities:	
State Sources	8,980.60
Federal Sources	<u>326,329.59</u>
Net cash provided by noncapital financing activities:	<u>335,310.19</u>
Cash flows from investing activities:	
Interest on investments	<u>458.61</u>
Net cash provided by (used for) investing activities	<u>458.61</u>
Net decrease in cash and cash equivalents	78,469.45
Cash and cash equivalents, July 1, 2016	<u>206,921.07</u>
Cash and cash equivalents, June 30, 2017	<u>\$ 285,390.52</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ (341,495.06)
Adjustments to reconciling operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation and net amortization	23,102.00
Change in assets and liabilities:	0.00
Increase (decrease) in accounts payable	4,106.08
Increase (decrease) in unearned revenue	2,534.27
(Increase) decrease in inventories	<u>3,895.10</u>
	<u>89,141.71</u>
Net cash provided by (used for) operating activities	<u>\$ (252,353.35)</u>

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

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

	<u>PRIVATE PURPOSE SCHOLARSHIP FUNDS</u>	<u>UNEMPLOYMENT COMPENSATION TRUST</u>	<u>AGENCY FUNDS</u>
ASSETS:			
Cash and cash equivalents	\$ <u>3,002.54</u>	\$ <u>116,626.46</u>	\$ <u>268,511.24</u>
Total assets	<u>3,002.54</u>	<u>116,626.46</u>	<u>268,511.24</u>
LIABILITIES:			
Payroll deductions and withholdings			9,550.49
Due to other funds			246,351.50
Due to student groups			<u>12,609.25</u>
Total liabilities			<u>\$ 268,511.24</u>
NET POSITION:			
Held in trust for unemployment claims		\$ <u>116,626.46</u>	
Held in trust for scholarships	\$ <u>3,002.54</u>		

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

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

	<u>UNEMPLOYMENT COMPENSATION TRUST</u>	<u>PRIVATE PURPOSE SCHOLARSHIP FUNDS</u>
ADDITIONS:		
Contributions:		
Unemployment	\$ <u>56,157.61</u>	\$ <u> </u>
Total contributions	<u>56,157.61</u>	<u>0.00</u>
Investment earnings:		
Interest earned	<u>1.09</u>	<u>4.70</u>
Net investment earnings	<u>1.09</u>	<u>4.70</u>
Total additions	<u>56,158.70</u>	<u>4.70</u>
DEDUCTIONS:		
Other purposes		500.00
Unemployment claims	<u>47,346.46</u>	<u> </u>
Total deductions	<u>47,346.46</u>	<u>500.00</u>
Change in net position	8,812.24	(495.30)
Net position beginning of year	<u>107,814.22</u>	<u>3,497.84</u>
Net position end of year	<u>\$ <u>116,626.46</u></u>	<u>\$ <u>3,002.54</u></u>

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

Borough of Hawthorne School District
Notes to the Financial Statements
June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The Borough of Hawthorne School District is a Type II District located in Passaic County, New Jersey. The District is an instrumentality of the State of New Jersey, established to function as an educational institution. The District is governed by a nine member board elected to three-year terms and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District.

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

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

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

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

Borough of Hawthorne School District
Notes to the Financial Statements
June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

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

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

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

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

Borough of Hawthorne School District
Notes to the Financial Statements
June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Fund Types

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

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

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

Capital Projects Fund - The Capital Projects Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election, funds appropriated from the General Fund, and from aid provided by the State to offset the cost of approved capital projects.

Debt Service Fund - Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Borough of Hawthorne School District
Notes to the Financial Statements
June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Fund

Enterprise Fund - The enterprise fund accounts for all revenues and expenses pertaining to the District's Food Service, School Age Child Care and Integrated Preschool program operations. These funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Fiduciary Fund Types

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

Unemployment Compensation Insurance Trust Fund - A trust fund used to account for unemployment compensation claims as they arise

Private Purpose Trust Funds - These are agency funds used to account for the assets donated by individuals that will provide for the payment of awards and other purposes.

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

Basis of Accounting - Measurement Focus

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

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

Borough of Hawthorne School District
Notes to the Financial Statements
June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting - Measurement Focus (Continued)

The District is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transactions can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the county office. In accordance with P.L. 2011, c. 202, which became effective January 17, 2012, the District elected to move the School Board election to the date of the November general election thereby eliminating the vote on the annual base budget unless required by the mandated State budget CAP. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23-2.2(f)1. Expenditures may not legally exceed budgeted appropriations at the line item level. All budget amendments and transfer must be approved by School Board resolution. Budget amendments during the year ended June 30, 2017 totaled net \$151,798.18, representing prior unbudgeted state aids, and other approved modifications. All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Borough of Hawthorne School District
Notes to the Financial Statements
June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets/Budgetary Control (Continued)

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

Formal budgetary integration into the accounting system is employed as a management control device during the 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 recognition of the last state aid payment for budgetary purposes only and the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

Encumbrance Accounting

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

Open encumbrances in the special revenue fund and capital projects 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.

Borough of Hawthorne School District
Notes to the Financial Statements
June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfunds

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

Inventories and Prepaid Expenses

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

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

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

Capital Assets

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
School Buildings	40
Building Improvements	20
Electrical/Plumbing	30
Vehicles	8
Office and Computer Equipment	5-10
Instructional Equipment	10
Ground Equipment	15

Borough of Hawthorne School District
Notes to the Financial Statements
June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

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

District employees are granted varying amounts of vacation and sick leave in accordance with the District's personnel policy and/or collective bargaining unit contracts. Upon termination, employees are paid for accrued vacation. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after four years of service.

The liability for compensated absences was accrued using the termination payment method, whereby the liability is calculated based on the amount of sick days that are expected to become eligible for payment upon retirement. The District estimates its accrued compensated absences liability based on the accumulated sick days at the balance sheet date by those employees who are currently eligible to receive retirement payments.

For the District-wide Statements, the current portion is the amount estimated to be used in the following year. In accordance with GAAP, for the governmental funds, in the Fund Financial Statements, all of the compensated absences are considered long-term and therefore, are not a fund liability and represents a reconciling item between the fund level and District-wide presentations.

Fund Equity

Fund balance restrictions are used to indicate that portion of the fund balance that is not available for expenditures or is legally segregated for a specific future use. Designations of portions of the fund balances are established to indicate tentative plans for financial utilization in a future period. The unassigned fund balances represent the amount available for future budgetary operations.

Unassigned net position represents the remains of the District's equity in the cumulative earnings of the food service fund.

Unearned Revenue

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

Borough of Hawthorne School District
Notes to the Financial Statements
June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accrued Liabilities and Long-Term Obligations

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

Net Position

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

Fund Balance Reserves

Under GASB 54, in the fund financial statements, governmental funds report the following classifications of fund balance:

Non-Spendable – includes amounts that cannot be spend because they are either not spendable in form or are legally or contractually required to be maintained intact.

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

Borough of Hawthorne School District
Notes to the Financial Statements
June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Reserves (Continued)

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

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

Unassigned – is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

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

Revenues Exchange and Non-Exchange Transactions

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

Borough of Hawthorne School District
Notes to the Financial Statements
June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues Exchange and Non-Exchange Transactions (Continued)

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from property taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, interest, and tuition.

Allocation of Indirect Expenses

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

Extraordinary and Special Items

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

Borough of Hawthorne School District
Notes to the Financial Statements
June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Accounting and Financial Reporting for Pensions

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

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

Borough of Hawthorne School District
Notes to the Financial Statements
June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies in this category, deferred amounts related to pension.

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

The Board considers petty cash, change funds, cash in banks, certificates of deposits, deposits in the New Jersey Cash Management Fund, deposits in the governmental money market fund, deposits in the New Jersey Asset and Rebate Management Program and short term investments with original maturities of three months or less as cash and cash equivalents. Investments are stated at cost, which approximates market.

Deposits

New Jersey statutes permit the deposit of public funds in public depositories which are located in New Jersey and which meet the requirements of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA requires a bank that accepts public funds to be a public depository. A public depository is defined as a state bank, a national bank, or a savings bank, which is located in the State of New Jersey, the deposits of which are insured by the Federal Deposit Insurance Corporation. The statutes also require public depositories to maintain collateral for deposits of public funds that exceed certain insurance limits. All collateral must be deposited with the Federal Reserve Bank or a Banking Institution that is a member of the Federal Reserve System, and has capital funds of not less than \$25,000,000.00. Under (GUDPA), if a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of the deposits to the governmental unit.

Borough of Hawthorne School District
Notes to the Financial Statements
June 30, 2017

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

Deposits (Continued)

The Borough of Hawthorne School District had the following cash and cash equivalents at June 30, 2017:

<u>Fund Type</u>	Bank	Reconciling Items		Reconciled
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Governmental	\$4,589,408.47	\$58,687.56	\$1,211,607.16	\$3,436,488.87
Proprietary	360,063.02	0.00	74,672.50	285,390.52
Fiduciary	<u>431,060.38</u>	<u>149.89</u>	<u>43,070.03</u>	<u>388,140.24</u>
	<u>\$5,380,531.87</u>	<u>\$58,837.45</u>	<u>\$1,329,349.69</u>	<u>\$4,110,019.63</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The District does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of June 30, 2017, based upon the coverage provided by FDIC and NJGUDPA, no amount of the bank balance was exposed to custodial credit risk. Of the cash on balance in the bank, \$469,607.67 was covered by Federal Depository Insurance and \$4,910,924.20 was covered under the provisions of NJGUDPA.

Investments

The purchase of investments by the Board is strictly limited by the express authority of the N.J.S.A. 18A:20-37 Education, Administration of School Districts. Permitted investments include any of the following type of securities:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
2. Government money market mutual funds which are purchased from an investment company or investment trust which is registered with the Securities and Exchange Commission under the "Investment Company Act of 1940," 15 U.S.C. 80a-1 et seq., and operated in accordance with 17 C.F.R. § 270.2a-7 and which portfolio is limited to U.S. Government securities that meet the definition of an eligible security pursuant to 17 C.F.R. § 270.2a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 18A:20-37. These funds are also required to be rated by a nationally recognized statistical rating organization.

Borough of Hawthorne School District
Notes to the Financial Statements
June 30, 2017

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

Investments (Continued)

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

Borough of Hawthorne School District
Notes to the Financial Statements
June 30, 2017

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

Investments (Continued)

At June 30, 2017, the District had no outstanding investments.

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

NOTE 3: CHANGE IN CAPITAL ASSETS

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

	Beginning <u>Balance</u>	<u>Additions</u>	Transfers/ <u>Deletions</u>	Ending <u>Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$310,876.00	_____	_____	\$310,876.00
Total Capital Assets not being depreciated	<u>310,876.00</u>	_____	_____	<u>310,876.00</u>
Buildings and Building Improvements	17,080,499.00	\$744,950.00		17,825,449.00
Machinery and Equipment	<u>4,959,438.00</u>	<u>340,133.00</u>	(\$60,538.00)	<u>5,239,033.00</u>
Totals at historical cost	<u>22,039,937.00</u>	<u>1,085,083.00</u>	<u>(60,538.00)</u>	<u>23,064,482.00</u>
Gross Assets (Memo only)	<u>22,350,813.00</u>	<u>1,085,083.00</u>	<u>(60,538.00)</u>	<u>23,375,358.00</u>
Less: Accumulated Depreciation				
Buildings and Building Improvements	(11,157,979.00)	(297,041.00)		(11,455,020.00)
Machinery and Equipment	<u>(4,220,218.00)</u>	<u>(177,173.00)</u>	51,395.00	<u>(4,345,996.00)</u>
Total Depreciation	<u>(15,378,197.00)</u>	<u>(474,214.00)</u>	<u>51,395.00</u>	<u>(15,801,016.00)</u>
Total capital assets being depreciated, net of depreciation	<u>6,661,740.00</u>	<u>610,869.00</u>	<u>(9,143.00)</u>	<u>7,263,466.00</u>
Total Governmental Fund Activities	<u>\$6,972,616.00</u>	<u>\$610,869.00</u>	<u>(\$9,143.00)</u>	<u>\$7,574,342.00</u>

Borough of Hawthorne School District
Notes to the Financial Statements
June 30, 2017

NOTE 3: CHANGE IN CAPITAL ASSETS (CONTINUED)

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

	Beginning <u>Balance</u>	<u>Additions</u>	Transfers/ <u>Deletions</u>	Ending <u>Balance</u>
Proprietary Activities:				
Machinery and Equipment	\$425,085.00	\$4,946.00		\$430,031.00
Totals at historical cost	<u>425,085.00</u>	<u>4,946.00</u>		<u>430,031.00</u>
Less: Accumulated Depreciation				
Machinery and Equipment	(229,576.00)	(23,102.00)		(252,678.00)
Total Depreciation	<u>(229,576.00)</u>	<u>(23,102.00)</u>		<u>(252,678.00)</u>
Total Proprietary Fund Activities	<u>\$195,509.00</u>	<u>(\$18,156.00)</u>		<u>\$177,353.00</u>

Depreciation expense was charged to functional expenses areas of the District as follows:

Instruction:	
Regular	\$66,772.00
Special Education Instruction	29,193.00
Support services:	
Student and instruction related services	33,218.00
General administrative services	5,312.00
School administrative services	11,665.00
Plant operations and maintenance	305,934.00
Pupil transportation	<u>22,120.00</u>
	<u>\$474,214.00</u>

Borough of Hawthorne School District
Notes to the Financial Statements
June 30, 2017

NOTE 4: LONG-TERM LIABILITIES

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

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

At June 30, 2017, the District had no bonds or notes authorized but not issued.

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

	Balance, <u>June 30, 2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance, <u>June 30, 2017</u>	Due Within <u>One Year</u>
Compensated Absence	\$530,422.09	\$81,268.65		\$611,690.74	
Deferred Pension Obligation	93,621.00		(\$9,386.00)	84,235.00	
Net Pension Liability	12,347,482.00	2,614,111.00		14,961,593.00	
Bonds Payable	6,981,000.00		(1,105,000.00)	5,876,000.00	\$1,095,000.00
Capital Leases Payable	<u>265,890.55</u>	<u>388,293.00</u>	<u>(372,807.08)</u>	<u>281,376.47</u>	<u>140,363.86</u>
Total	<u>\$20,218,415.64</u>	<u>\$3,083,672.65</u>	<u>(\$1,487,193.08)</u>	<u>\$21,814,895.21</u>	<u>\$1,235,363.86</u>

Borough of Hawthorne School District
Notes to the Financial Statements
June 30, 2017

NOTE 4: LONG-TERM LIABILITIES (CONTINUED)

Debt Service Requirements

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

Fiscal Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30,</u>			
2018	\$1,095,000.00	\$168,137.25	\$1,263,137.25
2019	1,065,000.00	146,607.50	1,211,607.50
2020	1,045,000.00	124,413.75	1,169,413.75
2021	420,000.00	106,840.00	526,840.00
2022	425,000.00	90,040.00	515,040.00
2023-2026	<u>1,826,000.00</u>	<u>186,360.00</u>	<u>2,012,360.00</u>
	<u>\$5,876,000.00</u>	<u>\$822,398.50</u>	<u>\$6,698,398.50</u>

General obligation school and refunding bonds payable with their outstanding balances are comprised of the following individual issues:

<u>Issue</u>	<u>Amount Outstanding June 30, 2017</u>
\$5,476,000.00 in 2011 Bonds due in annual remaining installments of between \$360,000.00 and \$496,000.00 ending February, 2026 with interest between 3.250% to 4.000%	\$3,766,000.00
\$2,870,000.00 in 2016 Refunding Bonds due in remaining annual installments of between \$675,000.00 and \$735,000.00 ending November, 2019 with interest 1.370%	<u>2,110,000.00</u>
	<u>\$5,876,000.00</u>

Borough of Hawthorne School District
Notes to the Financial Statements
June 30, 2017

NOTE 4: LONG-TERM LIABILITIES (CONTINUED)

General obligation school and refunding bonds payable with their outstanding balances are comprised of the following individual issues:

Debt Capacity

Under New Jersey Statutes the District may incur debt in an amount not to exceed 3% of the averaged equalized valuation basis of real property. For the fiscal year ended June 30, 2017, the District borrowing capacity under N.J.S. 18A:24-19 would be as follows:

<u>Year</u>	<u>Equalized Valuation of Real Property</u>
2016	\$2,353,030,484
2015	2,303,103,715
2014	<u>2,302,932,392</u>
	<u><u>\$6,959,066,591</u></u>
Average equalized valuation	<u><u>\$2,319,688,864</u></u>
School borrowing margin (4% of \$2,319,688,864)	\$92,787,555
Net school debt as of June 30, 2017	<u>5,876,000</u>
School borrowing power available	<u><u>\$86,911,555</u></u>

Borough of Hawthorne School District
Notes to the Financial Statements
June 30, 2017

NOTE 4: LONG-TERM LIABILITIES (CONTINUED)

2016 Refunding

The district issued \$2,870,000.00 in refunding school bonds to advance refund \$2,830,000.00 of the districts previously issued and outstanding refunding school bonds. The reacquisition price exceeded the net carrying amount by \$4,324.25. This amount is being amortized over the remaining life of the refunded debt. The refunding reduced the total debt service payment by \$101,546.46 and resulted in a net present value savings of 98,541.51. As a result, the \$2,830,000.00 of the refunded obligations are considered to be defeased and the liability for those bonds has been removed from the financial statements.

Capital Leases Payable

The District is leasing copier equipment, boilers and buses under capital leases. The capital leases are for terms up to five years. The following is a schedule of the future minimum lease payments under the capital leases and the present value of the net minimum lease payments at June 30, 2017:

Fiscal Year Ended	<u>Amount</u>
<u>June 30,</u>	
2018	\$146,906.05
2019	<u>144,944.70</u>
Total Minimum Lease Payments	291,850.75
Less: Amount Representing Interest	<u>(10,474.28)</u>
 Present Value of Lease Payments	 <u><u>\$281,376.47</u></u>

Borough of Hawthorne School District
Notes to the Financial Statements
June 30, 2017

NOTE 5: PENSION PLANS

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

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

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

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

Borough of Hawthorne School District
Notes to the Financial Statements
June 30, 2017

NOTE 5: PENSION PLANS (CONTINUED)

Significant Legislation

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

Pension Plan Design Changes

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

Funding Changes

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

COLA Suspension

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

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

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

Borough of Hawthorne School District
Notes to the Financial Statements
June 30, 2017

NOTE 5: PENSION PLANS (CONTINUED)

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

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

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

Three Year Trend Information for PERS

Year Ended <u>June 30,</u>	Annual Pension Cost <u>(APC)</u>	2009 Deferral Ch. 19 P.L. Principal and <u>Interest Cost</u>
2017	\$457,548.96	\$20,077.00
2016	473,747.78	19,858.00
2015	546,988.10	19,292.00

During fiscal year ended June 30, 2009, the District deferred 50% of its normal and accrued PERS liability. The deferred amount will be paid back with interest over 15 years. During fiscal year ending June 30, 2017, the District made a principal payment of \$9,386.00.

During the fiscal years ended June 30, 2017, 2016, and 2015, the State of New Jersey contributed \$1,714,261.00, \$1,089,977.00, and \$759,245.00 respectively, excluding post-retirement medical and long-term disability insurance, to the TPAF pension system on behalf of the District.

Also, in accordance with N.J.S.A. 18A:66-66 during the years ended June 30, 2017, 2016 and 2015, the State of New Jersey reimbursed the District \$1,149,712.74, \$1,136,532.78 and \$1,118,396.18 respectively for the employer's share of social security contributions for TPAF members, as calculated on their base salaries.

Borough of Hawthorne School District
Notes to the Financial Statements
June 30, 2017

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

Public Employees Retirement System (PERS)

At June 30, 2017, the District reported a liability of \$14,961,593.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2016, the District's proportion was 0.0505166834 percent, which was an decrease of 0.0044881446 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$959,875.00 in the government-wide financial statements. This pension expense was based on the pension plans June 30, 2016 measurement date.

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

	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>
Differences between expected and actual experience		\$278,240.00
Changes of assumptions		3,099,243.00
Net difference between projected and actual earnings on pension plan investments		570,499.00
Changes in proportion and differences between District contributions and proportionate share of contributions	\$1,864,679.00	
District contributions subsequent to the measurement date	_____	_____ 451,027.00
	<u>\$1,864,679.00</u>	<u>\$4,399,009.00</u>

Borough of Hawthorne School District
Notes to the Financial Statements
June 30, 2017

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

Public Employees Retirement System (PERS) (Continued)

The \$451,027.00 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2017, the plan measurement date is June 30, 2016) will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	
<u>June 30</u>	<u>Amount</u>
2018	\$414,883.00
2019	\$414,883.00
2020	\$589,643.00
2021	\$492,664.00
2022	\$171,230.00

Actuarial Assumptions

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

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

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates the larger the impact on future financial statements.

Borough of Hawthorne School District
Notes to the Financial Statements
June 30, 2017

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

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions (Continued)

Mortality Rates

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

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016 and 7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Borough of Hawthorne School District
Notes to the Financial Statements
June 30, 2017

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

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions (Continued)

Long-Term Rate of Return (Continued)

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

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

Borough of Hawthorne School District
Notes to the Financial Statements
June 30, 2017

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

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions (Continued)

Discount Rate

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

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employer contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the collective net pension liability to changes in the discount rate

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

	1% Decrease <u>2.98%</u>	At Current Discount Rate <u>3.98%</u>	1% Increase <u>4.98%</u>
District's proportionate share of the pension liability	\$18,333,686.00	\$14,961,593.00	\$12,177,638.00

Borough of Hawthorne School District
Notes to the Financial Statements
June 30, 2017

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

Public Employees Retirement System (PERS) (Continued)

Pension Plan Fiduciary Net Position

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

Teachers Pensions and Annuity Fund (TPAF)

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

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

Net Pension Liability:	
Districts proportionate share	-0-
State's proportionate share associated with the District	<u>\$112,429,903</u>
	<u>\$112,429,903</u>

Borough of Hawthorne School District
Notes to the Financial Statements
June 30, 2017

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

Teachers Pensions and Annuity Fund (TPAF) (Continued)

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The net pension liability associated with the District was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2016, the proportion of the TPAF net pension liability associated with the District was .1813119650% which was a decrease of .0060475290 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized on-behalf pension expense and revenue of \$10,942,518 in the government-wide financial statements for contributions provided by the State. This pension expense and revenue was based on the pension plans June 30, 2016 measurement date.

Actuarial Assumptions

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

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

Mortality Rate

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.

Borough of Hawthorne School District
Notes to the Financial Statements
June 30, 2017

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

Teachers Pensions and Annuity Fund (TPAF) (Continued)

Actuarial Assumptions (Continued)

Long-Term Expected Rate of Return

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Cash	5.00%	0.39%
US Government Bonds	1.50%	1.28%
US Credit Bonds	13.00%	2.76%
US Mortgages	2.00%	2.38%
US Inflation-Indexed Bonds	1.50%	1.41%
High Yield Bonds	2.00%	4.70%
US Equities Markets	26.00%	5.14%
Foreign-Developed Equity	13.25%	5.91%
Emerging Market Equities	6.50%	8.16%
Private Real Estate Property	5.25%	3.64%
Timber	1.00%	3.86%
Farmlands	1.00%	4.39%
Private Equity	9.00%	8.97%
Commodities	0.50%	2.87%
Hedge Funds - Multi Strategy	5.00%	3.70%
Hedge Funds - Equity Hedge	3.75%	4.72%
Hedge Funds - Distressed	3.75%	3.49%
	<u>100.00%</u>	

Borough of Hawthorne School District
Notes to the Financial Statements
June 30, 2017

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

Teachers Pensions and Annuity Fund (TPAF) (Continued)

Actuarial Assumptions (Continued)

Discount Rate

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

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

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

Pension Plan Fiduciary Net Position

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

Borough of Hawthorne School District
Notes to the Financial Statements
June 30, 2017

NOTE 7: GASB 45 – OTHER POST-RETIREMENT BENEFITS

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

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

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on state disability retirement. P.L. 2007, Chapter 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2016, there were 110,512 retirees eligible for 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 Chapter 62, P.L. 1994. 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 Chapter 126, P.L. 1992, 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.

Borough of Hawthorne School District
Notes to the Financial Statements
June 30, 2017

NOTE 7: GASB 45 – OTHER POST-RETIREMENT BENEFITS (CONTINUED)

The State will set the contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF retirees' post-retirement benefits on behalf of the School District for the years ended June 30, 2017, 2016, and 2015 were \$1,428,369.00, \$1,362,512.00, and \$1,292,018.00, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey.

NOTE 8: LITIGATION

The Board attorney's letter advises that there is no litigation, pending litigation, claims, contingent liabilities, unasserted claims or assessments or statutory violations which involve the Board of Education and which might materially affect the Board's financial position.

NOTE 9: CONTINGENCIES

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

Borough of Hawthorne School District
Notes to the Financial Statements
June 30, 2017

NOTE 10: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The District maintains commercial coverage covering each of those risks of loss. The administration believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

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

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

<u>Year Ended June 30,</u>	<u>Interest and Employer Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2017	\$1.09	\$56,157.61	\$47,346.46	\$116,626.46
2016	2,360.00	53,426.30	57,047.08	107,814.22
2015	188,027.03	53,845.23	152,501.74	109,075.00

Borough of Hawthorne School District
Notes to the Financial Statements
June 30, 2017

NOTE 11: COMPENSATED ABSENCES

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

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

The liability for vested compensated absences of the governmental fund types are recorded in the district - wide statement of net position. As of June 30, 2017, a liability existed for compensated absences for governmental fund-types in the district-wide Statement of Net Position of \$796,990.79.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2017 no liability existed for compensated absences in the proprietary funds.

NOTE 12: FUND BALANCE APPROPRIATED

General Fund - Of the \$3,762,259.59 in General Fund Balance at June 30, 2017, \$612,908.26 has been assigned for encumbrances; \$1,000,000.00 has been restricted in the Capital Reserve Account; \$193,542.68 has been restricted as excess surplus; \$155,238.00 has been restricted as excess surplus - subsequent years' expenditures; \$850,000.00 has been restricted for Maintenance Reserve; and \$950,570.65 is unassigned.

NOTE 13: CALCULATION OF EXCESS SURPLUS – BUDGETARY BASIS

In accordance with N.J.S.A.18A:7F-7, as amended by P.L. 2004, c73 (S1701), the Restricted Fund Balance Excess Surplus is a required calculation pursuant to the New Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restricted General Fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance resulting from the year ended June 30, 2017 is \$348,780.68.

Borough of Hawthorne School District
Notes to the Financial Statements
June 30, 2017

NOTE 14: CAPITAL RESERVE ACCOUNT

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

Funds placed in the capital reserve account are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-5.1(d)7, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve during the year ended June 30, 2017, is as follows:

Balance, July 1, 2016	\$600,000.00
Deposits:	
Board Resolution dated 6/6/17	<u>500,000.00</u>
	<u>\$1,100,000.00</u>
Withdrawals:	
2016-17 Budget	<u>100,000.00</u>
Balance, June 30, 2017	<u><u>\$1,000,000.00</u></u>

Borough of Hawthorne School District
Notes to the Financial Statements
June 30, 2017

NOTE 15: MAINTENANCE RESERVE ACCOUNT

A maintenance reserve was established through a board resolution by the Borough of Hawthorne School District for the accumulation of funds for the required maintenance of a facility in accordance with N.J.S.A. 18A:7G-9 as amended by P.L. 2004, c. 73 (S1701). N.J.S.A. 18A:7G-31(c), 18A:7G-13 and N.J.A.C. 6A:23A-14.2 permits districts, by board resolution, to transfer undesignated general fund balance to the maintenance reserve account if approved in the district's original budget certified for taxes or if the district received voter approval by a separate proposal at budget time or by special question at one of the four special elections authorized pursuant to N.J.S.A.19:60-2. N.J.S.A. 18A:7F-41(a), 18A:7F-41(b) and N.J.A.C.6A:23A-14.3 permit a district board of education to transfer by board resolution (prior to June 30) any unanticipated revenue or unexpended line-item appropriation amounts to the maintenance reserve for withdrawal in subsequent school years.

The activity of the maintenance reserve during the year ended June 30, 2017, is as follows:

Balance, July 1, 2016	\$350,000.00
Deposits:	
Board Resolution dated 6/6/17	<u>500,000.00</u>
Balance, June 30, 2017	<u><u>\$850,000.00</u></u>

Borough of Hawthorne School District
Notes to the Financial Statements
June 30, 2017

NOTE 16: INVENTORY

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

Food and Supplies	<u>\$6,893.87</u>
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The value of Federal donated commodities as reflected on Schedule A (required by the Single Audit Law of 1996) is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of non-operating revenue in the financial statements.

NOTE 17: DEFERRED COMPENSATION

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

NOTE 18: SUBSEQUENT EVENTS

The District has evaluated subsequent events occurring after the financial statement date through November 13, 2017 which is the date the financial statements were available to be issued. Based upon this evaluation, the District has determined that there are no subsequent events needed to be disclosed.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

BUDGETARY COMPARISON SCHEDULES

BOROUGH OF HAWTHORNE - SCHOOL DISTRICT
GENERAL FUND

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	ORIGINAL BUDGET	BUDGET TRANSFERS AND AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE/ (UNFAVORABLE)
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 35,932,607.00	\$	\$ 35,932,607.00	\$ 35,932,607.00	\$ (2,500.00)
Tuition from Individuals	4,000.00		4,000.00	1,500.00	27,036.49
Tuition from Other LEAs				104,058.24	87,558.24
Miscellaneous	16,500.00		16,500.00		
Total Local Sources	35,953,107.00		35,953,107.00	36,065,201.73	112,094.73
State Sources:					
Special Education Aid	1,466,245.00		1,466,245.00		
Equalization Aid	321,456.00		321,456.00		
Categorical Security Aid	75,886.00		75,886.00		
Categorical Transportation Aid	143,695.00		143,695.00		
Other State Aid	69,890.00		69,890.00		
Extraordinary Aid	369,125.00		369,125.00		
Reimbursed Non Public Transportation				294,755.00	294,755.00
On-behalf TPAF Contributions-non-budgeted				28,502.00	28,502.00
NCGI-non-budgeted				1,654,321.00	1,654,321.00
Long-Term Disability Insurance				59,940.00	59,940.00
Post Retirement Medical-non budgeted				4,032.00	4,032.00
Reimbursed TPAF Social Security Contribution-non-budgeted				1,428,369.00	1,428,369.00
Total State Sources	2,446,297.00		2,446,297.00	7,065,928.74	4,619,631.74
Federal Sources:					
Medicaid Reimbursement	50,504.00			21,608.11	21,608.11
Total Federal Sources	50,504.00			21,608.11	21,608.11
Total Revenues	38,449,906.00		38,399,404.00	43,152,738.58	4,753,334.58
EXPENDITURES:					
CURRENT EXPENSE:					
Instruction - Regular Programs:					
Preschool		27,832.60	27,832.60	27,832.60	
Kindergarten	609,320.00	1,960.00	611,280.00	611,280.00	
Grades 1-5	3,353,110.00	64,732.78	3,417,842.78	3,380,401.14	37,441.64
Grades 6-8	2,103,079.00	(101,434.63)	2,001,644.37	1,965,255.24	36,389.13
Grades 9-12	3,108,160.00	1,008.87	3,109,168.87	3,108,851.31	317.56
Salaries of teachers	35,185.52	(22,185.52)	13,000.00	685.43	12,314.57
Purchased professional educational services	10,000.00	27,134.19	37,134.19	37,134.19	
Regular programs - undistributed instruction:					
Purchased technical services	61,431.00	5,143.27	66,574.27	66,574.27	
Other purchased services (400 - 500 series)	217,787.00	(6,245.14)	211,541.86	211,541.86	
General supplies	380,489.58	222,109.50	602,599.08	499,684.04	102,915.04
Textbooks	118,704.53	13,504.49	132,209.02	131,169.61	1,039.41
Other objects	2,000.00	3,421.86	5,421.86	4,621.71	800.15
Total regular programs	9,999,266.63	236,982.27	10,236,248.90	10,045,031.40	191,217.50

HAWTHORNE SCHOOL DISTRICT
GENERAL FUND

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	ORIGINAL BUDGET	BUDGET TRANSFERS AND AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE/ (UNFAVORABLE)
Instruction - Special Education:					
Learning and/or Language Disabilities:					
Salaries of Teachers	\$ 1,125,725.00	\$ 807,052.55	\$ 1,932,777.55	\$ 1,895,709.55	\$ 37,068.00
Other salaries for instruction	1,110,982.00	(402,253.60)	708,728.40	708,728.40	56.37
Purchased professional - educational services	500.00	5,377.30	5,877.30	5,320.93	500.00
Other purchased services (400 - 500 series)	13,023.00	3,102.92	16,131.92	14,439.01	1,692.91
General Supplies	2,250,236.00	413,279.17	2,663,515.17	2,624,197.89	39,317.28
Total Learning and/or Language Disabilities					
Multiple Disability					
Salaries of Teachers		56,962.00	114,630.00	114,630.00	6,187.00
Other Salaries for Instruct		(247.00)	63,899.00	57,712.00	6,187.00
Total Multiple Disability		56,715.00	178,529.00	172,342.00	
Resource Room / Resource Center:					
Salaries of Teachers	1,790,010.00	(878,375.00)	911,635.00	907,249.85	4,385.15
Other salaries for instruction		63,890.00	63,890.00	58,452.00	5,438.00
General Supplies		75.68	75.68	75.68	
Total Resource Room / Resource Center	1,790,010.00	(814,409.32)	975,600.68	965,777.53	9,823.15
Preschool Disabilities - Part - Time:					
Salaries of Teachers	121,097.00	1,491.46	122,588.46	122,588.46	
Other Salaries for Instruction	73,179.00	(5,401.46)	67,777.54	63,271.20	4,506.34
General Supplies	3,000.00		3,000.00	2,979.15	20.85
Other Objects		(90.00)	35.00	35.00	35.00
Total Preschool Disabilities - Part - Time	197,276.00	(4,000.00)	193,401.00	188,838.81	4,562.19
Preschool Disabilities - Full - Time:					
Salaries of Teachers	118,982.00	148.00	119,130.00	119,130.00	
Other Salaries for Instruction	84,438.00	(61,921.20)	22,516.80	22,516.80	
General Supplies	3,000.00	(204.45)	2,795.55	2,795.55	
Other Objects	125.00	(6.75)	118.25	118.25	
Total Preschool Disabilities - Full - Time	206,545.00	(61,984.40)	144,560.60	144,442.35	118.25
Home Instruction:					
Salaries of Teachers	41,958.44		41,958.44	8,349.01	33,609.43
Total Home Instruction	41,958.44		41,958.44	8,349.01	33,609.43
Total Special Education	4,486,025.44	(410,399.55)	4,197,564.89	4,103,947.59	93,617.30
Basic Skills / Remedial:					
Salaries of Teachers	314,900.00	(62,000.00)	252,900.00	244,161.47	8,738.53
General Supplies	500.00		500.00	194.19	305.81
Total Basic Skills / Remedial	315,400.00	(62,000.00)	253,400.00	244,355.66	9,044.34
Bilingual Education:					
Salaries of Teachers	177,369.00	30,000.00	207,369.00	201,978.00	5,391.00
General Supplies	300.00		300.00	300.00	300.00
Total Bilingual Education:	177,669.00	30,000.00	207,669.00	201,978.00	5,691.00

HAWTHORNE SCHOOL DISTRICT
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	ORIGINAL BUDGET	BUDGET TRANSFERS AND AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE/ (UNFAVORABLE)
School Sponsored Co-Curricular Activities:					
Salaries	\$ 123,023.00	\$ 27,242.52	\$ 150,265.52	\$ 150,257.29	\$ 8.23
Supplies and Materials	9,350.00	(4,581.51)	4,768.49	4,768.49	
Other Objects	23,500.00	(10,691.49)	12,808.51	11,355.91	1,452.60
Total School Sponsored Co-Curricular Activities	155,873.00	11,969.52	167,842.52	166,381.69	1,460.83
School Sponsored Athletics:					
Salaries	326,736.00	9,263.74	335,999.74	301,362.74	34,637.00
Purchased Services (300-500 Series)	1,800.00	(1,800.00)			
Supplies and Materials	56,272.25	(1,382.62)	54,889.63	50,042.85	4,846.78
Other Objects	68,000.00	(269.41)	67,730.59	67,229.41	501.18
Total School Sponsored Athletics	452,808.25	5,811.71	458,619.96	418,635.00	39,984.96
Summer School Instruction:					
Salaries	99,000.00	(23,957.04)	75,042.96	75,042.96	
Other Salaries		1,395.90	54,795.90	54,795.90	
Total Summer School Instruction	99,000.00	(22,561.14)	129,838.86	129,838.86	
Total Other Instructional Programs	1,200,750.25	(36,779.91)	1,217,370.34	1,161,189.21	56,181.13
Total - Instruction	15,686,042.32	(210,197.19)	15,665,184.13	15,310,168.20	341,015.93
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Regular		16,252.34	16,252.34	14,245.00	2,007.34
Tuition to Other LEAs within the State - Special	37,800.00	905.00	38,705.00	38,650.00	55.00
Tuition to County Vocational School District - Regular	731,682.00	(131,917.00)	599,765.00	599,765.00	
Tuition to County Vocational School District - Sp Ed	39,541.00	36,180.00	75,721.00	74,236.00	1,485.00
Tuition to CSSD & Reg. Day Schools	571,767.00	187,074.30	758,841.30	756,038.00	2,803.30
Tuition to Private Schools for the Handicapped w/in State	1,550,197.00	(618,729.13)	931,467.87	804,652.34	126,815.53
Tuition to Private School Disabled & Other LEAs - Spl. O/S St		132,900.00	132,900.00	132,900.00	
Tuition - State Facilities	40,973.00	34,058.00	75,031.00	39,566.00	35,465.00
Tuition - Other		68,311.00	68,311.00	40,973.00	27,338.00
Total Undistributed Expenditures - Instruction	2,971,960.00	(274,965.49)	2,696,994.51	2,501,025.34	195,969.17
Attendance and Social Work Services:					
Salaries	600.00		600.00	600.00	
Other Objects			50.00	50.00	
Total Attendance and Social Work Services	600.00		650.00	650.00	
Health Services:					
Salaries	494,222.00	(50,328.49)	443,893.51	420,323.90	23,569.61
Purchased Professional and Technical Services	322,085.00	(66,609.60)	255,475.40	190,795.99	64,679.41
Supplies and Materials	6,998.00	1,319.85	8,317.85	7,399.55	918.30
Other Objects	3,000.00	(902.35)	2,097.65	2,097.65	
Total Health Services	826,305.00	(116,520.59)	709,784.41	620,617.09	89,167.32

HAWTHORNE SCHOOL DISTRICT
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	ORIGINAL BUDGET	BUDGET TRANSFERS AND AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE/ (UNFAVORABLE)
Other Support Services - Speech, OT, PT & Related Services:					
Salaries	\$ 581,035.00	\$ (5,000.00)	\$ 576,035.00	\$ 570,895.00	\$ 5,140.00
Purchased Professional - Educational Services	636,390.00	131,079.91	767,469.91	739,864.23	27,605.68
Supplies and Materials	9,399.00	7,583.91	16,982.91	13,790.76	3,192.15
Total Other Support Services - Speech, OT, PT & Related Services	1,226,824.00	133,663.82	1,360,487.82	1,324,549.99	35,937.83
Other Support Services - Students - Extra Services					
Salaries	512,698.00	365,123.05	867,821.05	867,821.05	
Purchased Professional - Educational Services	408,000.00	88,227.58	496,227.58	472,914.00	23,313.58
Supplies and Materials	6,000.00	(6,000.00)			
Total Other Support Services - Students - Extra Services	926,698.00	437,350.63	1,364,048.63	1,340,735.05	23,313.58
Guidance:					
Salaries of Other Professional Staff	331,554.00	(30,506.30)	301,047.70	292,546.88	8,500.82
Salaries of Secretarial and Clerical Assistants	58,360.00	(6,000.00)	52,360.00	48,440.61	3,919.39
Purchased Professional - Educational Services	14,010.00		14,010.00	10,857.75	3,152.25
Supplies and Materials	8,345.00	(145.00)	8,200.00	5,643.41	2,556.59
Total Guidance	412,269.00	(36,651.30)	375,617.70	357,488.65	18,129.05
Child Study Teams:					
Salaries of Other Professional Staff	1,084,763.00	(27,723.82)	1,057,039.18	1,057,033.09	6.09
Salaries of Secretarial and Clerical Assistants	77,965.00	(2,755.31)	75,209.69	74,884.76	324.93
Salaries of ABA In Home Therapy	90,382.38	30,827.84	121,210.22	110,827.84	10,382.38
Purchased Professional Educational Services	58,000.00	71,794.08	129,794.08	129,622.69	171.39
Other Purchased Professional and Technical Services	44,864.00	(33,520.00)	11,344.00	11,344.00	
Misc. Purchased Services	6,700.00	8,596.14	15,296.14	8,596.14	6,700.00
Supplies and Materials	600.00	1,060.63	1,660.63	7,780.63	6,120.00
Other Objects		(300.00)	300.00	300.00	
Total Child Study Teams	1,363,274.38	47,999.56	1,411,273.94	1,400,389.15	10,884.79
Improvement of Instruction Services					
Other Support Services - Instructional Staff:					
Salaries of Supervisors of Instruction	193,546.00	20,646.08	214,192.08	214,192.08	
Salaries of Other Professional Staff	27,890.00	10,984.00	38,874.00	38,874.00	
Purchased Prof. and Tech. Services	21,175.00	(12,819.58)	8,355.42	6,074.00	2,281.42
Supplies and materials	1,000.00	(149.00)	851.00	317.80	533.20
Total Improvement of Instruction Services / Other Support Services - Instructional Staff	243,611.00	18,661.50	262,272.50	259,457.88	2,814.62

HAWTHORNE SCHOOL DISTRICT
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	ORIGINAL BUDGET	BUDGET TRANSFERS AND AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE/ (UNFAVORABLE)
Educational Media Services / School Library:					
Salaries	\$ 272,005.00	(18,000.00)	\$ 254,005.00	\$ 247,972.88	\$ 6,032.12
Purchased Professional and Technical Services	77,250.00	(3,924.97)	73,325.03	72,750.00	575.03
Supplies and materials	19,300.00	8,941.41	28,241.41	20,231.97	8,009.44
Total Educational Media Services / School Library	368,555.00	(12,983.56)	355,571.44	340,954.85	14,616.59
Instructional Staff Training Services:					
Salaries of Supervisors of Instruction	1,500.00	300.00	1,800.00	1,800.00	160.00
Other Purchased Services (400-500 series)	4,000.00	3,251.50	6,251.50	6,091.50	479.00
Other Objects	5,500.00	(903.00)	3,097.00	2,618.00	789.00
Total Instructional Staff Training Services	11,000.00	2,648.50	11,148.50	10,359.50	789.00
Support Services General Administration:					
Salaries	319,744.00		319,744.00	319,668.21	75.79
Legal Services	60,000.00	(4,503.75)	55,496.25	51,911.88	3,584.37
Expenditure and Internal Control Audit Fees	56,207.00	18.00	56,225.00	27,825.00	28,400.00
Architectural/Engineering Services	38,990.00	43,303.75	82,293.75	62,619.43	19,674.32
Other Purchased Technical Services	16,742.00	(937.70)	15,804.30	15,804.30	0.00
Communications / Telephone	46,667.92	(29,581.94)	17,085.98	6,201.70	10,884.28
BOE other purchased services	2,000.00	1,099.20	3,099.20	2,028.88	1,070.32
Miscellaneous Purch Serv (400-500) [other than 530& 585	1,200.00	(1,200.00)			
General Supplies	4,899.00	2,332.99	7,231.99	4,865.02	2,366.97
Miscellaneous Expenditures	28,575.00	2,438.95	2,438.95	2,438.95	0.00
BOE Membership Dues and Fees	21,000.00	(859.28)	20,140.72	19,538.35	602.37
Total Support Services General Administration	596,024.92	(16,464.70)	579,560.14	512,901.72	66,658.42
Support Services School Administration:					
Salaries of Principals / Asst. Principals	853,246.00	370.58	853,616.58	853,503.77	112.81
Salaries of Secretarial and Clerical Assistants	397,646.00	(7,086.68)	390,559.32	384,529.31	6,030.01
Other Purchased Services	2,200.00	(200.00)	2,000.00	98.40	1,901.60
Supplies and Materials	9,776.33	4,601.75	14,378.08	13,171.52	1,206.56
Other Objects	100.00	1,259.61	1,359.61	1,359.61	0.00
Total Support Services School Administration	1,262,968.33	(1,054.74)	1,261,913.59	1,252,662.61	9,250.98
Central Service:					
Salaries	277,819.00	(1,147.78)	276,671.22	276,671.22	0.00
Purchased Professional Services	1,000.00	425.00	1,425.00	725.00	700.00
Other Purchased Professional Services	16,872.00	(3,379.60)	13,492.40	13,492.40	0.00
Misc. Purchased Services (400-500) [OT 594]	2,839.00	(1,169.88)	1,669.12	1,769.12	(99.99)
Supplies and Materials	2,835.00	3,154.43	5,989.43	5,739.44	249.99
Miscellaneous Expenditures	1,500.00	(335.00)	1,165.00	1,165.00	0.00
Total Central Service	302,965.00	(2,452.83)	300,512.17	299,562.18	949.99
Administrative Information Technology:					
Salaries	136,007.00	1,340.92	137,347.92	137,347.92	0.00
Purchased Technical Services	175,185.80	44,192.34	219,378.14	185,058.56	34,319.58
Supplies and Materials	73,251.00	103,139.50	176,390.50	176,390.50	0.00
Other objects	1,125.00	(1,075.00)	50.00	50.00	0.00
Total Administrative Information Technology	385,568.80	147,597.76	533,166.56	478,846.98	54,319.58

HAWTHORNE SCHOOL DISTRICT
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	ORIGINAL BUDGET	BUDGET TRANSFERS AND AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE/ (UNFAVORABLE)
Required Maintenance for School Facilities:					
Salaries	\$ 485,550.00	\$ (3,296.82)	\$ 482,253.18	\$ 469,257.11	\$ 12,996.07
Cleaning, Repair and Maintenance Services	225,893.90	227,906.59	453,800.49	348,394.88	105,405.61
Supplies and Materials	65,000.00	23,269.98	88,269.98	59,712.16	28,557.82
Other Objects	1,500.00	11,250.75	12,750.75	12,750.75	
Total Required Maintenance for School Facilities	777,943.90	259,130.50	1,037,074.40	890,114.90	146,959.50
Custodial Services:					
Salaries	1,131,520.00	(19,542.54)	1,111,977.46	1,105,746.20	6,231.26
Salaries of Non-Instructional Aides	70,000.00	23,285.78	93,285.78	93,285.78	
Purchased Professional and Technical Services	13,795.00	(2,235.00)	11,560.00	11,560.00	
Cleaning, Repair and Maintenance Services	19,600.00	2,623.13	22,223.13	22,223.13	
Rental of Land and Building	82,200.00	(14,600.00)	67,600.00	67,600.00	
Other Purchased Property Services	200,000.00	60,154.92	260,154.92	260,154.92	
Insurance	277,421.00	(11,224.00)	266,197.00	266,197.00	
General Supplies	128,889.80	8,111.19	137,000.99	112,497.53	24,503.46
Energy (Natural Gas)	213,675.00	(21,439.21)	192,235.79	174,279.04	17,956.75
Energy (Heat and Electricity)	377,750.00	(17,387.89)	360,362.11	301,084.44	59,277.67
Other Objects	3,000.00	409.00	3,409.00	3,409.00	
Total Custodial Services	2,517,850.80	8,155.38	2,526,006.18	2,418,037.04	107,969.14
Care and Upkeep of Grounds:					
Salaries					
Purchased Professional and Technical Services		(21,561.00)	21,689.00	16,504.00	5,185.00
Cleaning, Repair and Maintenance Services	3,000.00	6,228.57	9,228.57	9,174.97	53.60
General Supplies	3,000.00	(15,332.43)	30,917.57	25,678.97	5,238.60
Total Care and Upkeep of Grounds					
Security:					
Salaries	58,000.00	(440.00)	57,560.00	48,768.98	8,791.02
Purchased Professional and Technical Services	58,000.00	(53,891.25)	4,108.75	4,108.75	
Supplies	3,000.00	(3,000.00)			
Total Security	119,000.00	(67,331.25)	61,668.75	52,877.73	8,791.02

HAWTHORNE SCHOOL DISTRICT
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	ORIGINAL BUDGET	BUDGET TRANSFERS AND AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE/ (UNFAVORABLE)
Student Transportation Services:					
Salaries of Non-Instructional Aides	\$ 124,330.00	(23,410.19)	\$ 100,919.81	\$ 96,175.90	\$ 4,743.91
Salaries for Pupil Transportation (Between Home and School) - Regular	331,591.00	(131,550.41)	200,040.59	197,301.58	2,739.01
Salaries for Pupil Transportation (Between Home and School) - Special	62,047.00	105,651.70	167,698.70	167,698.70	
Salaries for Pupil Transportation (Other than Between Home and School) - Special	30,000.00	14,757.88	22,757.88	22,757.88	704.05
Cleaning, Repair and Maintenance Services	36,075.00	4,691.09	34,691.09	33,987.04	
Rental Payments	114,853.20	36,074.81	36,074.81	36,074.81	
Lease Payments	115,238.00	(36,075.00)	110,674.00	99,348.00	11,326.00
Contracted Services - Aid in Lieu Payments	6,000.00	(4,179.20)	182,899.43	180,005.43	2,894.00
Contracted Services (Between Home & School) - Vendors and School) - Vendors	7,000.00	67,661.43	6,000.00	2,108.84	3,891.16
Contract Services (Sp. Ed. Stds.) - Vendors	668,743.00	(859.36)	6,140.64	6,140.64	
Contracted Services (Spec. Ed. Students) - Joint Agreements	1,000.00	16,753.91	685,496.91	638,251.44	47,245.47
General Supplies	97,657.00	2,500.00	3,500.00	2,645.08	854.92
Transportation Supplies	4,000.00	(59,934.99)	37,722.01	25,687.95	12,034.06
Other Objects	1,598,534.20	(2,074.80)	1,925.20	950.00	975.20
Total Student Transportation Services	1,598,534.20	(9,993.13)	1,596,541.07	1,509,133.29	87,407.78
Total Other Support Services					
Unallocated Benefits - Employee Benefits:					
Social Security Contributions	610,000.00	(11,237.48)	598,762.52	512,683.81	86,078.71
Other Retirement Contributions - PERS	547,317.00	(54,517.80)	492,799.20	457,548.96	35,250.24
Other Retirement Contributions - Deferred PERS	50,000.00	20,077.00	22,080.00	20,077.00	
Other Retirement Contributions - Reg.	270,727.00	8,080.00	2,360.00	16,227.01	5,852.99
Unemployment Compensation	5,723,560.00	(47,640.00)	212,233.00	2,360.00	
Health Benefits	106,148.00	(58,494.00)	5,330,157.07	212,233.00	
Tuition Reimbursements	37,500.00	(383,422.93)	102,878.36	5,136,425.53	193,731.54
Other Employee Benefits		11,237.48	48,737.48	40,164.60	62,713.76
Unused sick payment		0.00	163,069.00	41,378.91	7,358.57
Total Unallocated Benefits - Employee Benefits	7,345,272.00	(529,187.37)	6,993,153.63	6,518,618.82	474,534.81
On-Behalf TPAF Contributions (Non-Budgeted):					
On-behalf TPAF Contributions-non-budgeted			1,654,321.00	1,654,321.00	(1,654,321.00)
NCGI-non-budgeted			59,940.00	59,940.00	(59,940.00)
Long-Term Disability Insurance			4,032.00	4,032.00	(4,032.00)
Post Retirement Medical-non budgeted			1,428,369.00	1,428,369.00	(1,428,369.00)
Reimbursed TPAF Social Security Contribution-non-budgeted			1,149,712.74	1,149,712.74	(1,149,712.74)
Total On-Behalf TPAF Contributions (Non-Budgeted)			4,236,374.74	4,236,374.74	(4,236,374.74)
Total Undistributed Expenditures	23,254,724.33	(17,729.82)	23,468,363.51	26,410,386.48	(2,942,022.97)
TOTAL EXPENDITURES - CURRENT EXPENSE	38,940,766.65	(227,927.01)	39,119,547.64	41,720,554.69	(2,601,007.04)

HAWTHORNE SCHOOL DISTRICT
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	ORIGINAL BUDGET	BUDGET TRANSFERS AND AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE/ (UNFAVORABLE)
CAPITAL OUTLAY:					
Equipment:					
Grades 6-8	\$ 2,499.00	\$ 8,307.77	\$ 2,499.00	\$ 2,499.00	\$ 2,840.77
Grades 9-12					6,219.30
School-Sponsored and Other Instructional Program					
Undist. Expend. - Supp Serv. - Related & Extra.		13,529.51	19,088.00	19,088.00	60.96
Undistributed-Admin. Info Technology	104,000.00	247,707.00	351,707.00	338,888.80	12,818.20
Undistributed-Req. Maint. For Schools		3,116.56	31,201.79	31,201.79	
Undistributed-Care and Upkeep		88,172.12	135,828.72	47,656.60	88,172.12
School buses special					
Total Equipment	104,000.00	352,525.19	570,576.09	460,464.74	110,111.35
Facilities Acquisition and Construction Services:					
Construction services	100,000.00	27,200.00	127,200.00	127,200.00	
Assessment for Debt Service on SDA Funding	188.00		188.00	188.00	
Total Facilities Acquisition and Construction Services	100,188.00	27,200.00	127,388.00	127,388.00	
Assets acquired under capital leases (non-budgeted)					
Undistributed expenditures:					
Equipment				388,293.00	(388,293.00)
Total assets acquired under capital leases (non-budgeted)				388,293.00	(388,293.00)
TOTAL CAPITAL OUTLAY	204,188.00	379,725.19	697,964.09	976,145.74	(278,181.65)
TOTAL EXPENDITURES	39,144,954.65	151,798.18	39,817,511.73	42,696,700.42	(2,879,188.69)
Excess (deficiency) of revenues over (under) expenditures	(695,046.65)	(151,798.18)	(1,418,107.73)	456,038.16	1,874,145.89
Other financing sources (uses)					
Proceeds from Capital Lease (non-budgeted)				388,293.00	(388,293.00)
Prior Year Accounts Payable Cancelled				8,441.28	(8,441.28)
Total other financing sources				396,734.28	(396,734.28)
Excess of revenues and other financing sources over expenditures and other expenditures and other financing sources	(695,046.65)	(151,798.18)	(1,418,107.73)	852,772.44	1,477,411.61
Fund balances, July 1	3,042,414.15			3,042,414.15	
Fund balances, June 30	2,347,367.50	(151,798.18)	(1,418,107.73)	3,895,186.59	1,477,411.61
Recapitulation:					
Assigned - year-end encumbrances				612,908.26	
Committed - designated for subsequent years expenditures				155,238.00	
Restricted - excess surplus - designated for subsequent year's expenditures				193,542.68	
Restricted - excess surplus - current year				1,000,000.00	
Restricted - capital reserve				850,000.00	
Restricted - emergency reserve				1,083,497.65	
Restricted - maintenance reserve				3,895,186.59	
Unassigned fund balance				(132,927.00)	
Reconciliation to governmental funds statements (GAAP):					
Prior Year aid payment not recognized on GAAP basis				3,762,259.59	
Fund balance per governmental funds (GAAP)					

BOROUGH OF HAWTHORNE - SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR FISCAL YEARS ENDED JUNE 30, 2017

	<u>ORIGINAL BUDGET</u>	<u>BUDGET TRANSFERS/ AMENDMENTS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FINAL TO ACTUAL</u>
REVENUES:					
Other Sources	\$	53,477.60	\$ 53,477.60	\$ 43,076.69	\$ (10,400.91)
State Sources	201,153.00	170,254.00	371,407.00	315,489.49	(55,917.51)
Federal Sources	894,973.00	279,734.00	1,174,707.00	1,146,651.04	(28,055.96)
Total Revenues	<u>\$ 1,096,126.00</u>	<u>\$ 503,465.60</u>	<u>\$ 1,599,591.60</u>	<u>\$ 1,505,217.22</u>	<u>\$ (94,374.38)</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers	\$ 156,980.00	73,262.32	\$ 230,242.32	\$ 228,043.59	\$ 2,198.73
Purchased Professional/Technical Services	202,460.00	167,972.00	370,432.00	291,181.45	79,250.55
Tuition	519,444.00	50,140.00	569,584.00	569,584.00	0.00
General Supplies	15,626.00	226,797.37	242,423.37	241,886.12	537.25
Textbooks	34,318.00	2,110.00	36,428.00	36,351.20	76.80
Total Instruction	<u>928,828.00</u>	<u>520,281.69</u>	<u>1,449,109.69</u>	<u>1,367,046.36</u>	<u>82,063.33</u>
Support Services:					
Other Salaries		4,700.00	4,700.00	782.00	3,918.00
Purchased Services Employee Benefits		46,078.51	46,078.51	45,872.51	206.00
Purchased Professional/Technical Services		85,696.40	85,696.40	83,800.50	1,895.90
Other purchased services		14,007.00	14,007.00	7,715.85	6,291.15
Total Support Services	<u>0.00</u>	<u>150,481.91</u>	<u>150,481.91</u>	<u>138,170.86</u>	<u>12,311.05</u>
Total expenditures	<u>\$ 928,828.00</u>	<u>\$ 670,763.60</u>	<u>\$ 1,599,591.60</u>	<u>\$ 1,505,217.22</u>	<u>\$ 94,374.38</u>

BOROUGH OF HAWTHORNE - SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
BUDGET TO GAAP RECONCILIATION
NOTE TO RSI (REQUIRED SUPPLEMENTARY INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Note A - Explanation of difference between budgetary inflows and outflows
and GAAP revenues and expenditures

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	\$ 43,152,738.58	\$ 1,505,217.22
Difference - budget to GAAP:		
State aid payment recognized for GAAP statements in the current year, previously it was recognized for budgetary purposes.	142,764.00	
The last state aid payment is recognized as revenue for budgetary purposes and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expense (GASB 33)	<u>(132,927.00)</u>	
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u>\$ 43,162,575.58</u>	<u>\$ 1,505,217.22</u>

REQUIRED SUPPLEMENTARY INFORMATION - PART III

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

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN YEARS

Measurement Date Ending June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Covered-Employee Payroll	District's Proportion Share of the Net Pension Liability (Asset) as a percentage of it's Covered-Employee Payroll	Plan Fiduciary Net Position as a percentage of the total Pension Liability
2013	0.0643753349%	\$ 12,303,406	4,296,516	286.36%	48.72%
2014	0.0626507810%	11,729,940	3,875,412	302.68%	52.08%
2015	0.0550048280%	12,347,482	3,930,886	314.11%	47.92%
2016	0.0505166834%	14,961,593	3,432,711	435.85%	40.14%

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

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN YEARS

Fiscal Year Ending <u>June 30,</u>	Contractually Required <u>Contribution</u>	Contributions in Relation to the Contractually Required <u>Contributions</u>	Contribution Deficiency (<u>Excess</u>)	District's Covered- Employee <u>Payroll</u>	Contributions as a Percentage of Covered- Employee <u>Payroll</u>
2014	\$ 516,484	\$ 516,484	\$ -0-	3,875,412	13.33%
2015	472,894	472,894	-0-	3,930,886	12.03%
2016	448,773	448,773	-0-	3,432,711	13.07%
2017	451,027	451,027	-0-	3,422,478	13.18%

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

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS PENSION AND ANNUITY FUND
LAST TEN YEARS

Measurement Date Ending <u>June 30,</u>	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Covered-Employee Payroll	District's Proportion Share of the Net Pension Liability (Asset) as a percentage of it's Covered-Employee Payroll	Plan Fiduciary Net Position as a percentage of the total Pension Liability
2013	0.1614102495%	\$ -0-	\$ 14,600,252.00	-0-	33.76%
2014	0.1502158748%	-0-	14,996,766.00	-0-	33.64%
2015	0.1505390124%	-0-	15,340,212.75	-0-	28.71%
2016	0.1429199126%	-0-	15,985,098.00	-0-	22.33%

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

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Public Employees Retirement System

Change in benefit terms: None

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

Teacher Pension and Annuity Fund

Change in benefit terms: None

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

OTHER SUPPLEMENTARY INFORMATION

**SPECIAL REVENUE FUND
DETAIL STATEMENTS**

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

	NONPUBLIC TECHNOLOGY	NONPUBLIC COMPENSATORY EDUCATION	NONPUBLIC SUPPLEMENTAL INSTRUCTION	NONPUBLIC ESL	NONPUBLIC EXAM AND CLASS	NONPUBLIC SPEECH CORRECTION
REVENUES:						
Local Sources						
State Sources	\$ 16,378.93	\$ 79,815.78	\$ 34,717.17	\$ 7,033.95	\$ 38,009.06	\$ 32,159.40
Federal Sources						
Total Revenues	<u>16,378.93</u>	<u>79,815.78</u>	<u>34,717.17</u>	<u>7,033.95</u>	<u>38,009.06</u>	<u>32,159.40</u>
EXPENDITURES:						
Instruction:						
Salaries of Teachers						
Purchased Professional / Technical Services		79,815.78	34,717.17	7,033.95	38,009.06	32,159.40
Tuition						
General Supplies	16,378.93					
Textbooks						
Total Instruction	<u>16,378.93</u>	<u>79,815.78</u>	<u>34,717.17</u>	<u>7,033.95</u>	<u>38,009.06</u>	<u>32,159.40</u>
Support Services:						
Other Salaries						
Personal Services Employee - Benefits						
Purchased Professional / Technical Services						
Other purchased services						
Total Support Services						
Total Expenditures	<u>16,378.93</u>	<u>79,815.78</u>	<u>34,717.17</u>	<u>7,033.95</u>	<u>38,009.06</u>	<u>32,159.40</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>

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

	<u>NONPUBLIC</u>	<u>NONPUBLIC</u>	<u>SECURITY AID</u>	<u>TITLE III</u>	<u>TITLE I</u>
	<u>NURSING</u>	<u>TEXTBOOKS</u>			
	\$	\$	\$	\$	\$
REVENUES:					
Local Sources	60,030.00	36,351.20	10,994.00	16,877.37	416,568.38
State Sources					
Federal Sources					
Total Revenues	60,030.00	36,351.20	10,994.00	16,877.37	416,568.38
EXPENDITURES:					
Instruction:					
Salaries of Teachers	60,030.00			816.00	227,227.59
Purchased Professional / Technical Services					
Tuition					
General Supplies			10,994.00	13,219.52	93,614.28
Textbooks		36,351.20			
Total Instruction	60,030.00	36,351.20	10,994.00	14,035.52	320,841.87
Support Services:					
Other Salaries					782.00
Personal Services Employee - Benefits					45,872.51
Purchased Professional / Technical Services					49,072.00
Other purchased services				2,841.85	
Total Support Services	0.00	0.00	0.00	2,841.85	95,726.51
Total Expenditures	60,030.00	36,351.20	10,994.00	16,877.37	416,568.38
Excess (Deficiency) of Revenues Over (Under) Expenditures	-0-	-0-	-0-	-0-	-0-

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

	<u>OTHER LOCAL</u>	<u>IDEA PART B BASIC</u>	<u>IDEA PART B PRESCHOOL</u>	<u>TITLE IIA</u>	<u>TOTALS</u>
REVENUES:					
Local Sources	\$ 43,076.69	\$	\$	\$	\$ 43,076.69
State Sources					315,489.49
Federal Sources		645,215.79	28,387.00	39,602.50	1,146,651.04
Total Revenues	<u>43,076.69</u>	<u>645,215.79</u>	<u>28,387.00</u>	<u>39,602.50</u>	<u>1,505,217.22</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers					228,043.59
Purchased Professional / Technical Services		39,416.09			291,181.45
Tuition		541,197.00	28,387.00		569,584.00
General Supplies	43,076.69	64,602.70			241,886.12
Textbooks					36,351.20
Total Instruction	<u>43,076.69</u>	<u>645,215.79</u>	<u>28,387.00</u>	<u>0.00</u>	<u>1,367,046.36</u>
Support Services:					
Other Salaries					782.00
Personal Services Employee - Benefits				0.00	45,872.51
Purchased Professional / Technical Services				34,728.50	83,800.50
Other purchased services				4,874.00	7,715.85
Total Support Services	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>39,602.50</u>	<u>138,170.86</u>
Total Expenditures	<u>43,076.69</u>	<u>645,215.79</u>	<u>28,387.00</u>	<u>39,602.50</u>	<u>1,505,217.22</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>

CAPITAL PROJECTS FUND DETAIL STATEMENTS

The capital projects fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY STATEMENT OF PROJECT EXPENDITURES-BUDGETARY BASIS
AS OF JUNE 30, 2017

<u>ISSUE/PROJECT TITLE</u>	<u>APPROPRIATIONS</u>	<u>PRIOR YEAR</u>	<u>EXPENDITURES TO DATE</u>	<u>CURRENT YEAR</u>	<u>BALANCE</u>
	<u>JUNE 30, 2017</u>	<u>JUNE 30, 2016</u>	<u>JUNE 30, 2017</u>	<u>JUNE 30, 2017</u>	<u>JUNE 30, 2017</u>
Rehabilitation of School Facilities and Technology Upgrades at Senior High School, Lincoln Middle School, Roosevelt Elementary, Washington Elementary, and Jefferson Elementary Schools	\$ 6,949,124.92	\$ 6,719,060.74	\$ 208,740.47	\$ 21,323.71	\$ 21,323.71
Totals	<u>\$ 6,949,124.92</u>	<u>\$ 6,719,060.74</u>	<u>\$ 208,740.47</u>	<u>\$ 21,323.71</u>	<u>\$ 21,323.71</u>

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

EXPENDITURES AND OTHER FINANCING USES:	
Construction Services	\$ 93,983.67
Equipment	<u>114,756.80</u>
Total Expenditures and Other Financing Uses	<u>208,740.47</u>
Excess (deficiency) of revenues over (under) expenditures	(208,740.47)
Net change in fund balances	(208,740.47)
Fund Balance - Beginning of Year	<u>230,064.18</u>
Fund Balance - End of Year	<u><u>\$ 21,323.71</u></u>

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND PROJECT STATUS -
BUDGETARY BASIS
REHABILITATION OF SCHOOL FACILITIES AND TECHNOLOGY UPGRADES AT HAWTHORNE SENIOR
HIGH SCHOOL, LINCOLN MIDDLE SCHOOL, ROOSEVELT ELEMENTARY SCHOOL, WASHINGTON
ELEMENTARY SCHOOL AND JEFFERSON ELEMENTARY SCHOOL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>PRIOR PERIODS</u>	<u>CURRENT YEAR</u>	<u>TOTALS</u>	<u>REVISED AUTHORIZED COST</u>
REVENUES AND OTHER FINANCING SOURCES:				
SDA Grant	\$ 1,473,124.92	\$	\$ 1,473,124.92	\$ 1,473,124.92
Bond Proceeds	5,476,000.00	_____	5,476,000.00	5,476,000.00
Total Revenues and Other Financing Sources	6,949,124.92	0.00	6,949,124.92	6,949,124.92
EXPENDITURES AND OTHER FINANCING USES:				
Purchased Professional and Technical Services	654,250.32		654,250.32	654,250.32
Construction Services	5,489,959.71	93,983.67	5,583,943.38	5,605,267.09
Equipment	157,003.40	114,756.80	271,760.20	271,760.20
General Supplies	417,847.31	_____	417,847.31	417,847.31
Total Expenditures and Other Financing Uses	6,719,060.74	208,740.47	6,927,801.21	6,949,124.92
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 230,064.18	\$ (208,740.47)	\$ 21,323.71	
ADDITIONAL PROJECT INFORMATION:				
Project Number	2100-050-10-1001	2100-050-10-1006		
Project Number	2100-050-10-1002	2100-050-10-1008		
Project Number	2100-050-10-1003	2100-050-10-1009		
Project Number	2100-050-10-1004	2100-050-10-1010		
Project Number	2100-050-10-1005	2100-050-10-1011		
Grant Date	9/28/10			
Bond Authorization Date	9/28/10			
Bonds Authorization	\$ 5,476,476.00			
Bonds Issued	\$ 5,476,476.00			
Original Authorized Cost	\$ 7,665,851.00			
Additional Authorized Cost	-			
Revised Authorized Cost	\$ 7,665,851.00			
Percentage Increase over Original Authorized Cost	N/A			
Percentage Completion	99.69%			
Original Target Completion Date	6/30/14			
Revised Target Completion Date	6/30/16			

PROPRIETARY FUND DETAIL STATEMENTS

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

FOOD SERVICES FUND: This fund provides for the operation of food services within the school district.

CHILD CARE FUND: This fund provides for the operation of a Child Care program within the school district.

INTEGRATED PRESCHOOL FUND: This fund provides for the operation of a Integrated Preschool program within the school district.

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION
PROPRIETARY FUNDS - ENTERPRISE FUNDS
JUNE 30, 2017

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND			
	NON-MAJOR			TOTALS
	FOOD SERVICE	INTEGRATED PRESCHOOL	SCHOOL AGE CHILD CARE PROGRAM	
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	\$ 108,461.86	\$ 14,086.41	\$ 162,842.25	\$ 285,390.52
Accounts receivable:				0.00
Federal	21,414.52			21,414.52
State	572.35			572.35
Interfunds	70,778.21			70,778.21
Inventories	6,893.87			6,893.87
	208,120.81	14,086.41	162,842.25	385,049.47
Total Current Assets				
Capital Assets:				
Equipment	430,031.00			430,031.00
Less: Accumulated Depreciation	(252,678.00)			(252,678.00)
	177,353.00			177,353.00
Total Capital Assets				
	385,473.81	14,086.41	162,842.25	562,402.47
Total Assets				
LIABILITIES				
Current Liabilities:				
Accounts payable	7,997.45			7,997.45
Unearned revenue	3,770.16	3,600.00		7,370.16
	11,767.61	3,600.00	0.00	15,367.61
Total Current Liabilities				
	11,767.61	3,600.00	0.00	15,367.61
Total Liabilities				
NET POSITION				
Restricted for:				
Net Investment in Capital Assets	177,353.00			177,353.00
Unrestricted	196,353.20	10,486.41	162,842.25	369,681.86
	373,706.20	10,486.41	162,842.25	547,034.86
Total Net Position				

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS - ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND			
	NON-MAJOR			TOTALS
	FOOD SERVICE	INTEGRATED PRESCHOOL	SCHOOL AGE CHILD CARE PROGRAM	
OPERATING REVENUES:				
Charges for services:				
Daily sales	\$ 252,621.42	\$	\$	\$ 252,621.42
Daily sales - non-reimbursable programs	252,744.75			252,744.75
Miscellaneous	24,245.85			24,245.85
Tuition		39,000.00		39,000.00
Child care activities			264,033.50	264,033.50
Total Operating Revenues	<u>529,612.02</u>	<u>39,000.00</u>	<u>264,033.50</u>	<u>832,645.52</u>
OPERATING EXPENSES:				
Cost of sales-reimbursable	307,795.91			307,795.91
Cost of sales-non reimbursable	97,427.00			97,427.00
Salaries	245,298.37	28,012.40	171,864.15	445,174.92
Employee benefits	99,085.76			99,085.76
Other purchased services	48,947.40		22,265.85	71,213.25
Supplies and materials	65,492.41	501.19	11,453.89	77,447.49
Miscellaneous	20,464.02		32,430.23	52,894.25
Depreciation	23,102.00			23,102.00
Total Operating Expenses	<u>907,612.87</u>	<u>28,513.59</u>	<u>238,014.12</u>	<u>1,174,140.58</u>
Operating Income (Loss)	<u>(378,000.85)</u>	<u>10,486.41</u>	<u>26,019.38</u>	<u>(341,495.06)</u>
NONOPERATING REVENUES:				
State Sources				
State School Lunch Program	9,111.08			9,111.08
Federal Sources				
National School Lunch Program	317,080.70			317,080.70
National School Breakfast Program	14,926.82			14,926.82
National Food Distribution Commodities	55,504.26			55,504.26
Interest and Investment Revenue	180.33		278.28	458.61
Total Nonoperating Revenues	<u>396,803.19</u>		<u>278.28</u>	<u>397,081.47</u>
Net Income (Loss) before Contributions and Transfers	<u>18,802.34</u>	<u>10,486.41</u>	<u>26,297.66</u>	<u>55,586.41</u>
Change in net position	18,802.34	10,486.41	26,297.66	55,586.41
Total Net Position, Beginning of Year	<u>354,903.86</u> \$		<u>136,544.59</u>	<u>491,448.45</u>
Total Net Position, End of Year	<u>\$ 373,706.20</u>	<u>\$ 10,486.41</u>	<u>162,842.25</u>	<u>\$ 547,034.86</u>

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
PROPRIETARY FUND
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND			
	FOOD SERVICE	INTEGRATED PRESCHOOL	SCHOOL AGE CHILD CARE PROGRAM	TOTALS
Cash flows from operating activities:				
Receipts from customers	\$ 530,150.78	\$ 42,600.00	\$ 264,033.50	\$ 836,784.28
Payments for employees' salaries and benefits	(344,384.13)	(28,012.40)	(171,864.15)	(544,260.68)
Payments to suppliers for goods and services	(478,225.79)	(501.19)	(66,149.97)	(544,876.95)
Net Cash Provided by (Used for) Operating Activities	(292,459.14)	14,086.41	26,019.38	(252,353.35)
Cash Flows from Noncapital Financing Activities:				
State Sources	8,980.60			8,980.60
Federal Sources	326,329.59			326,329.59
Net Cash Provided by (Used for) Noncapital Financing Activities	335,310.19			335,310.19
Cash Flows from Investing Activities:				
Interest on investments and deposits	180.33		278.28	458.61
Net Cash Provided by (Used for) by Investing Activities	180.33		278.28	458.61
Acquisition of Capital Assets	(4,946.00)			(4,946.00)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(4,946.00)			(4,946.00)
Net increase in cash and cash equivalents	38,085.38	14,086.41	26,297.66	78,469.45
Cash and cash equivalents, July 1	70,376.48		136,544.59	206,921.07
Cash and cash equivalents, June 30	\$ 108,461.86	\$ 14,086.41	\$ 162,842.25	\$ 285,390.52
Operating Income (Loss)	\$ (378,000.85)	10,486.41	\$ 26,019.38	\$ (341,495.06)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Depreciation and Net Amortization	23,102.00			23,102.00
Non-Cash Federal Assistance Food Distribution Program	55,504.26			55,504.26
Change in Assets and Liabilities:				
Increase / (Decrease) in Accounts Payable	4,106.08			4,106.08
Increase / (Decrease) in Unearned Revenue	(1,065.73)	3,600.00		2,534.27
(Increase) / Decrease in Inventory	3,895.10			3,895.10
Net Cash Provided by (Used for) by Operating Activities	\$ (292,459.14)	\$ 14,086.41	\$ 26,019.38	\$ (252,353.35)

FIDUCIARY FUNDS DETAIL STATEMENTS

Fiduciary funds are used to account for assets when a school district is functioning either as a trustee or as an agent for another party.

Unemployment Compensation Insurance Trust Fund:	This trust fund is used to account for board contributions which are utilized to pay unemployment compensation claims as they arise.
Scholarship Trust Fund:	This trust fund is used to account for assets held by the district for grants to students where there are no restrictions regarding the use of principal and interest.
Student Activity Fund:	This agency fund is used to account for student funds held at the schools.
Payroll Agency Fund:	This agency fund is used to account for the payroll transactions of the school district.

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2017

		PRIVATE PURPOSE SCHOLARSHIP FUNDS	UNEMPLOYMENT COMPENSATION TRUST	TOTAL TRUST FUNDS		STUDENT ACTIVITY		AGENCY FUNDS PAYROLL	TOTAL AGENCY FUNDS
ASSETS:									
Cash and Cash Equivalents	\$	3,002.54	\$ 116,626.46	\$ 119,629.00	\$	246,351.50	\$	22,159.74	\$ 268,511.24
Total assets	\$	<u>3,002.54</u>	<u>\$ 116,626.46</u>	<u>\$ 119,629.00</u>	\$	<u>246,351.50</u>	\$	<u>22,159.74</u>	<u>\$ 268,511.24</u>
LIABILITIES:									
Payroll Deductions and Withholdings	\$				\$		\$	9,550.49	\$ 9,550.49
Due to Student Groups						246,351.50			246,351.50
Due to Other Funds						0.00		12,609.25	12,609.25
Total liabilities	\$				\$	<u>246,351.50</u>	\$	<u>22,159.74</u>	<u>\$ 268,511.24</u>
NET POSITION:									
Held in trust for unemployment claims	\$		\$ 116,626.46	\$ 116,626.46					
Held in trust for scholarships		<u>3,002.54</u>		<u>3,002.54</u>					
TOTAL NET POSITION	\$	<u>3,002.54</u>	<u>\$ 116,626.46</u>	<u>\$ 119,629.00</u>					

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>UNEMPLOYMENT COMPENSATION TRUST</u>	<u>PRIVATE PURPOSE TRUST FUNDS</u>	<u>TOTALS</u>
ADDITIONS:			
Contributions:			
Unemployment	\$ <u>56,157.61</u>	\$ _____	\$ <u>56,157.61</u>
Total contributions	<u>56,157.61</u>	_____	<u>56,157.61</u>
Investment Earnings:			
Interest Earned	<u>1.09</u>	<u>4.70</u>	<u>5.79</u>
Net Investment Earnings	<u>1.09</u>	<u>4.70</u>	<u>5.79</u>
Total additions	<u>56,158.70</u>	<u>4.70</u>	<u>56,163.40</u>
DEDUCTIONS:			
Scholarships awarded		500.00	500.00
Unemployment claims and contributions	<u>47,346.46</u>	_____	<u>47,346.46</u>
Total deductions	<u>47,346.46</u>	<u>500.00</u>	<u>47,846.46</u>
Change in Net Position	8,812.24	(495.30)	8,316.94
Net Position, Beginning of Year	<u>107,814.22</u>	<u>3,497.84</u>	<u>111,312.06</u>
Net Position, End of Year	<u>\$ 116,626.46</u>	<u>\$ 3,002.54</u>	<u>\$ 119,629.00</u>

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

	<u>BALANCE</u> <u>JUNE 30, 2016</u>	<u>CASH</u> <u>RECEIPTS</u>	<u>CASH</u> <u>DISBURSE-</u> <u>MENTS</u>	<u>BALANCE</u> <u>JUNE 30, 2017</u>
ASSETS:				
Cash and cash equivalents	\$ <u>229,418.15</u>	\$ <u>427,622.36</u>	\$ <u>410,689.01</u>	\$ <u>246,351.50</u>
Total assets	\$ <u><u>229,418.15</u></u>	\$ <u><u>427,622.36</u></u>	\$ <u><u>410,689.01</u></u>	\$ <u><u>246,351.50</u></u>
LIABILITIES:				
Due student groups	\$ <u>229,418.15</u>	\$ <u>427,622.36</u>	\$ <u>410,689.01</u>	\$ <u>246,351.50</u>
Total liabilities	\$ <u><u>229,418.15</u></u>	\$ <u><u>427,622.36</u></u>	\$ <u><u>410,689.01</u></u>	\$ <u><u>246,351.50</u></u>

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

	<u>BALANCE</u> <u>JUNE 30, 2016</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2017</u>
ASSETS:				
Cash and cash equivalents	\$ 44,635.07	\$ 25,354,119.45	\$ 25,376,594.78	\$ 22,159.74
Total assets	<u>\$ 44,635.07</u>	<u>\$ 25,354,119.45</u>	<u>\$ 25,376,594.78</u>	<u>\$ 22,159.74</u>
LIABILITIES:				
Payroll deductions and withholdings	\$ 32,025.82	\$ 25,354,119.45	\$ 25,376,594.78	\$ 9,550.49
Due to General Fund	<u>12,609.25</u>			<u>12,609.25</u>
Total liabilities	<u>\$ 44,635.07</u>	<u>\$ 25,354,119.45</u>	<u>\$ 25,376,594.78</u>	<u>\$ 22,159.74</u>

LONG-TERM DEBT SCHEDULES

The Long-Term schedules are used to reflect the outstanding principal balances of the long-term liabilities of the District. This includes obligations under Serial Bonds and Capital Leases.

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS
JUNE 30, 2017

ISSUE	DATE OF ISSUE	AMOUNT OF ISSUE	MATURITIES		RATE OF INTEREST	BALANCE JUNE 30, 2016	RETIRED	BALANCE JUNE 30, 2017
			DATE	AMOUNT				
School Bonds	2/1/2011	\$ 5,476,000.00	2/1/2018	\$ 360,000.00	3.250%	\$	\$	
			2/1/2019	365,000.00	3.500%			
			2/1/2020	370,000.00	3.500%			
			2/1/2021	420,000.00	4.000%			
			2/1/2022	425,000.00	4.000%			
			2/1/2023	435,000.00	4.000%			
			2/1/2024	445,000.00	4.000%			
			2/1/2025	450,000.00	4.000%			
			2/1/2026	496,000.00	4.000%	4,111,000.00	345,000.00	3,766,000.00
	Refunding Bonds	4/20/2016	2,870,000.00	11/1/2017	735,000.00	1.370%		
			11/1/2018	700,000.00	1.370%			
			11/1/2019	675,000.00	1.370%	2,870,000.00	760,000.00	2,110,000.00
					\$ 6,981,000.00	\$ 1,105,000.00	\$ 5,876,000.00	

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
AS OF JUNE 30, 2017

<u>SERIES</u>	<u>INTEREST RATE PAYABLE</u>	<u>AMOUNT OF ORIGINAL LEASE</u>	<u>AMOUNT OUTSTANDING JUNE 30, 2016</u>	<u>INCREASE</u>	<u>DECREASE</u>	<u>AMOUNT OUTSTANDING JUNE 30, 2017</u>
Building Rewiring	Various	\$ 495,000.00	\$ 99,000.00	\$	\$ 99,000.00	\$
Digital Copiers	Various	99,999.95	62,160.12		19,973.73	42,186.39
Bus	Various	174,507.41	104,730.43		34,337.34	70,393.09
Boilers	Various	388,293.00		388,293.00	219,496.01	168,796.99
			\$ 265,890.55	\$ 388,293.00	\$ 372,807.08	\$ 281,376.47

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

	<u>ORIGINAL BUDGET</u>	<u>TRANSFERS</u>	<u>MODIFIED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES:					
Local sources:					
Local tax levy	\$ 1,128,775.00		\$ 1,128,775.00	\$ 1,128,775.00	\$
State sources:					
Debt Service Aid Type II	<u>191,342.00</u>		<u>191,342.00</u>	<u>191,342.00</u>	
Total revenues	<u>1,320,117.00</u>	<u>0.00</u>	<u>1,320,117.00</u>	<u>1,320,117.00</u>	
EXPENDITURES:					
Regular debt service:					
Interest	250,118.00		215,118.00	189,929.41	25,188.59
Redemption of principal	<u>1,070,000.00</u>	<u>(35,000.00)</u>	<u>1,105,000.00</u>	<u>1,105,000.00</u>	
Total regular debt service-expenditures	<u>1,320,118.00</u>	<u>0.00</u>	<u>1,320,118.00</u>	<u>1,294,929.41</u>	<u>25,188.59</u>
Excess (deficiency) of revenues over (under) expenditures	(1.00)	0.00	(1.00)	25,187.59	25,188.59
Fund balance, July 1	<u>1,072.47</u>		<u>1,072.47</u>	<u>1,072.47</u>	
Fund balance, June 30	<u>1,071.47</u>	<u>0.00</u>	<u>1,071.47</u>	<u>26,260.06</u>	<u>25,188.59</u>

STATISTICAL SECTION
(UNAUDITED)

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
STATISTICAL SECTION

<u>Contents</u>	<u>Page</u>
Financial Trends:	
These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	J-1 to J-4
Revenue Capacity:	
These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	J-5 to J-9
Debt Capacity:	
These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the district's ability to issue additional debt in the future.	J-10 to J-13
Demographic and Economic Information:	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	J-14 to J-15
Operating Information:	
These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.	J-16 to J-20

Sources

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

BOROUGH OF HAWTHORNE SCHOOL DISTRICT

NET POSITION BY COMPONENT

(accrual basis of accounting)

UNAUDITED

	Fiscal Year Ending June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental activities										
Net investment in capital assets (deficit)	\$ 1,435,143	\$ (108,905)	\$ (876,971)	\$ 7,342,792	\$ 7,213,779	\$ 5,754,297	\$ 5,341,862	\$ 4,902,544	\$ 4,659,627	\$ 4,358,409
Restricted	6,397,111	25,010,65	249,170,71	2,837,605	2,238,135	133,137	92,213	23,987	218,390	239,321
Unrestricted (deficit)	(12,009,665.83)	(11,235,109.63)	(11,954,706.25)	(1,464,273)	(1,794,812)	(1,031,117)	(1,099,849)	(1,617,430)	(853,861)	(98,783)
Total governmental activities net position	\$ (10,588,125)	\$ (11,319,004)	\$ (12,582,507)	\$ 8,716,125	\$ 7,657,102	\$ 4,886,317	\$ 4,334,226	\$ 3,309,101	\$ 4,024,156	\$ 4,486,947
Business-type activities										
Net investment in capital assets	\$ 177,353	\$ 195,509	\$ 196,107	\$ 28,883	\$ 8,888	\$ 32,695	\$ 32,455	\$ 25,898	\$ 26,331	\$ 25,388
Unrestricted	369,681,86	295,939,45	320,730,12	261,715	446,522	404,915	335,239	254,805	178,187	119,632
Total business-type activities net position	\$ 547,035	\$ 491,448	\$ 516,837	\$ 290,599	\$ 455,420	\$ 437,610	\$ 367,694	\$ 280,703	\$ 204,518	\$ 145,020
District-wide										
Net investment in capital assets	\$ 1,612,496	\$ 86,604	\$ (680,864)	\$ 7,371,675	\$ 5,786,992	\$ 5,374,317	\$ 4,928,442	\$ 4,685,958	\$ 4,383,797	\$ 4,154,737
Restricted	6,397,111	25,010,65	249,170,71	2,837,605	133,137	92,213	23,987	218,390	239,321	285,081
Unrestricted (Deficit)	(11,639,883.97)	(10,939,170.18)	(11,633,976.13)	(1,202,557)	(626,202)	(764,610)	(1,362,625)	(675,674)	20,849	263,440
Total district net position	\$ (10,021,091)	\$ (10,827,556)	\$ (12,065,669)	\$ 9,006,723	\$ 5,293,927	\$ 4,701,920	\$ 3,589,804	\$ 4,228,674	\$ 4,643,967	\$ 4,703,258

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
CHANGES IN NET POSITION
(accrual/basis of accounting)
UNAUDITED

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses										
Governmental activities										
Instruction										
Regular	\$ 19,519,105	\$ 16,711,953	\$ 17,525,689	\$ 14,592,988	\$ 14,404,030	\$ 13,508,306	\$ 13,591,186	\$ 13,324,774	\$ 13,524,283	\$ 13,428,527
Special education	10,312,222	10,663,918	8,155,275	8,673,073	9,118,080	8,993,260	8,908,910	8,403,023	7,764,135	7,084,382
Other instruction	1,661,584	1,806,790	1,838,076	2,582,185	1,275,097	656,570	743,141	987,767	1,096,145	1,193,356
School sponsored activities and athletics						618,809	609,102	585,460	663,295	640,881
Support Services:										
Student and instruction related services	9,306,084	8,533,607	7,342,948	5,127,709	5,163,537	5,515,931	4,862,359	4,847,228	4,830,563	4,265,823
Educational media/school library										374,462
General administration	734,751	597,188	685,665	907,347	810,542	689,107	657,247	682,126	631,886	559,837
School administration	2,283,894	2,222,728	2,172,465	2,109,731	2,156,745	1,920,335	1,904,951	1,786,761	1,720,957	1,723,804
School administrative services	972,016	705,807	844,580	797,181	728,784	648,109	557,226	585,214	549,617	493,214
Central services	4,233,716	3,784,140	4,759,492	4,454,981	4,082,915	3,666,748	3,637,576	3,445,432	3,550,446	2,916,477
Plant operations and maintenance	1,709,229	1,611,191	1,675,955	1,408,788	1,091,192	1,213,287	1,235,050	1,410,385	1,310,924	1,243,685
Pupil transportation	195,283	423,195	350,989	390,391	455,276	324,824	324,311	356,875	341,929	428,383
Interest on long-term debt				52,200	58,133					
Unallocated amortization				41,096,576	39,344,332	37,755,286	37,031,069	36,415,045	35,986,180	34,352,833
Total governmental activities expenses	50,927,883	47,060,517	45,351,133	41,096,576	39,344,332	37,755,286	37,031,069	36,415,045	35,986,180	34,352,833
Business-type activities:										
Food service	907,613	888,593	840,881	1,005,853	845,151	757,040	772,445	746,607	713,137	676,635
Integrated preschool	28,514									
Community School	238,014	296,757	264,382	268,781	266,276	264,971	264,212	258,905	267,009	276,451
Total business-type activities expense	1,174,141	1,185,350	1,105,263	1,274,634	1,111,427	1,022,011	1,036,657	1,005,512	980,146	953,086
Total district expenses	\$ 52,102,024	\$ 48,245,867	\$ 46,456,396	\$ 42,371,210	\$ 40,455,759	\$ 38,777,297	\$ 38,067,716	\$ 37,420,557	\$ 36,966,326	\$ 35,305,919
Program Revenues										
Governmental activities:										
Charges for services										
Instruction (Tuition)	\$ 28,536	\$ 4,114	\$ 234,691	\$ 318,406	\$ 193,095	\$ 6,168,816	\$ 4,952,717	\$ 6,544,089	\$ 6,333,260	\$ 5,225,209
Operating grants and contributions	14,867,421	11,886,102	6,622,253	6,401,819	5,502,933	6,168,816	4,952,717	6,544,089	6,333,260	5,225,209
Capital grants and contributions			207,029	1,452,348	184,412	73,495				
Total governmental activities program revenues	14,895,958	11,890,216	7,063,973	8,172,572	5,880,440	6,242,311	4,952,717	6,544,089	6,333,260	5,225,209
Business-type activities:										
Charges for services										
Food service	529,612	531,065	493,151	545,411	546,756	564,431	566,476	537,261	531,055	532,358
Integrated preschool	39,000									
Community school	264,034	241,590	271,950	262,795	265,823	284,326	299,601	318,959	277,258	237,493
Operating grants and contributions	396,623	386,774	343,384	318,974	276,437	270,660	212,003	176,615	156,152	131,067
Total business-type activities program revenues	1,229,268	1,159,429	1,108,485	1,127,181	1,089,016	1,119,417	1,075,080	1,032,835	984,465	900,918
Total district program revenues	16,125,226	13,049,645	8,172,458	9,299,753	6,969,456	7,361,728	6,030,797	7,576,924	7,297,725	6,126,127
Net (Expense)/Revenue										
Governmental activities	(36,031,926)	(35,170,301)	(34,032,604)	(32,924,004)	(33,463,892)	(31,512,975)	(32,075,342)	(29,870,956)	(29,652,920)	(29,127,624)
Business-type activities	55,128	(25,921)	(166,149)	(147,454)	(22,411)	97,406	41,423	27,323	(15,681)	(52,168)
Total district-wide net expense	\$ (35,976,798)	\$ (35,196,222)	\$ (34,198,753)	\$ (33,071,458)	\$ (33,486,303)	\$ (31,415,569)	\$ (32,033,919)	\$ (29,843,633)	\$ (29,668,601)	\$ (29,179,792)

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
CHANGES IN NET POSITION
(accrual basis of accounting)
UNAUDITED

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 35,932,607	\$ 35,228,047	\$ 34,326,233	\$ 32,993,304	\$ 32,346,376	\$ 31,446,287	\$ 30,225,447	\$ 28,930,867	\$ 27,630,749	\$ 26,377,804
Taxes levied for debt service	1,128,775.00	1,119,554.00	1,115,733.00	1,117,574	1,091,621	673,115	644,807	643,412	646,052	669,217
State aid restricted for debt service	488,452.00	445,768.00	445,768.00	412,225	205,754	146,565	167,360	159,539	152,176	204,127
Unrestricted state aid	191,342.00	200,355.00	202,564.00	205,967	271,752	57,862	607,623	891,535	388,003	466,658
Gain on refinancing										
Miscellaneous income	104,088.24	68,350.91	87,537.01	100,841	57,041	73,108	162,866	121,920	150,320	221,151
SDA Grant Canceled	0.00	47,750.00	(392,707.67)				5,770			
Donation - Capital asset										
Other	(702)									
Total governmental activities	37,824,533	37,109,825	35,785,127	34,829,911	33,972,544	32,396,937	31,813,873	30,747,273	28,967,300	27,938,957
Business-type activities:										
Investment earnings	459	533	493	1,327	2,057	2,911	4,231	3,617	6,809	9,946
Total business-type activities	459	533	493	1,327	2,057	2,911	4,231	3,617	6,809	9,946
Total district-wide	37,824,991	37,110,358	35,785,621	34,831,238	33,974,601	32,399,848	31,818,104	30,750,890	28,974,109	27,948,903
Change in Net Position										
Governmental activities	\$ 1,792,607	\$ 1,939,524	\$ 868,792	\$ 797,307	\$ 1,048,540	\$ (1,066,955)	\$ 300,898	\$ (1,331,069)	\$ (903,656)	\$ (1,713,963)
Business-type activities	55,586	(25,389)	5,398	(164,822)	(145,397)	(19,500)	101,637	45,040	34,132	(5,735)
Total district	1,848,193	1,914,135	874,190	632,486	903,143	(1,086,455)	402,535	(1,286,029)	(869,524)	(1,719,698)

Source: CAFR Schedule A-2

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
 FUND BALANCES, GOVERNMENTAL FUNDS
 (modified accrual basis of accounting)
 UNAUDITED

	Fiscal Year Ending June 30,									
	2017	2016	2015	2014	2013	2012	2011	2009	2009	2008
General Fund										
Reserved	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Unreserved/(Deficit)										
Nonspendable Fund Balance										
Restricted	2,043,543	1,105,238	432,316	210,450	260,082	535,830	6,174			
Committed							308,334			
Assigned	612,908	968,921	504,136	502,568	1,264,406	516,213	19,400			
Unassigned	950,571	743,175	727,968	181,296	550,101	605,825	50,567			
Total general fund	\$ 3,607,022	\$ 2,817,334	\$ 1,664,420	\$ 894,314	\$ 2,074,590	\$ 1,657,868	\$ 298,931	\$ (392,369)	\$ -	\$ 938,072
All Other Governmental Funds										
Reserved	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Unreserved										
Restricted	180,427	269,443	830,577	1,340,816	1,415,955	1,702,311	5,117,790	21,429	112,221	127,996
Committed	22,395	44,010		14,150				21,429	112,221	255,992
Unassigned										
Total all other governmental funds	\$ 202,822	\$ 313,453	\$ 830,577	\$ 1,354,966	\$ 1,415,955	\$ 1,702,311	\$ 5,117,790	\$ 132,788	\$ 112,221	\$ 255,992

Source: CAFR Schedule B-1

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
 CHANGES IN GOVERNMENTAL FUND BALANCES: GOVERNMENTAL FUNDS
 UNAUDITED

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues										
Tax levy	\$ 37,061,382	\$ 36,347,601	\$ 35,441,966	\$ 34,766,609	\$ 34,110,878	\$ 33,437,997	\$ 32,119,402	\$ 30,870,254	\$ 29,574,279	\$ 28,276,801
Miscellaneous	175,671	76,527	174,248	215,222	338,813	376,778	288,109	169,070	130,742	158,947
State Sources	7,582,597	6,651,305	6,333,789	6,059,477	6,252,856	7,256,713	4,665,206	5,719,949	5,203,395	6,288,478
Federal Sources	1,168,259	1,210,714	1,156,386	999,713	1,191,336	1,073,628	1,224,660	1,291,141	791,574	787,163
Total Revenue	45,987,910	44,286,147	43,106,389	42,041,021	41,893,884	42,145,116	38,277,377	38,050,414	35,699,990	35,511,389
Expenditures										
Instruction										
Regular Instruction	10,570,810	10,112,444	10,529,295	11,017,499	14,491,963	13,465,243	13,514,515	13,578,202	13,155,985	13,530,144
Special Education Instruction	4,962,252	5,181,286	4,463,020	4,582,884	8,671,987	7,590,839	9,008,115	8,905,283	8,285,578	7,770,663
Other Instruction	1,168,223	1,266,115	1,191,771	1,092,845	2,582,185	1,275,324	658,005	742,695	974,884	1,099,412
School Sponsored Activities and Athletics							619,944	608,789	579,005	663,931
Support Services:										
Tuition	2,501,025	2,397,021	2,074,598	2,348,076	5,109,512	7,363,661	5,514,664	4,854,965	4,775,318	4,827,096
Student & Instruction Related Services	5,768,653	5,660,186	5,071,965	5,000,880						
Educational Media / School Library										
General Administration	512,902	531,073	483,830	529,623	900,034	806,493	676,709	642,984	666,108	619,748
School Administrative Services	1,252,663	1,287,689	1,327,597	1,420,196	2,090,669	2,136,783	1,877,605	1,875,358	1,727,674	1,691,324
Central Services	778,409	590,124	599,175	613,953	810,420	728,878	649,054	555,616	568,363	548,814
Plant Operations and Maintenance	3,386,709	3,021,560	2,858,855	2,955,722	3,615,953	3,506,818	3,289,660	3,248,737	3,026,815	3,199,776
Pupil Transportation	1,509,133	1,435,668	1,363,464	1,257,363	1,441,592	1,083,787	1,203,642	1,202,665	1,405,600	1,311,440
Unallocated Benefits	10,814,994	10,248,524	10,531,120	10,857,404						
Capital Outlay	1,184,886	610,173	829,486	386,606	769,316	5,434,880	633,843	491,890	29,116	45,636
Debt Service:										
Cost of Issuance	-	35,676								
Principal	1,105,000	1,035,000	1,000,000	970,000	945,000	973,751	663,585	659,557	662,675	730,651
Interest and Other Charges	189,929	284,915	318,296	349,234	378,540	414,100	252,303	282,213	313,742	348,959
Total expenditures	45,705,588	43,697,454	42,642,472	41,807,170	41,807,170	44,780,557	38,561,644	37,648,954	36,170,863	36,387,594
Excess (Deficiency) of Revenues	282,322	588,693	463,917	86,713	86,713	(2,635,441)	(284,267)	401,460	(470,873)	(876,205)
Over (Under) Expenditures										
Other Financing Sources (Uses)										
Proceeds from Borrowing							5,476,000			
Capital Leases (Non-Budgeted)	388,293		174,507	100,000	43,653	578,899		104,538		
Refund Prior Year Revenue			(382,708)							
Cancelled SDA Grant	8,441									
Payment to refunding bonds escrow		11,421								
Refunding bond proceeds		(2,834,324)					18,759	132,225		
Transfers In		2,870,000					(18,759)	(132,225)		
Transfers Out										
Total Other Financing Sources (Uses)	396,734	47,097	(218,200)	43,653	43,653	578,899	5,476,000	104,538	0	0
Net Change in Fund Balances	\$ 679,057	\$ 635,790	\$ 245,717	\$ 130,366	\$ 130,366	\$ (2,066,542)	\$ 5,191,733	\$ 505,998	\$ (470,873)	\$ (876,205)
Debt Service as a Percentage of Noncapital Expenditures	2.91%	3.06%	3.15%	0.0304	316.00%	3.10%	2.41%	2.53%	2.50%	2.70%

Source: CAFR Schedule B-2
 * Noncapital expenditures are total expenditures less capital outlay.

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
UNAUDITED

<u>Fiscal Year</u> <u>Ended</u> <u>June 30.</u>	<u>Tuition</u>	<u>Tuition</u> <u>Refund</u>	<u>Insurance</u> <u>Refund</u>	<u>Interest on</u> <u>Investments</u>	<u>Use of</u> <u>Property</u>	<u>Athletics</u>	<u>Miscellaneous</u>	<u>Total</u>
2008	\$	\$	\$	\$ 86,972	\$ 10,400	\$ 15,497	\$ 28,385	\$ 141,254
2009				46,764	8,563	8,722	52,278	116,327
2010		43,151		36,700	1,440	10,645	70,930	162,866
2011	193,095	10,594		32,656		11,366	18,596	266,307
2012	318,406			23,051		13,142	20,743	375,342
2013	234,691		7,528	12,740		12,542	44,981	335,532
2014	156,442			7,646		10,623	29,564	204,275
2015	68,331			7,010		9,519	71,008	155,868
2016	0			7,932		14,059	42,372	64,363
2017	28,536			8,811		13,301	80,729	131,377

Source: District Records

**BOROUGH OF HAWTHORNE SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY**

Calendar Year	Vacant Land	Residential	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2008	\$ 15,201,600	978,314,050	122,246,400	84,517,200	23,288,400	1,223,567,650	777,640	1,224,345,290	2.310	2,584,741,696
2009	9,824,500	994,885,650	121,641,800	83,619,800	22,900,200	1,232,871,950	781,881	1,233,653,831	2.410	2,758,462,459
2010	6,439,700	1,006,280,400	120,954,000	81,547,000	22,900,200	1,238,121,300	809,598	1,238,930,898	2.490	2,862,181,177
2011	6,449,600	1,006,540,800	120,785,100	79,530,600	22,900,200	1,236,206,300	813,464	1,237,019,764	2.600	2,781,923,249
2012	6,733,300	1,005,098,500	120,463,600	79,079,100	22,837,000	1,234,211,500	672,157	1,234,883,657	2.700	2,773,149,915
2013	6,828,200	1,001,958,800	119,826,500	78,684,700	22,006,700	1,229,304,900	495	1,229,305,395	2.775	2,498,214,325
2014	6,533,000	997,527,100	118,318,000	78,156,700	22,481,700	1,223,016,500	522	1,223,017,022	2.850	2,355,613,294
2015	6,384,500	997,074,000	118,148,900	78,224,200	23,025,500	1,222,857,100	542	1,222,857,642	2.898	2,266,709,734
2016	6,478,100	995,367,700	115,762,100	76,348,400	25,619,400	1,219,575,700	1,000	1,219,576,700	3.039	2,309,138,687
2017	6,308,400	995,478,000	115,057,200	77,988,100	25,619,400	1,220,451,100	518	1,220,451,618	3.092	2,309,138,687

Source: District records Tax list summary & Municipal Tax Assessor

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

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

^b Tax rates are per \$100

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES

(rate per \$100 of assessed value)

UNAUDITED

Calendar Year Ended Dec. 31	Hawthorne Public Schools	Hawthorne Borough	Passaic County	Total
2008	2.31	0.91	1.05	4.27
2009	2.41	0.96	1.10	4.47
2010	2.49	1.05	1.17	4.71
2011	2.60	1.07	1.21	4.88
2012	2.70	1.09	1.30	5.09
2013	2.78	1.11	1.29	5.18
2014	2.85	1.15	1.28	5.28
2015	2.90	1.11	1.29	5.30
2016	3.04	1.22	1.42	5.67
2017	3.09	1.23	1.43	5.75

Source: District Records and Municipal Tax Collector

Note:

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

- a** The district's basic tax rate is calculated from the A4F form which is submitted with the budget and the net valuation taxable
- b** Rates for debt service are based on each year's requirements.

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

Taxpayer	2017			2008		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Graham Partnership	*			*		
PRT Realty, L.P.	*			*		
VanDyk's Senior Residence	*			*		
Hawthorne Garden Assoc.	*			*		
Hawthorne Acquisition, LLC	*			*		
Hawthorne Auto Sales Co.	*			*		
PSAF Dev. Partners LLC	*			*		
Goffle Road Properties c/o Corrado	*			*		
Hawthorne Commons, LLC	*			*		
Dater Park Apts, LLC	*			*		
Total	\$ -		0.00%	\$ -		0.00%

(*) Not Available at time of Audit

Source: District CAFR J11 and Municipal Tax Assessor

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
UNAUDITED

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2008	\$ 28,276,801	\$ 28,276,801	100.00%	-
2009	29,574,279	29,574,279	100.00%	-
2010	30,870,254	30,870,254	100.00%	-
2011	32,119,402	32,119,402	100.00%	-
2012	33,437,997	33,437,997	100.00%	-
2013	34,110,878	34,110,878	100.00%	-
2014	34,766,609	34,766,609	100.00%	-
2015	35,441,966	35,441,966	100.00%	-
2016	36,347,601	36,347,601	100.00%	-
2017	37,061,382	37,061,382	100.00%	-

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

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

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
UNAUDITED

Fiscal Year Ended June 30,	Governmental Activities						Population	Per Capita ^a
	General Obligation Bonds	Capital Leases	Notes Payable	Total District	Population	Per Capita ^a		
2008	\$ 8,145,000.00	\$ 124,100.00	\$	\$ 8,269,100.00	17,909	462		
2009	7,565,000.00	41,425.00		7,606,425.00	17,993	423		
2010	6,955,000.00	96,406.00		7,051,406.00	17,993	392		
2011	11,801,000.00	62,821.00		11,863,821.00	17,993	659		
2012	10,891,000.00	577,969.27		11,468,969.27	17,993	637		
2013	9,946,000.00	424,673.84	600,000.00	10,970,673.84	18,821	583		
2014	8,976,000.00	396,999.95		9,372,999.95	18,888	496		
2015	7,976,000.00	417,930.29		8,393,930.29	18,987	442		
2016	6,981,000.00	265,890.55		7,246,890.55	19,048	380		
2017	5,876,000.00	112,579.48		5,988,579.48	18,941	316		

Source: District CAFR Schedules I-1

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

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

N/A not available

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
RATIOS OF NET BONDED DEBT OUTSTANDING
UNAUDITED

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Total Municipal Assessed Value	Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding			
2008	\$ 8,145,000.00	\$ -0-	\$ 8,145,000.00	\$ 1,233,653,831	0.66%	\$ 452.68
2009	7,565,000.00	-0-	7,565,000.00	1,238,930,898	0.61%	420.44
2010	6,955,000.00	-0-	6,955,000.00	1,237,019,764	0.56%	386.54
2011	11,801,000.00	-0-	11,801,000.00	1,234,883,657	0.96%	627.01
2012	10,891,000.00	-0-	10,891,000.00	1,229,305,395	0.89%	656.00
2013	9,946,000.00	-0-	9,946,000.00	1,223,017,022	0.81%	528.45
2014	8,976,000.00	-0-	8,976,000.00	1,222,857,642	0.73%	475.22
2015	7,976,000.00	-0-	7,976,000.00	1,221,336,431	0.65%	420.08
2016	6,981,000.00	-0-	6,981,000.00	1,219,576,230	0.57%	366.50
2017	5,876,000.00	-0-	5,876,000.00	1,220,451,618	0.48%	310.23

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

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

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

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

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes Hawthorne Borough	\$ 15,556,994.20	100.00%	\$ 15,556,994
Other debt Passaic County	361,427,569.00	4.96%	<u>17,926,807</u>
Subtotal, overlapping debt			33,483,802
Hawthorne Borough School District Direct Debt	6,221,000.00	100.00%	<u>6,221,000</u>
Total direct and overlapping debt			<u><u>\$ 39,704,802</u></u>

Sources: Borough Chief Financial Officer and County Treasurer's Office

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

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

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
UNAUDITED

Legal Debt Margin Calculation for Fiscal Year 2016

		<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 limit	\$	92,591,510	\$ 101,278,962	\$ 108,332,173	\$ 111,072,987	\$ 111,777,583	\$ 107,249,391	\$ 101,717,253	\$ 92,221,773	\$ 91,505,874	\$ 92,787,555
Total net debt applicable to limit		8,700,000	8,145,000	7,565,000	6,955,000	11,801,000	11,141,000	9,946,000	8,976,000	6,981,000	5,876,000
Legal debt margin	\$	83,891,510	\$ 93,133,962	\$ 100,767,173	\$ 104,117,987	\$ 99,976,583	\$ 96,108,391	\$ 91,771,253	\$ 83,245,773	\$ 84,524,874	\$ 86,911,555
Total net debt applicable to the limit as a percentage of debt limit		11.14%	9.40%	8.04%	6.98%	20.30%	10.56%	9.78%	9.73%	7.63%	6.33%

Average equalized valuation of taxable property											\$ 2,319,688,864
Debt limit (4% of average equalization value)											\$92,787,555 ^a
Net bonded school debt											5,876,000
Legal debt margin											\$ 86,911,555

Equalized valuation basis

2016	\$	2,353,030,484									
2015		2,303,103,715									
2014		2,302,932,392									
											[A]
	\$	6,959,066,591									

Average equalized valuation of taxable property

[A/3]

Debt limit (4% of average equalization value)

[B]

Net bonded school debt

[C]

Legal debt margin

[B-C]

Source: Abstract of Rates and District Records CAFR Schedule J-7

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

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
UNAUDITED

<u>Year Ended</u> <u>December 31</u>	<u>Unemployment Rate</u>	<u>Per Capita</u> <u>Income</u>	<u>Population</u>
2007	2.7%	40,845	0
2008	3.5%	42,354	17,909
2009	7.0%	40,436	17,993
2010	7.2%	39,704	17,993
2011	7.0%	39,704	17,993
2012	6.9%	43,209	17,993
2013	9.1%	44,688	18,821
2014	5.2%	43,687	18,888
2015	4.7%	**	18,987
2016	**	**	19,048

Source: N.J. Department of Labor

** Not available at audit

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
UNAUDITED

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Instruction										
Regular	143	133	120	132	120	132	134	131	133	134
Special education	130	134	135	130	129	117	120	130	131	133
Other special education	1	1	1	1	1	7	7	1	1	1
Support Services:										
Student & instruction related services	37	37	42	27	25	5	5	9	10	10
General administration	3	3	3	3	3	3	3	3	3	3
School administrative services	18	18	17	17	18	10	10	17	10	10
Central services	4	4	4	4	4	19	19	4	10	10
Administrative Information Technology	1	1	2	1	1	4	3	1	1	1
Plant operations and maintenance	43	39	39	35	35	34	34	34	34	34
Pupil transportation	9	10	12	7	9	7	7	12	12	11
Total	389	380	375	357	345	338	342	341	345	347

Source: District Personnel Records

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
OPERATING STATISTICS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost per Pupil ^d	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio				Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School	Senior High School	School				
2008	2,423	\$ 35,262,348.00	14,553	3.55%	274.0	7.9:1	8.9:1	10.5:1	2,428	2,335	1.89%	96.17%	
2009	2,428	33,104,597.00	13,635	-6.31%	268.0	7.9:1	9.4:1	11.4:1	2,447	2,337	0.78%	95.50%	
2010	2,478	36,215,294.00	14,615	7.19%	256.0	8.6:1	10.4:1	11.7:1	2,466	2,350	0.78%	95.30%	
2011	2,526	37,011,913.00	14,652	0.28%	256.0	11.0:1	12.0:1	12.5:1	2,481	2,350	0.61%	94.72%	
2012	2,453	37,907,524.94	15,454	5.47%	250.0	10.5:1	11.3:1	11.4:1	2,430	2,312	-2.06%	95.14%	
2013	2,464	39,714,314.94	16,118	4.30%	250.0	10.5:1	11.3:1	11.4:1	2,367	2,260	-2.59%	95.48%	
2014	2,332	40,494,689.52	17,365	7.74%	254.0	10.5:1	11.3:1	11.4:1	2,332	2,227	-1.48%	95.50%	
2015	2,325	40,494,689.52	17,417	0.30%	254.0	10.5:1	11.3:1	11.4:1	2,332	2,227	0.00%	95.50%	
2016	2,357	41,731,690.07	17,705	1.66%	256.0	10.5:1	11.3:1	11.4:1	2,329	2,223	-0.13%	95.45%	
2017	2,380	43,225,771.90	18,162	2.58%	257.0	10.5:1	11.3:1	11.4:1	2,328	2,223	-0.04%	95.49%	

Sources: District records, ASSA and Schedules J-12, J-14

Note: Enrollment based on annual October district count.

a Operating expenditures equal total expenditures (modified accrual) less debt service and capital outlay;

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

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

d Cost per pupil represents operating expenditures divided by enrollment.

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION

	<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>
<u>District Building</u>										
<u>Elementary</u>										
Jefferson										
Square Feet	40,108	40,108	40,108	40,108	40,108	40,108	40,108	40,108	40,108	40,108
Capacity (students)	282	282	282	282	282	282	282	282	282	300
Enrollment	269	274	280	280	280	280	280	280	271	281
Roosevelt										
Square Feet	80,848	80,848	80,848	80,848	80,848	80,848	80,848	80,848	80,848	80,848
Capacity (students)	489	489	489	489	489	489	489	489	489	580
Enrollment	652	634	641	641	641	641	641	641	558	561
Washington										
Square Feet	40,361	40,361	40,361	40,361	40,361	40,361	40,361	40,361	40,361	40,361
Capacity (students)	234	234	234	234	234	234	234	234	234	275
Enrollment	248	261	291	291	291	291	291	291	249	266
<u>Middle School</u>										
Square Feet	87,155	87,155	87,155	87,155	87,155	87,155	87,155	87,155	87,155	87,155
Capacity (students)	513	513	513	513	513	513	513	513	513	600
Enrollment	562	596	588	588	588	588	588	588	584	560
<u>High School</u>										
Square Feet	144,704	144,704	144,704	144,704	144,704	144,704	144,704	144,704	144,704	144,704
Capacity (students)	714	714	714	714	714	714	714	714	714	745
Enrollment	699	683	666	666	666	666	666	666	662	712

Number of Schools at June 30, 2017

Elementary -	3
Middle School -	1
Senior High School -	1
	<hr/>
	5

Source: District records, ASSA

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

BOROUGH OF HAWTHORNE - SCHOOL DISTRICT
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
UNAUDITED

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

School Facilities	Project # (s)	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Jefferson School	N/A	\$ 89,011	\$ 67,210	\$ 63,701	\$ 61,777	\$ 60,022	\$ 58,148	\$ 53,777	\$ 53,057	\$ 56,093	\$ 45,906
Roosevelt School	N/A	186,924	141,140	130,671	129,731	119,131	116,925	103,957	123,517	102,619	115,037
Washington School	N/A	97,913	73,931	68,971	67,955	57,061	57,099	58,654	54,924	55,019	52,578
Lincoln Middle School	N/A	195,825	147,861	137,941	135,909	134,559	126,153	112,067	124,841	121,769	127,698
Hawthorne High School	N/A	320,442	241,954	225,723	222,397	227,006	256,099	208,703	187,301	172,150	261,251
Total School Facilities		890,115	672,096	627,007	617,769	597,779	614,423	537,158	543,640	507,650	602,470
Grand Total		\$ 890,115	\$ 672,096	\$ 627,007	\$ 617,769	\$ 597,779	\$ 614,423	\$ 537,158	\$ 543,640	\$ 507,650	\$ 602,470
		\$0									

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2017
UNAUDITED

	<u>LIMITS</u>	<u>DEDUCTIBLE</u>
<u>PROPERTY</u>		
Blanket Building and Contents	\$ 75,549,681	\$ 5,000
Boiler & Machinery	75,549,681	5,000
Flood - Outside 100 Year Flood Zone	5,000,000	500,000
Flood - Inside 100 Year Flood Zone	1,000,000	50,000
<u>ENVIRONMENTAL POLICY</u>		
Environmental Impairment Liability (Group Aggregate)	20,000,000	
Each Impairment Aggregate limit per Insured:	3,000,000	15,000
<u>GENERAL LIABILITY COVERAGES</u>		
Each Occurrence Limit	1,000,000	
Personal and Advertising Injury Limit	1,000,000	
General Aggregate Limit	2,000,000	
Products/Completed Operations, Aggregate Limit	2,000,000	
Fire Damage Limit	1,000,000	
Medical Expense Limit	5,000	
<u>AUTOMOBILE</u>		
Liability	1,000,000	
Uninsured/Underinsured Motorists	1,000,000	
Comprehensive and Collision Deductibles	1,000,000	1,000
<u>PROFESSIONAL LIABILITY POLICY</u>		
School Board Legal Liability Limit	1,000,000	5,000
Employment Related Practices Limit	Included	5,000
<u>CRIME</u>		
Employee Dishonesty-per employee	100,000	
Per Loss	400,000	
Forgery & Alteration	50,000	1,000
<u>STATUTORY BONDS</u>		
Public Official Bond -Bus Admn/Treasurer	250,000	
<u>UMBRELLA LIABILITY</u>		
Limit of Liability	9,000,000	
<u>EXCESS UMBRELLA (CAP PROGRAM)</u>		
Limit of Liability (shared among all Boards)	9,000,000	
<u>WORKERS COMPENSATION</u>		
BI by Accident-Each Accident	1,000,000	
BI by Disease-Each Employee	1,000,000	
BI by Disease-Policy Limit	1,000,000	

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2017
UNAUDITED

	<u>LIMITS</u>	<u>DEDUCTIBLE</u>
<u>FLOOD INSURANCE</u>		
Bamford & Warburton-Trailer-1 and Trailer 2(each)		
Building	\$ 2,500	\$ 1,000
Contents	16,800	1,000
Bamford & Warburton-Fieldhouse		
Building	143,000	1,000
Contents	68,000	1,000
<u>Disability Insurance</u>	2000/wk	
<u>Student Accident Full Excess Plan</u>	5,000,000	1,000
<u>Volunteer Accident Full Excess Plan</u>	500,000	

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SINGLE AUDIT SECTION



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

Honorable President and Members
of the Board of Education
Borough of Hawthorne School District
County of Passaic
Hawthorne, New Jersey 07506

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Borough of Hawthorne School District (the "District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated November 13, 2017.

Internal Control Over Financial Reporting

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

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

SUPLEE, CLOONEY & COMPANY

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

Compliance and Other Matters

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

Purpose of This Report

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


CERTIFIED PUBLIC ACCOUNTANTS


PUBLIC SCHOOL ACCOUNTANT NO. 948

November 13, 2017



SUPLEE, CLOONEY & COMPANY
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
 WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL
 AND STATE FINANCIAL ASSISTANCE PROGRAMS AND WITH
 INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
 UNIFORM GUIDANCE AND NEW JERSEY OMB CIRCULAR 15-08**

Honorable President and Members
 of the Board of Education
 Borough of Hawthorne School District
 County of Passaic
 Hawthorne, New Jersey 07506

Report on Compliance for Each Major Federal and State Program

We have audited the Borough of Hawthorne School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *New Jersey OMB State Grant Compliance Supplement* that could have a direct and material effect on each of the Borough of Hawthorne School 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 the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditor's Responsibility

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

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

SUPLEE, CLOONEY & COMPANY

Opinion on Each Major Federal and State Program

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

Report on Internal Control Over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a 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.

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 State of New Jersey *OMB 15-08*. Accordingly, this report is not suitable for any other purpose.


CERTIFIED PUBLIC ACCOUNTANTS


PUBLIC SCHOOL ACCOUNTANT NO. 948

November 13, 2017

BOROUGH OF HAVTHORNE - SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

STATE GRANTOR/PROGRAM TITLE State Department of Education Special Funds:	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE AT JUNE 30, 2016		CARRYOVER/ (WALKOVER) AMOUNT	CASH RECEIVED	BUDGETARY EXPENDITURES	ADJUSTMENTS	REPAYMENT OF PRIOR YEARS BALANCES	BALANCE AT JUNE 30, 2017		MEMO
				(ACCOUNTS RECEIVABLE)	UNEARNED REVENUE						(ACCOUNTS RECEIVABLE)	UNEARNED REVENUE	
State Ad Cluster:													
Equalization Aid	17-495-034-5120-078	7/1/16-6/30/17	\$321,456.00				\$300,879.00	(\$321,456.00)	\$20,577.00		\$20,577.00	\$20,577.00	\$321,456.00
Passed-Through State Department of E	17-495-034-5120-089	7/1/16-6/30/17	1,466,245.00				1,372,412.00	(1,466,245.00)	93,833.00		93,833.00	93,833.00	1,466,245.00
Child Nutrition Cluster	17-495-034-5120-084	7/1/16-6/30/17	75,886.00				71,034.00	(75,886.00)	4,852.00		4,852.00	4,852.00	75,886.00
PARCC Readiness Aid	17-495-034-5120-097	7/1/16-6/30/17	23,320.00				21,831.00	(23,320.00)	1,489.00		1,489.00	1,489.00	23,320.00
Per Pupil Growth Aid	17-495-034-5120-088	7/1/16-6/30/17	23,250.00				21,831.00	(23,250.00)	1,489.00		1,489.00	1,489.00	23,250.00
Professional Learning Community Aid	17-495-034-5120-101	7/1/16-6/30/17	23,250.00				21,761.00	(23,250.00)	1,489.00		1,489.00	1,489.00	23,250.00
Total State Aid Cluster:							1,809,748.00	(1,933,477.00)	123,729.00		123,729.00	123,729.00	1,933,477.00
Total Child Nutrition Cluster	17-495-034-5120-014	7/1/16-6/30/17	143,695.00				134,497.00	(143,695.00)	9,198.00		9,198.00	9,198.00	143,695.00
Non-Public Transportation Aid	N/A	7/1/16-6/30/17	28,502.00				19,140.00	(28,502.00)			28,502.00	28,502.00	28,502.00
Non-Public Transportation Aid	N/A	7/1/15-6/30/16	19,140.00				19,140.00					19,140.00	19,140.00
Extraordinary Aid	16-100-034-5120-473	7/1/15-6/30/16	462,576.00				462,653.00						462,576.00
Passed-Through State Department of E	17-100-034-5120-473	7/1/16-6/30/17	663,880.00					(663,880.00)					663,880.00
On-behalf TPAF Contributions	17-495-034-5094-002	7/1/16-6/30/17	1,482,653.40				1,482,653.40	(1,482,653.40)					1,482,653.40
NCGI	17-495-034-5094-004	7/1/16-6/30/17	59,940.00				59,940.00	(59,940.00)					59,940.00
Long-Term Disability Insurance	17-495-034-5094-004	7/1/16-6/30/17	4,032.00				4,032.00	(4,032.00)					4,032.00
Post Retirement Medical	17-495-034-5094-001	7/1/16-6/30/17	1,714,261.00				1,714,261.00	(1,714,261.00)					1,714,261.00
TPAF Social Security Aid	17-495-034-5094-003	7/1/16-6/30/17	1,149,712.74				1,149,712.74	(1,149,712.74)					1,149,712.74
TPAF Social Security Aid	16-495-034-5094-003	7/1/15-6/30/16	1,136,532.78				57,071.63	(57,071.63)					1,136,532.78
Total General Fund							6,883,708.77	(7,180,153.14)	132,927.00		6,883,708.77	152,231.00	10,731,878.92
Special Revenue Funds:													
NJ Nonpublic Aid:													
Technology Aid	16-100-034-5120-373	7/1/15-6/30/16	15,626.00							(36.77)			15,626.00
Technology Aid	17-100-034-5120-373	7/1/16-6/30/17	16,432.00				16,432.00	(16,378.93)			\$53.07		16,378.93
Textbook Aid	16-100-034-5120-064	7/1/15-6/30/16	34,318.00							(952.17)			34,318.00
Textbook Aid	17-100-034-5120-064	7/1/16-6/30/17	36,428.00				36,428.00	(36,351.20)			76.80		36,428.00
Security Aid	16-100-034-5120-509	7/1/15-6/30/16	15,800.00							(10,470.00)			15,800.00
Security Aid	17-100-034-5120-509	7/1/16-6/30/17	33,350.00				33,350.00	(10,994.00)			22,356.00		10,994.00
Nursing	17-100-034-5120-070	7/1/16-6/30/17	60,030.00				60,030.00	(60,030.00)					60,030.00
Auxiliary Services:													
English as a Second Language	17-100-034-5120-067	7/1/16-6/30/17	8,404.00				8,404.00	(7,033.95)			1,370.05		7,033.95
English as a Second Language	16-100-034-5120-067	7/1/15-6/30/16	7,765.00							(2,071.47)			5,693.53
Compensatory Education	15-100-034-5120-067	7/1/16-6/30/17	86,355.00				86,355.00	(79,815.78)			6,539.22		79,815.78
Compensatory Education	16-100-034-5120-067	7/1/15-6/30/16	40,609.00							(6,852.40)			33,756.60
Handicapped Services:													
Supplemental Instruction	15-100-034-5120-068	7/1/16-6/30/17	38,450.00				38,450.00	(34,717.17)			3,732.83		34,717.17
Supplemental Instruction	16-100-034-5120-068	7/1/15-6/30/16	33,287.00							(2,376.09)			30,910.91
Examination & Classification	15-100-034-5120-068	7/1/16-6/30/17	55,647.00				55,647.00	(36,009.06)			17,637.94		38,009.06
Examination & Classification	16-100-034-5120-068	7/1/15-6/30/16	51,307.00							(3,241.78)			48,065.22
Corrective Speech	15-100-034-5120-068	7/1/16-6/30/17	36,311.00				36,311.00	(32,159.40)			4,151.60		32,159.40
Corrective Speech	16-100-034-5120-068	7/1/15-6/30/16	27,590.00							(1,337.41)			26,252.59
Total Special Revenue Fund							371,407.00	(315,489.49)			27,338.09		496,641.20

The accompanying notes to schedules of financial assistance are an integral part of this schedule.

BOROUGH OF HAVTHORNE - SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

STATE GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE AT JUNE 30, 2016		CARRYOVER/ (WALKOVER) AMOUNT	CASH RECEIVED	BUDGETARY EXPENDITURES	ADJUSTMENTS	REPAYMENT OF PRIOR YEARS BALANCES	BALANCE AT JUNE 30, 2017		MEMO	CUMULATIVE TOTAL EXPENDITURES
				(ACCOUNTS RECEIVABLE)	UNEARNED REVENUE						(ACCOUNTS RECEIVABLE)	UNEARNED REVENUE		
Debt Service Fund														
Debt Service State Aid	17-495-034-5100-075	7/1/16-6/30/17	191,342.00				191,342.00	(191,342.00)						205,967.00
Enterprise Fund														
National School Lunch Program	16-100-020-3350-023	7/1/15-6/30/16	9,419.11	(441.87)		441.87	8,539.73	(9,111.08)			(572.35)			11,725.92
National School Lunch Program	17-100-020-3350-023	7/1/16-6/30/17	9,111.08											10,307.27
Total Enterprise Fund				(441.87)		8,980.60	8,980.60	(9,111.08)			(572.35)			22,033.19
Total State Financial Assistance				(5539,229.50)		\$7,465,438.37	\$7,465,438.37	(\$7,696,095.71)	\$1,32,927.00	(\$27,338.09)	(\$692,954.35)	\$55,917.51	\$152,231.00	\$13,225,692.77
Less: On-Behalf amounts not utilized for determination of Major Programs:														
On-Behalf TPAF Contributions	17-495-034-5094-002	7/1/16-6/30/17	1,482,653.40				\$1,482,653.40	(\$1,482,653.40)						
NGCI	17-495-034-5094-004	7/1/16-6/30/17	59,940.00				59,940.00	(59,940.00)						
Long-Term Disability Insurance	17-495-034-5094-004	7/1/16-6/30/17	4,032.00				4,032.00	(4,032.00)						
Post Retirement Medical	17-495-034-5094-001	7/1/16-6/30/17	1,714,261.00				1,714,261.00	(1,714,261.00)						
Total State Financial Assistance Subject to Single Audit							\$4,204,551.97	(\$4,435,209.31)						

The accompanying notes to schedules of financial assistance are an integral part of this schedule.

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

NOTE 1: GENERAL

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

NOTE 2: BASIS OF ACCOUNTING

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

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

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

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$9,837.00 for the general fund. The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$-0- for the special revenue fund. See the notes to the required supplementary information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Federal awards and state financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$21,608.11	\$7,075,765.74	\$7,097,373.85
Special Revenue Fund	1,146,651.04	315,489.49	1,462,140.53
Debt Service Fund		191,342.00	191,342.00
Food Service Fund	<u>377,354.80</u>	<u>9,419.11</u>	<u>386,773.91</u>
Total Awards & Financial Assistance	<u>\$1,545,613.95</u>	<u>\$7,592,016.34</u>	<u>\$9,137,630.29</u>

NOTE 4: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5: OTHER

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

Borough of Hawthorne School District
Passaic County, New Jersey

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2017

Section I – Summary of Auditor’s Results

Financial Statements

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

Federal Program(s)

- | | | |
|-----|--|------------|
| (1) | Internal Control Over Major Federal Programs: | |
| | (a) Material weaknesses identified? | No |
| | (b) Significant deficiencies identified that are not considered to be material weaknesses? | No |
| (2) | Type of Auditor’s Report issued on compliance for major federal program(s)? | Unmodified |
| (3) | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the Uniform Guidance? | No |

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

<u>Program</u>	<u>CFDA</u>
National School Lunch Program	10.555
Food Distribution Commodities Program	10.555
National School Breakfast Program	10.553

- | | | |
|-----|---|-----|
| (5) | Program Threshold Determination:
Type A Federal Program Threshold > \$750,000.00
Type B Federal Program Threshold <= \$750,000.00 | |
| (6) | Auditee qualified as a low-risk auditee under OMB Circular Uniform Guidance? | Yes |

Borough of Hawthorne School District
Passaic County, New Jersey

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2017

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

State Program(s)

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

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

<u>Program</u>	<u>Grant Number</u>
Reimbursed TPAF Social Security Contributions	17-495-034-5095-003
Extraordinary Aid	17-100-034-5120-473

- (5) Program Threshold Determination:
 - Type A State Program Threshold > \$750,000.00
 - Type B State Program Threshold <= \$750,000.00
- (6) Auditee qualified as a low-risk auditee under OMB Circular 15-08? Yes

Borough of Hawthorne School District
Passaic County, New Jersey

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2017

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

Internal Control Findings – None Reported

Compliance Findings – None Reported

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

Federal Programs – None Reported

State Programs – None Reported

Borough of Hawthorne School District
Passaic County, New Jersey

Schedule of Prior Year Audit Findings

Not Applicable

