

SCHOOL DISTRICT

OF

HOPE TOWNSHIP

**Hope Township School District
Board of Education
Hope, Warren County
New Jersey**

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

Comprehensive Annual

Financial Report

of the

Hope Township School District

Board of Education

Hope, New Jersey

For the Fiscal Year Ending June 30, 2017

Prepared by

Hope Township School District

Board of Education

Finance Department

OUTLINE OF CAFR

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Introductory Section

HOPE TOWNSHIP BOARD OF EDUCATION
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HOPE, NJ 07844
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September 1, 2017

Honorable President and
Members of the Board of Education
Hope Township School District
County of Warren, New Jersey

Dear Board Members and Constituents of Hope:

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

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a Roster of Officials. The financial section includes the general purpose financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and NJ OMB's Circular 04-04 OMB, *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.

- 1) **REPORTING ENTITY AND ITS SERVICES:** Hope Township School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB) as established by Statement No. 14. All funds and account groups of the District are included in this report. The Hope Township Board of Education and its school constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre-K through 8, and has a sending/receiving relationship with the Belvidere School District and Warren County Technical School for its 9th through 12th grade students. These include regular as well as special education for special needs students. The district completed the 2016-17 fiscal year with an average enrollment of 158 students in our Pre-Kindergarten through 8th Grade program.

2) ECONOMIC CONDITION AND OUTLOOK: The Hope Township area has experienced a leveling off in development over the past several years. There has not been any subdivision development. In housing, growth is relatively flat, consisting of one-family residences. Since there is no substantive expansion of business in Hope Township, there is no material increase in the employment level or tax base (either residential or industrial). This condition is expected to continue which suggests that Hope Township will remain relatively stable. Hope School's enrollment has decreased slightly over the past few years.

MAJOR INITIATIVES: Despite flat state aid, the Hope Township School continued its focus on the school level objectives. Our administration and teachers continue revisions to the curricula to assure that they are aligned with New Jersey Student Learning Standards. Student needs were serviced in the areas of Special Education and speech. Our Preschool program continues to serve PSD students and tuition paying general education students. Students continued to be grouped with teachers in clusters. World Language instruction continued weekly for grades K-6 and Spanish instruction occurred daily for grades 7 and 8.

The district continued the identification and service of exceptional students. At risk students were identified by classroom teachers and service plans are developed through an improved Pupil Assistance Committee (PAC). Students eligible for Response to Intervention (RTI) were served in reading, writing, and mathematics. Gifted students are identified through a comprehensive formal process and served in the area of mathematics and language arts. Our technology plans ensure that all resources are in place to properly administer the PARCC assessments.

4) INTERNAL ACCOUNTING CONTROLS: Management of the District is responsible for establishing and maintaining internal controls designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). Internal controls are 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; but not absolute assurance that these objectives are met.

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

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

5) BUDGETARY CONTROLS: In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. 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 canceled or included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as a reservation of fund balance at June 30, 2017.

6) ACCOUNTING SYSTEM AND REPORTS: The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB), and in 2016-2017 were inclusive of the new GASB requirements. The accounting system of the District is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements".

7) FINANCIAL INFORMATION: A summary of financial information is presented in the section Management's Disclosure and Analysis for The Fiscal Year Ended June 30, 2017.

8) DEBT ADMINISTRATION: At June 30, 2017, the District's outstanding debt issues included \$623,345 of general obligation bonds.

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

10) RISK MANAGEMENT: The Board carried various forms of insurance, including but not limited to general liability, hazard and theft insurance on property and contents, environmental impairment coverage, worker's compensation and fidelity bonds.

11) OTHER INFORMATION:

Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The Board selected the accounting firm of Ardito & Company, LLP. 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 of 1984 and the related OMB Circular A-133 and New Jersey OMB's Circular 04-04. The auditor's report on the general-purpose financial statements, and combining and individual fund statements and schedules, are included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

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

13) **SERVICE EFFORTS AND ACCOMPLISHMENTS:** This year the district completed several maintenance projects in and around the school facility including safety and security upgrades to our main office area, a boiler replacement, a water heater replacement, optimization of the heating systems in the building and repaving of our basketball court and back driveway. The District continues to provide the appropriate replacement and updating of its facility to provide for a safe, secure and efficient building.

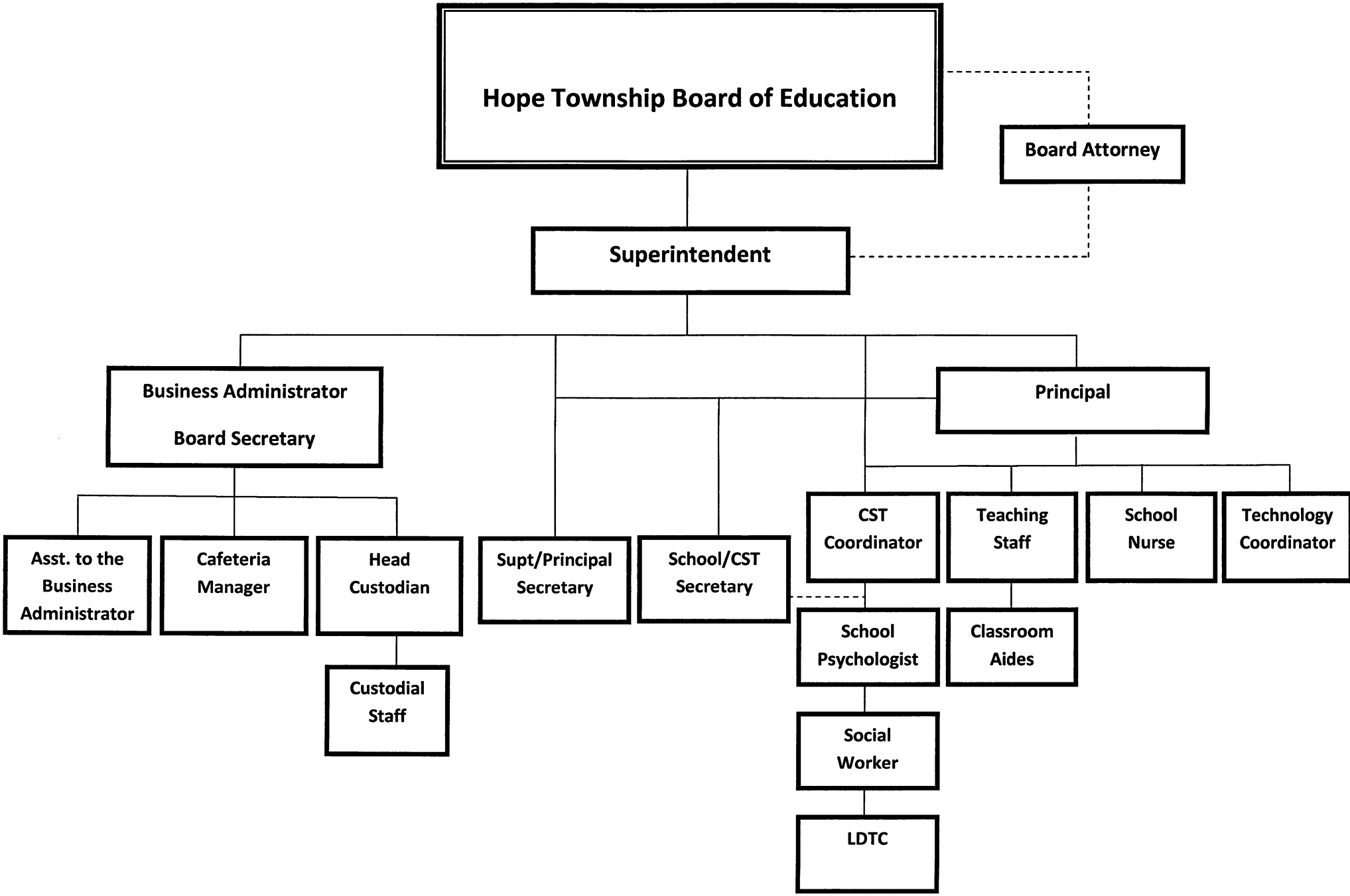
Respectfully submitted,

A handwritten signature in black ink, appearing to read 'MS', with a stylized flourish at the end.

Michael Slattery, Superintendent

A handwritten signature in black ink, appearing to read 'Dawn Huff', with a long horizontal line extending to the right.

Dawn Huff, Business Administrator



**HOPE TOWNSHIP SCHOOL DISTRICT
BOARD OF EDUCATION**

ROSTER OF OFFICIALS

June 30, 2017

Members of the Board of Education

Term Expires

Douglas Tighe, <i>President</i>	2017
Tina Ritchie, <i>Vice-President</i>	2018
John Lucas	2017
Linda Chamberlain	2019
Rosemarie Maguire	2018
Warren Leary	2017
James Fisher	2017

Other Officials

Michael Slattery, *Superintendent*

Dawn Huff, *Board Secretary/School Business Administrator*

John Comegno, *Solicitor*

**HOPE TOWNSHIP SCHOOL DISTRICT
BOARD OF EDUCATION**

CONSULTANTS AND ADVISORS

Architect of Record

**Gregory Somjen
Parette Somjen Architects
439 Route 46 East
Rockaway, New Jersey 07866**

Audit Firm

**Anthony Ardito
Ardito & Co., LLP
1110 Harrison Street, Suite C
Frenchtown, New Jersey 08825-1192**

Attorney

**John Comegno
Comegno Law Group
521 Pleasant Valley Avenue
Moorsetown, New Jersey 08057**

Official Depository

**Fulton Bank of New Jersey
P.O. Box 281
Hope, New Jersey 07844**

**First Hope Bank
P.O. Box 296
Hope, New Jersey 07844**

Financial Section

Independent Auditor's Report



ARDITO & Co., LLP

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Frenchtown, New Jersey 08825-1192
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Anthony Ardito, CPA, RMA, CMFO, PSA
Douglas R. Williams, CPA, RMA, PSA

Independent Auditor's Report

The Honorable President and
Members of the Board of Education
Hope Township School District
County of Warren
Hope, New Jersey 07844

Report on the Financial Statements

We have audited the accompanying financial statements of the government activities, the business-type activities, each major fund and the aggregate remaining fund information of the Hope Township School District Board of Education, 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, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

-Continued-

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension trend information as identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hope Township School District Board of Education's basic financial statements. The introductory section, combining and individual fund financial statements, long-term debt schedules, statistical section, and schedule of state financial assistance, as required by New Jersey OMB's circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

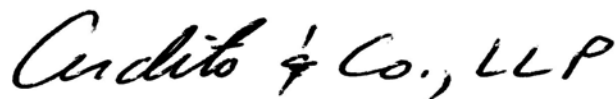
The combining and individual fund financial statement information, long-term debt schedules, and the schedule of state financial assistance, as required by New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the combining and individual fund financial statement information, long-term debt schedules, and schedule of state financial assistance, as required by New Jersey OMB's circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are fairly stated in all material respects in relation to the basic financial statements as a whole.

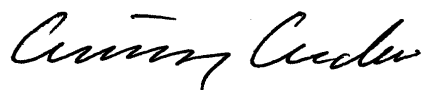
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2017, on our consideration of the Hope Township School District Board of Education'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



ARDITO & CO., LLP
August 31, 2017



Licensed Public School Accountant No. 2369

**Required Supplementary Information -
Part I**

Management's Discussion and Analysis

HOPE TOWNSHIP SCHOOL DISTRICT

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

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

Financial Highlights

Key financial highlights for 2017 are as follows:

- ◆ In total, Net Position increased \$221,313 which represents a 8.1% increase from 2016.
- ◆ General revenues accounted for \$3,818,974 in revenue or 62.0% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$2,341,249 or 38.0% of total revenues of \$6,160,223.
- ◆ Total assets of governmental activities increased by \$145,216, as cash and cash equivalents increased by \$191,395, receivables decreased by \$305, and capital assets decreased by \$45,748.
- ◆ The School District had \$5,938,910 in expenses; only \$2,341,249 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$3,818,974 were available to provide for these programs.
- ◆ Among major funds, the General Fund had \$5,037,875 in revenues and \$4,842,702 in expenditures. The General Fund's surplus balance increased \$189,173 over 2016, which compares favorably to the budgeted decrease of \$294,146.

Using this Generally Accepted Accounting Principals Report (GAAP)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Hope Township School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities. The Statement of Net Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School 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 School District's most significant funds with all other non-major funds presented in total in one column. In the case of HopeTownship School District, the General Fund is by far the most significant fund.

HOPE TOWNSHIP SCHOOL DISTRICT

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

Reporting the School 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 School District to provide programs and activities, the view of the School 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 answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. 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 School 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 positions of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Nonfinancial factors include the School District's property tax base, 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 School District is divided into two distinct kinds of activities:

- Governmental activities--All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.
- Business-type Activity--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 enterprise fund is reported as a business activity.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 25. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Special Revenue Fund, and Capital Projects Fund.

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

Governmental Funds

The School 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 the 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 School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

The School District as a Whole

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

Table 1 provides a summary of the School District's Net Position for 2017 compared to 2016.

**Table 1
Net Position**

	<u>2017</u>	<u>2016</u>
Assets		
Current and Other Assets	\$ 1,736,039	\$ 1,545,075
Capital Assets	<u>2,786,356</u>	<u>2,832,104</u>
Total Assets	<u>4,522,395</u>	<u>4,377,179</u>
 Deferred Outflows of Resources	 <u>349,108</u>	 <u>149,047</u>
 Liabilities		
Long-Term Liabilities	1,826,082	1,665,455
Other Liabilities	<u>9,620</u>	<u>13,350</u>
Total Liabilities	<u>1,835,702</u>	<u>1,678,805</u>
 Deferred Inflows of Resources	 <u>68,750</u>	 <u>101,683</u>
 Net Position		
Invested in Capital Assets, Net of Debt	2,211,356	2,122,104
Restricted	1,555,986	1,367,234
Unrestricted	<u>(800,291)</u>	<u>(743,600)</u>
Total Net Position	<u>\$ 2,967,051</u>	<u>\$ 2,745,738</u>

HOPE TOWNSHIP SCHOOL DISTRICT

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

Total assets of governmental activities increased by \$145,216, as cash and cash equivalents increased by \$191,395, receivables decreased by \$305, and capital assets decreased by \$45,748.

The cash increase was mainly due operational efficiency towards budget and the decrease in capital assets was due to depreciation expense.

Table 2 shows the changes in Net Position from fiscal year 2016.

Table 2
Changes in Net Position

	<u>2017</u>	<u>2016</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 211,059	\$ 222,786
Operating Grants and Contributions	2,130,190	1,837,560
General Revenues:		
Property Taxes	3,805,616	3,804,917
Federal & State Aid on Capital Asset Projects		
Investment Earnings	11,398	4,834
Other	<u>1,960</u>	<u>1,092</u>
Total Revenues	<u>6,160,223</u>	<u>5,871,189</u>
Program Expenses		
Instruction	2,362,471	2,059,875
Support Services:		
Tuition	1,161,904	1,277,998
Pupils and Instructional Staff	661,443	591,214
General Administration, School Administration, Business	600,592	489,048
Operations and Maintenance of Facilities	549,188	536,958
Pupil Transportation	262,234	247,476
Business-Type Activities	202,450	208,615
Interest and Fiscal Charges	<u>138,628</u>	<u>162,244</u>
Total Expenses	<u>5,938,910</u>	<u>5,573,428</u>
Increase in Net Position	<u>\$ 221,313</u>	<u>\$ 297,761</u>

HOPE TOWNSHIP SCHOOL DISTRICT

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

Governmental Activities

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. Property taxes made up 61.8% percent of revenues for governmental activities for the HopeTownship School District for the fiscal year 2017.

Instruction comprises 39.8% of district expenses. Support services expenses make up 54.5% of the expenses.

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 compared to 2016. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3

	<u>Total Cost of Services 2017</u>	<u>Net Cost of Services 2017</u>	<u>Total Cost of Services 2016</u>	<u>Net Cost of Services 2016</u>
Instruction	\$ 2,362,471	\$ 1,417,560	\$ 2,059,875	\$ 1,282,733
Support Services:				
Tuition	1,161,904	719,095	1,277,998	828,965
Pupils and Instructional Staff	661,443	415,536	591,214	388,442
General Admin., School Admin., Business	600,592	384,632	489,048	327,429
Operation and Maintenance of Facilities	549,188	351,712	536,958	359,506
Pupil Transportation	262,234	167,940	247,476	165,691
Business-Type Activities	202,450	2,558	208,615	(1,928)
Interest and Fiscal Charges	138,628	138,628	162,244	162,244
Total Expenses	<u>\$ 5,938,910</u>	<u>\$ 3,597,661</u>	<u>\$ 5,573,428</u>	<u>\$ 3,513,082</u>

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

Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching to students.

General administration, school administration and business include expenses associated with administrative and financial supervision of the District.

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

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

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

Business-type activities includes expenses related to activities provided by the School District which are designed to provide for students to participate in food service.

Interest and fiscal charges involve the transactions associated with the payment of interest and other related charges to debt of the School District and unallocated depreciation.

The dependence upon tax revenues is apparent. Over 60.0% of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 63.0%. The community, as a whole, is the primary support for the HopeTownship School District.

The School District's Funds

Information about the School District's major funds starts on page 25. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other sources of \$5,299,775 and expenditures of \$5,104,613. The General Fund's surplus balance increased \$189,173 over 2016, which compares favorably to the budgeted decrease of \$294,146.

General Fund Budgeting Highlights

The School 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.

During the course of the fiscal 2017 year, the School District amended its General Fund budget as needed. The School District uses program based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management.

For the General Fund, budget basis revenue and other financing sources, excluding on-behalf payments, was \$4,658,711, \$18,253 over original budgeted estimates of \$4,640,458. This difference was due primarily to an increases in tuition based programs.

General fund revenues exceeded expenditures by \$184,508. Again this surplus compares to a budgeted deficit of \$294,146, which was due to the budgeted use of surplus and maintenance reserve needed to balance the 2016-2017 budget. The budgeted deficit was reduced due revenue increases and cost savings in the areas of instruction, admin, transportation, and benefits.

Overall general fund balance (budget basis) was \$1,813,420, and amounts ear-marked and reserved for future purposes were \$1,555,974, creating a surplus in unreserved fund balance of \$251,051. Management believes unreserved fund balance at statutory levels will provide adequate working capital for the district.

HOPE TOWNSHIP SCHOOL DISTRICT

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

Capital Assets

At the end of the fiscal year 2017, the School District had \$2,786,356 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal 2017 balances compared to 2016.

Table 4
Capital Assets (Net of Depreciation) at June 30,

	<u>2017</u>	<u>2016</u>
Land	\$ 42,000	\$ 42,000
Land Improvements	-	-
Buildings and Improvements	2,651,473	2,678,033
Machinery and Equipment	<u>92,883</u>	<u>112,071</u>
Totals	<u>\$ 2,786,356</u>	<u>\$ 2,832,104</u>

Overall capital assets decreased \$45,748 from fiscal year 2016 to fiscal year 2017. The decrease in capital assets was due to depreciation expense.

\$66,245 in main office renovations and boiler replacement were purchased during fiscal year 2017.

Debt Administration

At June 30, 2017, the School District had \$656,813 as outstanding long term debt. Of this amount, \$81,813 is for compensated absences and \$575,000 is for bonds payable outstanding.

At June 30, 2017, the School District's overall legal debt margin was \$6,225,170 and the unvoted debt margin was the same.

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

For the Future

The Hope Township School District is in very good financial condition presently. A concern, however, is that future expense increases will put further upward pressure on local property taxes. Future finances will therefore present challenges if the student community continues to grow and state funding does not increase.

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

Contacting the School District's Financial Management

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 questions about this report or need additional information contact Dawn Huff, School Business Administrator/Board Secretary at Hope Township School District, P.O. Box 143, Hope, NJ, 07844, or E-mail at dhuff@hope-elem.org.

Basic Financial Statements

DISTRICT-WIDE FINANCIAL STATEMENTS

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

HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit A-1

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	\$ 671,740	\$ 11,085	\$ 682,825
Receivables from Other Governments	5,684	569	6,253
Inventory		1,918	1,918
Restricted Assets:			
Capital Reserve Account - Cash	738,974		738,974
Emergency Reserve Account - Cash	81,069		81,069
Tuition Reserve Account - Cash	225,000		225,000
Capital Assets, Net (Note 6):	2,786,356		2,786,356
Total Assets	<u>4,508,823</u>	<u>13,572</u>	<u>4,522,395</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Deferred Outflows			<u>349,108</u>
LIABILITIES			
Accounts Payable			
Deferred Revenue		923	923
Accrued Interest	8,697		8,697
Net Pension Liability (Note 8):	1,169,269		1,169,269
Noncurrent Liabilities (Note 7):			
Due Within One Year	135,000		135,000
Due Beyond One Year	521,813		521,813
Total Liabilities	<u>1,834,779</u>	<u>923</u>	<u>1,835,702</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Deferred Inflows			<u>68,750</u>
NET POSITION			
Invested in Capital Assets, Net of Related Debt	2,211,356		2,211,356
Restricted for:			
Debt Service Fund	12		12
Other Purposes	1,555,974		1,555,974
Unrestricted	(812,940)	12,649	(800,291)
Total Net Position	<u>\$ 2,954,402</u>	<u>\$ 12,649</u>	<u>\$ 2,967,051</u>

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

HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit A-2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	PROGRAM REVENUES			NET(EXPENSE) REVENUE AND CHANGES IN NET POSITION		TOTAL	
	EXPENSES	CHARGES FOR SERVICES	OPERATING	CAPITAL	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES
			GRANTS AND CONTRIBUTIONS	GRANTS AND CONTRIBUTIONS			
Governmental Activities:							
Instruction:							
Regular	\$ 1,879,893		\$ 771,386		\$ (1,108,507)	\$ (1,108,507)	
Special Education	300,189		107,942		(192,247)	(192,247)	
Other Special Instruction	182,389		65,583		(116,806)	(116,806)	
Support Services:							
Tuition	1,161,904	\$ 25,013	417,796		(719,095)	(719,095)	
Student & Instruction Related Services	661,443		245,907		(415,536)	(415,536)	
School Administrative Services	156,661		56,332		(100,329)	(100,329)	
General and Business Admin. Services	443,931		159,628		(284,303)	(284,303)	
Plant Operations and Maintenance	549,188		197,476		(351,712)	(351,712)	
Pupil Transportation	262,234		94,294		(167,940)	(167,940)	
Interest and Other Fiscal Charges	34,851				(34,851)	(34,851)	
Unallocated Depreciation	103,777				(103,777)	(103,777)	
Total Governmental Activities	5,736,460	25,013	2,116,344		(3,595,103)	(3,595,103)	
Business-Type Activities:							
Food Service	42,189	25,785	13,846		\$ (2,558)	(2,558)	
Shared Services	160,261	160,261					
Total Business-Type Activities	202,450	186,046	13,846		(2,558)	(2,558)	
Total Primary Government	\$ 5,938,910	\$ 211,059	\$ 2,130,190		\$ (3,595,103)	\$ (2,558)	
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, Net				\$ 3,647,197		\$ 3,647,197	
Taxes Levied for Debt Service				158,419		158,419	
Investment Earnings				11,350	\$ 48	11,398	
Miscellaneous Income				1,960	-	1,960	
Transfers				(6,000)	6,000		
Total General Revenues, Special Items, Extraor. Items and Transfers				3,812,926	6,048	3,818,974	
Change in Net Position				217,823	3,490	221,313	
Net Position—Beginning (As restated)				2,736,579	9,159	2,745,738	
Net Position—Ending				\$ 2,954,402	\$ 12,649	\$ 2,967,051	

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

FUND FINANCIAL STATEMENTS

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

HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit B-1

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	<u>GENERAL FUND</u>	<u>DEBT SERVICE FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS			
Cash and Cash Equivalents	\$ 1,716,771	\$ 12	\$ 1,716,783
Receivables from Other Governments	5,684		5,684
TOTAL ASSETS	<u>\$ 1,722,455</u>	<u>\$ 12</u>	<u>\$ 1,722,467</u>
LIABILITIES AND FUND BALANCES			
Fund Balances:			
<u>Restricted for:</u>			
Capital Reserve Account	738,974		738,974
Emergency Reserve	81,069		81,069
Tuition Reserve	179,834		179,834
Excess Surplus	274,757		274,757
Excess Surplus - Designated for Subsequent Year's Expenditures	281,340		281,340
<u>Assigned to:</u>			
Year-End Encumbrances	6,395		6,395
Debt Service Fund		12	12
<u>Unassigned:</u>			
General Fund	160,086		160,086
Total Fund Balances	<u>1,722,455</u>	<u>12</u>	<u>1,722,467</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,722,455</u>	<u>\$ 12</u>	<u>\$ 1,722,467</u>

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$4,572,727 and the accumulated depreciation is \$1,786,371.

\$ 2,786,356

Deferred Outflows related to pension contributions subsequent to the Net Pension Liability measurement date and other deferred items are not current financial resources and therefore are not reported in the fund statements. (See Note 8)

349,108

Deferred Inflows related to pension actuarial gains from experience and differences in actual return and assumed returns and other deferred items are not reported as liabilities in the fund statements. (See Note 8)

(68,750)

Long-term liabilities, including Net Pension Liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 8)

(1,169,269)

Accrued Interest on Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 7)

(8,697)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 7)

(656,813)

Net position of governmental activities

\$ 2,954,402

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

HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit B-2

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Local sources:				
Local Tax Levy	\$ 3,647,197		\$ 158,419	\$ 3,805,616
Tuition	25,013			25,013
Interest Earned on Capital Reserve Funds	4,002			4,002
Miscellaneous	9,308			9,308
Total - Local Sources	3,685,520		158,419	3,843,939
State Sources	1,352,355			1,352,355
Federal Sources		\$ 103,481		103,481
Total Revenues	5,037,875	103,481	158,419	5,299,775
EXPENDITURES				
Current:				
Regular Instruction	1,004,800	76,061		1,080,861
Special Education Instruction	176,046			176,046
Other Special Instruction	106,962			106,962
Support services and undistributed costs:				
Tuition	1,161,904			1,161,904
Student and Instruction Related Services	379,837	8,066		387,903
School Administrative Services	91,874			91,874
Other Administrative Services	255,112			255,112
Plant Operations and Maintenance	321,334			321,334
Pupil Transportation	262,234			262,234
Unallocated Benefits	926,391			926,391
Transfer to Charter School	76,500			76,500
Debt Service:				
Principal			135,000	135,000
Interest and Other Charges			23,430	23,430
Capital Outlay	79,708	19,354		99,062
Total Expenditures	4,842,702	103,481	158,430	5,104,613
Excess (Deficiency) of Revenues Over Expenditures	195,173	-	(11)	195,162
OTHER FINANCING SOURCES (USES)				
Transfers - Food Service Fund	(6,000)			(6,000)
Total Other Financing Sources and Uses	(6,000)	-	-	(6,000)
Net Change in Fund Balances	189,173	-	(11)	189,162
Fund Balance—July 1	1,533,282		23	1,533,305
Fund Balance—June 30	\$ 1,722,455		\$ 12	\$ 1,722,467

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ 189,162

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	\$ (111,993)	
	Net Book Value of Disposals	-	
	Capital Outlays	<u>66,245</u>	(45,748)

Pension contributions are reported in governmental funds as expenditures. However, in the statement of activities, the contributions are adjusted for actuarial valuation adjustments, including service and interest costs, administrative costs, investment returns, and experience/assumption. This is the amount by which net pension liability and deferred inflows/outflows related to pension changed during the period. (57,188)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities. 135,000

In the statement of activities, compensated absences is accrued regardless of when paid. In the governmental funds, compensated absences are reported when paid. This is the amount by which the current year's compensated absence payments exceed the current year's amount earned. (5,445)

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. This is the amount by which current year's amount of interest accrual exceeds the prior year's amount. 2,042

Change in Net Position of Governmental Activities (A-2) \$ 217,823

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

HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit B-4

STATEMENT OF PROPRIETARY NET POSITION
 PROPRIETARY FUNDS

June 30, 2017

		Business-Type Activities- Enterprise Funds	
		Food Service	Totals
ASSETS			
Current assets:			
Cash and Cash Equivalents		\$ 11,085	\$ 11,085
Accounts Receivable		569	569
Inventories		1,918	1,918
Total Current Assets		<u>13,572</u>	<u>13,572</u>
Noncurrent Assets:			
Furniture, Machinery and Equipment		4,197	4,197
Less Accumulated Depreciation		(4,197)	(4,197)
Total Noncurrent Assets		<u>-</u>	<u>-</u>
Total Assets		<u>\$13,572</u>	<u>\$13,572</u>
LIABILITIES			
Current liabilities:			
Deferred Revenue		923	923
Total Current Liabilities		<u>923</u>	<u>923</u>
Total Liabilities		<u>923</u>	<u>923</u>
NET POSITION			
Invested in Capital Assets, Net of Related Debt		12,649	12,649
Unrestricted		<u>12,649</u>	<u>12,649</u>
Total Net Position		<u>\$ 12,649</u>	<u>\$ 12,649</u>

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

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

	Business-type Activities- Enterprise Fund		
	Food Service	Shared Services	Total Enterprise
Operating Revenues:			
Charges for Services:			
Daily Sales - Reimbursable	\$ 20,765		\$ 20,765
Daily Sales - Non-Reimb.	5,020		5,020
Interest Income	48		48
Miscellaneous		\$ 160,261	160,261
Total Operating Revenues	25,833	160,261	186,094
Operating Expenses:			
Cost of Sales - Reimbursable Programs	18,864		18,864
Cost of Sales - Non-reimbursable Programs	2,550		2,550
Salaries	9,087	160,261	169,348
Employee Benefits	2,445		2,445
Supplies	2,243		2,243
Other Purchased Professional Services	7,000		7,000
Total Operating Expenses	42,189	\$ 160,261	202,450
Operating Income (Loss)	(16,356)		(16,356)
Nonoperating Revenues (Expenses):			
State Sources:			
State School Lunch Program	412		412
Federal Sources:			
National School Lunch Program	9,933		9,933
Food Distribution Program	3,501		3,501
Total Nonoperating Revenues (Expenses)	13,846		13,846
Income (Loss) Before Contributions and Transfers	(2,510)		(2,510)
Transfers In (Out)	6,000		6,000
Change in Net Position	3,490		3,490
Total Net Position—Beginning	9,159		9,159
Total Net Position—Ending	\$ 12,649		\$ 12,649

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

HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit B-6

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended June 30, 2017

	Business-Type Activities- Enterprise Funds		
	Food Service	Shared Services	Total Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 25,833	\$ 160,261	\$ 186,094
Payments to Employees	(9,087)	(160,261)	(169,348)
Payments for Employee Benefits	(2,445)		(2,445)
Payments to Suppliers	(28,718)		(28,718)
Net Cash Provided by (used for) Operating Activities	(14,417)		(14,417)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State Sources	410		410
Federal Sources	9,836		9,836
Operating Subsidies and Transfers to Other Funds	6,000		6,000
Net Cash Provided by (used for) Non-Capital Financing Activities	16,246		16,246
Net Increase (Decrease) in Cash and Cash Equivalents	1,829		1,829
Balances—Beginning of Year	9,256		9,256
Balances—End of Year	\$ 11,085	-	\$ 11,085
Reconciliation of Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:			
Operating Income (Loss)	\$ (16,356)		\$ (16,356)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:			
Federal Commodities	3,501		3,501
(Increase) Decrease in Accounts Receivable	-		-
(Increase) Decrease in Inventories	126		126
Increase (Decrease) in Accounts Payable	(1,688)		(1,688)
Total Adjustments	1,939		1,939
Net Cash Provided by (used for) Operating Activities	\$ (14,417)	-	\$ (14,417)

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

HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit B-7

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2017

	Unemployment Compensation Trust	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 57,728	\$ 34,309
Total Assets	<u>\$ 57,728</u>	<u>\$ 34,309</u>
LIABILITIES		
Accounts Payable		44
Payroll Deductions		95
Payable to Student Groups	-	<u>34,170</u>
Total Liabilities	<u>-</u>	<u>\$ 34,309</u>
NET POSITION		
Held in Trust for Unemployment Claims & Other Purposes	<u>\$ 57,728</u>	<u> </u>

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

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS**

For the Year Ended June 30, 2017

	Unemployment Compensation <u>Trust</u>
ADDITIONS	
Contributions:	
Plan Member	\$ 3,440
Employer	<u>-</u>
Total Contributions	<u>3,440</u>
Investment Earnings:	
Interest	<u>403</u>
Net Investment Earnings	<u>403</u>
Total Additions	<u>3,843</u>
DEDUCTIONS	
Unemployment Claims	<u>18,266</u>
Total Deductions	<u>18,266</u>
Change in Net Position	(14,423)
Net Position—Beginning of the Year	<u>72,151</u>
Net Position—End of the Year	<u>\$ 57,728</u>

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

Notes to Financial Statements

HOPE TOWNSHIP SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (Board) of the Hope Township School District (District) have been prepared in conformity with 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.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments (Statement No.34). This Statement provided for the most significant change in financial reporting in over twenty years and included a phased-in implementation period (based on amount of revenues) starting with fiscal years ending 2002 (for larger governments). The District was not required to implement the new model until the 2003-2004 school year.

In addition, the School District has implemented GASB Statement No.37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus, Statement No.38, Certain Financial Statement Note Disclosures, Statement No.40, Deposit and Investment Risk Disclosures, an amendment of GASB Statement No.3, and Statement 44, Economic Condition Reporting: The Statistical Section (GASB 44), an amendment of NCGA Statement 1, Governmental Accounting and Financial Reporting Principles is found in the Introduction, a revised statistical section in the Outline of the CAFR, GASB Statement No. 45, Other Post-retirement Employee Benefits, GASB No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and GASB No. 63 and 65, Deferred Outflows and Inflows and Net Position, and Items Previously Reported as Assets and Liabilities, and GAASB No. 68, Accounting for Pensions, and amendment of GASB No. 27. The implementation of these statements did not effect net position balances as previously reported for the fiscal year ended June 30, 2016.

A. Reporting Entity:

The Hope Township School District is a Type II district located in the County of Warren, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The board is comprised of seven members elected to three-year terms. The purpose of the district is to educate students in grades K-8. The Hope Township School District had an approximate enrollment at June 30, 2017, of 156 students.

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

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

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

HOPE TOWNSHIP SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, Basis of Accounting:

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

Basis of Presentation

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 between the governmental and business-type activity of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees and charged to external parties. The statement of net position presents the financial condition of the governmental and business-type activity of the School 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 requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general 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 School District.

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

GOVERNMENTAL FUNDS

The District reports the following governmental funds:

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

HOPE TOWNSHIP SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, Basis of Accounting (Continued):

GOVERNMENTAL FUNDS (Continued)

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 the proceeds of specific revenue from State and Federal Government, (other than major capital projects, debt service or the enterprise funds) and local appropriations that are legally restricted to expenditures for specified purposes.

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

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

PROPRIETARY FUNDS

The District reports the following proprietary fund:

Enterprise (Food Service) Fund - The Enterprise Fund accounts for all revenues and expenses pertaining to the Board's cafeteria operations. The food service fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the costs (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges.

HOPE TOWNSHIP SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, Basis of Accounting (Continued):

Additionally, the District reports the following fund type:

Fiduciary Funds - The Fiduciary Funds are used to account for assets held by the District on behalf of others and include the Student Activities Fund, Payroll Agency Fund and Unemployment Compensation Trust Fund.

Basis of Accounting

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; the enterprise fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures. Ad Valorem (Property) Taxes are susceptible to accrual as under New Jersey Statute a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements are met.

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 transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

HOPE TOWNSHIP SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the county office for approval and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting, except for the special revenue funds. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be approved by School Board resolution. In addition, transfers are also covered by changes in N.J.A.C. 6A:23A-2.3 that can require approval through the state department. All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

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

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

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

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

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

HOPE TOWNSHIP SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity:

Cash and Cash Equivalents:

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

Interfund Transactions:

Transfers between governmental and business-type activities on the District-wide statements are reported in the same manner as general revenues.

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

Inventories:

Inventory purchases, other than those recorded in the enterprise fund, are recorded as expenditures during the year of purchase. Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method.

Allowance for Uncollectible Accounts:

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

Capital Assets:

The District has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The School District does not possess any infrastructure. The capitalization threshold used by school districts in the State of New Jersey is \$2,000.

All reported capital assets except for land and construction in progress are depreciated. Depreciation is computed using the straight-line method under the half-year convention over the following estimated useful lives:

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

HOPE TOWNSHIP SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

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

Compensated Absences:

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

District instructional employees are granted sick leave in amounts under the District's contractual policies. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after initial service and become eligible after fifteen years of service and payment is based upon retirement in the state pension system.

The liability for compensated absences was accrued using the termination payment method, whereby the liability is calculated based on the amount of sick leave that is expected to become eligible for payment upon termination. The District estimates its accrued compensated absences liability based on the accumulated sick and vacation days at the balance sheet date by those employees who are currently eligible to receive termination payments. Salary related payments for the employer's share of social security and medicare taxes, as well as pension contributions, are included.

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.

Deferred Revenue:

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations, have been recorded as deferred revenue. Grants and entitlement received before the eligible requirements are met are also recorded as deferred revenue.

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.

HOPE TOWNSHIP SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

Net Position:

Net position represent the difference between assets and liabilities. Net position invested in capital assets, net of related debt 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 are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Balance Reserves:

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. A fund balance reserve has been established for encumbrances.

Revenues—Exchange and Nonexchange Transactions

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, 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 income 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 School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

HOPE TOWNSHIP SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

Operating Revenues and Expenses:

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

Allocation of Indirect Expenses:

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

Extraordinary and Special Items:

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

Management Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles 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.

HOPE TOWNSHIP SCHOOL DISTRICT

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

NOTE 2: CASH AND CASH EQUIVALENTS

Deposits:

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

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

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

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

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

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the district's accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the municipality would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At June 30, 2017, all of the district's deposits were collateralized by securities held in its name and, accordingly, not exposed to custodial credit risk. The district does not have a policy for custodial credit risk.

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

	<u>Cash and Cash Equivalents (A-1)</u>	<u>Cash and Cash Equivalents (H-1)</u>	<u>Cash and Cash Equivalents (Total)</u>
Checking	<u>\$ 1,727,868</u>	<u>\$ 92,037</u>	<u>\$ 1,819,905</u>
Total	<u>\$ 1,727,868</u>	<u>\$ 92,037</u>	<u>\$ 1,819,905</u>

The carrying amount of the Board's cash and cash equivalents at June 30, 2017, was \$1,819,905 and the bank balance was \$2,098,157. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes. Of these bank balances, \$250,000 was covered by federal depository insurances and \$1,848,157 was covered by collateral pool.

HOPE TOWNSHIP SCHOOL DISTRICT

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

NOTE 3: RECEIVABLES

Receivables at June 30, 2017, consisted of intergovernmental. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	Governmental Fund Financial <u>Statements</u>	Government-Wide Financial <u>Statements</u>
State Aid	\$5,684	\$5,707
Federal Aid	-	546
Gross Receivable	<u>5,684</u>	<u>6,253</u>
Less: Allow. for Uncollectibles	-	-
Total Receivables, Net	<u><u>\$5,684</u></u>	<u><u>\$6,253</u></u>

NOTE 4: INVENTORY

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

Food	\$1,544
Supplies	<u>374</u>
	<u><u>\$1,918</u></u>

The value of Federal donated commodities as reflected on Schedule A (required by the Single Audit Law of 1996, as revised) is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of nonoperating revenue in the financial statements.

NOTE 5: DEFERRED BOND ISSUANCE COSTS

In governmental funds, debt issuance costs are recognized in the current period. For the District-wide financial statements, governmental activity debt issuance costs are amortized straight-line over the life of the specific bonds (18 to 20 years). The costs associated with the issued of the various bonds are immaterial and are not amortized on the District-wide financial statements.

HOPE TOWNSHIP SCHOOL DISTRICT

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

NOTE 6: CAPITAL ASSETS

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

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	Ending <u>Balance</u>
Governmental Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 42,000			\$ 42,000
Total Capital Assets Not Being Depreciated	<u>42,000</u>			<u>42,000</u>
<i>Capital Assets Being Depreciated:</i>				
Land Improvements	40,400			40,400
Buildings and Building Improvements	4,138,965	\$ 66,245		4,205,210
Machinery and Equipment	285,117			285,117
Total at Historical Cost	<u>4,464,482</u>	<u>66,245</u>	-	<u>4,530,727</u>
Less Accumulated Depreciation for:				
Land Improvements	(40,400)			(40,400)
Building and Improvements	(1,460,932)	(92,805)		(1,553,737)
Equipment	(173,046)	(19,188)		(192,234)
Total Accumulated Depreciation	<u>(1,674,378)</u>	<u>(111,993)</u>	-	<u>(1,786,371)</u>
Total Capital Assets Being Depreciated, net of Accumulated Depreciation	<u>2,790,104</u>	<u>(45,748)</u>	-	<u>2,744,356</u>
Government Activity Capital Assets, Net	<u>\$ 2,832,104</u>	<u>\$ (45,748)</u>	<u>\$ -</u>	<u>\$ 2,786,356</u>

On January 11, 2001, the NJ State Department of Education announced that effective July 1, 2001, the capitalization threshold used by school districts in the State of New Jersey is increased to \$2,000. The previous threshold was \$500. Applying the higher capitalization threshold retroactively (removal of old assets from the General Fixed Assets Account Group) will be permitted by the State regulations in situations where (1) the assets have been fully depreciated, or (2) the assets have exceeded their useful lives. The retirement of machinery and equipment is due to the retroactive application of the higher threshold of equipment capitalization. That is, the District has removed from their records assets with a historical cost greater than \$500 but not greater than \$2,000 that were fully depreciated or had exceeded their useful lives.

Depreciation expense was charged to functions as follows:

Regular Instruction	\$ 2,248
Support/Admin.	5,231
Maintenance/Custodial	737
Unallocated	<u>103,777</u>
Total	<u>\$ 111,993</u>

HOPE TOWNSHIP SCHOOL DISTRICT

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

NOTE 7: LONG-TERM OBLIGATIONS

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

A. Long-Term Obligation Activity:

Changes in long-term obligations for the year ended June 30, 2017, are as follows:

	Balance <u>7/1/16</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>6/30/17</u>	Amounts Due Within <u>One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Debt	\$710,000		(\$135,000)	\$575,000	\$135,000
Other Liabilities:					
Compensated Absences Payable	76,368	\$5,445		81,813	
Total	<u>\$786,368</u>	<u>\$5,445</u>	<u>(\$135,000)</u>	<u>\$656,813</u>	<u>\$135,000</u>

Compensated absences and capital leases have been liquidated in the General Fund.

On March 3, 2011, the district advance refunded \$1,252,000 of their series 2001 bonds. Refunding bonds were issued on March 3, 2011 through a private sale in the amount of \$1,300,000. The registered owner of the bonds is First Hope Bank.

Interest paid on debt issued by the District is exempt from federal income taxes. Because of this, bond holders are willing to accept a lower interest rate than they would on taxable debt. The District temporarily reinvests the proceeds of such debt in higher-yielding taxable securities, especially during construction projects. The federal tax code refers to this as arbitrage.

Earnings in excess of the yield on the debt issue are rebated to the federal government based on requirements in the Internal Revenue Code. Arbitrage rebate payable represents amounts due to the Internal Revenue Service for interest earned on unspent bond proceeds that exceeds legally allowable returns.

Rebatable arbitrage liabilities related to District debt are not recorded in governmental funds. There is no recognition in the balance sheet or income statement until rebatable amounts are due and payable to the federal government. Thus, rebatable arbitrage liabilities related to governmental debt will be accrued as incurred at least annually (at fiscal year end) on the District-wide financial statements.

For the year ended June 30, 2017, it is not necessary for the Board to establish a liability for arbitrage rebate.

	Government Activities			Balance
	<u>Issue Dates</u>	<u>Interest Rates</u>	<u>Date of Maturity</u>	<u>6/30/17</u>
School Refunding Bonds	3/11/11	3.3%	1/15/21	\$ 575,000
Total Bonds				<u>\$ 575,000</u>

HOPE TOWNSHIP SCHOOL DISTRICT

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

NOTE 7: LONG-TERM OBLIGATIONS (Continued)

B. Debt Service Requirements:

Debt Service requirements on serial bonds payable at June 30, 2017, is as follows:

<u>Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 135,000	\$ 18,975	\$ 153,975
2019	140,000	14,520	154,520
2020	150,000	9,900	159,900
2021	150,000	4,950	154,950
	<u>\$ 575,000</u>	<u>\$ 48,345</u>	<u>\$ 623,345</u>

As of June 30, 2017, the District had no authorized but not issued bonds.

NOTE 8: 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 Pension and Benefits, PO Box 295, Trenton, New Jersey, 08625 or on the internet at <http://www.state.nj.us/treasury/pensions/annrprts.shtml>.

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, 100% of 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.

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

HOPE TOWNSHIP SCHOOL DISTRICT

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

NOTE 8: PENSION PLANS (Continued)

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

The employer contributions for the district are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, the district (employer) is 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 district (employer) does 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 district. However, the state's portion of the net pension liability that was associated with the district was \$10,818,856 as measured on June 30, 2016 and \$8,472,610 as measured on June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$812,886 and revenue of \$812,886 for support provided by the State. The measurement period for the pension expense and revenue reported in the district's financial statements (A-2) at June 30, 2017 is based upon changes in the collective net pension liability with a measurement period of June 30, 2015 through June 30, 2016. Accordingly, the pension expense and the related revenue associated with the support provided by the State is based upon the changes in the collective net pension liability between July 1, 2015 and June 30, 2016.

Although the district does not report net pension liability or deferred outflows or inflows related to the TPAF, the following schedule illustrates the collective net pension liability and deferred items and the State's portion of the net pension liability associated with the district. The collective amounts are the total of all New Jersey local governments participating in the TPAF plan.

	<u>6/30/2015</u>	<u>6/30/2016</u>
Collective deferred outflows of resources	\$7,521,378,257	\$17,440,003,201
Collective deferred inflows of resources	\$554,399,005	\$195,027,919
Collective net pension liability (Nonemployer-State of New Jersey)	\$63,204,270,305	\$78,666,367,052
State's portion of the net pension liability that was associated with the district	\$8,472,610	\$10,818,856
State's portion of the net pension liability that was associated with the district as a percentage of the collective net pension liability	0.013405%	0.013753%

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:	2.50%
Salary Increases:	
Through 2021	Varies based on experience
Therafter	Varies based on experience
Investment Rate of Return:	7.65%

HOPE TOWNSHIP SCHOOL DISTRICT

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

NOTE 8: PENSION PLANS (Continued)

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.

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 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. 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%
US High Yield Bonds	2.00%	4.70%
US Equity Market	26.00%	5.14%
Foreign-Developed Equity	13.25%	5.91%
Emerging Markets Equity	6.50%	8.16%
Private Real Estate Property	5.25%	3.64%
Timber	1.00%	3.86%
Farmland	1.00%	4.39%
Private Equity	9.00%	8.97%
Commodities	0.50%	2.87%
Hedge Funds - MultiStrategy	5.00%	3.70%
Hedge Funds - Equity Hedge	3.75%	4.72%
Hedge Funds - Distressed	3.75%	3.49%

Discount rate - The discount rate used to measure the total pension liability was 3.22% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based 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.

HOPE TOWNSHIP SCHOOL DISTRICT

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

NOTE 8: PENSION PLANS (Continued)

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 District's proportionate share of the net pension liability to changes in the discount rate - Since the District has no proportionate share of the net pension liability because of the special funding situation, the district would not be sensitive to any changes in the discount rate. Detailed information about the pension plan's sensitivity of the collective net pension liability to changes in the discount rate is available in the separately issued State of New Jersey at <http://www.state.nj.us/treasury/pensions/annrpts.shtml>.

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/financial-rpts-home.shtml>.

Public Employees' Retirement System (PERS) - The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provisions 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.

Summary of Significant Accounting Policies - 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 PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. 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.

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

At June 30, 2017, the District reported a liability of \$1,169,269 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 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 total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014. The District's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2016 and 2015. At June 30, 2016, the District's proportion was 0.00395% which was an increase of 0.00003% from its proportion measured as of June 30, 2015.

HOPE TOWNSHIP SCHOOL DISTRICT

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

NOTE 8: PENSION PLANS (Continued)

For the year ended June 30, 2017, the District recognized pension expense of \$93,970. 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</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Differences between expected and actual experience	\$ 21,745	-
Changes of assumptions	242,210	
Net difference between projected and actual earnings on pension plan investments	44,585	
Changes in proportion and differences between District contributions and proportionate share of contributions	5,189	\$ 68,750
District contributions subsequent to the measurement date	35,379	
Total	<u>\$ 349,108</u>	<u>\$ 68,750</u>

\$35,379 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 measured as of June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Year Ended June 30:</u>
2017	\$55,155
2018	55,155
2019	63,899
2020	53,684
2021	<u>17,086</u>
Total	<u>\$244,979</u>

	<u>6/30/2015</u>	<u>6/30/2016</u>
Collective deferred outflows of resources	\$3,578,755,666	\$8,685,338,380
Collective deferred inflows of resources	993,410,455	870,133,595
Collective net pension liability (Non State - Local Group)	\$22,447,996,119	\$29,617,131,759
District's portion of net pension liability	\$879,087	\$1,169,269
District's proportion %	0.00391610%	0.00394795%

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

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

HOPE TOWNSHIP SCHOOL DISTRICT

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

NOTE 8: PENSION PLANS (Continued)

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2013 Based on Projection Scale AA.

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.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments 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. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	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 US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds I Absolute	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%

Discount rate. The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on contribution rate in the most recent fiscal year.

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.

HOPE TOWNSHIP SCHOOL DISTRICT

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

NOTE 8: PENSION PLANS (Continued)

Sensitivity of the Municipality's proportionate share of the net pension liability to changes in the discount rate. The following presents the Municipality's proportionate share of the net pension liability measured as of June 30, 2016, calculated using the discount rate of 3.98%, as well as what the Municipality's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.98%) or 1-percentage-point higher (4.98%) than the current rate:

	<u>1% Decrease</u>	<u>Current</u> <u>Discount Rate</u>	<u>1% Increase</u>
	<u>(2.98%)</u>	<u>(3.98%)</u>	<u>(4.98%)</u>
District's proportionate share of the net pension liability	\$ 1,432,803	\$1,169,269	\$ 951,699

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/financial-rprts-home.shtml>.

Defined Contribution Retirement Plan (DCRP) - The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2007 under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et seq.). The DCRP is a cost-sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N. J.S.A. 43:15C-1 et. seq.

The contribution requirements of plan members are determined by state statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. The State Treasurer has the right under current law to make temporary reductions in member rates based on the existence of surplus plan assets in the retirement system; however statute also requires the return to the normal rate when such surplus pension assets no longer exist.

PERS and TPAF Vesting and Benefit Provisions - The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:6C for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/60 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age.

The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System. 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.

HOPE TOWNSHIP SCHOOL DISTRICT

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

NOTE 8: PENSION PLANS (Continued)

Significant Legislation - Chapter 78, P.L. 2011, effective June 28, 2011 made various changes to the manner in which the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS) operate and to the benefit provisions of those systems.

Chapter 78's provisions impacting employee pension and health benefits include:

□ New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of ¼ of 1% for each month that the member is under age 65. □ The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members. □ The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. □ Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PES members will take place in July of each subsequent fiscal year.

□ The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law. □ New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary. □ In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Contribution Requirements - The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 (PERS) and N.J.S.A. 18:66 (TPAF) requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 6.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The current TPAF rate is 6.5% and the PERS rate is 6.5% of covered payroll.

Three-Year Trend Information for PERS

<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/2017	\$35,379	100 %	-0-
6/30/2016	\$33,668	100	-0-
6/30/2015	\$35,853	100	-0-

HOPE TOWNSHIP SCHOOL DISTRICT

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

NOTE 8: PENSION PLANS (Continued)

<u>Three-Year Trend Information for TPAF (Paid on-behalf of the District)</u>			
<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/2017	\$152,378	100 %	-0-
6/30/2016	\$110,111	100	-0-
6/30/2015	\$72,473	100	-0-

During the fiscal year ended June 30, 2017, the State of New Jersey did contribute \$279,278 to the TPAF for post retirement benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$95,300 during the year ended June 30, 2017, for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. The PERS amounts have been included in the fund-based statements as pension expense and the TPAF on-behalf amounts have been included in fund-based statements as revenues and expenditures. The PERS and TPAF amounts have been modified and included in the District-wide financial statements in accordance with GASB Statement No. 68.

NOTE 9: POST-RETIREMENT BENEFITS

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

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

GASB Statement #45 requires certain disclosures relating to governmental entities obligations for other post-employment benefits (OPEB), which are post-employment benefits other than pensions. The District does not provide post-employment benefits other than pension. Healthcare provided to eligible TPAF and PERS board of education retirees through the NJ State Health Benefits Program are paid by the the State of New Jersey and as such, no district OPEB liability exists.

HOPE TOWNSHIP SCHOOL DISTRICT

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

NOTE 10: DEFERRED COMPENSATION

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

Lincoln National
EquiVest

NOTE 11: COMPENSATED ABSENCES

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

District instructional employees are granted sick leave in amounts under the District's contractual policies. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after initial service and become eligible after fifteen years of service and payment is based upon retirement in the state pension system.

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

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

HOPE TOWNSHIP SCHOOL DISTRICT

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

NOTE 12: RISK MANAGEMENT

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

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

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 is a summary of District contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District's expendable trust fund for the current and previous two years:

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2016-2017	\$403	\$3,440	\$18,266	\$57,728
2015-2016	\$348	\$4,260		\$72,151
2014-2015	\$330	\$3,453	\$1,450	\$67,543

NOTE 13: CONTINGENT LIABILITIES

GRANT PROGRAMS

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

LITIGATION

The Board is not involved in claims and lawsuits incidental to its operations.

NOTE 14: FUND BALANCE APPROPRIATED

General Fund (Exhibit B-1) - Of the \$1,722,455 General Fund fund balance at June 30, 2017, \$738,974 has been reserved in the Capital Reserve Account; \$81,069 has been reserved in the Emergency Reserve Account in accordance with P.L. 2007 c.62; \$179,834 has been reserved in the Tuition Reserve Account; \$6,395 is reserved for encumbrances; \$556,097 is reserved as excess surplus in accordance with N.J.S.A. 18A:7F-7 (\$281,340 of this amount has been appropriated and included as anticipated revenue for the year ending June 30, 2018); and, \$160,086 is unreserved and undesignated.

HOPE TOWNSHIP SCHOOL DISTRICT

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

NOTE 15: CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Hope Township School District Board of Education by inclusion of \$1. on August 31, 2000, for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6A:23-2.13(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

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

Beginning Balance, July 1, 2016	\$ 634,972
Interest Earnings	4,002
Budgeted Withdrawal	-
Deposits: June Board resolution June, 27, 2017	<u>100,000</u>
Ending Balance, June 30, 2017	<u>\$ 738,974</u>

NOTE 16: EMERGENCY RESERVE ACCOUNT

An emergency reserve account was established by the School District Board of Education in fiscal year 2008, for the accumulation of funds for use in accordance with PL 2007 c.62 (A1). The emergency reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

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

Beginning balance July 1, 2016	\$ 80,553
Interest earnings	<u>516</u>
Ending balance June 30, 2017	<u>\$ 81,069</u>

HOPE TOWNSHIP SCHOOL DISTRICT

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

NOTE 17: TUITION RESERVE ACCOUNT

A tuition reserve account was established by the School District Board of Education in fiscal year 2016 and 2017, for the accumulation of funds for use in fiscal year 2018 and 2019, respectively, in accordance with NJAC 6A:23A17.1(f). The tuition reserve account is maintained in the general fund and enables the district to reserve fund balance for an anticipated large tuition adjustment for the current contract year. A maximum reserve for the current year is restricted to ten percent of the formal sending/receiving contract amount. Upon certification of rates in the second year following the contract year, full appropriation of the applicable year's reserve must be liquidated and any remaining balance related to that year must be reserved and budgeted for tax relief.

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

Beginning balance July 1, 2016	\$ 165,000
Budgeted as Anticipated Revenue 2016-2017	(90,000)
Deposits: June Board resolution June 27, 2017	104,834
Ending balance June 30, 2017	<u>\$ 179,834</u>

NOTE 18: CALCULATION OF EXCESS SURPLUS

The designation for Reserved Fund Balance – Excess Surplus is a required calculation pursuant to N.J.S.A. 18A:7F-7, as amended. New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2017 is \$274,757.

NOTE 19: INTERFUND RECEIVABLES AND PAYABLES

All interfunds have been liquidated as of June 30, 2017.

NOTE 20: TAX ABATEMENTS

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

HOPE TOWNSHIP SCHOOL DISTRICT

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

NOTE 21: RETROACTIVE RESTATEMENT OF NET POSITION

Restatement of Prior Period:

As an ongoing process of maintaining records in accordance with GASB#34, the district conducted a physical appraisal of capital assets as of June 30, 2017. The appraisal revealed asset activity that that should be recorded as of June 30, 2016. Accordingly, a restatement of Net Position as of June 30, 2016 was necessary.

Governmental Activities Net Position:

Net Position (per A-1), June 30, 2016	\$ 2,538,423
Restatement of Capital Assets	<u>198,156</u>
Net Position (per A-1), June 30, 2017, as Restated	<u>\$ 2,736,579</u>

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 3,647,197		\$ 3,647,197	\$ 3,647,197	
Tuition	17,500		17,500	25,013	\$ 7,513
Interest Earned on Capital Reserve Funds	1,200		1,200	4,002	2,802
Miscellaneous	2,500		2,500	9,308	6,808
Total - Local Sources	<u>3,668,397</u>		<u>3,668,397</u>	<u>3,685,520</u>	<u>17,123</u>
State Sources:					
Equalization Aid	684,121		684,121	684,121	
Transportation Aid	103,047		103,047	103,047	
Special Education Aid	155,088		155,088	155,088	
Security Aid	22,505		22,505	22,505	
PARCC Readiness Aid	2,510		2,510	2,510	
Per Pupil Growth Aid	2,510		2,510	2,510	
Prof. Learning Comm Aid	2,280		2,280	2,280	
Non-Public Transportation Aid				1,051	1,051
TPAF Pension (On-Behalf - Non-Budgeted)				152,299	152,299
TPAF Post Retirement Medical (On-Behalf - Non-Budgeted)				126,900	126,900
TPAF Pension LTD Insurance (On-Behalf - Non-Budgeted)				79	79
TPAF Social Security (Reimbursed - Non-Budgeted)				95,300	95,300
Total State Sources	<u>972,061</u>		<u>972,061</u>	<u>1,347,690</u>	<u>375,629</u>
TOTAL REVENUES	<u>4,640,458</u>		<u>4,640,458</u>	<u>5,033,210</u>	<u>392,752</u>

HOPE TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

Exhibit C-1

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction:					
Preschool - Salaries of Teachers	27,332	1,394	28,726	28,586	140
Kindergarten - Salaries of Teachers	62,705	169	62,874	62,874	
Grades 1-5 - Salaries of Teachers	453,287	12,940	466,227	463,328	2,899
Grades 6-8 - Salaries of Teachers	380,874	(25,575)	355,299	347,542	7,757
Regular Programs - Home Instruction					
Salaries of Teachers	750	2,600	3,350	1,430	1,920
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	38,285	(1,529)	36,756	21,509	15,247
Rentals and Lease Purchases	6,150		6,150	5,038	1,112
Other Purchased Services (400-500 series)	50,620	(10,000)	40,620	39,965	655
General Supplies	62,550	2,763	65,313	34,528	30,785
Other Objects	450		450		450
TOTAL REGULAR PROGRAMS - INSTRUCTION	1,083,003	(17,238)	1,065,765	1,004,800	60,965

HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
SPECIAL EDUCATION - INSTRUCTION					
Multiple Disabilities:					
Salaries of Teachers	61,370	1,695	63,065	63,065	
Purchased Professional - Educational Services	18,994	10,773	29,767	28,134	
General Supplies	5,630	(4,275)	1,355	1,355	
Total Multiple Disabilities	85,994	8,193	94,187	92,554	1,633
Resource Room/Resource Center:					
Salaries of Teachers	53,285	32,759	86,044	83,170	2,874
General Supplies	600		600	322	278
Total Resource Room/Resource Center	53,885	32,759	86,644	83,492	3,152
TOTAL SPECIAL EDUCATION - INSTRUCTION	139,879	40,952	180,831	176,046	4,785
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	95,025	(84)	94,941	87,552	7,389
General Supplies	975	264	1,239	1,228	11
Total Basic Skills/Remedial - Instruction	96,000	180	96,180	88,780	7,400
School Sponsored Co/Extra Curricular Activities:					
Salaries of Teachers	16,000	1,860	17,860	17,658	202
Purchased Services (300-500 series)	1,000		1,000	524	476
Supplies and Materials	250		250		250
Total School Sponsored Cocurricular Activities	17,250	1,860	19,110	18,182	928
TOTAL INSTRUCTION	1,336,132	25,754	1,361,886	1,287,808	74,078
UNDISTRIBUTED EXPENDITURES					
Instruction:					
Tuition to Other LEAs Within the State-Regular	1,002,341	1	1,002,342	1,002,342	
Tuition to Other LEAs Within the State-Special	89,000	(6,219)	82,781	70,511	12,270
Tuition to County Vocational School District - Regular	41,000	13,100	54,100	54,100	
Tuition to CSSD & Regional Day Schools		14,677	14,677	14,677	
Tuition to Private Schools for the Disabled-Within State	121,233	(59,649)	61,584	20,274	41,310
Total Instruction	1,253,574	(38,090)	1,215,484	1,161,904	53,580

HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Health Services:					
Salaries	79,290	7,006	86,296	86,296	
Purchased Professional and Technical Services	2,000	(155)	1,845	1,740	105
Other Purchased Services (400-500 series)	500	600	1,100	1,100	
Supplies and Materials	1,925	(445)	1,480	1,295	185
Total Health Services	83,715	7,006	90,721	90,431	290
Other Supp. Services Students-Related Services:					
Salaries	32,601	(32,601)			
Purchased Professional - Educational Services	2,500	56,557	59,057	59,057	
Supplies and Materials	750	(241)	509		509
Total Other Supp. Services Students-Related Services	35,851	23,715	59,566	59,057	509
Other Supp. Services Students-Extra. Services:					
Salaries	56,977	(23,602)	33,375	29,793	3,582
Purchased Professional and Educational Services	77,500	(12,194)	65,306	45,707	19,599
Total Other Supp. Services Students-Extra. Services	134,477	(35,796)	98,681	75,500	23,181
Other Supp. Services Students-Regular:					
Salaries of Other Professional Staff	4,329	1	4,330	4,330	
Other Purchased Professional - Technical Services	1,200		1,200		1,200
Supplies and Materials	1,200		1,200		1,200
Total Other Supp. Services Students-Regular:	6,729	1	6,730	4,330	2,400
Other Supp. Services Students-Special:					
Salaries of Other Professional Staff	67,692		67,692	67,692	
Salaries of Secretarial and Clerical Assistants	44,460	2,340	46,800	46,800	
Purchased Professional and Educational Services	8,200	(1,840)	6,360	3,645	2,715
Other Purchased Professional - Technical Services	15,500		15,500	13,882	1,618
Supplies and Materials	3,500	(1)	3,499	1,044	2,455
Total Other Supp. Services Students-Special	139,352	499	139,851	133,063	6,788
Improvement of Instruction:					
Salaries of Supervisor Instruction	4,329	1	4,330	4,330	
Total Improvement of Instruction	4,329	1	4,330	4,330	

HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Educational Media Services/School Library:					
Supplies and Materials	13,000	2,110	15,110	11,432	3,678
Total Educational Media Services/School Library	13,000	2,110	15,110	11,432	3,678
Instructional Staff Training Services:					
Other Purchased Services (400-500 series)	6,200		6,200	1,694	4,506
Total Instructional Staff Training Services	6,200		6,200	1,694	4,506
Supp. Services - General Administration:					
Salaries	80,329	(13,194)	67,135	67,135	
Legal Services	7,500	62,241	69,741	69,741	
Audit Fees	12,900	(668)	12,232	12,232	
Architect/Engineer	500	2,000	2,500	2,500	
Other Purchased Professional Services	3,800	(3,800)			
Communications/Telephone		2,790	2,790	2,790	
BOE Other Purchased Services	2,750	222	2,972	2,972	
Other Purchased Services (400-500 series)	10,172	(864)	9,308	9,308	
General Supplies	400	(301)	99	88	11
Miscellaneous Expenditures	5,375	(1,786)	3,589	3,589	
Total Supp. Services - General Administration	123,726	46,640	170,366	170,355	11
Support Services - School Admin:					
Salaries of Principals/Assistant Principals	90,570	(51,766)	38,804	38,804	
Salaries of Secretarial and Clerical Assistants	6,441	1,344	7,785	7,653	132
Purchased Professional and Technical Services		44,200	44,200	44,200	
Supplies and Materials	300	97	397	397	
Other Objects	1,050	(165)	885	820	65
Total Support Services - School Admin	98,361	(6,290)	92,071	91,874	197
Central Services:					
Salaries	74,329	1,011	75,340	75,340	
Purchased Professional Services	6,100	2,569	8,669	8,232	437
Other Purchased Services (400-500 series)	220	(220)			
Supplies and Materials	175	(175)			
Miscellaneous Expenditures	1,165	20	1,185	1,185	
Total Central Services	81,989	3,205	85,194	84,757	437

HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Required Maintenance for School Facilities:					
Salaries	21,684		21,684	21,684	
Cleaning, Repair and Maintenance Services	45,130	39,802	84,932	81,435	3,497
Supplies and Materials	9,500		9,500	8,700	800
Total Required Maintenance for School Facilities	76,314	39,802	116,116	111,819	4,297
Other Operations and Maintenance of Plant:					
Salaries	114,161	2,208	116,369	116,369	
Salaries of Non-Instructional Aides	4,066	1,796	5,862	5,538	324
Cleaning, Repair and Maintenance Services	26,350	(3,817)	22,533	13,826	8,707
Insurance	15,120		15,120	12,143	2,977
General Supplies	10,200	700	10,900	10,330	570
Energy (Electricity)	54,500	(11,933)	42,567	29,933	12,634
Energy (Oil)	38,500	(16,628)	21,872	18,815	3,057
Other Objects	2,900		2,900	2,561	339
Total Other Operations and Maintenance of Plant	265,797	(27,674)	238,123	209,515	28,608
Care and Upkeep of Grounds:					
Salaries	5,000		5,000		5,000
Total Care and Upkeep of Grounds	5,000		5,000		5,000
Student Transportation Services					
Salaries for Pupil Transp.(Bet.Home and School)-Regular	4,329	1	4,330	4,330	
Contract Services-Aid in Lieu Payments-Nonpublic Sch.	6,469		6,469	3,536	
Contract Services-Aid in Lieu Payments-Charter Sch.Stud.	3,536		3,536	3,536	
Contracted Services (Between Home and School)-Vendors	189,677		189,677	188,438	1,239
Contract.Serv.(Other than Bet. Home and School)-Vendors	7,500	32,945	40,445	40,145	300
Contracted Services (Special Ed. Students)-Joint Agrmts.	74,420	(32,946)	41,474	22,249	19,225
Total Student Transportation Services	285,931		285,931	262,234	23,697

HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
UNALLOCATED BENEFITS					
Social Security Contributions	49,000	4,263	53,263	53,263	
Other Retirement Contributions-Regular	35,000	508	35,508	35,508	
Workmen's Compensation	22,750	2,625	25,375	25,375	
Health Benefits	607,120	(41,671)	565,449	426,320	139,129
Tuition Reimbursement	11,500		11,500	6,977	4,523
Other Employee Benefits	500	3,870	4,370	4,370	
TOTAL UNALLOCATED BENEFITS	<u>725,870</u>	<u>(30,405)</u>	<u>695,465</u>	<u>551,813</u>	<u>143,652</u>
On-behalf TPAF pension Contrib. (non-budgeted)				152,299	(152,299)
On-behalf TPAF PRM Contrib. (non-budgeted)				126,900	(126,900)
On-behalf TPAF pension LTD Ins. (non-budgeted)				79	(79)
Reimbursed TPAF Social Security Contrib. (non-budgeted)				95,300	(95,300)
TOTAL ON-BEHALF CONTRIBUTIONS				<u>374,578</u>	<u>(374,578)</u>
TOTAL PERSONAL SERVICES-EMPLOYEE BENEFITS	<u>725,870</u>	<u>(30,405)</u>	<u>695,465</u>	<u>926,391</u>	<u>(230,926)</u>
TOTAL UNDISTRIBUTED EXPENDITURES	<u>3,340,215</u>	<u>(15,276)</u>	<u>3,324,939</u>	<u>3,398,686</u>	<u>(73,747)</u>
TOTAL GENERAL CURRENT EXPENSE	<u>4,676,347</u>	<u>10,478</u>	<u>4,686,825</u>	<u>4,686,494</u>	<u>331</u>
Transfer of Funds to Charter Schools	88,794		88,794	76,500	12,294

HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Facilities Acquisition and Construction Services					
Construction Services	150,000		150,000	66,245	83,755
Assessment for Debt Service on SDA Funding	13,463		13,463	13,463	
Total Facilities Acquisition and Construction Services	<u>163,463</u>		<u>163,463</u>	<u>79,708</u>	<u>83,755</u>
TOTAL CAPITAL OUTLAY	<u>163,463</u>		<u>163,463</u>	<u>79,708</u>	<u>83,755</u>
TOTAL EXPENDITURES	<u>4,928,604</u>	<u>10,478</u>	<u>4,939,082</u>	<u>4,842,702</u>	<u>96,380</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(288,146)</u>	<u>(10,478)</u>	<u>(298,624)</u>	<u>190,508</u>	<u>489,132</u>
Other Financing Sources:					
Operating Transfer In/(Out)					
Transfer to Food Service Fund	(6,000)		(6,000)	(6,000)	-
Total Other Financing Sources:	<u>(6,000)</u>	<u>-</u>	<u>(6,000)</u>	<u>(6,000)</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	<u>(294,146)</u>	<u>(10,478)</u>	<u>(304,624)</u>	<u>184,508</u>	<u>489,132</u>
Fund Balance, July 1	<u>1,628,912</u>		<u>1,628,912</u>	<u>1,628,912</u>	
Fund Balance, June 30	<u>\$ 1,334,766</u>	<u>(10,478)</u>	<u>\$ 1,324,288</u>	<u>\$ 1,813,420</u>	<u>\$ 489,132</u>

HOPE TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

Exhibit C-1

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Recapitulation:					
Restricted for:					
Capital Reserve				\$ 738,974	
Emergency Reserve				81,069	
Tuition Reserve (Due FY 2019)				104,834	
Tuition Reserve (Due FY 2018)				75,000	
Excess Surplus				274,757	
Excess Surplus - Designated for Subsequent Year's Expenditures				281,340	
Assigned to:					
Year-End Encumbrances				6,395	
Unassigned:					
Unrestricted Fund Balance				<u>251,051</u>	
Fund Balance per Governmental Funds(Budgetary Basis)				1,813,420	
Reconciliation to Governmental Funds Statement(GAAP Basis):					
Last State Aid Payment not recognized on GAAP basis				<u>(90,965)</u>	
Fund Balance per Governmental Funds(GAAP Basis)				<u>\$ 1,722,455</u>	

HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit C-2

**BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND**

For the Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable/ (Unfavorable)</u>
REVENUES:					
Federal Sources	\$ 58,000	\$ 45,481	\$ 103,481	\$ 103,481	-
Total Revenues	58,000	45,481	103,481	103,481	-
EXPENDITURES:					
Instruction					
Salaries for Instruction	7,000	2,145	9,145	9,145	
Other Salaries for Instruction		1,964	1,964	1,964	
Tuition	35,000	19,301	54,301	54,301	
Supplies & Materials		10,651	10,651	10,651	
Total Instruction	42,000	34,061	76,061	76,061	-
Support Services					
Personal Services - Employee Benefits		2,521	2,521	2,521	
Purchased Educational Services		4,500	4,500	4,500	
Other Purchased Professional Services	4,000	(2,955)	1,045	1,045	
Total Support Services	4,000	4,066	8,066	8,066	-
Facilities Acq. and Const. Services:					
Instructional Equipment	12,000	7,354	19,354	19,354	
Total Facilities Acq. and Construction Services	12,000	7,354	19,354	19,354	-
Total Expenditures	58,000	45,481	103,481	103,481	-
Total Outflows	\$ 58,000	\$ 45,481	\$ 103,481	\$ 103,481	-
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	<hr/> <hr/>				
Fund Balance per Governmental Funds(Budgetary Basis)					None
Reconciliation to Governmental Funds Statement(GAAP Basis):					
Last State Aid Payment not recognized on GAAP basis					<u>None</u>
Fund Balance per Governmental Funds(GAAP Basis)					<u>None</u>

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE**

For the Fiscal Year Ended June 30, 2017

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

	General Fund	Special Revenue Fund
	<u> </u>	<u> </u>
Sources/Inflows of Resources		
Actual amounts (budgetary basis) "revenue"		
from the budgetary comparison schedule (Exhibits C-1 and C-2, respectively)	\$ 5,033,210	\$ 103,481
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	N/A	N/A
Adjustment for: Prior Year Final State Aid Payment not included in Budgetary State Source Revenues and is considered a revenue for GAAP reporting purposes	95,630	N/A
Adjustment for: Current Year Final State Aid Payment included in State Source Revenues that is not considered a revenue for GAAP reporting purposes	<u>(90,965)</u>	<u>N/A</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds. (Exhibit B-2)	<u>\$ 5,037,875</u>	<u>\$ 103,481</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedules (Exhibits C-1 and C-2, respectively)	\$ 4,842,702	\$ 103,481
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.	N/A	N/A
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.	N/A	N/A
Net transfers (outflows) to general fund	<u> </u>	<u> </u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (Exhibit B-2)	<u>\$ 4,842,702</u>	<u>\$ 103,481</u>

**Hope School District
Required Supplementary Information - Part III
Schedule of the District's Proportionate Share of the Net Pension Liability
Last Ten Fiscal Years ***

Exhibit L-3

Teachers' Pension and Annuity Fund (TPAF)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
District's proportion of the net pension liability (asset) **	N/A	N/A	N/A	N/A						
District's proportionate share of the net pension liability (asset) **	N/A	N/A	N/A	N/A						
State's proportionate share of the net pension liability (asset) associated with the District	<u>\$ 10,818,856</u>	<u>\$ 8,472,610</u>	<u>\$ 8,519,749</u>	<u>\$ 7,564,598</u>						
Total	<u>\$ 10,818,856</u>	<u>\$ 8,472,610</u>	<u>\$ 8,519,749</u>	<u>\$ 7,564,598</u>						
District's covered employee payroll	\$ 1,369,492	\$ 1,500,303	\$ 1,455,585	\$ 1,353,798						
District's proportionate share of the of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A	N/A	N/A	N/A						
Plan fiduciary net position as a percentage of the total pension liability	22.33%	28.71%	33.64%	33.76%						

** Note: TPAF is a special funding situation as defined by GASB Statement No. 68 in which the State of New Jersey is 100% responsible for contributions to the plan. Since the district (employer) does not contribute directly to the plan there is no net pension liability to report in the financial statements of the district.

Public Employees' Retirement System (PERS)

Exhibit L-1

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
District's proportion of the net pension liability (asset)	0.00394795%	0.3916100%	0.0043491%	0.0044916%						
District's proportionate share of the net pension liability (asset)	<u>\$ 1,169,269</u>	<u>\$ 879,087</u>	<u>\$ 814,262</u>	<u>\$ 858,427</u>						
District's covered employee payroll	\$ 240,611	\$ 513,062	\$ 433,241	\$ 523,504						
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	485.96%	171.34%	187.95%	163.98%						
Plan fiduciary net position as a percentage of the total pension liability (Local)	40.14%	47.92%	52.08%	48.72%						

* - Until a full ten year trend is compiled, information will be presented for those years for which information is available.

Hope School District
 Required Supplementary Information - Part III
 Schedule of District Contributions
 Last Ten Fiscal Years *

Exhibit L-2

Teachers' Pension and Annuity Fund (TPAF)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution **	N/A	N/A	N/A	N/A						
Contributions in relation to the contractually required contribution **	N/A	N/A	N/A	N/A						
Contribution deficiency (excess)	N/A	N/A	N/A	N/A						
District's covered employee payroll	\$ 1,369,492	\$ 1,500,303	\$ 1,455,585	\$ 1,353,798						
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A						

** Note: TPAF is a special funding situation as defined by GASB Statement No. 68 in which the State of New Jersey is 100% responsible for contributions to the plan. The district (employer) does not contribute to the plan.

Public Employees' Retirement System (PERS)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 35,379	\$ 33,668	\$ 35,853	\$ 33,483						
Contributions in relation to the contractually required contribution	(35,379)	(33,668)	(35,853)	(33,483)						
Contribution deficiency (excess)	-	-	-	-						
District's covered employee payroll	\$ 240,611	\$ 513,062	\$ 433,241	\$ 523,504						
Contributions as a percentage of covered-employee payroll	14.70%	6.56%	8.28%	6.40%						

* - Until a full ten year trend is compiled, information will be presented for those years for which information is available.

HOPE SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PART III
Pension Schedules

For the Fiscal Year Ended June 30, 2017

Teachers' Pension and Annuity Fund (TPAF)

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

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

Public Employees' Retirement System (PERS)

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

Changes of assumptions. Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 Based on Projection Scale AA.

OTHER SUPPLEMENTARY INFORMATION

**SPECIAL REVENUE FUND
DETAIL STATEMENTS**

The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

HOPE TOWNSHIP SCHOOL DISTRICT

SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS

For the Fiscal Year Ended June 30, 2017

	Title I	Title II Part A	IDEA Basic	IDEA Preschool	REAP	Totals
REVENUES						
Federal Sources	\$ 21,984	\$ 5,878	\$ 54,301	\$ 1,964	\$ 19,354	\$ 103,481
TOTAL REVENUES	21,984	5,878	54,301	1,964	19,354	103,481
EXPENDITURES:						
Instruction:						
Salaries for Instruction	9,145					9,145
Other Salaries for Instruction				1,964		1,964
Tuition			54,301			54,301
Supplies and Materials	10,318	333				10,651
Total Instruction	19,463	333	54,301	1,964	-	76,061
Support Services:						
Personal Services - Employee Benefits	2,521					2,521
Purchased Educational Services		4,500				4,500
Other Purchased Professional Serv.		1,045				1,045
Total Support Services	2,521	5,545	-	-	-	8,066
Facilities Acq. and Const. Services:						
Instructional Equipment					19,354	19,354
Total Facilities Acq. and Const. Svs	-	-	-	-	19,354	19,354
TOTAL EXPENDITURES	\$ 21,984	\$ 5,878	\$ 54,301	\$ 1,964	\$ 19,354	\$ 103,481
Total Outflows	\$ 21,984	\$ 5,878	\$ 54,301	\$ 1,964	\$ 19,354	\$ 103,481
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)						

**CAPITAL PROJECTS FUND
DETAIL STATEMENTS**

The Capital Projects Fund is used to account for the acquisition and construction of major capital facilities and equipment purchases other than those financed by proprietary funds.

N/A

<p style="text-align: center;">PROPRIETARY FUND DETAIL STATEMENTS</p>
--

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 in all schools within the school district.

THIS SECTION HAS ALREADY BEEN INCLUDED IN STATEMENTS B-4, B-5 AND B-6.

<p style="text-align: center;">FIDUCIARY FUND DETAIL STATEMENTS</p>
--

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

Agency Funds are used to account for assets held by the school district as an agent for individuals, private organizations, other governments and/or other funds.

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

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

HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit H-1

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2017**

	UNEMPLOYMENT COMPENSATION INSURANCE <u>TRUST</u>		AGENCY FUNDS STUDENT PAYROLL <u>ACTIVITY AGENCY</u>		<u>TOTALS</u>	
ASSETS:						
Cash and Cash Equivalents	\$	57,728	\$	34,170	\$	92,037
TOTAL ASSETS	\$	57,728	\$	34,170	\$	92,037
LIABILITIES:						
Liabilities:						
Accounts Payable			\$	44	\$	44
Payroll Deductions				95		95
Payable to Student Groups			\$	34,170		34,170
Total Liabilities			\$	34,170	\$	34,309
NET POSITION						
Held in Trust for Unemployment Claims and Other Purposes	\$	57,728			\$	57,728
TOTAL LIABILITIES AND NET POSITION	\$	57,728	\$	34,170	\$	92,037

HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit H-2

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
 FOR THE FISCAL YEARS ENDED JUNE 30, 2017

	UNEMPLOYMENT COMPENSATION INSURANCE	
	<u>TRUST</u>	<u>TOTALS</u>
ADDITIONS		
Contributions:		
Plan Member	\$ 3,440	\$ 3,440
Employer	<u>-</u>	<u>-</u>
Total Contributions	<u>3,440</u>	<u>3,440</u>
Investment Earnings:		
Interest	<u>403</u>	<u>403</u>
Net Investment Earnings	<u>403</u>	<u>403</u>
Total Additions	<u>3,843</u>	<u>3,843</u>
DEDUCTIONS		
Unemployment Claims/Quarterly Remittance	<u>18,266</u>	<u>18,266</u>
Total Deductions	<u>18,266</u>	<u>18,266</u>
Change in Net Position	(14,423)	(14,423)
Net Position—Beginning of the Year	<u>72,151</u>	<u>72,151</u>
Net Position—End of the Year	<u>\$ 57,728</u>	<u>\$ 57,728</u>

HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit H-3

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS
STUDENT ACTIVITY AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<u>ACTIVITY</u>	<u>BALANCE July 1, 2016</u>	<u>TRANSFERS</u>	<u>CASH RECEIPTS</u>	<u>CASH DISBURSEMENTS</u>	<u>BALANCE June 30, 2017</u>
Yearbook	\$ 2,616		\$ 2,951	\$ 3,291	\$ 2,276
Middle School	1,257		28,496	28,550	1,203
Class of 2017	10,129		13,406	17,657	5,878
Class of 2018	4,151		5,121		9,272
Class of 2019			9,635		9,635
Student Government	962		679	878	763
National Junior Honor Society	1,182		346	284	1,244
Class Trips	123		2,876	2,871	128
Sign Fund	70		1		71
General	3,019		1,804	1,204	3,619
AE	80		1		81
Stage Account	1,353		2	1,355	-
	\$ 24,942		\$ 65,318	\$ 56,090	\$ 34,170

HOPE TOWNSHIP SCHOOL DISTRICT

Exhibit H-4

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

	BALANCE				BALANCE	
	<u>July 1, 2016</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>		<u>June 30, 2017</u>	
ASSETS:						
Cash and Cash Equivalents	\$ 18	\$ 2,131,444	\$ 2,131,323	\$	139	
Total Assets	<u>\$ 18</u>	<u>\$ 2,131,444</u>	<u>\$ 2,131,323</u>	<u>\$</u>	<u>139</u>	
LIABILITIES:						
Salaries and Wages		\$ 1,217,335	\$ 1,217,335		-	
Payroll Deductions and Withholdings	\$ 14	914,069	913,988	\$	95	
Accounts Payable	4	40			44	
Total Liabilities	<u>\$ 18</u>	<u>\$ 2,131,444</u>	<u>\$ 2,131,323</u>	<u>\$</u>	<u>139</u>	

LONG-TERM DEBT SCHEDULES

The Long-Term Schedules are used to reflect the outstanding principal balances of the general long-term liabilities of the school district. This includes serial bonds outstanding and obligations under capital leases.

HOPE TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF SERIAL BONDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Exhibit I-1

<u>ISSUE</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>ANNUAL MATURITIES</u>		<u>INTEREST RATE</u>	<u>BALANCE July 1, 2016</u>	<u>RETIRED</u>	<u>REFUNDED</u>	<u>BALANCE June 30, 2017</u>
Refunding Bonds - Series 2011	3/3/11	\$ 1,300,000	1/15/18	\$ 135,000	3.30%	\$ 710,000	\$ (135,000)		\$ 575,000
			1/15/19	140,000	3.30%				
			1/15/20	150,000	3.30%				
			1/15/21	150,000	3.30%				
Total						\$ 710,000	\$ (135,000)	-	\$ 575,000

HOPE TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND

Exhibit I-3

For the Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative) Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 158,419		\$ 158,419	\$ 158,419	
TOTAL REVENUES	\$ 158,419		\$ 158,419	\$ 158,419	
EXPENDITURES:					
Regular Debt Service:					
Interest	\$ 23,430		\$ 23,430	\$ 23,430	\$ -
Redemption of Principal	135,000		135,000	135,000	
Total Regular Debt Service	158,430		158,430	158,430	
TOTAL EXPENDITURES	\$ 158,430		\$ 158,430	\$ 158,430	
Fund Balance, July 1	23		23	23	
Fund Balance, June 30	\$ 12		\$ 12	\$ 12	-
Recapitulation of Excess (Deficiency) of <u>Revenues Over (Under) Expenditures</u> Budgeted Fund Balance					

Hope Township School District
Statistical Section

<u>Contents</u>	<u>Page</u>
Financial Trends (J-1 thru J-5) These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	91-96
Revenue Capacity (J-6 thru J-9) These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	97-100
Debt Capacity (J-10 thru J-13) 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.	101-104
Demographic and Economic Information (J-14 and J-15) These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	105-106
Operating Information (J-16 thru J-20) 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.	107-111

Sources:

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

**Hope Township School District
Net Position by Component,
Last Ten Fiscal Years**

(accrual basis of accounting)

Exhibit J-1

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Invested in capital assets, net of related debt	\$ 1,536,682	\$ 1,559,319	\$ 1,728,539	\$ 1,681,185	\$ 1,813,490	\$ 1,837,412	\$ 1,860,187	\$ 1,859,589	\$ 1,923,948	\$ 2,211,356
Restricted	239,290	342,346	300,047	459,671	518,006	751,867	974,306	1,146,276	1,367,234	1,555,986
Unrestricted	146,579	100,608	92,902	156,647	165,470	165,079	78,745	(762,585)	(752,759)	(812,940)
Total governmental activities net position	<u>\$ 1,922,551</u>	<u>\$ 2,002,273</u>	<u>\$ 2,121,488</u>	<u>\$ 2,297,503</u>	<u>\$ 2,496,966</u>	<u>\$ 2,754,358</u>	<u>\$ 2,913,238</u>	<u>\$ 2,243,280</u>	<u>\$ 2,538,423</u>	<u>\$ 2,954,402</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ 3,357	\$ 2,517	\$ 1,677	\$ 837						
Restricted							-	-	-	-
Unrestricted	\$ 8,575	\$ 8,351	\$ 7,693	\$ 7,083	\$ 5,673	\$ 6,905	\$ 6,010	\$ 6,541	\$ 9,159	\$ 12,649
Total business-type activities net position	<u>\$ 11,932</u>	<u>\$ 10,868</u>	<u>\$ 9,370</u>	<u>\$ 7,920</u>	<u>\$ 5,673</u>	<u>\$ 6,905</u>	<u>\$ 6,010</u>	<u>\$ 6,541</u>	<u>\$ 9,159</u>	<u>\$ 12,649</u>
District-wide										
Invested in capital assets, net of related debt	\$ 1,540,039	\$ 1,561,836	\$ 1,730,216	\$ 1,682,022	\$ 1,813,490	\$ 1,837,412	\$ 1,860,187	\$ 1,859,589	\$ 1,923,948	\$ 2,211,356
Restricted	239,290	342,346	300,047	459,671	518,006	751,867	974,306	1,146,276	1,367,234	1,555,986
Unrestricted	155,154	108,959	100,595	163,730	171,143	171,984	84,755	(756,044)	(743,600)	(800,291)
Total district net position	<u>\$ 1,934,483</u>	<u>\$ 2,013,141</u>	<u>\$ 2,130,858</u>	<u>\$ 2,305,423</u>	<u>\$ 2,502,639</u>	<u>\$ 2,761,263</u>	<u>\$ 2,919,248</u>	<u>\$ 2,249,821</u>	<u>\$ 2,547,582</u>	<u>\$ 2,967,051</u>

Source: CAFR Schedule A-1

Hope Township School District
Changes in Net Position, Last Ten Fiscal Years
(accrual basis of accounting)

Exhibit J-2

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Expenses										
Governmental activities										
Instruction										
Regular	\$ 1,559,516	\$ 1,332,987	\$ 1,399,343	\$ 1,368,082	\$ 1,385,067	\$ 1,389,314	\$ 1,407,995	\$ 1,591,486	\$ 1,720,729	\$ 1,879,893
Special education	189,048	109,212	100,393	52,017	117,289	144,881	149,658	182,665	185,963	300,189
Other special education	83,250	145,469	122,807	98,263	178,065	148,082	147,110	171,117	153,183	182,389
Support Services:										
Tuition	1,133,076	1,220,581	1,321,343	1,265,190	1,173,641	1,142,295	1,308,763	1,378,210	1,277,998	1,161,904
Student & instruction related services	599,803	641,665	615,959	536,992	488,384	550,495	492,197	592,736	591,214	661,443
School administrative services	71,329	72,103	75,097	125,249	136,283	129,043	133,001	153,146	169,571	156,661
General and business administrative services	347,005	363,124	333,781	322,242	262,219	273,670	295,529	324,679	319,477	443,931
Plant operations and maintenance	418,140	409,727	408,262	417,592	422,613	485,311	528,263	560,889	536,958	549,188
Pupil transportation	236,590	297,273	248,793	278,657	315,392	303,582	271,437	245,230	247,476	262,234
Interest on long-term debt	76,986	67,497	66,840	49,236	41,026	46,318	47,364	43,406	39,205	34,851
Unallocated depreciation	88,837	88,837	95,725	108,269	113,695	142,538	118,837	117,382	123,039	103,777
Total governmental activities expenses	<u>4,803,580</u>	<u>4,748,475</u>	<u>4,788,343</u>	<u>4,621,789</u>	<u>4,633,674</u>	<u>4,755,529</u>	<u>4,900,154</u>	<u>5,360,946</u>	<u>5,364,813</u>	<u>5,736,460</u>
Business-type activities:										
Food service	63,586	67,029	73,064	69,850	67,011	64,053	52,636	50,683	43,858	42,189
Total business-type activities expense	<u>63,586</u>	<u>67,029</u>	<u>73,064</u>	<u>69,850</u>	<u>67,011</u>	<u>64,053</u>	<u>52,636</u>	<u>50,683</u>	<u>43,858</u>	<u>42,189</u>
Total district expenses	<u>\$ 4,867,166</u>	<u>\$ 4,815,504</u>	<u>\$ 4,861,407</u>	<u>\$ 4,691,639</u>	<u>\$ 4,700,685</u>	<u>\$ 4,819,582</u>	<u>\$ 4,952,790</u>	<u>\$ 5,411,629</u>	<u>\$ 5,408,671</u>	<u>\$ 5,778,649</u>
Program Revenues										
Governmental activities:										
Charges for services:										
Tuition	\$ 2,491	\$ 65,716	\$ 55,360	\$ 30,720	\$ 25,720	\$ 19,284	\$ 28,075	\$ 41,795	\$ 26,686	\$ 25,013
Operating grants and contributions	\$ 1,500,518	\$ 1,370,079	\$ 1,359,276	\$ 1,251,581	\$ 1,317,430	\$ 1,334,650	\$ 1,366,547	\$ 1,739,294	\$ 1,823,117	2,116,344
Total governmental activities program revenues	<u>1,503,009</u>	<u>1,435,795</u>	<u>1,414,636</u>	<u>1,282,301</u>	<u>1,343,150</u>	<u>1,353,934</u>	<u>1,394,622</u>	<u>1,781,089</u>	<u>1,849,803</u>	<u>2,141,357</u>
Business-type activities:										
Charges for services										
Food service	49,478	52,058	47,814	46,625	45,343	37,109	27,180	23,811	31,343	25,785
Operating grants and contributions	14,003	13,624	17,619	17,290	18,175	16,334	18,809	17,474	14,443	13,846
Total business type activities program revenues	<u>63,481</u>	<u>65,682</u>	<u>65,433</u>	<u>63,915</u>	<u>63,518</u>	<u>53,443</u>	<u>45,989</u>	<u>41,285</u>	<u>45,786</u>	<u>39,631</u>
Total district program revenues	<u>\$ 1,566,490</u>	<u>\$ 1,501,477</u>	<u>\$ 1,480,069</u>	<u>\$ 1,346,216</u>	<u>\$ 1,406,668</u>	<u>\$ 1,407,377</u>	<u>\$ 1,440,611</u>	<u>\$ 1,822,374</u>	<u>\$ 1,895,589</u>	<u>\$ 2,180,988</u>
Net (Expense)/Revenue										
Governmental activities	\$ (3,312,680)	\$ (3,373,707)	\$ (3,339,488)	\$ (3,290,524)	\$ (3,401,595)	\$ (3,505,532)	\$ (3,505,532)	\$ (3,579,857)	\$ (3,515,010)	\$ (3,595,103)
Business-type activities	(1,347)	(7,631)	(5,935)	(3,493)	(10,610)	(6,647)	(6,647)	(9,398)	1,928	(2,558)
Total district-wide net expense	<u>\$ (3,314,027)</u>	<u>\$ (3,381,338)</u>	<u>\$ (3,345,423)</u>	<u>\$ (3,294,017)</u>	<u>\$ (3,412,205)</u>	<u>\$ (3,512,179)</u>	<u>\$ (3,512,179)</u>	<u>\$ (3,589,255)</u>	<u>\$ (3,513,082)</u>	<u>\$ (3,597,661)</u>

Hope Township School District
Changes in Net Position, Last Ten Fiscal Years
(accrual basis of accounting)

Exhibit J-2

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 3,067,833	\$ 3,190,546	\$ 3,256,069	\$ 3,338,754	\$ 3,338,754	\$ 3,436,836	\$ 3,505,573	\$ 3,575,684	\$ 3,647,197	\$ 3,647,197
Taxes levied for debt service	184,926	181,441	153,593	154,768	147,419	146,652	150,640	156,825	157,720	158,419
Unrestricted grants and contributions	23,302		67,982	-	-	-				
Investment earnings	20,388	19,287	11,246	4,957	3,457	3,419	3,528	4,082	4,821	11,350
Miscellaneous income	5,378	1,128	4,032	17,023	357	12,038	9,671	2,863	415	1,960
Transfers	-	-	-	-	-	(4,634)	(5,000)	(7,000)	-	(6,000)
Total governmental activities	<u>3,301,827</u>	<u>3,392,402</u>	<u>3,492,922</u>	<u>3,515,502</u>	<u>3,489,987</u>	<u>3,594,311</u>	<u>3,664,412</u>	<u>3,732,454</u>	<u>3,810,153</u>	<u>3,812,926</u>
Business-type activities:										
Miscellaneous Income	756	283	6,133	4,485	1,246	7,208	752	2,929	690	48
Transfers	-	-	-	-	-	4,634	5,000	7,000	-	6,000
Total business-type activities	<u>756</u>	<u>283</u>	<u>6,133</u>	<u>4,485</u>	<u>1,246</u>	<u>11,842</u>	<u>5,752</u>	<u>9,929</u>	<u>690</u>	<u>6,048</u>
Total district-wide	<u>\$ 3,302,583</u>	<u>\$ 3,392,685</u>	<u>\$ 3,499,055</u>	<u>\$ 3,519,987</u>	<u>\$ 3,491,233</u>	<u>\$ 3,606,153</u>	<u>\$ 3,670,164</u>	<u>\$ 3,742,383</u>	<u>\$ 3,810,843</u>	<u>\$ 3,818,974</u>
Change in Net Position										
Governmental activities	\$ (10,853)	\$ 18,695	\$ 153,434	\$ 224,978	\$ 88,392	\$ 88,779	\$ 158,880	\$ 152,597	\$ 295,143	\$ 217,823
Business-type activities	(591)	(7,348)	198	992	(9,364)	5,195	(895)	531	2,618	3,490
Total district	<u>\$ (11,444)</u>	<u>\$ 11,347</u>	<u>\$ 153,632</u>	<u>\$ 225,970</u>	<u>\$ 79,028</u>	<u>\$ 93,974</u>	<u>\$ 157,985</u>	<u>\$ 153,128</u>	<u>\$ 297,761</u>	<u>\$ 221,313</u>

Source: CAFR Schedule A-2

**Hope Township School District
Fund Balances, Governmental Funds,
Last Ten Fiscal Years**
(modified accrual basis of accounting)

Exhibit J-3

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	\$ 229,290	\$ 316,844	\$ 245,017	\$ 412,774	\$ 515,388	\$ 751,847	\$ 974,286	\$ 1,146,265	\$ 1,377,689	\$ 1,562,369
Unreserved	227,819	190,437	163,932	243,536	185,507	186,114	177,601	156,296	155,593	160,086
Total general fund	<u>\$ 457,109</u>	<u>\$ 507,281</u>	<u>\$ 408,949</u>	<u>\$ 656,310</u>	<u>\$ 700,895</u>	<u>\$ 937,961</u>	<u>\$ 1,151,887</u>	<u>\$ 1,302,561</u>	<u>\$ 1,533,282</u>	<u>\$ 1,722,455</u>
All Other Governmental Funds										
Reserved										
Unreserved, reported in:										
Special revenue fund			\$ 39,548							
Capital projects fund				2,379	\$ 2,618	\$ 20	\$ 20	\$ 11	\$ 23	\$ 12
Debt service fund										
Trust and agency fund	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,548</u>	<u>\$ 2,379</u>	<u>\$ 2,618</u>	<u>\$ 20</u>	<u>\$ 20</u>	<u>\$ 11</u>	<u>\$ 23</u>	<u>\$ 12</u>

Source: CAFR Schedule B-1

**Hope Township School District
Changes in Fund Balances, Governmental Funds,
Last Ten Fiscal Years**

Exhibit J-4

	<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>
Revenues										
Tax levy	\$ 3,252,759	\$ 3,371,987	\$ 3,409,662	\$ 3,493,522	\$ 3,486,173	\$ 3,583,488	\$ 3,656,213	\$ 3,732,509	\$ 3,804,917	\$ 3,805,616
Interest earnings	2,258	3,341	1,840	1,694	952	1,297	1,685	2,037	2,422	4,002
Miscellaneous	25,999	82,790	68,798	51,006	28,582	33,444	39,589	46,703	29,500	34,321
State sources	1,417,360	1,264,890	1,163,055	1,107,020	1,169,065	1,224,950	1,258,175	1,255,476	1,312,105	1,352,355
Federal sources	106,459	105,189	264,203	144,561	148,365	109,700	108,372	97,848	103,794	103,481
Total revenue	4,804,835	4,828,197	4,907,558	4,797,803	4,833,137	4,952,879	5,064,034	5,134,573	5,252,738	5,299,775
Expenditures										
Instruction										
Regular Instruction	984,296	1,039,252	1,071,376	1,046,167	1,021,426	986,780	1,003,943	1,006,603	1,083,689	1,080,861
Special education instruction	146,876	85,880	77,025	40,250	86,686	105,465	107,970	117,939	120,154	176,046
Other special instruction	64,679	114,391	94,222	76,036	131,604	107,795	106,132	110,483	98,974	106,962
Support Services:										
Tuition	1,133,076	1,220,581	1,321,343	1,265,190	1,173,641	1,142,295	1,308,763	1,378,210	1,277,998	1,161,904
Student & instruction related services	466,002	504,580	472,585	415,523	360,955	400,728	355,093	382,705	381,994	387,903
School administrative services	55,417	56,699	57,617	96,917	100,724	93,936	95,953	98,880	109,563	91,874
Other administrative services	264,366	280,315	250,857	196,119	188,570	193,985	207,977	204,401	201,189	255,112
Plant operations and maintenance	324,127	321,457	312,496	322,395	311,608	352,541	380,376	361,406	346,201	321,334
Pupil transportation	236,590	297,273	248,793	278,657	315,392	303,582	271,437	245,230	247,476	262,234
Unallocated employee benefits	714,402	640,791	697,867	616,958	742,895	779,486	745,918	781,065	834,908	926,391
Transfer to Charter School	14,130	17,648	20,408	41,297	63,416	66,890	53,014	100,982	57,218	76,500
Special Revenue										
Capital Outlay	251,233	15,000	188,161	37,334	144,216	31,044	57,892	32,170	104,933	99,062
Debt service:										
Principal	109,974	111,399	85,000	90,000	110,000	110,000	115,000	125,000	130,000	135,000
Interest and other charges	77,678	72,759	68,593	64,768	37,180	39,250	35,640	31,834	27,708	23,430
Total expenditures	4,842,846	4,778,025	4,966,343	4,587,611	4,788,313	4,713,777	4,845,108	4,976,908	5,022,005	5,104,613
Excess (Deficiency) of revenues over (under) expenditures	(38,011)	50,172	(58,785)	210,192	44,824	239,102	218,926	157,665	230,733	195,162
Other Financing Sources (uses)										
Capital leases (non-budgeted)										
Bond proceeds										
EDA grant										
Transfers in	6,716		123,866	(39,548)						
Transfers out	(6,716)		(123,866)	39,548		(4,634)	(5,000)	(7,000)	-	(6,000)
Total other financing sources (uses)	-	-	-	-	-	(4,634)	(5,000)	(7,000)	-	(6,000)
Net change in fund balances	\$ (38,011)	\$ 50,172	\$ (58,785)	\$ 210,192	\$ 44,824	\$ 234,468	\$ 213,926	\$ 150,665	\$ 230,733	\$ 189,162
Debt service as a percentage of noncapital expenditures	4.1%	3.9%	3.2%	3.4%	3.2%	3.2%	3.1%	3.2%	3.2%	3.2%

Source: CAFR Schedule B-2

HOPE TOWNSHIP SCHOOL DISTRICT
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
UNAUDITED

Exhibit J-5

<u>Fiscal Year Ended June 30,</u>	<u>Interest on Investments</u>	<u>Interest on Capital Reserve Fund</u>	<u>Tuition</u>	<u>Miscellaneous</u>	<u>Total</u>
2008	\$ 18,130	\$ 2,258	\$ 2,491	\$ 5,378	\$ 28,257
2009	14,250	5,037	65,716	1,128	86,131
2010	9,406	1,840	55,360	4,032	70,638
2011	3,897	1,060	30,720	14,644	50,321
2012	2,505	952	25,720	357	29,534
2013	2,122	1,297	19,283	12,039	34,741
2014	1,843	1,685	28,075	9,671	41,274
2015	2,045	2,037	41,795	2,863	48,740
2016	2,399	2,422	26,686	415	31,922
2017	7,348	4,002	25,013	1,960	38,323

SOURCE: District Records

**Hope Township School District
Assessed Value and Actual Value of Taxable Property,
Last Ten Fiscal Years**

Exhibit J-6

<u>Fiscal Year Ended June 30,</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm Reg.</u>	<u>Qfarm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartment</u>	<u>Total Assessed Value</u>	<u>Less: Tax-Exempt Property</u>	<u>Public Utilities a</u>	<u>Net Valuation Taxable</u>	<u>Total Direct School Tax Rate b</u>	<u>Estimated Actual (County Equalized Value)</u>
2008	\$14,930,000	\$232,661,200	\$46,235,700	\$1,776,714	\$17,588,500	\$357,600	\$523,900	\$346,349,129	\$30,978,884	\$1,296,631	\$315,370,245	\$1.032	\$285,269,848
2009	13,448,400	230,478,500	46,766,400	1,781,524	16,884,900	357,600	523,900	343,931,755	32,351,884	1,338,647	311,579,871	1.082	302,371,153
2010	12,066,700	228,881,600	48,990,300	1,783,324	16,730,500	357,600	523,900	342,851,469	32,358,196	1,159,349	310,493,273	1.098	299,453,703
2011	9,785,450	193,727,900	42,683,600	1,821,800	13,802,600	291,300	449,200	293,103,951	29,383,752	1,158,349	263,720,199	1.325	290,093,507
2012	9,173,650	195,592,600	41,105,600	1,821,400	13,982,200	291,300	449,200	292,138,531	28,639,352	1,083,229	263,499,179	1.323	273,285,370
2013	7,846,500	194,249,100	41,226,100	1,808,500	13,097,400	291,300	449,200	289,531,047	29,465,652	1,097,295	260,065,395	1.378	249,644,770
2014	7,338,500	190,978,600	42,617,200	1,821,800	13,270,000	291,300	449,200	287,654,345	29,869,952	1,017,793	257,784,393	1.418	239,560,956
2015	7,085,000	191,517,700	43,151,200	1,756,600	13,270,000	291,300	449,200	288,432,766	29,869,952	1,041,814	258,562,814	1.444	229,274,110
2016	7,000,700	188,067,900	43,645,300	1,753,200	13,190,800	291,300	449,200	285,662,372	30,057,052	1,206,920	255,605,320	1.489	229,948,565
2017	6,673,700	187,820,100	42,291,900	1,809,700	13,086,600	291,300	449,200	283,606,819	30,057,052	1,127,267	253,549,767	1.501	227,083,549

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.

Reassessment occurs when ordered by the County Board of Taxation

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

b Tax rates are per \$100

**Hope Township School District
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years**

Exhibit J-7

(rate per \$100 of assessed value)

Fiscal Year Ended June 30,	Hope Township Board of Education			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Hope Township	Library	Warren County	
2008	\$0.972	\$0.060	\$1.032	\$0.144	\$0.048	\$0.506	\$1.730
2009	\$1.023	\$0.059	\$1.082	\$0.176	\$0.051	\$0.535	\$1.844
2010	\$1.049	\$0.049	\$1.098	\$0.187	\$0.050	\$0.532	\$1.867
2011	\$1.266	\$0.059	\$1.325	\$0.217	\$0.053	\$0.619	\$2.214
2012	\$1.267	\$0.056	\$1.323	\$0.225	\$0.051	\$0.609	\$2.208
2013	\$1.321	\$0.057	\$1.378	\$0.233	\$0.046	\$0.579	\$2.236
2014	\$1.361	\$0.057	\$1.418	\$0.255	\$0.047	\$0.613	\$2.333
2015	\$1.383	\$0.061	\$1.444	\$0.267	\$0.047	\$0.632	\$2.390
2016	\$1.436	\$0.053	\$1.489	\$0.330	\$0.047	\$0.646	\$2.512
2017	\$1.439	\$0.062	\$1.501	\$0.345	\$0.047	\$0.636	\$2.529

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 spending growth adjustments.

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

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

**Hope Township School District
Principal Property Tax Payers,
Current Year and Nine Years Ago**

Exhibit J-8

Taxpayer	2017			2005		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
First Hope Bank	\$2,295,000	1	0.91%	1,191,200	2	0.86%
Individual Taxpayer #1	1,986,600	2	0.78%	935,800	4	0.68%
Individual Taxpayer #2	1,857,100	3	0.73%	658,400	5	0.48%
Individual Taxpayer #3	1,540,300	4	0.61%	557,000	6	0.40%
Individual Taxpayer #4	1,462,600	5	0.58%	521,300	7	0.38%
United Telephone Co. of NJ	1,380,920	6	0.54%	1,340,530	1	0.97%
Individual Taxpayer #5	1,350,000	8	0.53%			
Bardon Goodbody Farm, Co.	1,231,600	7	0.49%			
Individual Taxpayer #6	1,152,900	9	0.45%			
Individual Taxpayer #7	1,105,300	10	0.44%			
B & S Partners				500,000	8	0.36%
Land of Make Believe				500,000	9	0.36%
Inn at Millrace Pond				1,173,100	3	0.85%
Dick Direct Sales				426,200	10	0.31%
Total	\$ 15,362,320		6.06%	\$ 7,803,530		5.65%

Source: District CAFR & Municipal Tax Assessor

**Hope Township School District
Property Tax Levies and Collections,
Last Ten Fiscal Years**

Exhibit J-9

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	\$ 3,252,759	\$ 3,252,759	100.00%	-
2009	\$ 3,371,987	\$ 3,371,987	100.00%	-
2010	\$ 3,409,662	\$ 3,409,662	100.00%	-
2011	\$ 3,493,522	\$ 3,493,522	100.00%	-
2012	\$ 3,486,173	\$ 3,486,173	100.00%	-
2013	\$ 3,583,488	\$ 3,583,488	100.00%	-
2014	\$ 3,656,213	\$ 3,656,213	100.00%	-
2015	\$ 3,732,509	\$ 3,732,509	100.00%	-
2016	\$ 3,804,917	\$ 3,804,917	100.00%	-
2017	\$ 3,805,616	\$ 3,805,616	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 is the amount voted upon or certified prior to the end of the school year.

**Hope Township School District
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years**

Exhibit J-10

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds ^b	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases				
2008	\$ 1,538,399	-0-	-0-	-0-	-0-	\$ 1,538,399	1.80%	\$ 790.95	
2009	\$ 1,427,000	-0-	-0-	-0-	-0-	\$ 1,427,000	1.71%	\$ 729.55	
2010	\$ 1,342,000	-0-	-0-	-0-	-0-	\$ 1,342,000	1.60%	\$ 689.62	
2011	\$ 1,300,000	-0-	-0-	-0-	-0-	\$ 1,300,000	1.48%	\$ 667.01	
2012	\$ 1,190,000	-0-	-0-	-0-	-0-	\$ 1,190,000	1.33%	\$ 614.67	
2013	\$ 1,080,000	-0-	-0-	-0-	-0-	\$ 1,080,000	1.21%	\$ 561.04	
2014	\$ 965,000	-0-	-0-	-0-	-0-	\$ 965,000	1.04%	\$ 504.71	
2015	\$ 840,000	-0-	-0-	-0-	-0-	\$ 840,000	0.90%	\$ 439.56	
2016	\$ 710,000	-0-	-0-	-0-	-0-	\$ 710,000	0.76%	\$ 371.53	
2017	\$ 575,000	-0-	-0-	-0-	-0-	\$ 575,000	0.60%	\$ 304.07	

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

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

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

b Includes Early Retirement Incentive Plan (ERIP) refunding

* Current data unavailable

R Revised

**Hope Township School District
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years**

Exhibit J-11

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2008	\$ 1,538,399	-0-	\$ 1,538,399	0.49%	\$ 791
2009	\$ 1,427,000	-0-	\$ 1,427,000	0.46%	\$ 730
2010	\$ 1,342,000	-0-	\$ 1,342,000	0.43%	\$ 690
2011	\$ 1,300,000	-0-	\$ 1,300,000	0.49%	\$ 667
2012	\$ 1,190,000	-0-	\$ 1,190,000	0.45%	\$ 615
2013	\$ 1,080,000	-0-	\$ 1,080,000	0.42%	\$ 561
2014	\$ 965,000	-0-	\$ 965,000	0.37%	\$ 505
2015	\$ 840,000	-0-	\$ 840,000	0.32%	\$ 440
2016	\$ 710,000	-0-	\$ 710,000	0.28%	\$ 372
2017	\$ 575,000	-0-	\$ 575,000	0.23%	\$ 304

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.

* Current data unavailable

**Hope Township School District
 Ratios of Overlapping Governmental Activities Debt
 As of June 30, 2017**

Exhibit J-12

<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 Township of Hope	\$ 390,211	100.000%	\$ 390,211
Other debt Warren County	3,435,000	2.081%	<u>71,476</u>
Subtotal, overlapping debt			461,687
Hope Township School District Direct Debt			<u>575,000</u>
Total direct and overlapping debt			<u><u>\$ 1,036,687</u></u>

Sources: Township Finance Officer, Warren County Finance Office and Utility Authorities

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

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

Hope Township School District
 Legal Debt Margin Information,
 Last Ten Fiscal Years

Exhibit J-13

Legal Debt Margin Calculation for Fiscal Year 2017

	Equalized valuation basis
	2016 \$ 222,222,467
	2015 \$ 226,999,554
	2014 \$ 230,794,945
	[A] <u>\$ 680,016,966</u>
Average equalized valuation of taxable prop	[A/3] \$ 226,672,322
Debt limit (3 % of average equalization value)	[B] \$ 6,800,170
Net bonded school debt	[C] <u>575,000</u>
Legal debt margin	[B-C] <u>\$ 6,225,170</u>

	Fiscal Year									
	<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	\$ 8,315,014	\$ 8,853,511	\$ 8,887,208	\$ 8,563,870	\$ 8,091,784	\$ 7,619,721	\$ 7,173,839	\$ 6,972,792	\$ 6,845,600	\$ 6,800,170
Total net debt applicable to limit	<u>1,538,399</u>	<u>1,427,000</u>	<u>1,342,000</u>	<u>1,300,000</u>	<u>1,190,000</u>	<u>1,080,000</u>	<u>965,000</u>	<u>840,000</u>	<u>710,000</u>	<u>575,000</u>
Legal debt margin	<u>\$ 6,776,615</u>	<u>\$ 7,426,511</u>	<u>\$ 7,545,208</u>	<u>\$ 7,263,870</u>	<u>\$ 6,901,784</u>	<u>\$ 6,539,721</u>	<u>\$ 6,208,839</u>	<u>\$ 6,132,792</u>	<u>\$ 6,135,600</u>	<u>\$ 6,225,170</u>
Total net debt applicable to the limit as a percentage of debt limit	18.50%	16.12%	15.10%	15.18%	14.71%	14.17%	13.45%	12.05%	10.37%	8.46%

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

a Limit set by NJSA 18A:24-19 for a K through 8 district; other % limits would be applicable for other districts

**Hope Township School District
Demographic and Economic Statistics
Last Ten Fiscal Years**

Exhibit J-14

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income (thousands of dollars) ^b</u>	<u>Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2008	1,945	\$ 85,301,865	\$43,857 R	5.7%
2009	1,956	\$ 83,507,508	\$42,693 R	10.0%
2010	1,946	\$ 84,041,902	\$43,187 R	10.3%
2011	1,949	\$ 87,543,233	\$44,917 R	9.6%
2012	1,936	\$ 89,388,992	\$46,172 R	9.3%
2013	1,925	\$ 89,502,875	\$46,495 R	8.3%
2014	1,912	\$ 93,009,240	\$48,645 R	6.4%
2015	1,911	\$ 97,273,722	\$50,902 R	5.6%
2016	1,911	\$ 97,273,722	\$50,902 R	4.4%
2017	1,891	\$ 96,255,682	\$50,902 *	*

Source:

^a Population information provided by the NJ Dept of Labor and Workforce Development

^b Personal Income provided by US Dept of Commerce

^c Per Capita provided by US Dept of Commerce

^d Unemployment data provided by the NJ Dept of Labor and Workforce Development

R =Revised

* Current data unavailable

Hope Township School District
Principal Employers,
Current Year and Nine Years Ago

Exhibit J-15

N/A

Employer	2017			2008		
	Employees	Rank (Optional)	Percentage of Total Employment	Employees	Rank (Optional)	Percentage of Total Employment
		1	0.00%	-		0.00%
		2	0.00%	-		0.00%
		3	0.00%	-		0.00%
		4	0.00%	-		0.00%
		5	0.00%	-		0.00%
		6	0.00%	-		0.00%
		7	0.00%	-		0.00%
		8	0.00%	-		0.00%
		9	0.00%	-		0.00%
		10	0.00%	-		0.00%
	-			-		0.00%
	-			-		0.00%
	-			-		0.00%
	-		0.00%	-		0.00%

Source:
No reliable information for Employer
Data available at Local or County level

**Hope Township School District
Full-time Equivalent District Employees by Function/Program,
Last Ten Fiscal Years**

Exhibit J-16

<u>Function/Program</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Instruction										
Regular	14	14	16	15	16	15	16	16	15	15
Special education	3	3	2	2	2	2	2	2	2	2
Other special education	3	3	2	2	2	2	1	1	1	1
Support Services:										
General administrative services	2	2	1	1	1	2	2	2	2	1
School administrative services	1	1	1	1	1	1	1	1	1	1
Other administrative services	1	1	1	1	1	-	1	1	1	1
Plant operations and maintenance	3	3	3	3	3	3	3	3	3	3
Pupil transportation	1	1	1	1	1	1	1	1	1	1
Other support services	6	7	8	8	7	7	5	5	4	6
Special Schools	2	1	1	1	2	-	-			
Total	<u>36</u>	<u>36</u>	<u>36</u>	<u>35</u>	<u>36</u>	<u>33</u>	<u>32</u>	<u>32</u>	<u>30</u>	<u>31</u>

Source: District Personnel Records

Hope Township School District
 Operating Statistics
 Last Ten Fiscal Years

Exhibit J-17

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	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				
2008	202	\$4,389,831	\$21,732	18.66%	18.0	1:11.2	197.8	189.6	-11.50%	95.9%
2009	213	\$4,561,219	\$21,414	-1.46%	20.0	1:10.7	212.6	202.9	7.48%	95.4%
2010	207	\$4,604,181	\$22,242	3.87%	20.0	1:10.4	204.4	194.4	-3.86%	95.1%
2011	203	\$4,354,212	\$21,449	-3.57%	19.0	1:10.7	205.6	195.4	0.59%	95.0%
2012	196	\$4,433,501	\$22,620	5.46%	20.0	1:9.8	193.5	185.5	-5.89%	95.9%
2013	189	\$4,466,593	\$23,633	4.48%	19.0	1:9.9	192.4	183.9	-0.57%	95.6%
2014	181	\$4,583,562	\$25,324	7.15%	19.0	1:9.5	180.8	172.4	-6.03%	95.4%
2015	170	\$4,686,922	\$27,570	8.87%	18.7	1:9.1	169.6	163.0	-6.19%	96.1%
2016	158	\$4,702,146	\$29,760	7.94%	18.0	1:8.8	158.0	151.0	-6.84%	95.6%
2017	156	\$4,770,621	\$30,581	2.76%	18.0	1:8.7	156.0	149.0	-1.27%	95.5%

Sources: District records, ASSA and Schedules J-2, J-4

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay; Schedule J-
- 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).

**Hope Township School District
School Building Information
Last Ten Fiscal Years**

Exhibit J-18

	<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>Hope Township School</u>										
Square Feet	42,207	42,207	42,207	42,207	42,207	42,207	42,207	42,207	42,207	42,207
Capacity (students)	269	269	269	269	269	269	269	269	269	269
Enrollment	202	213	207	203	196	189	181	170	158	156

Number of Schools at June 30, 2017
Elementary = 1

Source: District records, ASSA

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

HOPE TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
Last Ten Fiscal Years Ending June 30, 2017

Exhibit J-19

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

<u>School Facilities</u>	<u>Project #</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Total</u>
Hope Township School	N/A	\$ 72,179	\$ 60,149	\$ 67,886	\$ 57,345	\$ 80,905	\$ 108,788	\$ 130,821	\$ 123,328	\$ 141,093	\$ 111,819	954,313
Total School Facilities		72,179	60,149	67,886	57,345	80,905	108,788	130,821	123,328	141,093	111,819	954,313
Other Facilities		-	-	-	-	-	-	-	-	-	-	-
Grand Total		\$ 72,179	\$ 60,149	\$ 67,886	\$ 57,345	\$ 80,905	\$ 108,788	\$ 130,821	\$ 123,328	\$ 141,093	\$ 111,819	\$ 954,313

Single Audit Section



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 Douglas R. Williams, CPA, RMA, PSA

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

Independent Auditor's Report

Honorable President and
 Members of the Board of Education
 Hope Township School District
 County of Warren
 Hope, New Jersey 07844

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hope Township School District Board of Education in the County of Warren, State of New Jersey, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Hope Township School District Board of Education's basic financial statements, and have issued our report thereon dated August 31, 2017.

Internal Control Over Financial Reporting

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

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

-Continued-

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.

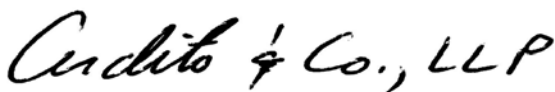
Compliance and Other Matters

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

We noted certain matters that we reported to management of the Hope Township School District, in a separate letter dated August 31, 2017 entitled "Auditor's Management Report on Administrative Findings".

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 for New Jersey Department of Education use, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



ARDITO & CO., LLP
August 31, 2017



Licensed Public School Accountant No.2369



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 Douglas R. Williams, CPA, RMA, PSA

Report on Compliance For Each Major Program and Report on Internal Control Over Compliance Required by New Jersey OMB circular 15-08

Independent Auditor's Report

Honorable President and
 Members of the Board of Education
 Hope Township School District
 County of Warren
 Hope, New Jersey 07844

Report on Compliance for Each Major State Program

We have audited the Hope Township School District Board of Education's compliance with the types of compliance requirements described in the New Jersey OMB circular 15-08 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the District's major state programs for the year ended June 30, 2017. The Hope Township School District Board of Education's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and New Jersey OMB Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred.

-Continued-

An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with NJ OMB circular 15-08 and which are described in the accompanying schedule of findings and questioned costs as item 2017-1. Our opinion on each major state program is not modified with respect to these matters.

Management's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Management's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

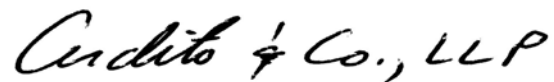
Management of the Hope Township School District Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal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

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

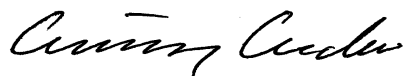
-Continued-

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 New Jersey OMB circular 15-08, and for New Jersey Department of Education use. Accordingly, this report is not suitable for any other purpose.



ARDITO & CO., LLP
August 31, 2017



Licensed Public School Accountant No.2369

HOPE TOWNSHIP SCHOOL DISTRICT

K-4

Schedule of Expenditures of State Financial Assistance
for the Fiscal Year ended June 30, 2017

Schedule B

STATE GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE 6/30/2016	CARRY- OVER AMOUNT	CASH RECEIVED	BUDGET. EXPEND.	ADJUST.	BALANCE AT JUNE 30, 2017			MEMO				
									REPAYMENT OF PRIOR YEARS' BALANCES	(ACCTS. RECEIV.)	INTERFUND PAYABLE/ DEFER. REVENUE	DUE TO GRANTOR	BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPENDITURES		
State Department of Education																
General Fund:																
Equalization Aid	17-495-034-5120-078	7/1/16-6/30/17	\$ 684,121			\$ 684,121	\$ (684,121)									
Transportation Aid	17-495-034-5120-014	7/1/16-6/30/17	103,047			103,047	(103,047)							\$ 64,020	\$ 684,121	
Special Education Aid	17-495-034-5120-089	7/1/16-6/30/17	155,088			155,088	(155,088)							9,643	103,047	
Security Aid	17-495-034-5120-084	7/1/16-6/30/17	22,505			22,505	(22,505)							14,513	155,088	
PARCC Readiness Aid	17-495-034-5120-098	7/1/16-6/30/17	2,510			2,510	(2,510)							2,106	22,505	
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16-6/30/17	2,510			2,510	(2,510)							235	2,510	
Professional Learning Comm. Aid	17-495-034-5120-101	7/1/16-6/30/17	2,280			2,280	(2,280)							235	2,510	
Non-Public Transportation Aid	16-495-034-5120-044	7/1/15-6/30/16	1,223	\$ (1,223)		1,223								213	2,280	
Non-Public Transportation Aid	17-495-034-5120-044	7/1/16-6/30/17	1,051				(1,051)				\$ (1,051)				1,223	
On-Behalf TPAF Pension	17-495-034-5094-002	7/1/16-6/30/17	152,299			152,299	(152,299)								1,051	
On-Behalf TPAF Pension PMR	17-495-034-5094-001	7/1/16-6/30/17	126,900			126,900	(126,900)								152,299	
On-Behalf TPAF Pension LTD Ins	17-495-034-5094-004	7/1/16-6/30/17	79			79	(79)								126,900	
Reimbursed TPAF Soc.Secur.Contrib.	17-495-034-5094-003	7/1/16-6/30/17	95,300	(4,865)		95,532	(95,300)				(4,633)				79	
Total General Fund				<u>(6,088)</u>		<u>1,348,094</u>	<u>(1,347,690)</u>	<u>-</u>			<u>(5,684)</u>			<u>90,965</u>	<u>1,348,913</u>	
State Department of Agriculture:																
Enterprise Fund:																
Nat.School Lunch Prog.(State Share)	16-100-010-3350-023	7/1/15-6/30/16		(21)		21										
Nat.School Lunch Prog.(State Share)	17-100-010-3350-023	7/1/16-6/30/17	412			389	(412)				(23)				412	
Total Enterprise Fund				<u>(21)</u>		<u>410</u>	<u>(412)</u>				<u>(23)</u>				<u>412</u>	
Total State Financial Assistance				<u>\$ (6,109)</u>		<u>\$ 1,348,504</u>	<u>\$ (1,348,102)</u>	<u>-</u>			<u>\$ (5,707)</u>			<u>\$ 90,965</u>	<u>\$ 1,349,325</u>	
							Less: On-behalf TPAF Pension Amounts	<u>279,278</u>								
							Total State Expenditures Subject to Major Program Determination	<u>\$ (1,068,824)</u>								

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

NOTES TO THE SCHEDULES OF STATE FINANCIAL ASSISTANCE
JUNE 30, 2017

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3. RELATIONSHIP TO GENERAL PURPOSE FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$4,665 for the general fund and -0- for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented on the following page:

NOTES TO THE SCHEDULES OF STATE FINANCIAL ASSISTANCE
JUNE 30, 2017

NOTE 3. (Continued)

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	-	\$ 1,352,355	\$ 1,352,355
Special Revenue Fund	\$ 103,481	-	103,481
Food Service Fund	<u>13,434</u>	<u>412</u>	<u>13,846</u>
Total Financial Assistance	<u>\$ 116,915</u>	<u>\$ 1,352,767</u>	<u>\$ 1,469,682</u>

NOTE 4. RELATIONSHIP TO STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

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

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

Section I - Summary of Auditor's Results

Financial Statement Section

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

1) Material weakness(es) identified? ___ Yes __x__ No

2) Were significant deficiencies identified that were not considered to be material weaknesses? ___ Yes __x__ None

Reported

Noncompliance material to financial statements noted? ___ Yes __x__ No

Federal Awards

N/A

Internal control over major programs:

1) Material weakness(es) identified? ___ Yes ___ No

2) Were significant deficiencies identified that were not considered to be material weaknesses? ___ Yes ___ None

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 section .516(a) of ? ___ Yes ___ No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>FEIN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
N/A		

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

Auditee qualified as low-risk auditee? ___ yes ___ no

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

State Financial Assistance Section

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? x yes no

Internal Control over major programs:

1) Material weakness(es) identified? yes x no

2) Were significant deficiencies identified that were not considered to be material weaknesses? yes x none

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

Any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular letter 15-08 as applicable? x yes no

Identification of major programs:

State Grant/Project Number(s)

Name of State Program

17-495-034-5120-078

Equalization Aid

Section II-Financial Statement Findings

N/A

There were no matters of noncompliance or reportable conditions noted, that are required to be reported in accordance with *Government Auditing Standards*.

Section III - State Financial Assistance Findings and Questioned Costs

This section identifies audit findings required to be reported by NJOMB Circular Letter 15-08, as applicable. There were no state financial assistance findings or questioned costs that are required to be reported in accordance with NJOMB Circular 15-08.

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

Section III - State Financial Assistance Findings and Questioned Costs - (Continued)

Finding 2017-1

Information on the State Program:

Equalization Aid

17-495-034-5120-078

Criteria or Specific Requirement:

Line-item transfers to an advertised appropriation account identified as general administration, school administration, central services and administrative information technology or other support services that, on a cumulative basis, exceed 10 percent of the amount included in the original budget, require county superintendent approval. N.J.A.C. 6A:23A-13.3(g)

Condition:

The district approved transfers of \$44,140 to General Administration in part for legal costs in relation to disputes for special education requirements. The transfers were 35% of the amount included in the original budget.

Context:

The expenditures comprise 0.89% (less than 1 percent) of total district expenditures.

Effect:

The statutory transfer limit was exceeded without obtaining department of education approval.

Cause:

Extraordinary legal fees related to a sensitive special education case.

Recommendation:

Executive County Superintendent approval should be requested for any transfer to an advertised administrative account [general administration (230), school administration (240), central services (251), or administrative information technology (252)] that is cumulatively more than 10 percent of that amount. The district should maintain documentation that substantiates the request was received by the Executive County Superintendent when written approval is not received.

Views of management and planned corrective actions:

The district requested Executive County Superintendent approval on May 11, 2017. The County Department of Education responded: "Because the regional limit for the 2016-17 School Year is \$2,138 and you are proposing a transfer into Administrative costs that will put your per pupil costs at \$2,148, I will not be able to approve the transfer." The district understands the administrative expenditure statutory limitations and will comply with those limitations on an on going basis. The legal expenditures related to the special education case were extraordinary and were a one time cost that is not expected to continue in the future.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

STATUS OF PRIOR YEAR FINDINGS

N/A

In accordance with *government auditing standards* , our procedures included a review of all prior year recommendations. There were no prior year findings.

