

SCHOOL DISTRICT OF SOUTH HARRISON TOWNSHIP

SOUTH HARRISON BOARD OF EDUCATION

Harrisonville, New Jersey

County of Gloucester

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF THE

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

HARRISONVILLE, NEW JERESY

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Prepared by

**Jason Schimpf, School Business Administrator/
Board Secretary**

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INTRODUCTORY SECTION

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South Harrison Township Elementary School District

Dr. James J. Lavender
Superintendent of Schools

Jason Schimpf
School Business Administrator

November 13, 2017

Honorable President and
Members of the Board of Education
South Harrison Township School District
County of Gloucester
Harrisonville, New Jersey

Dear Board Members:

The comprehensive annual financial report of the South Harrison Township School District (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 list of principal officials. The financial section includes the basic financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the requirements of the Uniform Guidance and New Jersey OMB's Circular 15-08. 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

South Harrison Township Elementary School District is an independent entity within the criteria adopted by the GASB as established by NCGA Statement No. 3. All funds and account groups of the District are included in this report. The South Harrison Township Board of Education and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels kindergarten through sixth grade. These include regular, as well as special education for gifted and handicapped youngsters. The District completed the 2016-2017 fiscal year with an enrollment of 387.5 students. The following details the changes in the student enrollment of the District over the last five years:

Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2016-2017	387.5	>1.00%
2015-2016	390.0	>1.00%
2014-2015	387.0	2.38%
2013-2014	378.0	5.00%
2012-2013	360.0	(3.23%)

2. Economic Condition and Outlook

The South Harrison Township area has been experiencing a period of steady growth over the past decade. New housing developments have caused the ratables to increase somewhat. Due to the sale of development rights by many farmers under the farmland preservation act, the District wealth has also increased over the last several years. The District's state aid decreased dramatically several years ago; consequently the tax rate has increased accordingly.

3. Educational Program & Initiatives

The District recognizes the need to focus attention on providing academic supports and opportunities that work to close the achievement gaps that currently exist. Additionally, the District believes that it is imperative that opportunities for both remediation and enrichment are provided to all students. At present, the District is under contract with the Kingsway Regional School District to provide curricular articulation and support. During the 2016-17 school year, South Harrison will continue to extend its 3-year old preschool program by including disabled students alongside their non-disabled peers. This benefits our students with disabilities as it will provide interactions with typically developing peers to model speech, play, etc.

RTI was introduced in the 2014-15 school year as an intervention program that would replace the former basic skills instruction (BSI) program. RTI is designed to support struggling students through three tiers of intervention. Additionally, RTI (Response to Intervention) allows for small group, targeted instructional supports in ELA and math for those students who are not progressing satisfactorily in their core programming. MAP will continue to be used as a universal screener and AIMSweb will be used throughout the school year as progress monitoring tool. By utilizing MAP assessments and AIMSweb, we can better target students' weaknesses and deploy appropriate interventions. Refinement of the RTI program will continue throughout the school year through focused professional development, targeted student identification, focused interventions utilizing materials from core programming, tracking progress, and the analysis of student performance data.

Within the 2016-17 budget, there is also a continued focus on increasing professional learning opportunities for all faculty and staff. Through the establishment and maintenance of the regional curriculum team, professional development for all continues to flourish. Funds continue to be allocated for professional development relative to the implementation of the CCCS and related resources to support new curricula.

4. Internal Accounting Controls

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

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

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

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. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project-length budgets are approved for 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 are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2016.

6. Accounting System and Reports

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

7. Management's Discussion and Analysis

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a management's discussion and analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in connection with it. The District's MD&A can be found immediately following the report of the independent auditors.

8. Cash Management

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

9. Risk Management

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

10. Other Information

State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Holman Frenia Allison, P.C., was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditor's report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

12. Acknowledgements

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

Respectfully submitted,



Dr. James J. Lavender
Superintendent of Schools



Jason Schimpf
School Business Administrator



KINGSWAY REGIONAL AND SOUTH HARRISON SCHOOL DISTRICTS



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SOUTH HARRISON TOWNSHIP BOARD OF EDUCATION
904 Mullica Hill Road
Harrisonville, New Jersey 08039

ROSTER OF OFFICIALS

JUNE 30, 2017

MEMBERS OF THE BOARD OF EDUCATION	TERM EXPIRES
Janet Brown, President	2017
Debbie Cunningham, Vice President	2019
Toni Buckley	2018
Dr. Laura Bruno	2018
Michael Brennan	2017
Janice Huggins	2019
Paul Tropea	2019
James McShea	2017
Ron Reilly	2018

OTHER OFFICIALS

Dr. James J. Lavender, Superintendent of Schools

Jason Schimpf, Business Administrator

Allan P. Dzwilewski, Esq., Solicitor

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SOUTH HARRISON TOWNSHIP BOARD OF EDUCATION
Harrisonville, New Jersey

CONSULTANTS AND ADVISORS

AUDIT FIRM

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ARCHITECT

Brooks W. Garrison, RA
Garrison Architects
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FINANCIAL SECTION

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HOLMAN | FRENIA
ALLISON, P.C.
Certified Public Accountants & Consultants

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INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
South Harrison Township School District
County of Gloucester
Harrisonville, New Jersey 08039

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the South Harrison Township School District, County of Gloucester, 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 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; the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the, Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the schedules related to accounting and reporting for pensions, as listed 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 South Harrison Township School District's basic financial statements. The introductory section, combining statements and related major fund supporting statements and schedules, statistical section and schedule of expenditures of federal awards are presented for purposes of additional analysis, as required by the Division of Administration and Finance, Department of Education, State of New Jersey, and are not a required part of the basic financial statements. The accompanying schedule of expenditures 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*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying combining statements and related major fund supporting statements and schedules, and the schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures,

including comparing and reconciling such information directly to the underlying accounting 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 accompanying combining statements and related major fund supporting statements and schedules and schedules of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section listed in the table of contents 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 November 13, 2017 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Respectfully Submitted,

HOLMAN FRENIA ALLISON, P.C.

Michael Holt
Certified Public Accountant
Public School Accountant, No. 1148

Medford, New Jersey
November 13, 2017

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REQUIRED SUPPLEMENTARY INFORMATION - PART I

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SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

As management of the South Harrison Township School District, New Jersey (School District), we offer readers of the School District's financial statements this narrative overview and analysis of the School District for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. Comparison to the prior year's activity is provided in this document. The basic financial statements are comprised of three components:

- 1) Government-Wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide the reader with a broad overview of the financial activities in a manner similar to a private-sector business. The government-wide financial statements include the statement of net position and the statement of net activities.

The *statement of net position* presents information about all of the School District's assets and liabilities. The difference between the assets plus deferred outflows or resources and liabilities plus deferred inflows of resources is reported as net position. Over time, changes in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The *statement of activities* presents information showing how the net position of the School District changed during the current fiscal year. Changes in net position are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in this statement even though the resulting cash flows may be recorded in a future period.

Both of the government-wide financial statements distinguish functions of the School District that are supported from taxes and intergovernmental revenues (*governmental activities*) and other functions that are intended to recover most of their costs from user fees and charges (*business-type activities*). Governmental activities consolidate governmental funds including the General Fund, Special Revenue Fund, Capital Projects Fund, and Debt Service Fund. Business-type activities reflect the Food Service Fund.

Fund Financial Statements

Fund financial statements are designed to demonstrate compliance with financial-related requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific objectives. All of the funds of the School District are divided into three categories: *governmental funds*, *proprietary funds* and *fiduciary funds*.

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited) (Continued)

Overview of the Basic Financial Statements (continued)

Fund Financial Statements (continued)

Governmental funds account for essentially the same information reported in the governmental activities of the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term financial resources and fund balances. Such information may be useful in evaluating the financial requirements in the near term.

Since the governmental funds and the governmental activities report information using the same functions, it is useful to compare the information presented. Because the focus of each report differs, a reconciliation is provided on the fund financial statements to assist the reader in comparing the near-term requirements with the long-term needs.

The School District maintains four individual governmental funds. The major funds are the General Fund, the Special Revenue Fund, the Capital Projects Fund, and the Debt Service Fund. They are presented separately in the fund financial statements.

The School District adopts an annual appropriated budget for the General Fund, Special Revenue Fund and the Debt Service Fund. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with budgetary requirements.

Proprietary funds are used to present the same functions as the business-type activities presented in the government-wide financial statements. The School District maintains one type of proprietary fund – the Enterprise Fund. The fund financial statements of the enterprise fund provides the same information as the government-wide financial statements, only in more detail.

The School District's one enterprise fund (Food Service Fund) is listed individually and is considered to be a major fund.

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

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited) (Continued)

Financial Analysis of the School District as a Whole

Table 1 provides a summary of the School Districts net position for the fiscal years 2017 compared to fiscal year 2016.

Table 1
Summary of Net Position

	June 30, <u>2017</u>	June 30, <u>2016</u>	Increase/ <u>(Decrease)</u>	Percentage <u>Change</u>
Current & Other Assets	\$ 963,963	\$ 1,067,670	\$ (103,707)	-9.7%
Capital Assets, Net	11,961,915	12,470,977	(509,062)	-4.1%
Total Assets	<u>12,925,878</u>	<u>13,538,647</u>	<u>(612,769)</u>	-4.5%
Deferred Outflow of Resources	<u>664,380</u>	<u>505,296</u>	<u>159,084</u>	31.5%
Current and other Liabilities	256,447	226,428	30,019	13.3%
Noncurrent Liabilities	<u>11,448,819</u>	<u>11,727,960</u>	<u>(279,141)</u>	-2.4%
Total Liabilities	<u>11,705,266</u>	<u>11,954,388</u>	<u>(249,122)</u>	-2.1%
Deferred Inflow of Resources	<u>146,012</u>	<u>196,585</u>	<u>(50,573)</u>	-25.7%
Net Position:				
Net Investment in Capital Assets	1,940,564	2,172,024	(231,460)	-10.7%
Restricted	800,111	729,033	71,078	9.7%
Unrestricted (Deficit)	<u>(1,001,695)</u>	<u>(1,008,087)</u>	<u>6,392</u>	-0.6%
Total Net Position	<u>\$ 1,738,980</u>	<u>\$ 1,892,970</u>	<u>\$ (153,990)</u>	-8.1%

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited) (Continued)

Table 2 shows the changes in net position for fiscal year 2017 compared to fiscal year 2016.

Table 2
Summary of Changes in Net Position

	June 30, <u>2017</u>	June 30, <u>2016</u>	Increase/ <u>(Decrease)</u>	Percentage <u>Change</u>
Revenues:				
Program Revenues:				
Charges for Services	\$ -	\$ 1,907	\$ (1,907)	-100.0%
Operating Grants & Contributions	626,547	1,167,085	(540,538)	-46.3%
General Revenues:				
Property Taxes	3,822,547	3,767,454	55,093	1.5%
Federal & State Aid	1,786,890	1,751,826	35,064	2.0%
Other General Revenues	44,675	32,390	12,285	37.9%
Total Revenues	<u>6,280,659</u>	<u>6,720,662</u>	<u>(440,003)</u>	<u>-6.5%</u>
Function/Program Expenditures:				
Regular Instruction	1,990,528	1,811,833	178,695	9.9%
Special Education Instruction	350,964	329,901	21,063	6.4%
Other Instruction	58,743	62,522	(3,779)	-6.0%
Tuition	84,780	113,710	(28,930)	-25.4%
Student & Instruction Related Services	541,664	628,105	(86,441)	-13.8%
General Administrative	109,322	114,873	(5,551)	-4.8%
School Administrative Services	200,231	140,508	59,723	42.5%
Central Services	110,814	120,756	(9,942)	-8.2%
Plant Operations & Maintenance	496,297	501,618	(5,321)	-1.1%
Pupil Transportation	321,299	333,147	(11,848)	-3.6%
Unallocated Benefits	777,301	1,696,053	(918,752)	-54.2%
On Behalf TPAF Pension and Social Security Contributions	528,993	-	528,993	100.0%
Interest & Other Charges	354,651	363,524	(8,873)	-2.4%
Unallocated Depreciation	502,287	593,811	(91,524)	-15.4%
Food Service	6,775	6,775	-	0.0%
Ceramics/Sculpture Classes	-	1,907	(1,907)	-100.0%
Total Expenditures	<u>6,434,649</u>	<u>6,819,043</u>	<u>(384,394)</u>	<u>-5.6%</u>
Change In Net Position	(153,990)	(98,381)	(55,609)	56.5%
Net Position - Beginning	1,892,970	1,991,351	(98,381)	-4.9%
Net Position - Ending	<u>\$ 1,738,980</u>	<u>\$ 1,892,970</u>	<u>\$ (153,990)</u>	<u>-8.1%</u>

Governmental Activities

During the fiscal year 2017, the net position of governmental activities decreased by \$147,215 or 7.9%. The primary reason for the decrease was current year depreciation expense.

The assets and deferred outflows of the primary governmental activities exceeded liabilities and deferred inflows by \$1,723,972, with an unrestricted deficit balance of \$(1,001,695). The deficit in unrestricted net position is primarily due to accounting treatment for compensated absences payable, GASB 68 net pension liability, and the last two state aid payments. In addition, state statutes prohibit school districts from maintaining more than 2% of its adopted budget as unassigned fund balance.

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited) (Continued)

The School District's governmental activities unrestricted net position had GASB 68 pension not been implemented would have been as follows:

Table 3
GASB 68 Effect on Unrestricted Net Position

Unrestricted Net Position (With GASB 68)	\$	(1,001,695)
Add back: PERS Pension Liability		951,837
Less: Deferred Outflows related to pensions		(371,518)
Add back: Deferred Inflows related to pensions		<u>146,012</u>
Unrestricted Net Position (Without GASB 68)	<u>\$</u>	<u>(275,364)</u>

Business-type Activities

During the fiscal year 2017, the net position of business-type activities decreased by \$6,775 or 31.1%.

The assets and deferred outflows of the business-type activities exceeded liabilities and deferred inflows by \$15,008.

General Fund Budgeting Highlights

Final budgeted revenues was \$4,773,242, which was equal to the original budget. Excluding nonbudgeted revenues, the School District's actual revenues exceeded budgeted revenues by \$22,675.

Final budgeted appropriations was \$5,186,217, which was an increase of \$12,053 from the original budget. The increase is primarily due to prior year reserve for encumbrances, which increase the budget appropriations in the subsequent fiscal year's budget. Excluding nonbudgeted expenditures, the School District's budget appropriations exceeded actual expenditures by \$97,549.

The School District's general fund balance – budgetary basis (Exhibit C-1) was \$866,877 at June 30, 2017, a decrease of \$109,456 from the prior year.

Governmental Funds

At the end of the current fiscal year, the School District's governmental funds reported a combined ending fund balance of \$901,296, a decrease of \$121,744 from the prior year.

General fund - During the current fiscal year, the fund balance of the School District's general fund decreased by \$113,454 to \$708,685 at June 30, 2017, compared to a decrease of \$264,679 in fund balance in the prior fiscal year. The primary factor(s) affecting the change in fund balance of the general fund is as follows:

- Completion of a large one-time capital expenditure in 2015-16

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited) (Continued)

Special revenue fund – There was no change in the fund balance for the special revenue fund.

Capital projects fund - During the current fiscal year, the fund balance of the School District's capital projects fund decreased by \$5 to \$118,469 at June 30, 2017, compared to no change in fund balance in the prior fiscal year .

Debt service fund - During the current fiscal year, the fund balance of the School District's debt service fund decreased by \$8,285 to \$74,142 at June 30, 2017, compared to an increase of \$46,626 in fund balance in the prior fiscal year.

Proprietary Funds

Food service fund - During the current fiscal year, the net position of the School District's food service fund decreased by \$6,775 to \$15,008 at June 30, 2017, compared to a decrease of \$6,775 in fund balance in the prior fiscal year. The primary factor affecting the change in net position of the food service fund is as follows:

- Current year depreciation expense equal to \$6,775.

Capital Assets

The School District's capital assets for its governmental and business-type activities as of June 30, 2017, totaled \$11,961,915 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and improvements and equipment. There was a net decrease in the School District's investment in capital assets for the current fiscal year in the amount of \$509,062. This decrease is primarily due to the current year depreciation of capital assets. Table 4 shows fiscal 2017 balances compared to 2016.

Table 4
Summary of Capital Assets

<u>Capital Asset (Net of Depreciation):</u>	June 30, <u>2017</u>	June 30, <u>2016</u>	Increase/ <u>(Decrease)</u>	Percentage <u>Change</u>
Land	\$ 18,937	\$ 18,937	\$ -	0.0%
Building and Improvements	11,592,697	12,028,503	(435,806)	-3.6%
Equipment	350,281	423,537	(73,256)	-17.3%
	<u>\$ 11,961,915</u>	<u>\$ 12,470,977</u>	<u>\$ (509,062)</u>	-4.1%

Depreciation expense for the year was \$509,062. Additional information on the School District's capital assets can be found in the notes to the basic financial statements (Note 5) of this report.

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited) (Continued)

Debt Administration

Long-term debt – At the end of the current fiscal year, the School District had total bonded debt outstanding of \$9,430,000, which is a decrease of \$470,000 from the prior year.

Additional information on the School District's long-term obligations can be found in the notes to the basic financial statements (Note 7) of this report.

Factors on the School District's Future

In the spring of 2013, the District embarked upon a strategic planning initiative with the intention of engaging the community in serious dialogue about the District's future and with the purpose of defining the decisions and actions that would guide and shape the direction of the District. The planning process included targeted and prioritized action steps that would move the District forward. The District continues to work toward accomplishing the goals outlined in its strategic plan, Vision 2018.

South Harrison Township is primarily a residential community, with very few commercial ratables; thus the majority of the financial burden of the school district is placed on the local homeowners. A successful bond referendum in 2006 and the subsequent construction of building additions was able to address several years of substantial student growth. Enrollment has since stabilized. The District was able to replenish unassigned fund balance over the last few budget cycles and dedicated those funds to various capital projects, technology upgrades and much needed building maintenance.

With that being said, the District will continue to have to make tough budgetary decisions as state aid remains relatively flat and expenditures continue to grow. Shared service endeavors with Kingsway Regional have also provided much needed resources and financial relief that have allowed for program expansion and the hiring of much needed additional staff members.

Contacting the School Districts Financial Management

This financial report is designed to provide a general overview of the School District's finances for all those with an interest in the School District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Jason Schimpf, School Business Administrator, South Harrison Township School District, 904 Mullica Hill Road, Harrisonville, NJ 08039, or by e-mail at schimpfj@krsd.org.

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BASIC FINANCIAL STATEMENTS

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A. Government-Wide Financial Statements

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SOUTH HARRISON SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>	<u>TOTAL</u>
ASSETS:			
Cash & Cash Equivalents	\$ 931,060	\$ -	\$ 931,060
Receivables, Net (Note 4)	31,594	-	31,594
Inventory	-	-	-
Restricted Cash & Cash Equivalents	1,309	-	1,309
Capital Assets, Net (Note 5)			
Non-depreciable	18,937	-	18,937
Depreciable	11,927,970	15,008	11,942,978
	<hr/>		
Total Assets	12,910,870	15,008	12,925,878
<hr/>			
DEFERRED OUTFLOWS OF RESOURCES:			
Related to Pensions (Note 8)	292,862	-	292,862
Related to Loss on Debt Refunding	371,518	-	371,518
	<hr/>		
Total Deferred Outflow of Resources	664,380	-	664,380
	<hr/>		
Total Assets & Deferred Outflow of Resources	13,575,250	15,008	13,590,258
<hr/>			
LIABILITIES:			
Accounts Payable	40,814	-	40,814
Due to Other Governments	18,445	-	18,445
Unearned Revenue	21,853	-	21,853
Accrued Interest	175,335	-	175,335
Noncurrent Liabilities (Note 7):			
Due within one year	561,104	-	561,104
Due in more than one year	10,887,715	-	10,887,715
	<hr/>		
Total Liabilities	11,705,266	-	11,705,266
<hr/>			
DEFERRED INFLOWS OF RESOURCES:			
Related to Pensions (Note 8)	146,012	-	146,012
	<hr/>		
Total Deferred Inflow of Resources	146,012	-	146,012
<hr/>			
NET POSITION:			
Net Investment in Capital Assets	1,925,556	15,008	1,940,564
Restricted for:			
Capital Projects	119,778	-	119,778
Debt Service	74,142	-	74,142
Excess Surplus	606,191	-	606,191
Unrestricted (Deficit)	(1,001,695)	-	(1,001,695)
	<hr/>		
Total Net Position	\$ 1,723,972	\$ 15,008	\$ 1,738,980
	<hr/> <hr/>		

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

**SOUTH HARRISON SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	CAPITAL GRANTS & CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Governmental Activities:							
Instruction:							
Regular Instruction	\$ 1,990,528	\$ -	\$ 97,554	\$ -	\$(1,892,974)	\$ -	\$(1,892,974)
Special Education Instruction	350,964	-	-	-	(350,964)	-	(350,964)
Other Instruction	58,743	-	-	-	(58,743)	-	(58,743)
Support Services:							
Tuition	84,780	-	-	-	(84,780)	-	(84,780)
Student & Instruction Related Services	541,664	-	-	-	(541,664)	-	(541,664)
General Administrative	109,322	-	-	-	(109,322)	-	(109,322)
School Administrative Services	200,231	-	-	-	(200,231)	-	(200,231)
Central Services	110,814	-	-	-	(110,814)	-	(110,814)
Plant Operations & Maintenance	496,297	-	-	-	(496,297)	-	(496,297)
Pupil Transportation	321,299	-	-	-	(321,299)	-	(321,299)
Unallocated Benefits	777,301	-	-	-	(777,301)	-	(777,301)
On Behalf TPAF Pension and Social Security Contributions	528,993	-	528,993	-	-	-	-
Interest & Other Charges	354,651	-	-	-	(354,651)	-	(354,651)
Unallocated Depreciation	502,287	-	-	-	(502,287)	-	(502,287)
Total Governmental Activities	6,427,874	-	626,547	-	(5,801,327)	-	(5,801,327)
Business-Type Activities:							
Food Service	6,775	-	-	-	-	(6,775)	(6,775)
Total Business-Type Activities	6,775	-	-	-	-	(6,775)	(6,775)
Total Primary Government	\$ 6,434,649	\$ -	\$ 626,547	\$ -	\$(5,801,327)	\$(6,775)	\$(5,808,102)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes				3,116,783	-	-	3,116,783
Property Taxes, Levied for Debt Service				705,764	-	-	705,764
Federal & State Aid Restricted				152,601	-	-	152,601
Federal & State Aid Not Restricted				1,634,289	-	-	1,634,289
Tuition Charges				28,922	-	-	28,922
Miscellaneous				15,753	-	-	15,753
Total General Revenues				5,654,112	-	-	5,654,112
Change In Net Position				(147,215)	(6,775)		(153,990)
Net Position - Beginning				1,871,187	21,783		1,892,970
Net Position - Ending				\$ 1,723,972	\$ 15,008	\$ -	\$ 1,738,980

B. Fund Financial Statements

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Governmental Funds

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**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2017**

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTALS
Assets:					
Cash & Cash Equivalents	\$ 603,925	\$ 7,842	\$ 245,151	\$ 74,142	\$ 931,060
Receivables, Net:					
Interfund Receivable	127,797	-	-	-	127,797
Due from Other Governments:					
State	19,150	-	-	-	19,150
Other Accounts Receivable	11,163	166	-	-	11,329
Restricted Cash & Cash Equivalents	1,309	-	-	-	1,309
Total Assets	\$ 763,344	\$ 8,008	\$ 245,151	\$ 74,142	\$ 1,090,645
Liabilities & Fund Balances:					
Liabilities:					
Accounts Payable	\$ 39,614	\$ -	\$ -	\$ -	\$ 39,614
Unearned Revenue	13,845	8,008	-	-	21,853
Deposits Payable	1,200	-	-	-	1,200
Interfunds Payable	-	-	126,682	-	126,682
Total Liabilities	54,659	8,008	126,682	-	189,349
Fund Balances:					
Restricted for:					
Capital Reserve Account	1,309	-	-	-	1,309
Excess Surplus - Current Year	258,292	-	-	-	258,292
Excess Surplus Designated for Subsequent Year's Expenditures	347,899	-	-	-	347,899
Capital Projects Fund	-	-	118,469	-	118,469
Debt Service Fund	-	-	-	74,142	74,142
Assigned:					
Other Purposes	5,549	-	-	-	5,549
Unassigned Fund Balance:					
General Fund	95,636	-	-	-	95,636
Total Fund Balances	708,685	-	118,469	74,142	901,296
Total Liabilities & Fund Balances	\$ 763,344	\$ 8,008	\$ 245,151	\$ 74,142	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$19,312,385 and the accumulated depreciation is \$7,365,478.					
					11,946,907
Deferred outflows and inflows of resources related to pensions and deferred charges or credits on debt refunding are applicable to future reporting periods and therefore are not reported in the funds.					
Deferred Outflows related to pensions					292,862
Deferred Inflows related to pensions					(146,012)
Deferred Outflow related to the loss on bond refunding of debt					371,518
Accrued interest on long-term debt is not due and payable in the current period and therefore is not reported as a liability in the funds.					
					(175,335)
Accrued pension contributions for the June 30, 2017 plan year are not paid with current economic resources and are therefore not reported as a liability in the funds, but are included in accounts payable in the government-wide statement of net position.					
					(18,445)
Long-term liabilities, including net pension liability and bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.					
					(11,448,819)
Net Position of Governmental Activities					1,723,972

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTALS
Revenues:					
Local Sources:					
Local Tax Levy	\$ 3,116,783	\$ -	\$ -	\$ 705,764	\$ 3,822,547
Tuition Charges	28,922	-	-	-	28,922
Miscellaneous	15,753	3,322	-	-	19,075
Total Local Sources	3,161,458	3,322	-	705,764	3,870,544
State Sources	2,163,282	-	-	152,601	2,315,883
Federal Sources	-	94,232	-	-	94,232
Total Revenues	5,324,740	97,554	-	858,365	6,280,659
Expenditures:					
Instruction:					
Regular Instruction	1,892,974	97,554	-	-	1,990,528
Special Education Instruction	350,964	-	-	-	350,964
Other Special Instruction	58,743	-	-	-	58,743
Support Services:					
Tuition	84,780	-	-	-	84,780
Student & Instruction Related Services	541,664	-	-	-	541,664
General Administration	109,322	-	-	-	109,322
School Administrative Services	200,231	-	-	-	200,231
Central Services	110,814	-	-	-	110,814
Plant Operations & Maintenance	496,297	-	-	-	496,297
Pupil Transportation	321,299	-	-	-	321,299
Unallocated Benefits	733,985	-	-	-	733,985
On Behalf TPAF Pension and Social Security Contributions	528,993	-	-	-	528,993
Debt Service:					
Principal	-	-	-	470,000	470,000
Interest & Other Charges	8,133	-	-	396,650	404,783
Total Expenditures	5,438,199	97,554	-	866,650	6,402,403
Excess/(Deficiency) of Revenues Over/ (Under) Expenditures	(113,459)	-	-	(8,285)	(121,744)
Other Financing Sources/(Uses):					
Transfers	5	-	(5)	-	-
Total Other Financing Sources & Uses	5	-	(5)	-	-
Net Change in Fund Balances	(113,454)	-	(5)	(8,285)	(121,744)
Fund Balance - July 1	822,139	-	118,474	82,427	1,023,040
Fund Balance - June 30	\$ 708,685	\$ -	\$ 118,469	\$ 74,142	\$ 901,296

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

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

Total Net Changes in Fund Balances - Governmental Funds (B-2)		(121,744)
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	(585,407)
	Adjustment	83,120
	Capital Outlays	<u>-</u>
		(502,287)
Governmental funds report School District pension contributions as expenditures. However in the statement of activities, the cost of pension benefits earned is reported as pension expense. This is the amount by which pension benefits earned exceeded the School District's pension contributions in the current period.		
		(28,939)
Repayment of long-term debt principal and obligation of lease purchase agreements are 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.		
		470,000
Governmental funds report the effect of premiums, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these transactions is as follows:		
	Amortization of premium on bonds	71,104
	Amortization of loss on Bond Refunding	<u>(27,435)</u>
		43,669
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. The accrued interest is an addition in the reconciliation (+).		
		6,463
In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).		
		<u>(14,377)</u>
Change in Net Position of Governmental Activities		<u><u>\$ (147,215)</u></u>

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Proprietary Funds

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**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2017**

	BUSINESS-TYPE ACTIVITIES -	
ASSETS	FOOD SERVICE	TOTAL
Current Assets:		
Cash & Cash Equivalents	\$ -	\$ -
Total Current Assets	-	-
Noncurrent Assets:		
Furniture, Machinery & Equipment	100,391	100,391
Less: Accumulated Depreciation	(85,383)	(85,383)
Total Noncurrent Assets	15,008	15,008
Total Assets	15,008	15,008
NET POSITION		
Investment in Capital Assets	15,008	15,008
Unrestricted	-	-
Total Net Position	\$ 15,008	\$ 15,008

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

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
 PROPRIETARY FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET POSITION
 AS OF JUNE 30, 2017**

	<u>BUSINESS-TYPE ACTIVITIES -</u>	
	FOOD SERVICE	TOTAL
Operating Revenues:		
Charges for Services:		
Program Fees	\$ -	\$ -
	<hr/>	<hr/>
Total Operating Revenues	-	-
	<hr/>	<hr/>
Operating Expenses:		
Depreciation	6,775	6,775
	<hr/>	<hr/>
Total Operating Expenses	6,775	6,775
	<hr/>	<hr/>
Operating Income/(loss)	(6,775)	(6,775)
	<hr/>	<hr/>
Change in Net Position	(6,775)	(6,775)
Total Net Position - Beginning	21,783	21,783
	<hr/>	<hr/>
Total Net Position - Ending	\$ 15,008	\$ 15,008
	<hr/> <hr/>	<hr/> <hr/>

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

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
 PROPRIETARY FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 AS OF JUNE 30, 2017**

	<u>BUSINESS-TYPE ACTIVITIES -</u>	
	FOOD SERVICE	TOTAL
Cash Flows From Operating Activities:		
Receipts from Customers	\$ -	\$ -
Net Cash Provided/(Used) by Operating Activities	-	-
Net Increase/(Decrease) in Cash & Cash Equivalents	-	-
Balances - Beginning of Year	-	-
Balances - End of Year	\$ -	\$ -

Reconciliation of Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:

Operating Income/(Loss)	\$ (6,775)	\$ (6,775)
Adjustments to Reconcile Operating Income/(Loss) to		
Net Cash Provided/(Used) by Operating Activities:		
Depreciation & Net Amortization	6,775	6,775
Changes in Assets & Liabilities:		
(Increase)/Decrease in Accounts Receivable	-	-
Total Adjustments	6,775	6,775
Net Cash Provided/(Used) by Operating Activities	\$ -	\$ -

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

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Fiduciary Fund

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**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUNDS
COMPARATIVE COMBINING STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2017**

ASSETS	AGENCY		
	STUDENT ACTIVITY	PAYROLL	TOTAL
Cash & Cash Equivalents	\$ 67,114	\$ 24,283	\$ 91,397
Total Assets	67,114	24,283	91,397
LIABILITIES			
Payroll Deductions & Withholdings	-	23,167	23,167
Interfund Accounts Payable	-	1,116	1,116
Due to Student Groups	67,114	-	67,114
Total Liabilities	67,114	24,283	91,397
NET POSITION			
Unrestricted	-	-	-
Total Net Position	\$ -	\$ -	\$ -

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

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SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

Note 1. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the South Harrison School District (hereafter referred to as the “School District”) have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

Reporting Entity

The South Harrison School District is a Type II School District located in the County of Gloucester, State of New Jersey. As a Type II School District, the School District functions independently through a Board of Education. The Board is comprised of nine members elected to three-year terms. These terms are staggered so that three members’ terms expire each year. The purpose of the School District is to educate students in grades kindergarten through twelfth at its five schools. The School District has an approximate enrollment at June 30, 2017 of 384 students.

The primary criterion for including activities within the School 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 School District holds the corporate powers of the organization;
- ◆ the School District appoints a voting majority of the organization’s board
- ◆ the School District is able to impose its will on the organization;
- ◆ the organization has the potential to impose a financial benefit/burden on the School District
- ◆ there is a fiscal dependency by the organization on the School District.

There were no additional entities required to be included in the reporting entity under the criteria as described above. Furthermore, the School District is not includable in any other reporting entity on the basis of such criteria.

Component Units

GASB Statement No.14, *The Financial Reporting Entity*, provides guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity but also for legally separate organizations that meet the criteria established by GASB Statement No. 14, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB 61, *The Financial Reporting Entity: Omnis – an Amendment of GASB Statements No. 14 and No. 34*. The School District had no component units as of for the year ended June 30, 2017.

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017 (continued)

Note 1. Summary of Significant Accounting Policies (continued)

Basis of Accounting, Measurement Focus and Financial Statement Presentation

The accounts of the School District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

A. Government-Wide Financial Statements

The School District's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the School District accompanied by a total column. Fiduciary activities of the School District are not included in these statements.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the School District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the School District are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

B. Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. The School District has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. (The School District's deferred outflows of resources and deferred inflows of resources are noncurrent.) The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the School District, are property tax and intergovernmental revenues. Expenditures are recorded in the accounting period in which the related

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017 (continued)

Note 1. Summary of Significant Accounting Policies (continued)

fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Interest on invested funds is recognized when earned. Intergovernmental revenues that are reimbursements for specific purposes or projects are recognized in the period in which the expenditures are recorded. All other revenue items are considered to be measurable and available only when cash is received by the School District. Transfers between governmental funds are recorded when the related liability is incurred. These transfers do not represent revenues (expenditures) to the School District and are, therefore, reported as other financing sources (uses) in the governmental fund financial statements.

Since the fund level statements are presented using a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented on the page following each fund level statement that summarizes the adjustments necessary to convert the fund level statements into the government-wide presentations.

The School District funds outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, then unrestricted resources as they are needed. In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to consider restricted fund balance to have been depleted before any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

The School District reports the following major governmental funds:

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

As required by the New Jersey Department of Education the School 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, interest earnings and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to capital assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment.

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017 (continued)

Note 1. Summary of Significant Accounting Policies (continued)

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 proprietary funds, and local appropriations that are restricted or committed to expenditures for specified purposes.

Capital Projects Fund - The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for the acquisition of construction of major capital facilities, other than those financed by proprietary funds. The financial resources are derived from New Jersey School Development Authority grants, temporary notes, capital leases, or serial bonds that are specially 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 financial resources that are restricted, committed, or assigned to an expenditure for the payment of general long-term debt principal, interest and related costs of governmental funds.

C. Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund and for the non-major funds aggregated. A column representing internal service funds would also be presented in these statements. However, internal service funds balances and activities would be combined with the governmental activities in the Government-Wide financial statements.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The School District reports the following major proprietary funds:

Food Service Fund – Kingsway Regional School District accounts for the revenues and expenses pertaining to the District’s cafeteria operations, however the District does maintain the capital assets as required by the agreement.

D. Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Net Position. The School District’s fiduciary funds include Agency and Private-Purpose Trust Funds and, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency funds are accounted for on a spending or “economic resources” measurement focus and the accrual basis of accounting as are the proprietary funds explained above.

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017 (continued)

Note 1. Summary of Significant Accounting Policies (continued)

The School District reports the following fiduciary funds:

Agency Funds - Agency funds (payroll and student activity funds) are assets held by a governmental entity either as trustee or as an agent for other parties and cannot be used to finance the governmental entities own operating programs.

Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budgets are submitted to the county office. In accordance with P.L.2011 c.202, which became effective January 17, 2012, the School District eliminated the April annual voter referendum on budgets which met the statutory tax levy cap limitations and the board of education members are elected at the November general election. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23-2-2(f)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year in accordance with N.J.A.C. 6A:23-2-11.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the legally mandated revenue recognition of the one or more June 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.

The budget, as detailed on Exhibit C-1, Exhibit C-2, and Exhibit I-3, includes all amendments to the adopted budget, if any.

Exhibit C-3 presents a reconciliation of the general fund revenues and special revenue fund revenues and expenditures from the budgetary basis of accounts as presented in the general fund budgetary comparison schedules and the special revenue fund budgetary comparison schedule to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds. Note that the School District does not report encumbrances outstanding at fiscal year-end as expenditures in the general fund since the general fund budget follows modified accrual basis with the exception of the revenue recognition policy for the last state aid payments.

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017 (continued)

Note 1. Summary of Significant Accounting Policies (continued)

Encumbrances

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

Open encumbrances in the special revenue fund for which the School District has received advances are reflected in the balance sheet as a reduction of the accounts receivables or as unearned revenue at fiscal year-end.

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

Cash, Cash Equivalents and Investments

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

Investments are stated at fair value in accordance with Governmental Accounting Standards Board (GASB). New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. N.J.S.18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts.

N.J.S.A.17:9-41 et. Seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

For purposes of the statement of cash flows, the School District considers all highly liquid investments (including restricted assets) with a maturity when purchased of twelve months or less and all local government investment pools to be cash equivalents

Tuition Receivable/Payable

Tuition rates were established by the receiving School District based on estimated costs. The charges are subject to adjustment when the actual costs are determined.

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)**

Note 1. Summary of Significant Accounting Policies (continued)

Inventories

Inventories are valued at cost, using the first-in/first-out (FIFO) method. The costs of inventories are recorded as expenditures when consumed rather than when purchased.

Interfund Receivables/Payables

Interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the School District and that are due within one year. As previously mentioned, these amounts are eliminated in the governmental and business-type columns of the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are presented as Internal Balances in the Statement of Net Position.

Capital Assets

Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair market value at the date of donation. All reported capital assets except land and construction in progress are depreciated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The School District does not possess any infrastructure. The School District has established a threshold of \$2,000 for capitalization of depreciable assets.

Capital assets of the School District are depreciated or amortized using the straight-line method over the following estimated useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land Improvements	10-20 Years	N/A
Buildings and Improvements	20-50 Years	N/A
Furniture and Equipment	5-20 Years	5-20 Years

Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the School District and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the School District and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

The entire compensated absences liability is reported on the government-wide financial statements and proprietary fund financial statements. Compensated absences liability is not recorded in the governmental funds. Instead expenditures are recognized in the governmental funds as payments come due each period, for example, as a result of resignations or retirements.

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)**

Note 1. Summary of Significant Accounting Policies (continued)

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and is recorded as a liability until the revenue is both measureable and the School District is eligible to realize the revenue.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. In general, government 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, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumption that affect certain reported amounts reported in the financial statements and accompanying note disclosures. Actual results could differ from those estimates.

Interfund Activity

Transfers between governmental and business-type activities on the government-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 proprietary funds. Reimbursements from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time.

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017 (continued)

Note 1. Summary of Significant Accounting Policies (continued)

Deferred Loss on Refunding Debt

Deferred loss on refunding debt arising from the issuance of the refunding bonds is recorded as deferred outflows of resources. It is amortized in a systematic and rational manner over the shorter of the duration of the related debt or the new debt issues as a component of interest expense.

Bond Premiums, Discounts and Issuance Costs

In the government-wide financial statements and in the proprietary fund financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when bonds are issued.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position of the Public Employees' Retirement System (PERS) and Teacher's Pension and Annuity Fund (TPAF) and additions to/deductions from the PERS's and TPAF's fiduciary net position have been determined on the same basis as they are reported by the plans. 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.

Fund Balance

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balances in the governmental funds financial statements are classified into the following five categories, as defined below:

- **Non-spendable** – This classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Non-spendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted** – This classification includes amounts for which constraints have been placed on the use of the resources either externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- **Committed** – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education. These amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017 (continued)

Note 1. Summary of Significant Accounting Policies (continued)

- were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- Assigned – This classification includes amounts that are constrained by the School District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Education or through the Board of Education delegating this responsibility to the business administrator through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the School District's policy to consider restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, it is the School District's policy to consider amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

Net Position

Net position, represents the difference between summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. Net position is classified into the following three components:

- Net Investment in Capital Assets – This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for acquisition, construction, or improvement of those assets.
- Restricted – This component of net position is 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.
- Unrestricted – This component of net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

Impact of Recently Issued Accounting Principles

Adopted Accounting Pronouncements

The following GASB Statements became effective for the fiscal year ended June 30, 2017:
Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*.
The objective of this Statement is to improve the usefulness of information about postemployment **Note**

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017 (continued)

1. Summary of Significant Accounting Policies (continued)

benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The adoption of this Statement had no impact on the School District's financial statements

Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose information about those agreements. The adoption of this Statement had no impact on the School District's financial statements.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The adoption of this Statement had no impact on the School District's financial statements.

Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. The adoption of this Statement had no impact on the School District's financial statements.

Recently Issued Accounting Pronouncements

The GASB has issued the following Statements which will become effective in future fiscal years as shown below:

Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agency Employers and Agent Multi-Employer Plans*, for OPEB Statement No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB Plans. This Statement will be effective for the year ended June 30, 2018. Management has not yet determined the potential impact on the School District's financial statements.

Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. This Statement will be effective for the year ended June 30, 2018. Management does not expect this Statement to have a material impact on the School District's financial statements.

Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement will be effective for the year ended June 30, 2018. Management does not expect this Statement to have a material impact on the School District's financial statements.

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017 (continued)

Note 1. Summary of Significant Accounting Policies (continued)

Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, 68 and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement will be effective for the year ended June 30, 2018. Management has not yet determined the potential impact on the School District's financial statements.

Statement No. 83, *Certain Asset Retirement Obligations*. An asset retirement obligation is a legally enforceable liability associated with the retirement of a tangible capital asset. Statement No. 83 establishes guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to such obligations. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Management does not expect this Statement to have a material impact on the School District's financial statements.

Statement No. 84, *Fiduciary Activities*. The Statement intends to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. To that end, Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments and clarifies whether and how business-type activities should report their fiduciary activities. Statement No. 84 is effective for reporting periods beginning after December 15, 2018. Management does not expect this Statement to have a material impact on the School District's financial statements.

Statement No. 85, *Omnibus 2017*. This Statement provides guidance that addresses several different accounting and financial reporting issues identified during the implementation and application of other GASB pronouncements. The guidance in Statement No. 85 is effective for periods beginning after June 15, 2017. Management does not expect this Statement to have a material impact on the School District's financial statements.

Statement No. 86, *Accounting for Certain Debt Extinguishment*. Statement No. 86 provides guidance for transactions in which cash and other monetary assets acquired with only existing resources, that is, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. Statement No. 86 is effective for reporting periods beginning after June 15, 2017. Management does not expect this Statement to have a material impact on the School District's financial statements.

Statement No. 87, *Leases*. Statement No. 87 establishes a single approach to accounting for and reporting leases by state and local governments. The GASB based the new standard on the principle that leases are financing of the right to use an underlying asset. Statement No. 87 is effective for reporting periods beginning after December 15, 2019. Management does not expect this Statement to have a material impact on the School District's financial statements.

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)**

Note 2. Deposits and Investments

Deposits

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Board’s deposits may not be recovered. Although the Board does not have a formal policy regarding custodial credit risk, NJSA 17:9-41 et seq. requires that the governmental units shall deposit public funds in public depositories protected from loss under the provisions of GUDPA. Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by FDIC. Public fund owned by the Board in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, student activity fund or other funds that may pass to the Board relative to the happening of a future condition. Such funds are shown as Uninsured and Uncollateralized in the schedule below. As of June 30, 2017, the School District’s bank balance of \$1,023,266.07 was exposed to custodial credit risk as follows:

Insured under FDIC and GUDPA	\$ 250,000
Collateralized by securities held by Pledging financial institution	681,869
Uninsured and Uncollateralized	<u>91,397</u>
	<u>\$ 1,023,266</u>

Investments

The School District had no investments at June 30, 2017.

Note 3. Reserve Accounts

Capital Reserve

A capital reserve account was established by the School District by inclusion of \$100 on September 26, 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 School District’s approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a School District may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year-end (June 1 to June 30) of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A School 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 *N.J.S.A.19:60-2*. Pursuant to *N.J.A.C.6:23A-14.1(g)*, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)**

Note 3. Reserve Accounts (continued):

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

<u>Capital Reserve</u>	
Beginning Balance, July 1, 2016	\$ 1,109
Increased by:	
Deposits approved by Board	200
Ending Balance, June 30, 2017	\$ 1,309

Note 4. Accounts Receivable

Accounts receivable at June 30, 2017 consisted of accounts and intergovernmental grants. All receivables are considered collectible in full due to the stable condition of state and federal programs, the current fiscal year guarantee of federal funds and the budgetary control of New Jersey governmental entities. Accounts receivable in the School District's governmental and business-type activities as of June 30, 2017, consisted of the following:

<u>Description</u>	Governmental Funds			Total Governmental Activities
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	
Federal Awards	\$ -	\$ -	\$ -	\$ -
State Awards	19,150	-	-	19,150
Tuition	-	-	-	-
Other	12,278	166	-	12,444
Total	\$ 31,428	\$ 166	\$ -	\$ 31,594

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)**

Note 5. Capital Assets

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

	Balance July 1, <u>2016</u>	<u>Additions</u>	Retirements <u>and Transfers</u>	Balance June 30, <u>2017</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 18,937	\$ -	\$ -	\$ 18,937
Total Capital Assets not being depreciated	18,937	-	-	18,937
Capital Assets being depreciated:				
Land Improvements	123,418	-	-	123,418
Buildings and Improvements	17,723,926	-	100,392	17,824,318
Equipment	1,345,712	-	-	1,345,712
Total Capital Assets being depreciated	19,193,056	-	100,392	19,293,448
Less: Accumulated Depreciation:				
Land Improvements	(123,418)	-	-	(123,418)
Buildings and Improvements	(5,695,423)	(518,926)	(17,272)	(6,231,621)
Equipment	(943,958)	(66,481)	-	(1,010,439)
Total Accumulated Depreciation	(6,762,799)	(585,407)	(17,272)	(7,365,478)
Total Capital Assets being depreciated, net	12,430,257	(585,407)	83,120	11,927,970
Total Governmental Activities Capital Assets, net	\$ 12,449,194	\$ (585,407)	\$ 83,120	\$ 11,946,907
	Balance July 1, <u>2016</u>	<u>Additions</u>	Retirements <u>and Transfers</u>	Balance June 30, <u>2017</u>
Business-Type Activities:				
Equipment	\$ 100,391	\$ -	\$ -	\$ 100,391
	100,391	-	-	100,391
Less: Accumulated Depreciation:				
Equipment	(78,608)	(6,775)	-	(85,383)
	(78,608)	(6,775)	-	(85,383)
Total Business-Type Activities Capital Assets, net	\$ 21,783	\$ (6,775)	\$ -	\$ 15,008

Depreciation expense was not allocated among the various functions/programs of the School District.

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)**

Note 6. Interfund Receivables, Payables and Transfers

Individual fund receivables/payables balances at June 30, 2017 are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 127,797	\$ -
Capital Projects Fund	-	126,681
Payroll Fund	-	1,116
	<u>\$ 127,797</u>	<u>\$ 127,797</u>

The interfund receivables and payables above predominately resulted from payment made by certain funds on behalf of other funds. All interfund balances are expected to be repaid within one year.

A summary of interfund transfers is as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 5	\$ -
Capital Projects Fund	-	5
	<u>\$ 5</u>	<u>\$ 5</u>

Note 7. Long-Term Obligations

During the fiscal year-ended June 30, 2017 the following changes occurred in long-term obligations for the governmental and business-type activities:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2017</u>	<u>Balance Due Within One Year</u>
Governmental Activities:					
General Obligation Bonds	\$ 9,900,000	\$ -	\$ 470,000	\$ 9,430,000	\$ 490,000
Unamortized Bond Premiums	1,033,973	-	71,104	962,869	71,104
Compensated Absences	89,736	14,377	-	104,113	-
Net Pension Liability	704,251	247,586	-	951,837	-
	<u>\$ 11,727,960</u>	<u>\$ 261,963</u>	<u>\$ 541,104</u>	<u>\$ 11,448,819</u>	<u>\$ 561,104</u>

For governmental activities, the bonds payable are liquidated from the School District's debt service fund. Compensated absences and net pension liability are liquidated by the general fund.

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)**

Note 7. Long-Term Obligations (continued):

Bonds Payable

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

On February 15, 2003, the District issued \$427,000 in general obligation bonds at 3.50% for a school renovation project. The final maturity of the bonds is 2013. Also on February 15, 2003; the District issued \$1,306,000 in general obligation bonds at 3.50% for school refunding bonds. The final maturity of the bonds is 2015: On December 20, 2005, the District issued \$9,801,000 in general obligation bonds for the construction of additions and renovations to South Harrison Schools. The bonds carry interest rates ranging from 4.125% to 4.250% and mature in 2031. On September 15, 2006, the District issued \$2,871,000 in general obligation bonds for the continuation of the construction of additions and renovations to South Harrison Schools. The bonds carry interest rates ranging from 4.30% to 4.35% and mature in 2031. During 2015, these obligations were refunded and the only remaining principal balances were the obligations due on January 15, 2016.

On April 21, 2015, the School District issued \$9,980,000 in Refunding Bonds with interest rates ranging from 1.50% to 5.00% to advance refund \$8,185,000 of outstanding 2005 General Obligation Bonds with interest rates ranging from 4.125% to 4.250% and \$2,365,000 of outstanding 2006 General Obligation Bonds with interest rates ranging from 4.30% to 4.35%. As a result of the Refunding Bonds, the District had a net present value savings of \$978,765 based on the yield for the Refunding Bonds.

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

Fiscal Year Ending	<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$	490,000	\$ 382,550	\$ 872,550
2019		515,000	362,950	877,950
2020		540,000	337,200	877,200
2021		560,000	321,000	881,000
2022		595,000	293,000	888,000
2023-2027		3,395,000	1,087,200	4,482,200
2028-2031		3,335,000	341,400	3,676,400
		\$ 9,430,000	\$ 3,125,300	\$ 12,555,300

Bonds Authorized but not Issued

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

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)**

Note 8. Pension Plans

A. Public Employees' Retirement System (PERS)

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

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

The following represents the membership tiers for PERS:

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

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

Contributions - The contribution policy for PERS is set by *N.J.S.A. 15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2016, the State's pension contribution was less than the actuarial determined amount.

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)**

Note 8. Pension Plans (continued):

A. Public Employees' Retirement System (PERS) (continued):

payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

Pension Liability, Pension Expense and Deferred Outflows/Inflows of Resources - At June 30, 2017, the School District reported a liability of \$951,837 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2015, to the measurement date of June 30, 2016. The School District's proportion of the net pension liability was based on the School District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2016. The School District's proportion measured as of June 30, 2016, was 0.0032138067%, which was an increase of 0.0000765493% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the School District recognized full accrual pension expense of \$57,487 in the government-wide financial statements. This pension expense was based on the pension plans June 30, 2016 measurement date. At June 30, 2017 the School District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 17,701	\$ -
Changes of Assumptions	197,170	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	36,294	-
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	23,252	146,012
School District contributions subsequent to measurement date	18,445	
	\$ 292,862	\$ 146,012

\$18,445 reported as deferred outflows of resources resulting from school district contributions subsequent to the measurement date is estimated based on unadjusted 2016-2017 total salaries for PERS employees multiplied by an employer pension contribution rate of 13.37%. The payable is due on April 1, 2018 and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)**

Note 8. Pension Plans (continued):

A. Public Employees' Retirement System (PERS) (continued):

Year Ending June 30,		
2018	\$	22,398
2019		22,400
2020		34,401
2021		32,699
2022		16,506
	\$	128,404

The amortization of the above other deferred outflows of resources and deferred inflows of resources related to pensions will be over the following number of years:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
 Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
 Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	5.00	-
June 30, 2015	5.00	-
June 30, 2016	5.00	-

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)**

Note 8. Pension Plans (continued):

A. Public Employees' Retirement System (PERS) (continued):

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.57, 5.72 and 6.44 years for the 2016, 2015, and 2014 amounts, respectively.

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 assumptions:

Inflation Rate	3.08%
Salary Increases:	
Through 2026	1.65% - 4.15% Based on Age
Thereafter	2.65% - 5.15% Based on Age
Investment Rate of Return	7.65%

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

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

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

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)**

Note 8. Pension Plans (continued):

A. Public Employees' Retirement System (PERS) (continued):

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

Discount Rate - The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. The single blended discount rate was based on 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 municipals bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)**

Note 8. Pension Plans (continued):

A. Public Employees' Retirement System (PERS) (continued):

Sensitivity of the School District's proportionate share of the Net Pension Liability to Changes in the Discount Rate - The following presents the School District's proportionate share of the net pension liability as of June 30, 2016, calculated using the discount rate of 3.98% as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	At 1% Decrease (2.98%)	At Current Discount Rate (3.98%)	At 1% Increase (4.98%)
School District's Proportionate Share of the Net Pension Liability	\$ 1,166,366	\$ 951,837	\$ 774,726

Additional Information - The following is a summary of the collective balances of the local group at June 30, 2017 and 2016:

	<u>6/30/2017</u>	<u>6/30/2016</u>
Collective Deferred Outflows of Resources	\$ 7,815,204,785	\$ 2,946,265,815
Collective Deferred Inflows of Resources	\$ -	\$ 360,920,604
Collective Net Pension Liability	\$ 29,617,131,759	\$ 22,447,996,119
School District's portion	0.00321%	0.00314%

B. Teachers' Pension and Annuity Fund (TPAF)

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

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.

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)**

Note 8. Pension Plans (continued):

B. Teachers' Pension and Annuity Fund (TPAF) (continued):

The following represents the membership tiers for TPAF:

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

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

Contributions - The contribution policy for TPAF is set by *N.J.S.A 18A:66* and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.2% in State fiscal year 2017. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2016, the State's pension contribution was less than the actuarial determined amount.

As mentioned previously, the employer contributions for local participating employers are legally required to be funded by the State in accordance with *N.J.S.A 18:66-33*. Therefore, the School District 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 School District 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 local participating employers.

Pension Liability and Pension Expense - The State's proportionate share of the TPAF net pension liability, attributable to the School District as of June 30, 2016 was \$15,159,545. The School District's proportionate share was \$0.

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The State's proportionate share of the net pension liability associated with the District was based on projection of the State's long-term contributions to the pension plan associated with the District relative to the projected contributions by the State associated with all participating school districts, actuarially determined. At June 30, 2016, the State proportionate share of

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)**

Note 8. Pension Plans (continued):

B. Teachers' Pension and Annuity Fund (TPAF) (continued):

the TPAF net pension liability attributable to the School District was 0.0192706819%, which was an increase of 0.0008483258% from its proportion measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the School District recognized \$1,139,029 in on-behalf pension expense and revenue in the government-wide financial statements, for the State of New Jersey on-behalf TPAF pension contributions. This pension expense and revenue was based on the pension plans June 30, 2016 measurement date.

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

Inflation Rate	2.50%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.65%

Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on 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 Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2016 are summarized in the following table:

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)**

Note 8. Pension Plans (continued):

B. Teachers' Pension and Annuity Fund (TPAF) (continued):

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

Discount Rate - The discount rate used to measure the total pension liability was 3.22% as of June 30, 2016. The single blended discount rate was based on 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 municipals bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State contributed 30% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2029. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2029, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the School District's proportionate share of the Net Pension Liability to Changes in the Discount Rate – As previously mentioned, TPAF has a special funding situation where the State pays 100% of the School District's annual required contribution. The following represents the State's proportionate share of the net pension liability, attributable to the School District calculated using the discount rate of 3.22% as well as what the State's proportionate share of the net pension liability, attributable to the School District's would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)**

Note 8. Pension Plans (continued):

B. Teachers' Pension and Annuity Fund (TPAF) (continued):

	At 1% Decrease <u>(2.22%)</u>	At Current Discount Rate <u>(3.22%)</u>	At 1% Increase <u>(4.22%)</u>
State of New Jersey's Proportionate Share of Net Pension Liability associated with the School District	\$ 18,103,885	\$ 15,159,545	\$ 12,755,112
	\$ 18,103,885	\$ 15,159,545	\$ 12,755,112

Pension Plan Fiduciary Net Position - 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.

C. Defined Contribution Plan (DCRP)

Plan Description - The Defined Contribution Retirement Program (DCRP) was established July 1, 2007, under the provisions of N.J.S.A. 43:15C-1 et seq. The DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage

Individuals eligible for membership in the DCRP include:

- State or local officials who are elected or appointed on or after July 1, 2007;
- Employees enrolled in the Public Employees' Retirement System (PERS) or Teachers' Pension and Annuity Fund (TPAF) on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits;
- Employees enrolled in the Police and Firemen's Retirement System (PFRS) or State Police Retirement System (SPRS) after May 21, 2010, who earn salary in excess of established "maximum compensation" limits;
- Employees otherwise eligible to enroll in the PERS or TPAF on or after November 2, 2008, who do not earn the minimum annual salary for PERS or TPAF Tier 3 enrollment but who earn salary of at least \$5,000 annually. The minimum salary in 2017 is \$8,300 and is subject to adjustment in future years.

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017 (continued)

Note 8. Pension Plans (continued):

C. Defined Contribution Plan (DCRP) (continued):

- Employees otherwise eligible to enroll in the PERS or TPAF after May 21, 2010, who do not work the minimum number of hours per week required for PERS or TPAF Tier 4 or Tier 5 enrollment but who earn salary of at least \$5,000 annually. The minimum number is 35 hours per week for State employees, or 32 hours per week for local government or local education employees

Contributions - The contribution policy is set by N.J.S.A. 43:15C-3 and requires active members and contribution employers. When enrolled in the DCRP, members are required to contribute 5.5% of their base salary to a tax-deferred investment account established with Prudential Financial, which jointly administers the DCRP investments with the Division of Pension and Benefits. Member contributions are matched by a 3% contribution from the School District.

For the year ended June 30, 2017, employee contributions totaled \$1,360.01, and the School District recognized an expense for payments made to the Defined Contribution Retirement program in the amount of \$388.39.

Note 9. State Post-Retirement Medical 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 (APB) who retired from a board of education or county college with 25 years of service. The State paid \$231.2 million toward Chapter 126 benefits for 20,045 eligible retired members in Fiscal Year 2016.

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et. seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SEHBP. That report may be obtained from the Treasury website at: <http://www.nj.gov/treasury/pensions/pdf/financial/2015divisioncombined.pdf>

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)**

Note 10. On-Behalf Payments for Fringe Benefits and Salaries

As previously mentioned, the School District receives on-behalf payments from the State of New Jersey for normal costs and post-retirement medical costs related to the Teachers' Pension and Annuity Fund (TPAF) pension plan. The School District is not legally responsible for these contributions. The on-behalf payments are recorded as revenues and expenditures in the government-wide and general fund financial statements. For the fiscal year ended June 30, 2017, the on-behalf payments for normal costs, post-retirement medical costs, and long-term disability were \$206,259, \$171,860, and \$405, respectively.

Note 11. Risk Management

The School 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 School 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.

Joint Insurance Pool – The School District also participates in the Gloucester, Cumberland, Salem School Districts Insurance Fund and, public entity risk pool. The Pool provides its members with the following coverage:

Property – Blanket Building & Grounds	General & Automobile Liability
Environmental Impairment Liability	Workers' Compensation
School Board Legal Liability	Excess Liability
Employers Liability	Comprehensive Crime Coverage

Note 12. Contingencies

State and Federal Grantor Agencies - The School District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the School District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2017 may be impaired. In the opinion of the School District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been recorded in the accompanying combined financial statements for such contingencies.

Litigation – The School District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the School Districts' attorney that resolution of these matters will not have a material adverse effect on the financial condition of the School District.

Economic Dependency – The School District receives a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, could have an effect on the School District's programs and activities.

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017 (continued)

Note 13. Deferred Compensation

The School District offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Section 403(b) and 457. 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 Investment Planning
Travelers

Note 14. Compensated Absences

The School 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.

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

The liability for vested compensated absences of the governmental fund types is recorded in the Statement of Net Position. At June 30, 2017, the liability for compensated absences reported on the government-wide and on the proprietary fund Statement of Net Position was \$104,113 and \$0, respectively.

Note 15. Tax Abatements

As defined by the Governmental Accounting Standards Board (GASB) Statement No. 77, a tax abatement is an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. School districts are not authorized by New Jersey statute to enter into tax abatement agreements. However, the county or municipality in which the school district is situated may have entered into tax abatement agreements, and that potential must be disclosed in these financial statements. If the county or municipality entered into tax abatement agreements, those agreements will not directly affect the school district's local tax revenue because N.J.S.A. 54:4-75 and N.J.S.A. 54:4-76 require that amounts so forgiven must effectively be recouped from other taxpayers and remitted to the school district.

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

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)**

Note 16. Calculation of Excess Surplus

The designation for Restricted Fund Balance – Excess Surplus is a required calculation pursuant to N.J.S.A.18A:7F-7. 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 was \$258,292.

Note 17. Fund Balances

General Fund – Of the \$708,685 General Fund fund balance at June 30, 2017, \$1,309 has been restricted for the Capital Reserve Account; \$258,292 has been restricted for current year excess surplus; \$347,899 is restricted for prior year excess surplus – designated for subsequent year's expenditures; \$5,549 has been assigned to other purposes; and \$95,636 has been unassigned.

Capital Projects Fund – Of the \$118,469 Capital Projects Fund fund balance at June 30, 2017, \$118,469 is restricted for future capital projects approved by the School District.

Debt Service Fund – Of the \$74,142 Debt Service Fund fund balance at June 30, 2017, \$74,142 is restricted for future debt service payments.

Note 18. Deficit in Net Position

Unrestricted Net Position – The School District governmental activities had a deficit in unrestricted net position in the amount of \$(1,001,695) at June 30, 2017. The primary causes of this deficit is the School District not recognizing the receivable for the last two state aid payments and the recording of the net pension liability for the Public Employee's Retirement System (PERS) as of June 30, 2017. This deficit in unrestricted net position for governmental activities does not indicate that the School District is facing financial difficulties.

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REQUIRED SUPPLEMENTARY INFORMATION - PART II

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C. Budgetary Comparison Schedules

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**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	ACCOUNT NUMBERS	JUNE 30, 2017				VARIANCE FINAL TO ACTUAL FAVORABLE/ (UNFAVORABLE)
		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	
Revenues:						
Local Sources:						
Local Tax Levy	10-1210-000-000	\$ 3,116,783	\$ -	\$ 3,116,783	\$ 3,116,783	\$ -
Tuition	10-1300-000-000	12,000	-	12,000	13,600	1,600
Tuition LEAs	10-1320-000-000	-	-	-	15,322	15,322
Rents and Royalties	10-1910-000-000	-	-	-	3,773	3,773
Interest Earned on Capital Reserve	10-1000-000-000	-	-	-	-	-
Miscellaneous	10-1000-000-000	10,000	-	10,000	11,980	1,980
Total Local Sources		3,138,783	-	3,138,783	3,161,458	22,675
State Sources:						
School Choice Aid	10-3116-000-000	257,877	-	257,877	257,877	-
Categorical Special Education Aid	10-3132-000-000	210,863	-	210,863	210,863	-
Equalization Aid	10-3176-000-000	898,191	-	898,191	898,191	-
Categorical Security Aid	10-3177-000-000	26,269	-	26,269	26,269	-
Categorical Transportation Aid	10-3121-000-000	35,253	-	35,253	35,253	-
Under Adequacy Aid	10-3175-000-000	6,832	-	6,832	6,832	-
Supplemental Enrollment Growth Aid	10-3100-000-000	149,760	-	149,760	149,760	-
Nonpublic Transportation	10-3190-000-000	-	-	-	3,828	3,828
Adjustment Aid	10-3178-000-000	38,204	-	38,204	38,204	-
PARCC Readiness Aid		3,690	-	3,690	3,690	-
Per Pupil Growth Aid		3,690	-	3,690	3,690	-
Professional Learning Community Aid		3,830	-	3,830	3,830	-
Nonbudgeted:						
On-Behalf TPAF Pension Contributions		-	-	-	206,259	206,259
On-Behalf TPAF Post Retirement Medical		-	-	-	171,860	171,860
On-Behalf TPAF Long Term Disability		-	-	-	405	405
Reimbursed TPAF Social Security Contributions		-	-	-	150,469	150,469
Total State Sources		1,634,459	-	1,634,459	2,167,280	532,821
Total Revenues		4,773,242	-	4,773,242	5,328,738	555,496
Expenditures:						
Current Expense:						
Instruction - Regular Programs:						
Salaries of Teachers:						
Kindergarten	11-110-100-101	115,011	(8,000)	107,011	106,744	267
Grades 1 - 5	11-120-100-101	1,221,070	(15,360)	1,205,710	1,197,843	7,867
Grades 6 - 8	11-130-100-101	136,216	-	136,216	133,749	2,467
Instruction - Regular Programs:						
Home Instruction:						
Salaries of Teachers	11-150-100-101	1,800	400	2,200	300	1,900
Purchased Professional - Educational Services	11-150-100-320	1,000	(400)	600	-	600
Other Purchased Services	11-150-100-500	250	-	250	-	250
Regular Programs - Undistributed Instruction:						
Other Salaried for Instruction	11-190-100-106	7,156	10	7,166	7,159	7
Purchased Professional Educational Services	11-190-100-320	8,350	(70)	8,280	8,250	30
Purchased Technical Services	11-190-100-340	15,465	(3,300)	12,165	7,776	4,389
Other Purchased Services	11-190-100-500	264,492	86,900	351,392	349,661	1,731
General Supplies	11-190-100-610	70,954	17,723	88,677	78,348	10,329
Textbooks	11-190-100-640	11,954	(1,800)	10,154	3,144	7,010
Other Objects	11-190-100-800	-	600	600	-	600
Total Regular Programs - Instruction		1,853,718	76,703	1,930,421	1,892,974	37,447
Special Education:						
Learning & Language Disabilities:						
Salaries of Teachers	11-204-100-101	-	-	-	-	-
Other Salaries for Instruction	11-204-100-106	-	-	-	-	-
General Supplies	11-204-100-610	-	-	-	-	-
Textbooks	11-204-100-640	-	145	145	-	145
Other Objects	11-204-100-800	-	-	-	-	-
Total Learning & Language Disabilities		-	145	145	-	145

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	ACCOUNT NUMBERS	JUNE 30, 2017			VARIANCE FINAL TO ACTUAL FAVORABLE/ (UNFAVORABLE)	
		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET		ACTUAL
Resource Room/Resource Center						
Salaries of Teachers	11-213-100-101	281,225	1,200	282,425	282,344	81
Other Salaries for Instruction	11-213-100-106	16,697	(15,000)	1,697	-	1,697
Other Purchased Services	11-213-100-500	2,000	(200)	1,800	499	1,301
General Supplies	11-213-100-610	4,450	-	4,450	3,911	539
-						
-						
Total Resource Room/Resource Center		304,372	(14,000)	290,372	286,754	3,618
Preschool Disabilities - Part-Time:						
Salaries of Teachers	11-215-100-101	57,405	-	57,405	57,405	-
Other Salaries for Instruction	11-215-100-106	-	-	-	-	-
Other Purchased Services	11-215-100-500	500	3,500	4,000	3,300	700
General Supplies	11-215-100-600	5,338	(1,500)	3,838	2,485	1,353
Other Objects	11-215-100-800	-	-	-	-	-
-						
-						
Total Preschool Disabilities - Part-Time		63,243	2,000	65,243	63,190	2,053
Home Instruction:						
Purchased Professional Education Service	11-219-100-320	500	1,500	2,000	1,020	980
Total Home Instruction		500	1,500	2,000	1,020	980
Total Special Education		368,115	(10,355)	357,760	350,964	6,796
Basic Skills/Remedial:						
Salaries of Teachers	11-230-100-101	43,206	-	43,206	43,205	1
Other Salaries for Instruction	11-230-100-106	-	-	-	-	-
General Supplies	11-230-100-610	-	-	-	-	-
Total Basic Skills/Remedial		43,206	-	43,206	43,205	1
School Sponsored Cocurricular Activities:						
Salaries	11-401-100-100	8,543	6,300	14,843	14,761	82
Supplies and Materials	11-401-100-600	1,000	-	1,000	777	223
Total School Sponsored Cocurricular Activities		9,543	6,300	15,843	15,538	305
Before/After School Programs - Support Services:						
Salaries	11-421-200-101	-	-	-	-	-
Supplies and Materials	11-421-200-600	-	-	-	-	-
Total Before/After School Programs - Support Services		-	-	-	-	-
Total Instruction		2,274,582	72,648	2,347,230	2,302,681	44,549
Undistributed Expenditures:						
Instruction:						
Tuition to Other LEA's -State Regular	11-000-100-561	-	-	-	-	-
Tuition to Other LEA's -State Special	11-000-100-562	28,000	18,000	46,000	45,800	200
Tuition to County Special Services and Regional Day Schools	11-000-100-565	39,000	-	39,000	38,980	20
Tuition to Private School Disabilities and W/I State	11-000-100-566	70,000	(1,000)	69,000	-	69,000
Tuition to Private School Disabilities and Other LEA's - State	11-000-100-567	34,000	(34,000)	-	-	-
Total Undistributed Expenditures - Instruction		171,000	(17,000)	154,000	84,780	69,220
Attendance & Social Work Services:						
Salaries of Teachers	11-000-211-100	7,142	-	7,142	7,107	35
Purchased Professional & Technical Services	11-000-211-300	4,000	(1,500)	2,500	-	2,500
Total Attendance & Social Work Services		11,142	(1,500)	9,642	7,107	2,535

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	ACCOUNT NUMBERS	JUNE 30, 2017			ACTUAL	VARIANCE FINAL TO ACTUAL FAVORABLE/ (UNFAVORABLE)
		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET		
Health Services:						
Salaries	11-000-213-100	63,215	-	63,215	62,308	907
Purchased Professional & Technical Services	11-000-213-300	3,000	800	3,800	3,600	200
Other Purchased Services	11-000-213-500	850	2,000	2,850	1,642	1,208
Supplies and Materials	11-000-213-600	3,000	775	3,775	3,458	317
Other Objects	11-000-213-800	150	-	150	-	150
Total Health Services		70,215	3,575	73,790	71,008	2,782
Speech, OT, PT & Related Services:						
Purchased Professional - Educational Services	11-000-216-320	133,600	8,850	142,450	142,442	8
Supplies and Materials	11-000-216-600	3,000	-	3,000	3,000	-
Total Speech, OT, PT & Related Services		136,600	8,850	145,450	145,442	8
Special Education - Extraordinary Services:						
Salaries	11-000-217-100	18,158	(40)	18,118	15,262	2,856
Purchased Professional - Educational Services	11-000-217-320	2,200	-	2,200	1,838	362
Supplies and Materials	11-000-217-600	3,000	-	3,000	1,817	1,183
Total Special Education -Extraordinary Services		23,358	(40)	23,318	18,917	4,401
Guidance:						
Salaries of Other Professional Staff	11-000-218-104	31,624	-	31,624	31,624	-
Other Purchased Professional & Technical Services	11-000-218-390	-	-	-	-	-
Supplies and Materials	11-000-218-600	1,200	-	1,200	124	1,076
Total Guidance		32,824	-	32,824	31,748	1,076
Child Study Teams:						
Salaries of Other Professional Staff	11-000-219-104	77,289	-	77,289	76,928	361
Salaries of Secretarial & Clerical Assistants	11-000-219-105	35,710	-	35,710	35,537	173
Purchased Professional - Educational Services	11-000-219-320	22,000	-	22,000	16,338	5,662
Purchased Professional & Technical Services	11-000-219-390	18,800	-	18,800	14,805	3,995
Other Purchased Services	11-000-219-500	5,900	4,000	9,900	9,789	111
Miscellaneous Purchased Services	11-000-219-592	-	-	-	-	-
Supplies and Materials	11-000-219-600	4,160	-	4,160	4,005	155
Other Objects	11-000-219-800	150	-	150	-	150
Total Child Study Teams		164,009	4,000	168,009	157,402	10,607
Improvement of Instructional Staff						
Salaries of Supervisors of Instruction	11-000-221-102	-	-	-	-	-
Salaries of Other Professional Staff	11-000-221-104	4,500	-	4,500	3,150	1,350
Salaries of Secretarial & Clerical Assistants	11-000-221-105	-	-	-	-	-
Purchased Professional/Educational Services	11-000-221-320	60,000	2,000	62,000	62,000	-
Purchased Professional & Technical Services	11-000-221-390	4,000	(2,000)	2,000	1,616	384
Supplies and Materials	11-000-221-600	-	-	-	-	-
Total Instructional Staff Training		68,500	-	68,500	66,766	1,734
Educational Media Services/School Library:						
Salaries	11-000-222-100	34,801	-	34,801	34,801	-
Salaries - Aides	11-000-222-106	-	-	-	-	-
Purchased Professional & Technical Services	11-000-222-300	3,077	-	3,077	3,077	-
Other Purchased Services	11-000-222-500	-	80	80	80	-
Supplies and Materials	11-000-222-600	500	(80)	420	381	39
Total Educational Media Services/School Library		38,378	-	38,378	38,339	39
Other Purchased Services	11-000-223-500	6,000	-	6,000	4,935	1,065
Total Instructional Staff Training Services		6,000	-	44,378	43,274	1,104

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	ACCOUNT NUMBERS	JUNE 30, 2017			VARIANCE FINAL TO ACTUAL FAVORABLE/ (UNFAVORABLE)	
		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET		ACTUAL
Support Services General Administration:						
Salaries	11-000-230-100	5,357	-	5,357	5,331	26
Legal Services	11-000-230-331	20,000	(4,741)	15,259	1,581	13,678
Audit Fees	11-000-230-332	18,000	115	18,115	18,115	-
Other Purchased Professional Services	11-000-230-339	53,100	(48,600)	4,500	4,435	65
Purchased Technical Services	11-000-230-340	2,500	50,841	53,341	53,340	1
Communications/Telephone	11-000-230-530	17,650	(7,000)	10,650	10,002	648
BOE Other Purchased Services	11-000-230-585	1,500	1,000	2,500	2,359	141
Other Purchased Services	11-000-230-590	15,950	(4,615)	11,335	10,457	878
General Supplies	11-000-230-610	1,000	-	1,000	737	263
BOE In-House Training/Meeting Supplies	11-000-230-630	150	-	150	65	85
Miscellaneous Expenditures	11-000-230-890	500	-	500	211	289
BOE Membership Dues & Fees	11-000-230-895	3,000	-	3,000	2,689	311
Total Support Services General Administration		138,707	(13,000)	125,707	109,322	16,385
Support Services School Administration:						
Salaries of Principals	11-000-240-103	102,303	-	102,303	101,806	497
Salaries of Secretarial and Clerical	11-000-240-105	37,496	-	37,496	37,314	182
Other Purchased Services	11-000-240-500	500	2,120	2,620	2,338	282
Supplies and Materials	11-000-240-600	3,000	(200)	2,800	1,807	993
Other Objects	11-000-240-800	1,750	(400)	1,350	1,319	31
Total Support Services School Administration		145,049	1,520	146,569	144,584	1,985
Central Services:						
Salaries	11-000-251-100	21,426	-	21,426	21,322	104
Purchased Professional Services	11-000-251-330	60,500	-	60,500	60,263	237
Purchased Technical Services	11-000-251-340	22,250	-	22,250	22,234	16
Miscellaneous Purchased Services	11-000-251-592	4,450	140	4,590	4,395	195
Supplies and Materials	11-000-251-600	4,000	(580)	3,420	2,600	820
Miscellaneous Expenditures	11-000-251-890	-	-	-	-	-
Total Central Services		112,626	(440)	112,186	110,814	1,372
Administrative Information Technology:						
Salaries	11-000-252-100	-	-	-	-	-
Technology - Software - Website	11-000-252-320	-	-	-	-	-
Purchased Professional Services	11-000-252-330	4,500	-	4,500	4,500	-
Purchased Technical Services	11-000-252-340	41,000	4,490	45,490	45,486	4
Supplies and Materials	11-000-252-600	6,000	-	6,000	5,661	339
Other Objects	11-000-252-800	-	-	-	-	-
Total Administrative Information Technology		51,500	4,490	55,990	55,647	343
Allowable Maintenance for School Facilities:						
Cleaning, Repair & Maintenance Services	11-000-261-420	108,292	26,220	134,512	133,532	980
General Supplies	11-000-261-610	15,435	(3,340)	12,095	6,829	5,266
Other Objects	11-000-261-800	500	-	500	-	500
Total Allowable Maintenance for School Facilities		124,227	22,880	147,107	140,361	6,746

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	ACCOUNT NUMBERS	JUNE 30, 2017			ACTUAL	VARIANCE FINAL TO ACTUAL FAVORABLE/ (UNFAVORABLE)
		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET		
Custodial Services:						
Salaries of Noninstructional Aides	11-000-262-107	7,156	10	7,166	7,159	7
Purchased Professional & Technical Services	11-000-262-300	8,788	6,520	15,308	14,345	963
Cleaning, Repair & Maintenance Services	11-000-262-420	165,000	(1,700)	163,300	162,901	399
Other Purchased Property Services	11-000-262-490	720	-	720	512	208
Insurance	11-000-262-520	9,850	(1,200)	8,650	8,560	90
Miscellaneous Purchased Services	11-000-262-590	-	-	-	-	-
General Supplies	11-000-262-610	5,000	(3,100)	1,900	723	1,177
Energy (Natural Gas)	11-000-262-621	35,000	(4,000)	31,000	24,797	6,203
Energy (Electricity)	11-000-262-622	150,000	(23,500)	126,500	121,721	4,779
Total Custodial Services		381,514	(26,970)	354,544	340,718	13,826
Care & Upkeep of Grounds:						
Cleaning, Repair & Maintenance Services	11-000-263-420	3,500	11,100	14,600	14,405	195
General Supplies	11-000-263-610	5,000	(3,500)	1,500	813	687
Total Care & Upkeep of Grounds		8,500	7,600	16,100	15,218	882
Student Transportation Services:						
Salaries for Pupil Transportation (Between Home & School) - Regular	11-000-270-160	-	-	-	-	-
Contracted Services - (Aid in Lieu of Payments)	11-000-270-503	35,000	(35,000)	-	-	-
Contracted Services (Between Home & School) - Vendors	11-000-270-511	186,300	2,000	188,300	186,641	1,659
Contracted Services (Other Than Between Home & School) - Vendors	11-000-270-512	2,500	4,500	7,000	6,613	387
Contracted Services (Special Education) Joint Agreements	11-000-270-515	132,500	(26,760)	105,740	104,714	1,026
Contracted Service - Aid in Lieu of Payments	11-000-270-503	-	35,000	35,000	23,331	11,669
Miscellaneous Purchased Services - Transportation	11-000-270-593	-	-	-	-	-
Supplies and Materials	11-000-270-610	-	-	-	-	-
Other Objects	11-000-270-800	-	-	-	-	-
Total Student Transportation Services		356,300	(20,260)	336,040	321,299	14,741
Unallocated Benefits - Employee Benefits:						
Social Security Contributions	11-000-291-220	35,000	-	35,000	19,769	15,231
Other Retirement Contribution - Regular	11-000-291-241	20,500	9,850	30,350	29,569	781
Unemployment Compensation	11-000-291-250	15,000	(5,000)	10,000	8,754	1,246
Workmen's Compensation	11-000-291-260	16,500	400	16,900	16,888	12
Health Benefits	11-000-291-270	640,000	(48,500)	591,500	584,186	7,314
Tuition Reimbursements	11-000-291-280	10,000	8,000	18,000	15,740	2,260
Other Employee Benefits	11-000-291-290	45,000	16,900	61,900	59,079	2,821
Unused Sick Payment to Terminated/Retired Staff	11-000-291-299	15,000	(14,950)	50	-	50
Total Unallocated Benefits - Employee Benefits		797,000	(33,300)	763,700	733,985	29,715
Nonbudgeted:						
On-Behalf TPAF Pension Contributions		-	-	-	206,259	(206,259)
On-Behalf TPAF Post Retirement Medical		-	-	-	171,860	(171,860)
On-Behalf TPAF Long Term Disability		-	-	-	405	(405)
Reimbursed TPAF Social Contributions		-	-	-	150,469	(150,469)
Total Undistributed Expenditures		2,837,449	(59,595)	2,777,854	3,127,385	(349,531)
Total Expenditures - Current Expense		5,112,031	13,053	5,125,084	5,430,066	(304,982)

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	ACCOUNT NUMBERS	JUNE 30, 2017			VARIANCE FINAL TO ACTUAL FAVORABLE/(UNFAVORABLE)
		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	
Capital Outlay:					
Interest Deposit to Capital Reserve	10-604-000-000	-	-	-	-
Equipment:					
Undistributed Expenditures:					
Instruction	12-000-100-730	14,000	(1,000)	13,000	-
Administration Information					
Technology	12-000-252-730	-	-	-	-
Security	12-000-266-730	-	-	-	-
Facilities Acquisition & Construction Services:					
Architectural/Engineering Services	12-000-400-334	-	-	-	-
Construction Services	12-000-400-450	40,000	-	40,000	-
Assessment for Debt Service	12-000-400-896	8,133	-	8,133	-
Total Capital Outlay		62,133	(1,000)	61,133	8,133
Total Expenditures		5,174,164	12,053	5,186,217	5,438,199
Excess/(Deficiency) of Revenues Over/(Under)					
Expenditures Before Other Financing Sources/(Uses)		(400,922)	(12,053)	(412,975)	(109,461)
Other Financing Sources/(Uses):					
Transfer from Other Funds		-	-	-	5
Total Other Financing Sources/(Uses)		-	-	-	5
Excess/(Deficiency) of Revenues Over/(Under)					
Expenditures After Other Financing Sources/(Uses)		(400,922)	(12,053)	(412,975)	(109,456)
Fund Balances, July 1		976,333	-	976,333	976,333
Fund Balances, June 30		\$ 575,411	\$ (12,053)	\$ 563,358	\$ 866,877

RECAPITULATION OF BUDGET TRANSFERS:

Prior Year Encumbrances	\$ 12,053
Total	<u>\$ 12,053</u>

RECAPITULATION OF FUND BALANCE

Restricted Fund Balance:	
Capital Reserve	\$ 1,309
Excess Surplus - Designated for Subsequent Year	347,899
Excess Surplus	258,292
Assigned Fund Balance:	
Year End Encumbrances	5,549
Unassigned Fund Balance	<u>253,828</u>
Subtotal	<u>866,877</u>
Reconciliation to Governmental Fund Statements (GAAP):	
Last State Aid Payment Not Recognized on GAAP Basis	<u>(158,192)</u>
Fund Balance per Governmental Funds (GAAP)	<u>\$ 708,685</u>

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	JUNE 30, 2017				VARIANCE POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	
REVENUES:					
Federal Sources	\$ 104,493	\$ 23,055	\$ 127,548	\$ 94,232	\$ (33,316)
Local Sources	-	11,115	11,115	3,808	(7,307)
Total Revenues	104,493	34,170	138,663	98,040	(40,623)
EXPENDITURES:					
Instruction:					
Salaries of Teachers	-	6,004	6,004	-	6,004
Purchased Professional & Technical Services	5,311	42,212	47,523	47,483	40
Tuition	60,198	(32,198)	28,000	28,000	-
General Supplies	38,984	15,122	54,106	22,557	31,549
Total Instruction	104,493	31,140	135,633	98,040	37,593
Support Services:					
Employee Benefits	-	444	444	-	444
Purchased Professional & Technical Services	-	2,586	2,586	-	2,586
Total Support Services	-	3,030	3,030	-	3,030
Total Expenditures	104,493	34,170	138,663	98,040	40,623
Excess/(Deficiency) of Revenues Over/(Under) Expenditures & Other Financing Sources/ (Uses)	\$ -	\$ -	\$ -	\$ -	\$ -

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NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PART II

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**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR FISCAL YEAR ENDED JUNE 30, 2017**

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

	GENERAL FUND	SPECIAL REVENUE FUND
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue"		
From the Budgetary Comparison Schedule (C-Series)	\$ 5,328,738	\$ 98,040
Difference - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures and the related revenue is recognized	-	(486)
State aid payment recognized for budgetary purposes, not recognized for GAAP Statements until the subsequent year		
Prior Year	154,194	-
Current Year	(158,192)	-
	\$ 5,324,740	\$ 97,554
Total Revenue as reported on the statement of revenues, expenditures and changes in fund balances – governmental funds		
	\$ 5,324,740	\$ 97,554
Uses/outflows of resources:		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 5,438,199	\$ 98,040
Differences - budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes	-	(486)
	-	(486)
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)		
	\$ 5,438,199	\$ 97,554

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REQUIRED SUPPLEMENTARY INFORMATION - PART III

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L. Schedules Related to Accounting and Reporting for Pensions (GASB 68)

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SOUTH HARRISON SCHOOL DISTRICT
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)
LAST FOUR FISCAL YEARS*

	2017	2016	2015	2014
School District's proportion of the net pension liability	0.00321%	0.00314%	0.00430%	0.00420%
School District's proportionate share of the net pension liability	\$ 951,837	\$ 704,251	\$ 805,746	\$ 802,319
School District's covered payroll	\$ 145,591	\$ 200,690	\$ 219,020	N/A
School District's proportionate share of the net pension liability as a percentage of its covered payroll	653.77%	350.91%	367.89%	N/A
Plan fiduciary net position as a percentage of the total pension liability	40.14%	47.93%	52.08%	48.72%

*The amounts presented for each fiscal year were determined as of the previous fiscal year end (the measurement date).

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**SOUTH HARRISON SCHOOL DISTRICT
SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)
LAST FOUR FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's contractually required contribution	\$ 18,445	\$ 28,551	\$ 26,972	\$ 35,478
Contributions in relation to the contractually required contribution	<u>(18,445)</u>	<u>(28,551)</u>	<u>(26,972)</u>	<u>(35,478)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	\$ 145,591	\$ 200,690	\$ 219,020	N/A
Contributions as a percentage of covered payroll	12.67%	14.23%	12.31%	N/A

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

SOUTH HARRISON SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS' PENSION AND ANNUITY FUND (TPAF)
LAST FOUR FISCAL YEARS*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's proportion of the net pension liability	0.00%	0.00%	0.00%	0.00%
School District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the School District	15,159,545.00	11,643,716.00	9,799,209.00	8,632,791.00
	<u>\$ 15,159,545</u>	<u>\$ 11,643,716</u>	<u>\$ 9,799,209</u>	<u>\$ 8,632,791</u>
School District's covered payroll	\$ 2,081,451	\$ 1,931,239	\$ 1,903,618	\$ 1,859,201
School District's proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	22.33%	28.71%	33.64%	33.76%

*The amounts presented for each fiscal year were determined as of the previous fiscal year end (the measurement date).

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**SOUTH HARRISON SCHOOL DISTRICT
SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS
TEACHERS' PENSION AND ANNUITY FUND (TPAF)
LAST TEN FISCAL YEARS**

This schedule is not applicable. There is a special funding situation where the State of New Jersey pays 100% of the required contributions associated with the School District.

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PART III
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Teachers Pension and Annuity Fund
(TPAF)**

Changes in Benefit Terms - None.

Changes in Assumptions - The discount rate changed from 4.13% as of June 30, 2015, to 3.22%

Public Employees' Retirement System (PERS)

Changes in Benefit Terms - None.

Changes in Assumptions - The discount rate changed from 4.90 % as of June 30, 2015, to 3.98%

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OTHER SUPPLEMENTARY INFORMATION

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D. School Based Budget Schedules

Not Applicable

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E. Special Revenue Fund

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

	I.D.E.A. - PART B			
	BASIC REGULAR PROGRAM	PRESCHOOL INCENTIVE PROGRAM	TITLE I	TITLE II PART A
Revenues:				
Federal Sources	\$ 66,975	\$ 2,793	\$ 18,749	\$ 5,715
Total Revenues	\$ 66,975	\$ 2,793	\$ 18,749	\$ 5,715
Expenditures:				
Instruction:				
Salaries of Teachers	\$ -	\$ -	\$ -	\$ -
Other Purchased Services	38,975	2,793	-	5,715
Tuition	28,000	-	-	-
General Supplies	-	-	18,749	-
Total Instruction	66,975	2,793	18,749	5,715
Support Services:				
Purchased Professional Services	-	-	-	-
Total Support Services	-	-	-	-
Total Expenditures	\$ 66,975	\$ 2,793	\$ 18,749	\$ 5,715

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

	LOCAL DONATIONS	WELLNESS COMMITTEE	TOTAL
Revenues:			
Federal Sources	\$ -	\$ -	\$ 94,232
Local Sources	3,156	652	3,808
	<hr/>		
Total Revenues	\$ 3,156	\$ 652	\$ 98,040
	<hr/> <hr/>		
Expenditures:			
Instruction:			
Salaries of Teachers	\$ -	\$ -	\$ -
Other Purchased Services	-	-	47,483
Tuition	-	-	28,000
General Supplies	3,156	652	22,557
	<hr/>		
Total Instruction	3,156	652	98,040
	<hr/>		
Support Services:			
Purchased Professional Services	-	-	-
	<hr/>		
Total Support Services	-	-	-
	<hr/>		
Total Expenditures	\$ 3,156	\$ 652	\$ 98,040
	<hr/> <hr/>		

F. Capital Projects Fund

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**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
SUMMARY SCHEDULE OF PROJECT EXPENDITURES
FOR FISCAL YEAR ENDED JUNE 30, 2017**

PROJECT TITLE	ORIGINAL DATE	BUDGETARY APPROPRIATIONS	EXPENDITURES PRIOR YEARS	CURRENT YEAR	TRANSFER TO DEBT SERVICE	UNEXPENDED BALANCE JUNE 30, 2017
HVAC Improvement Project to South Harrison School	01/06/14	\$ 422,000	\$ 262,378	\$ 5	\$ -	\$ 159,617
Playground Upgrades at South Harrison Elementary School	01/06/14	306,000	277,144	-	-	28,856
Roof Replacement and Related Work at South Harrison Elementary School	01/06/14	83,000	73,355	-	-	9,645
Total		\$ 811,000	\$ 612,877	\$ 5	\$ -	\$ 198,118
Reconciliation - Unexpended Capital Project Balances to Fund Balance - June 30, 2016:						
Unexpended Project Balances June 30, 2017						\$ 198,118
Less:						
Unexpended State Aid - ROD Grants						(79,649)
Total Fund Balance (GAAP Basis) - June 30, 2017						\$ 118,469

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE-BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2017**

Revenues and Other Financing Sources:

State Funding - SDA Grant	\$ -
---------------------------	------

Total Revenues	-
----------------	---

Expenditures and Other Financing Uses:

Transfer to General Fund	5
--------------------------	---

Total Expenditures	5
--------------------	---

Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(5)
---	-----

Fund Balance - Beginning	198,123
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Fund Balance - Ending	\$ 198,118
-----------------------	------------

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, PROJECT BALANCE AND
PROJECT STATUS - BUDGETARY BASIS
HVAC IMPROVEMENT PROJECT AT ELEMENTARY SCHOOL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017**

	PRIOR PERIODS	CURRENT YEAR	TOTALS	REVISED AUTHORIZED COST
Revenues & Other Financing Sources:				
State Funding - SDA Grant	\$ 168,800	\$ -	\$ 168,800	\$ 168,800
Transfer from Capital Outlay	120,000	-	120,000	120,000
Transfer from Capital Reserve	133,200	-	133,200	133,200
Total Revenues	422,000	-	422,000	422,000
Expenditures & Other Financing Uses:				
Purchased Professional & Technical Services	27,300	-	27,300	30,800
Other Objects	-	-	-	10,270
Construction Services	235,078	-	235,078	380,930
Transfer to General Fund	-	5	5	-
Total Expenditures	262,378	5	262,383	422,000
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	\$ 159,622	\$ (5)	\$ 159,617	\$ -

ADDITIONAL PROJECT INFORMATION

Project Number	4880-050-14-1002
Grant Date	N/A
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 422,000
Revised Authorized Cost	\$ 422,000
Percentage Increase Over Original Authorized Cost	0.00%
Original Target Completion Date	
Actual Completion Date	

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, PROJECT BALANCE AND
PROJECT STATUS - BUDGETARY BASIS
PLAYGROUND UPGRADES AT SOUTH HARRISON ELEMENTARY SCHOOL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017**

	PRIOR PERIODS	CURRENT YEAR	TOTALS	REVISED AUTHORIZED COST
Revenues & Other Financing Sources:				
State Funding - SDA Grant	\$ 122,800	\$ -	\$ 122,800	\$ 122,800
Local Donations	45,000	-	45,000	45,000
Transfer from Capital Outlay	138,200	-	138,200	138,200
Total Revenues	306,000	-	306,000	306,000
Expenditures & Other Financing Uses:				
Purchased Professional & Technical Services	11,139	-	11,139	13,300
Other Objects	-	-	-	3,180
Construction Services	266,005	-	266,005	289,520
Total Expenditures	277,144	-	277,144	306,000
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	\$ 28,856	\$ -	\$ 28,856	\$ -

ADDITIONAL PROJECT INFORMATION

Project Number	#4880-050-14-2001-G04
Grant Date	01/06/14
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 306,000
Revised Authorized Cost	\$ 306,000
Percentage Increase Over Original Authorized Cost	0.00%
Original Target Completion Date	
Actual Completion Date	

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, PROJECT BALANCE AND
PROJECT STATUS - BUDGETARY BASIS
ROOF REPLACEMENT AND RELATED WORK AT SOUTH HARRISON ELEMENTARY SCHOOL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017**

	PRIOR PERIODS	CURRENT YEAR	TOTALS	REVISED AUTHORIZED COST
Revenues & Other Financing Sources:				
State Funding - SDA Grant	\$ 33,200	\$ -	\$ 33,200	\$ 33,200
Transfer from Capital Outlay	49,800	-	49,800	49,800
Total Revenues	83,000	-	83,000	83,000
Expenditures & Other Financing Uses:				
Purchased Professional & Technical Services	5,000	-	5,000	5,000
Other Objects	-	-	-	3,200
Construction Services	68,355	-	68,355	74,800
Total Expenditures	73,355	-	73,355	83,000
Excess/(Deficiency) of Revenues Over/(Under) Expenditures				
	\$ 9,645	\$ -	\$ 9,645	\$ -

ADDITIONAL PROJECT INFORMATION

Project Number	#4880-050-14-1006-G04
Grant Date	01/06/14
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 83,000
Revised Authorized Cost	\$ 83,000
Percentage Increase Over Original Authorized Cost	0.00%
Original Target Completion Date	
Actual Completion Date	

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G. Proprietary Funds

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Enterprise Funds

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**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
ENTERPRISE FUND
COMBINING SCHEDULE OF NET POSITION
AS OF JUNE 30, 2017**

ASSETS	FOOD SERVICE	TOTAL
Current Assets:		
Cash & Cash Equivalents	\$ -	\$ -
Accounts Receivable	-	-
Total Current Assets	-	-
Capital Assets:		
Furniture, Machinery & Equipment	100,391	100,391
Less: Accumulated Depreciation	(85,383)	(85,383)
Total Capital Assets	15,008	15,008
Total Assets	15,008	15,008
LIABILITIES		
Current Liabilities:		
Cash Overdraft	-	-
Unearned Revenue	-	-
Total Current Liabilities	-	-
NET POSITION		
Net Investment in Capital Assets	15,008	15,008
Unrestricted	-	-
Total Net Position	\$ 15,008	\$ 15,008

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
ENTERPRISE FUND
COMBINING SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
AS OF JUNE 30, 2017**

	FOOD SERVICE	TOTAL
Operating Revenues:		
Charges for Services:		
Program Fees	\$ -	\$ -
	<hr/>	<hr/>
Total Operating Revenues	-	-
	<hr/>	<hr/>
Operating Expenses:		
Salaries & Benefits	-	-
Supplies & Materials	-	-
Depreciation	6,775	6,775
	<hr/>	<hr/>
Total Operating Expenses	6,775	6,775
	<hr/>	<hr/>
Operating Income/(loss)	(6,775)	(6,775)
	<hr/>	<hr/>
Nonoperating Revenues/(Expenses):		
Transfer to General Fund	-	-
	<hr/>	<hr/>
Total Nonoperating Revenues/(Expenses)	-	-
	<hr/>	<hr/>
Income/(Loss) Before Contributions & Transfers	(6,775)	(6,775)
	<hr/>	<hr/>
Net Income	(6,775)	(6,775)
Total Net Position - Beginning	21,783	21,783
	<hr/>	<hr/>
Total Net Position - Ending	\$ 15,008	\$ 15,008
	<hr/> <hr/>	<hr/> <hr/>

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
ENTERPRISE FUND
COMBINING SCHEDULE OF CASH FLOWS
AS OF JUNE 30, 2017**

	FOOD SERVICE	TOTAL
Cash Flows From Operating Activities:		
Receipts from Customers	\$ -	\$ -
Payments to Employees & Employee Benefits	-	-
Payments to Suppliers	-	-
	<hr/>	<hr/>
Net Cash Provided/(Used) by Operating Activities	<hr/> -	<hr/> -
Cash Flows From Noncapital Financing Activities:		
Transfers to Other Funds	-	-
	<hr/>	<hr/>
Net Cash Provided/(Used) by Noncapital Financing Activities	<hr/> -	<hr/> -
Net Increase/(Decrease) in Cash & Cash Equivalents	-	-
Balances - Beginning of Year	<hr/> -	<hr/> -
Balances - End of Year	<hr/> <hr/> \$ -	<hr/> <hr/> \$ -

Reconciliation of Operating Income/(Loss) to Net Cash Provided (Used) by Operating Acti

Operating Income/(Loss)	\$ (6,775)	\$ (6,775)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:		
Depreciation & Net Amortization	6,775	6,775
Changes in Assets & Liabilities:		
(Increase)/Decrease in Accounts Receivable	-	-
Increase/(Decrease) in Unearned Revenue	-	-
	<hr/>	<hr/>
Total Adjustments	<hr/> 6,775	<hr/> 6,775
Net Cash Provided/(Used) by Operating Activities	<hr/> <hr/> \$ -	<hr/> <hr/> \$ -

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H. Fiduciary Fund

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**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUNDS
COMPARATIVE COMBINING STATEMENT OF FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017**

ASSETS	AGENCY		
	STUDENT ACTIVITY	PAYROLL	TOTAL
Cash & Cash Equivalents	\$ 67,114	\$ 24,283	\$ 91,397
Total Assets	67,114	24,283	91,397
LIABILITIES			
Payroll Deductions & Withholdings	-	23,167	23,167
Interfund Accounts Payable	-	1,116	1,116
Due to Student Groups	67,114	-	67,114
Total Liabilities	67,114	24,283	91,397
NET POSITION			
Reserved	-	-	-
Unreserved	-	-	-
Total Net Position	\$ -	\$ -	\$ -

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUNDS
SCHEDULE OF STUDENT ACTIVITY RECEIPTS AND DISBURSEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2017**

	BALANCE JULY 1, 2016	CASH RECEIPTS	CASH DISBURSEMENTS	BALANCE JUNE 30, 2017
Technology	\$ 776	\$ -	\$ -	\$ 776
Library	7,829	7,280	11,971	3,138
Secret Garden	3,191	32	722	2,501
Student Council	3,363	-	-	3,363
Graduation Funds	100	-	-	100
Trips	47,730	32,840	23,438	57,132
Poetry Book	5	-	-	5
Transit	-	588	568	20
Drama Club	-	-	154	(154)
Miscellaneous	233	52	52	233
Total Student Activity	\$ 63,227	\$ 40,792	\$ 36,905	\$ 67,114

**SCHEDULE OF CHANGES IN PAYROLL AGENCY ASSETSE & LIABILITIES
FOR FISCAL YEAR ENDED JUNE 30, 2017**

	BALANCE JULY 1, 2016	ADDITIONS	DELETIONS	BALANCE JUNE 30, 2017
ASSETS				
Cash & Cash Equivalents	\$ 3,391	\$ 2,554,440	\$ 2,533,548	\$ 24,283
Total Assets	\$ 3,391	\$ 2,554,440	\$ 2,533,548	\$ 24,283
LIABILITIES				
Payroll Deductions & Withholding	\$ 1,235	\$ 1,129,979	\$ 1,108,047	\$ 23,167
Net Payroll	-	1,424,461	1,424,461	-
Interfund Accounts Payable	2,156	-	1,040	1,116
Total Liabilities	\$ 3,391	\$ 2,554,440	\$ 2,533,548	\$ 24,283

I. Long-Term Debt

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**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS
JUNE 30, 2017**

ISSUE	DATE OF ISSUE	AMOUNT OF ISSUE	ANNUAL MATURITIES DATE	AMOUNT	INTEREST RATE	BALANCE JULY 1, 2016	ISSUED	RETIRED	BALANCE JUNE 30, 2017
Series 2015 Refunding Bonds	04/21/2015	\$ 9,980,000	1/15/2018	\$ 490,000	4.00%	\$ 9,900,000	\$ -	\$ 470,000	\$ 9,430,000
			1/15/2019	515,000	5.00%				
			1/15/2020	540,000	3.00%				
			1/15/2021	560,000	5.00%				
			1/15/2022	595,000	4.00%				
			1/15/2023	615,000	4.00%				
			1/15/2024	650,000	4.00%				
			1/15/2025	675,000	4.00%				
			1/15/2026	710,000	4.00%				
			1/15/2027	745,000	4.00%				
			1/15/2028	775,000	4.00%				
			1/15/2029	815,000	4.00%				
			1/15/2030	850,000	4.00%				
			1/15/2031	895,000	4.00%				
Total						\$ 9,900,000	\$ -	\$ 470,000	\$ 9,430,000

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR FISCAL YEAR ENDED JUNE 30, 2017**

	ACCOUNT NUMBERS	JUNE 30, 2017			VARIANCE POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	
Revenues:					
Local Sources:					
Local Tax Levy	40-1210	\$ 705,764	\$ -	\$ 705,764	\$ -
State Sources:					
Debt Service Aid Type II	40-3160	152,601	- 152,601	152,601	-
Total Revenues		858,365	- 858,365	858,365	-
Expenditures:					
Regular Debt Service:					
Interest	40-701-510-834	396,650	- 396,650	396,650	-
Redemption of Principal	40-701-510-910	470,000	- 470,000	470,000	-
Total Expenditures		866,650	- 866,650	866,650	-
Excess/(Deficiency) of Revenues Over/(Under) Expenditures Before Other Financing Sources/(Uses)		(8,285)	- (8,285)	(8,285)	-
Excess/(Deficiency) of Revenues Over/(Under) Expenditures		(8,285)	- (8,285)	(8,285)	-
Fund Balance, July 1		82,427	- 82,427	82,427	-
Fund Balance, June 30		\$ 74,142	\$ -	\$ 74,142	\$ -

STATISTICAL SECTION (Unaudited)

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SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

	2016	2015	2015	2014	2014	2013	2012	2011	2010	2009	2008
Governmental Activities:											
Net Investment in Capital Assets	\$ 1,925,556	\$ 2,372,432	\$ 1,314,821	\$ 1,387,885	\$ 2,697,366	\$ 2,427,658	\$ 2,199,432	\$ 1,972,060	\$ 1,747,682	\$ 1,747,682	\$ (949,234)
Restricted	800,111	1,131,544	1,148,343	1,011,676	31,642	31,438	31,209	71,772	262,204	262,204	3,530,995
Unrestricted	(1,001,695)	(1,541,183)	24,216	(129,974)	618,664	240,790	70,859	133,382	258,508	258,508	387,994
Total Governmental Activities	\$ 1,723,972	\$ 1,962,793	\$ 2,487,380	\$ 2,269,587	\$ 3,347,672	\$ 2,699,886	\$ 2,301,500	\$ 2,177,214	\$ 2,268,394	\$ 2,268,394	\$ 2,969,755
Business-Type Activities:											
Net Investment in Capital Assets	\$ 15,008	\$ 28,558	\$ 35,333	\$ 42,464	\$ 63,334	\$ 70,008	\$ 76,691	\$ 83,374	\$ 90,052	\$ 90,052	\$ 1,252
Unrestricted	-	-	-	(9,482)	(22,371)	(12,925)	(1,930)	756	909	909	14,631
Total Business-Type Activities	\$ 15,008	\$ 28,558	\$ 35,333	\$ 32,982	\$ 40,963	\$ 57,083	\$ 74,761	\$ 84,130	\$ 90,961	\$ 90,961	\$ 15,883
District-Wide:											
Net Investment in Capital Assets	\$ 1,940,564	\$ 2,400,990	\$ 1,350,154	\$ 1,430,349	\$ 2,760,700	\$ 2,497,666	\$ 2,276,123	\$ 2,055,434	\$ 1,837,734	\$ 1,837,734	\$ (947,982)
Restricted	800,111	1,131,544	1,148,343	1,011,676	31,642	31,438	31,209	71,772	262,204	262,204	3,530,995
Unrestricted	(1,001,695)	(1,541,183)	24,216	(139,456)	596,293	227,865	68,929	134,138	259,417	259,417	402,625
Total District Net Position	\$ 1,738,980	\$ 1,991,351	\$ 2,522,713	\$ 2,302,569	\$ 3,388,635	\$ 2,756,969	\$ 2,376,261	\$ 2,261,344	\$ 2,359,355	\$ 2,359,355	\$ 2,985,638

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
CHANGES IN NET POSITION - (ACCRUAL BASIS OF ACCOUNTING)
LAST TEN FISCAL YEARS**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses:										
Governmental Activities										
Instruction:										
Regular	\$ 1,990,528	\$ 1,811,833	\$ 1,668,186	\$ 1,512,683	\$ 1,599,462	\$ 1,363,913	\$ 1,327,425	\$ 1,547,359	\$ 1,491,353	\$ 1,424,125
Special Education	350,964	329,901	311,283	315,733	293,561	260,307	265,928	266,759	256,576	187,022
Other Special Education	58,743	62,522	88,261	96,043	103,107	92,198	69,310	76,475	51,470	71,300
Support Services:										
Tuition	84,780	113,710	150,868	141,772	113,157	106,145	149,851	113,873	122,977	104,426
Student & Instruction										
Related Services	541,664	628,105	567,102	584,995	564,018	477,729	382,665	403,290	356,844	364,028
General & Business										
Administrative Services	109,322	114,873	199,719	201,561	201,099	293,442	247,293	231,298	160,983	176,969
School Administrative										
Services	200,231	140,508	137,426	123,583	84,843	906	1,000	40,312	98,745	69,097
Central Services	110,814	120,756	124,784	129,059	119,761	122,038	128,944	129,745	130,306	126,947
Administrative Information										
Technology	-	-	-	-	-	-	-	-	-	-
Plant Operations &										
Maintenance	496,297	501,618	456,400	461,967	446,445	413,059	391,779	427,486	429,658	416,430
Pupil Transportation	321,299	333,147	335,198	368,569	268,465	288,191	327,052	356,581	316,369	348,672
Unallocated Benefits	777,301	1,696,053	1,384,835	751,534	824,884	666,192	614,081	643,986	607,740	632,206
On Behalf TPAF Pension and Social										
Security Contributions	528,993	-	-	-	-	-	-	-	-	-
Special Schools										
Interest on Long-Term Debt	354,651	363,524	481,254	511,713	506,638	533,616	544,525	551,479	567,101	608,572
Unallocated Depreciation	502,287	593,811	579,449	536,236	536,236	88,206	189,489	187,202	196,051	194,669
Total Governmental Activities	6,427,874	8,682	9,310	9,355	130,616	133,683	129,447	135,483	134,160	131,359
Expenses										
Business-Type Activities:										
Enterprise Fund	6,775	8,682	9,310	9,355	130,616	133,683	129,447	135,483	134,160	131,359
Total Business-Type Activities	6,775	8,682	9,310	9,355	130,616	133,683	129,447	135,483	134,160	131,359
Expense	6,775	6,819,043	6,494,075	5,744,803	5,792,292	4,839,625	4,768,789	5,111,328	4,920,333	4,855,822
Total District Expenses	\$ 6,434,649									
Program Revenues:										
Governmental Activities:										
Charges for Services:										
General Administration	\$ 626,547	1,167,085	957,792	116,665	124,348	627,034	578,338	606,420	539,605	627,428
Operating Grants & Contributions		1,167,085	1,018,512	175,426	182,043	678,963	578,338	606,420	539,605	627,428
Total Governmental Activities	626,547	1,018,512	175,426	182,043	678,963	578,338	606,420	539,605	627,428	581,378
Program Revenues										

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
CHANGES IN NET POSITION - (ACCRUAL BASIS OF ACCOUNTING)
LAST TEN FISCAL YEARS**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Business-Type Activities:										
Charges for Services:										
Enterprise Fund	-	1,907	2,535	2,224	84,029	94,920	90,365	100,578	97,692	83,898
Operating Grants & Contributions	-	-	-	9,482	38,606	22,643	21,404	25,536	22,605	22,459
Total Business Type Activities	-	1,907	2,535	11,706	122,635	117,563	111,769	126,114	120,297	106,357
Program Revenues										
Total District Program Revenues	\$ 626,547	\$ 1,168,992	\$ 1,021,047	\$ 187,132	\$ 304,678	\$ 796,526	\$ 690,107	\$ 732,534	\$ 659,902	\$ 733,785
Net (Expense)/Revenue:										
Governmental Activities	\$ (5,801,327)	\$ (5,643,276)	\$ (5,466,253)	\$ (5,560,022)	\$ (5,479,633)	\$ (4,026,979)	\$ (4,061,004)	\$ (4,369,425)	\$ (4,246,568)	\$ (4,097,055)
Business-Type Activities	(6,775)	(6,775)	(6,775)	2,351	(7,981)	(16,120)	(17,678)	(9,369)	(13,863)	(25,002)
Total District-Wide Net Expense	\$ (5,808,102)	\$ (5,650,051)	\$ (5,473,028)	\$ (5,557,671)	\$ (5,487,614)	\$ (4,043,099)	\$ (4,078,682)	\$ (4,378,794)	\$ (4,260,431)	\$ (4,122,037)
General Revenues & Other Changes in Net Position:										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	\$ 3,116,783	\$ 3,039,630	\$ 2,927,311	\$ 2,849,053	\$ 2,793,189	\$ 2,712,062	\$ 2,625,422	\$ 2,542,860	\$ 2,463,159	\$ 2,306,000
Taxes Levied for Debt Service	705,764	727,824	752,838	757,646	752,684	752,383	751,735	685,607	607,451	563,247
Other Local Governmental Units - Unrestricted	-	-	-	-	-	-	-	-	-	30,000
Tuition	28,922	12,385	9,000	13,500	11,325	5,900	5,800	-	4,691	21,265
Unrestricted Grants & Contributions	1,634,289	1,751,826	2,021,645	2,091,463	2,055,296	1,197,742	1,043,763	1,199,242	1,092,189	955,263
Restricted Grants & Contributions	152,601	-	-	-	-	-	-	-	-	-
Investment Earnings	-	18	174	174	57	10,229	15,697	19,573	23,175	137,686
Miscellaneous Income	15,753	28,961	19,959	61,852	16,323	10,434	12,727	17,093	1,932	369
Transfers	-	-	-	(9,482)	(30,000)	-	-	-	(7,000)	-
Cancellation of Payables	-	-	-	20,000	-	-	-	-	-	-
Gain/(Loss) on Disposal of Fixed Assets	-	-	-	-	-	-	-	4,764	-	(627,582)
Capital Asset Adjustments	-	(8,974)	13,058	-	326,351	12,417	14,465	-	4,402	-
Obligations in Capital Leases Prior Year Adjustments	-	-	-	-	-	-	-	-	(42,198)	-
Compensated Absences Addition/Reduction	-	-	-	-	24,554	(26,403)	(10,219)	24,573	7,588	13,426
Cancellation of Receivables	-	-	-	-	-	-	-	-	-	(4,000)
Total Governmental Activities	5,654,112	5,551,670	5,743,985	5,784,206	5,949,779	4,674,764	4,459,390	4,493,712	4,155,389	3,395,674

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
CHANGES IN NET POSITION - (ACCRUAL BASIS OF ACCOUNTING)
LAST TEN FISCAL YEARS**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Business-Type Activities:										
Investment Earnings	-	-	-	-	-	-	-	-	31	689
Gain/(Loss) on Disposal of Fixed Assets	-	-	-	-	-	-	-	-	-	95,392
Transfers	-	-	-	-	-	-	-	-	7,000	4,000
Total Business-Type Activities	-	-	-	-	-	-	-	-	7,031	100,081
Total District-Wide	<u>\$ 5,654,112</u>	<u>\$ 5,551,670</u>	<u>\$ 5,743,985</u>	<u>\$ 5,784,206</u>	<u>\$ 5,949,779</u>	<u>\$ 4,674,764</u>	<u>\$ 4,459,390</u>	<u>\$ 4,493,712</u>	<u>\$ 4,162,420</u>	<u>\$ 3,495,755</u>
Change in Net Position:										
Governmental Activities	\$ (147,215)	\$ (91,606)	\$ 277,732	\$ 224,184	\$ 470,146	\$ 647,785	\$ 398,386	\$ 124,287	\$ (91,179)	\$ (701,361)
Business-Type Activities	(6,775)	(6,775)	(6,775)	2,351	(7,981)	(16,120)	(17,678)	(9,369)	(6,832)	75,079
Total District	<u>\$ (153,990)</u>	<u>\$ (98,381)</u>	<u>\$ 270,957</u>	<u>\$ 226,535</u>	<u>\$ 462,165</u>	<u>\$ 631,665</u>	<u>\$ 380,708</u>	<u>\$ 114,918</u>	<u>\$ (98,011)</u>	<u>\$ (626,282)</u>

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
FUND BALANCES AND GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Fund:										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 84,041	\$ 363,309	\$ 474,218	\$ 1,254,973
Unreserved	-	-	-	-	-	-	302,099	111,554	199,141	63,523
Restricted	607,500	977,269	1,107,008	1,212,619	494,485	121,698	-	-	-	-
Assigned	5,549	5,330	16,065	39,427	340,406	264,787	-	-	-	-
Unassigned	95,636	104,219	96,092	(88,109)	131,572	177,892	-	-	-	-
Total General Fund	\$ 708,685	\$ 1,086,818	\$ 1,219,165	\$ 1,163,937	\$ 966,463	\$ 564,377	\$ 386,140	\$ 474,863	\$ 673,359	\$ 1,318,496
All Other Governmental Funds:										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,966	\$ 106,220	\$ 2,826,590
Restricted	192,611	154,275	253,391	-	-	-	-	-	-	-
Unreserved, Reported in:										
Special Revenue Fund	-	-	-	-	-	-	-	-	(152)	(152)
Capital Projects Fund	-	-	-	7,514	7,514	7,514	7,514	7,514	34,789	123,436
Debt Service Fund	-	-	-	1	1	1	-	-	33,337	-
Total All Other Governmental Funds	\$ 192,611	\$ 154,275	\$ 253,391	\$ 7,515	\$ 7,515	\$ 7,515	\$ 7,514	\$ 48,480	\$ 174,194	\$ 2,949,874

SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues:										
Tax Levy	\$ 3,822,547	\$ 3,680,149	\$ 3,606,699	\$ 3,545,873	\$ 3,464,445	\$ 3,377,157	\$ 3,228,467	\$ 3,070,610	\$ 2,869,247	\$ 2,266,550
Other Local Governmental Units -										
Unrestricted	-	-	-	-	-	-	-	-	30,000	30,000
Tuition Charges	28,922	9,000	13,500	11,325	5,900	5,800	-	4,691	21,265	-
Interest Earnings	5,276	5,450	5,450	5,333	10,229	15,653	19,459	19,669	41,096	611,063
Miscellaneous	13,799	14,683	56,576	14,670	10,434	15,227	17,093	1,932	369	819
State Sources	2,315,883	2,418,806	2,093,138	2,055,296	1,640,805	1,474,595	1,511,180	1,541,111	1,503,783	1,426,044
Federal Sources	94,232	132,940	114,990	120,725	189,035	154,052	302,834	90,683	78,908	90,022
Total Revenue	6,280,659	6,261,028	5,890,353	5,753,222	5,320,848	5,042,484	5,079,033	4,728,696	4,544,668	4,424,498
Expenditures:										
Instruction:										
Regular Instruction	1,990,528	1,668,186	1,512,683	1,599,462	1,296,940	1,327,425	1,569,189	1,511,720	1,424,125	1,210,805
Special Education Instruction	350,964	311,283	315,733	293,561	260,307	265,928	266,759	256,576	187,022	179,494
Other Special Instruction	58,743	88,261	96,043	103,107	92,198	69,310	76,475	51,470	71,300	79,026
Support Services:										
Tuition	84,780	150,868	141,772	113,157	106,145	149,851	113,873	122,977	104,426	143,283
Student & Instruction Related Services	541,664	567,102	584,995	564,018	477,729	382,665	403,290	356,844	364,028	327,131
General & Business Administrative Services	109,322	138,999	142,800	143,404	239,671	247,293	231,298	160,983	176,969	158,562
School Administrative Services	200,231	137,426	123,583	84,843	906	1,000	40,312	98,745	69,097	52,241
Central Services	110,814	124,784	129,059	119,761	117,947	128,944	129,745	130,306	126,947	131,064
Administrative Information Technology	-	-	-	-	-	-	-	-	-	5,760
Plant Operations & Maintenance	496,297	456,400	461,967	446,445	413,059	391,779	427,486	429,658	422,365	281,539
Pupil Transportation	321,299	335,198	368,569	268,465	288,191	327,052	356,581	316,369	348,672	334,870
Employee Benefits	733,985	968,344	751,534	824,884	666,192	614,081	643,986	607,740	632,206	601,638
On Behalf TPAF Pension and Social Security Contributions	528,993	609,135	35,713	33,982	29,112	29,479	15,075	132,773	306,783	9,385,407
Capital Outlay										
Debt Service:										
Principal	470,000	453,000	435,592	415,592	400,592	385,592	370,592	342,592	290,592	215,592
Interest & Other Charges	404,783	599,472	499,724	515,067	529,773	543,892	557,344	569,793	619,309	481,509
Total Expenditures	6,402,403	6,608,458	5,599,767	5,525,748	4,918,762	4,864,291	5,202,005	5,088,546	5,143,841	13,587,921

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(121,744)	(347,430)	290,586	227,474	402,086	178,193	(122,972)	(359,850)	(599,173)	(9,163,423)
Other Financing Sources/(Uses):										
Proceeds from Borrowing	-	-	-	-	-	-	-	-	-	2,871,000
Cancellation of Receivables	-	-	-	-	-	-	-	-	-	-
Capital Leases (Nonbudgeted)	-	-	20,000	-	-	-	-	65,000	-	-
Proceeds of Refunding Bonds	-	11,096,928	-	-	-	-	-	-	-	-
Deposit to Refunding Escrow	-	(10,980,961)	-	-	-	-	-	-	-	-
Transfers In	-	253,200	195,514	-	-	44	-	(3,495)	96,590	505,919
Transfers Out	-	(253,200)	(204,996)	(30,000)	-	-	-	-	(219,000)	(529,478)
Total Other Financing Sources/(Uses)	-	115,967	10,518	(30,000)	-	44	-	61,505	(122,410)	2,847,441
Net Change in Fund Balances	\$ (121,744)	\$ (231,463)	\$ 10,518	\$ 197,474	\$ 402,086	\$ 178,237	\$ (122,972)	\$ (298,345)	\$ (721,583)	\$ (6,315,982)
Debt Service as a Percentage of Noncapital Expenditures	13.66%	17.54%	16.81%	16.95%	19.03%	19.22%	17.89%	18.41%	18.81%	19.89%

Source: District records

Note: Noncapital expenditures are total expenditures less capital outlay

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
GOVERNMENTAL FUND - OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)**

FISCAL YEAR ENDING JUNE 30,	TUITION	OTHER LOCAL GOVERNMENTAL UNITS	INTEREST ON INVESTMENTS	DONATIONS	PRIOR YEAR'S REFUNDS	MISCELLANEOUS	TOTAL
2017	\$ 28,922	\$ -	\$ 1,756	\$ -	\$ -	17,319	\$ 47,997
2016	9,000	-	1,930	-	-	18,203	29,133
2015	13,500	-	2,006	-	-	60,020	75,526
2014	11,325	-	5,333	-	-	14,670	31,328
2013	5,900	-	10,229	-	-	10,434	26,563
2012	5,800	-	15,697	-	-	15,227	36,724
2011	-	-	19,573	-	-	17,893	37,466
2010	4,691	-	23,175	-	-	1,932	29,798
2009	21,265	30,000	137,686	-	-	369	189,320
2008	-	30,000	611,063	-	635	184	641,882

Source: District records

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY,
LAST TEN FISCAL YEARS**

FISCAL YEAR ENDED JUNE 30,	VACANT LAND	RESIDENTIAL	FARM REG.	QFARM	COMMERCIAL	TOTAL ASSESSED VALUE	LESS: TAX EXEMPT PROPERTY	PUBLIC UTILITIES	NET VALUATION TAXABLE	ESTIMATED ACTUAL (COUNTY EQUALIZED) VALUE	TOTAL DIRECT SCHOOL TAX RATE
2017	8,491,800	307,969,300	36,090,400	3,574,900	22,841,600	\$ 378,968,000	\$ -	\$ 506,452	486,625	395,876,647	0.869
2016	9,079,300	308,531,100	34,355,900	3,630,200	22,221,400	377,817,900	-	501,225	506,452	391,019,959	0.868
2015	10,430,500	301,016,100	34,823,300	3,680,300	21,933,100	371,883,300	-	703,216	501,225	389,734,776	0.868
2014	8,852,800	299,016,400	34,566,600	3,695,400	21,437,300	367,568,500	-	743,659	521,058	365,487,580	0.851
2013	10,692,100	328,052,400	38,652,800	3,701,000	23,785,500	404,883,800	-	782,657	703,216	366,225,204	0.738
2012	12,412,200	323,062,100	42,337,000	3,622,100	23,694,300	405,127,700	-	978,729	743,659	371,167,397	0.694
2011	13,369,500	317,392,500	43,481,000	3,686,500	24,013,800	401,943,300	-	581,640	782,657	383,259,327	0.644
2010	13,794,500	316,892,600	43,321,200	4,766,800	21,313,900	400,089,000	-	518,283	978,729	372,661,163	0.612
2009	6,934,700	184,090,000	27,418,300	2,675,100	8,322,300	229,440,400	-	485,985	581,640	382,273,242	1.008
2008	6,872,100	-	-	-	-	6,872,100	-	518,145	518,283	371,852,725	1.013

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

Reassessment occurs when ordered by the County Board of Taxation

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

b. Tax rates are per \$100

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(Rate per \$100 of Assessed Value)**

FISCAL YEAR ENDED JUNE 30,	SCHOOL DISTRICT DIRECT RATE		TOTAL DIRECT	OVERLAPPING RATES				COUNTY OPEN SPACE	TOTAL DIRECT & OVERLAPPING TAX RATE
	LOCAL SCHOOL	REGIONAL SCHOOL		MUNICIPALITY	GLOUCESTER COUNTY	COUNTY LIBRARY	COUNTY		
2017	1.012	0.869	1.881	0	0.661	0.050	0.042	2.865	5.73
2016	1.011	0.868	1.879	0	0.653	0.051	0.043	2.836	5.672
2015	1.012	0.868	1.880	0	0.644	0.049	0.044	2.818	5.636
2014	0.999	0.851	1.850	0	0.564	0.045	0.040	2.697	5.394
2013	0.889	0.738	1.627	0	0.508	0.039	0.037	2.382	4.764
2012	0.874	0.694	1.568	0	0.467	0.039	0.037	2.288	4.576
2011	0.861	0.644	1.505	0	0.475	0.039	0.038	2.232	4.464
2010	0.842	0.612	1.454	0	0.474	0.038	0.038	2.105	4.21
2009	1.404	1.008	2.412	0	0.989	-	-	3.577	7.154
2008	1.378	1.013	2.391	0	0.994	-	-	3.562	7.124

Source: District Records and Municipal Tax Collector

*The District's basic tax rate is calculated from the A4F Form which is submitted with the budget and the net valuation taxable.

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

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
PRINCIPAL PROPERTY TAX PAYERS,
CURRENT YEAR AND NINE YEARS AGO**

TAXPAYER	2017		
	TAXABLE ASSESSED VALUE	RANK	% OF TOTAL DISTRICT NET ASSESSED VALUE
Mullica Hill Group Companies LLC	\$4,544,100	1	1.20%
Mullica Hill Group Co LLC	3,145,800	2	0.83%
Taxpayer #1	2,895,400	3	0.76%
American Tower Asset Sub LLC	2,416,900	4	0.64%
Taxpayer #2	2,171,000	5	0.57%
South Harrison 500 Associates LLC	2,160,000	6	0.57%
Taxpayer #3	1,933,600	7	0.51%
Taxpayer #4	1,296,200	8	0.34%
Harrisonville Mobile Home Park	1,012,500	9	0.27%
National Energy Partners LLC	929,900	10	0.25%
Total	<u>\$ 22,505,400</u>		<u>5.94%</u>

	2008		
	TAXABLE ASSESSED VALUE	RANK	% OF TOTAL DISTRICT NET ASSESSED VALUE
Taxpayer #1	3,323,100	1	1.49%
Taxpayer #2	2,031,400	2	0.91%
C & F Family Limited Partnership	1,913,300	3	0.86%
Spectrasite Broadcast Towers, Inc.	1,337,100	4	0.60%
Taxpayer #3	1,239,700	5	0.56%
Robert J. Pacilli Investment, Inc.	989,000	6	0.44%
Taxpayer #4	795,600	7	0.36%
Gres & Kaluzny Land Development	724,000	8	0.32%
Piersol Homes at Country Bridge	697,400	9	0.31%
Taxpayer #5	598,700	10	0.27%
Total	<u>\$ 13,649,300</u>		<u>6.12%</u>

Source: Municipal Tax Assessor

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
SCHOOL PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

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	
2017	\$ 3,316,426	\$ 3,316,426	100.00%	
2016	3,256,290	3,256,290	100.00%	-
2015	3,212,136	3,212,136	100.00%	-
2014	3,053,996	3,053,996	100.00%	-
2013	2,932,492	2,932,492	100.00%	-
2012	2,705,173	2,705,173	100.00%	-
2011	2,485,214	2,485,214	100.00%	-
2010	2,425,297	2,425,297	100.00%	-
2009	2,210,899	2,210,899	100.00%	-
2008	2,306,380	2,306,380	100.00%	-
	2,514,391	2,514,391	100.00%	

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

*School taxes are collected by the municipal tax collector. Under New Jersey Statue, a municipality is required to remit to the school district the entire property tax balance, in the amount voted upon or certified prior to the end of the school year.

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

FISCAL YEAR ENDED JUNE 30,	GOVERNMENTAL ACTIVITIES			TOTAL DISTRICT	PERCENTAGE OF PERSONAL INCOME *	PER CAPITA*
	GENERAL OBLIGATION BONDS**	N.J. EDA LOANS	CAPITAL LEASES			
2017	\$ 9,430,000	\$ -	\$ -	\$ 9,430,000	N/A	N/A
2016	10,450,000	-	-	10,450,000	N/A	N/A
2015	11,473,000	-	-	11,473,000	0.41%	3,573
2014	11,878,000	30,592	-	11,908,592	0.38%	3,734
2013	12,263,000	61,184	-	12,324,184	0.36%	3,885
2012	12,633,000	91,776	-	12,724,776	9.73%	4,020
2011	12,988,000	122,368	-	13,110,368	10.26%	4,110
2010	13,328,000	152,960	21,830	13,502,790	10.65%	4,303
2009	13,640,000	183,553	-	13,823,553	11.82%	4,503
2008	13,900,000	214,145	5,936	14,120,081	13.08%	4,777

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

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

**Includes early retirement incentive plan (ERIP) refunding.

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

FISCAL YEAR ENDED JUNE 30,	GENERAL BONDED DEBT OUTSTANDING			PERCENTAGE OF ACTUAL TAXABLE VALUE OF PROPERTY*	PER CAPITA**
	GENERAL OBLIGATION BONDS	DEDUCTIONS	NET GENERAL BONDED DEBT OUTSTANDING		
2017	\$ 9,430,000	\$ -	\$ 9,430,000	2.49%	N/A
2016	10,450,000	-	10,450,000	2.81%	N/A
2015	11,473,000	-	11,473,000	2.83%	3,573
2014	11,878,000	-	11,878,000	2.93%	3,725
2013	12,263,000	-	12,263,000	3.06%	3,866
2012	12,633,000	-	12,633,000	3.15%	3,991
2011	12,988,000	-	12,988,000	5.65%	4,071
2010	13,328,000	-	13,328,000	5.98%	4,247
2009	13,640,000	-	13,640,000	6.45%	4,443
2008	13,900,000	-	13,900,000	7.01%	4,702

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

*See Exhibit J-6 for property tax data.

**Population data can be found in Exhibit J-14.

**RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2017**

GOVERNMENTAL UNIT	DEBT OUTSTANDING	ESTIMATED PERCENTAGE APPLICABLE	SHARE OF OVERLAPPING DEBT
Debt Repaid With Property Taxes:			
Municipality	\$ -	100.00%	\$ -
County General Obligation Debt	239,760,175	1.53%	3,660,577
Regional High School District	41,404,000	13.91%	5,760,261
Subtotal, Overlapping Debt			9,420,838
District's Direct Debt			9,430,000
Total Direct & Overlapping Debt			<u>\$ 18,850,838</u>

Sources: Assessed value data used to estimate applicable percentages provided by the Gloucester County Board of Taxation.

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

	FISCAL YEAR									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Debt Limit	\$ 11,625,520	\$ 11,362,201	\$ 10,984,591	\$ 11,113,577	\$ 9,240,905	\$ 9,274,050	\$ 9,048,726	\$ 8,720,271	\$ 7,882,750	\$ 6,931,691
Total Net Debt Applicable to Limit	9,430,000	10,450,000	11,473,000	11,908,592	12,263,000	12,724,776	13,110,368	13,480,960	13,823,553	14,114,145
Legal Debt Margin	\$ 2,195,520	\$ 912,201	\$ (488,409)	\$ (795,015)	\$ (3,022,095)	\$ (3,450,726)	\$ (4,061,642)	\$ (4,760,689)	\$ (5,940,803)	\$ (7,182,454)
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	81.11%	91.97%	104.45%	107.15%	132.70%	137.21%	144.89%	154.59%	175.36%	203.62%

Legal Debt Margin Calculation for Fiscal Year 2013

Equalized Valuation Basis	
2015	\$ 393,943,815
2014	384,123,362
2013	384,484,810
	<u>\$ 1,162,551,987</u>
Average Equalized Valuation of Taxable Property	<u>\$ 387,517,329</u>
Debt Limit (3 % of Average Equalization Value) Net Bonded School Debt	<u>\$ 11,625,520</u> <u>9,430,000</u>
Legal Debt Margin	<u>\$ 2,195,520</u>

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

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

YEAR	POPULATION *	PERSONAL INCOME**	PER CAPITA PERSONAL INCOME ***	UNEMPLOYMENT RATE ****
2015	3,138	N/A	N/A	4.9%
2014	3,226	150,341,278	46,603	6.1%
2013	3,207	144,856,983	45,169	6.0%
2012	3,194	143,196,602	44,833	7.4%
2011	3,194	138,900,672	43,488	7.2%
2010	3,166	131,107,226	41,411	7.5%
2009	3,190	130,314,690	40,851	7.0%
2008	3,138	127,685,220	40,690	4.7%
2007	3,070	119,290,990	38,857	3.6%
2006	2,956	110,684,464	37,444	4.0%

*Population information provided by the New Jersey Department of Labor & Workforce Development

**Personal income has been estimated based upon the municipal population & per capita person income presented.

***Per capita personal income by municipality estimated based upon the 2000 census published by the U.S. Bureau of Economic Analysis.

****Unemployment data provided by the New Jersey Department of Labor & Workforce Development

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

<u>GLOUCESTER COUNTY</u>	2017	
	EMPLOYEES	PERCENTAGE OF TOTAL EMPLOYMENT
Inspira Health	1,825	1.30%
Kennedy Memorial Hospital	1,675	1.19%
Washington Township School District	1,592	1.13%
Rowan University	1,483	1.05%
County of Gloucester	1,354	0.96%
Missa Bay, LLC	950	0.67%
Monroe Township School District	806	0.57%
U.S. Foodservices	725	0.51%
ExxonMobil Research & Engineering	540	0.38%
LaBrea Bakery	525	0.37%
	11,475	8.15%

2008

NOT AVAILABLE

This exhibit reflects principal employers for Gloucester County.

Source: (1) Gloucester County Office of Economic Development for company and employee data.
(2) New Jersey Department of Labor and Workforce Development for the total employment data.

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEAR**

Function/Program	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Instruction:										
Regular	25.5	22.0	23.5	23.5	23.0	21.5	21.5	23.0	22.1	23.8
Special Education	7.0	6.0	5.0	5.0	6.1	4.4	5.0	4.0	4.0	3.0
Other Special Education	0.0	3.0	4.2	4.2	4.2	3.2	2.0	7.0	6.0	3.0
Other Instruction	0.0	2.0	1.4	1.4	1.4	1.5	1.5	1.5	2.5	2.8
Support Services:										
Student & Instruction Related Services	5.2	6.0	7.3	7.3	8.1	4.4	5.9	4.9	4.7	1.8
General Administrative Services	0.0	0.0	0.3	0.3	1.4	2.8	2.8	2.8	1.8	1.7
School Administrative Services	2.2	2.5	1.6	1.6	1.0	0.0	0.0	0.5	0.9	0.6
Central Services	0.6	0.5	1.9	1.9	1.9	2.0	1.7	1.7	1.7	1.8
Plant Operations & Maintenance	0.0	0.0	0.9	0.9	0.8	2.0	2.0	1.5	1.5	2.2
Pupil Transportation	0.0	0.0	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.2
Other Support Services	0.0	0.0	2.6	2.6	1.8	1.8	1.8	1.9	2.4	3.0
Total	40.5	42.0	49.0	49.0	50.0	43.9	44.5	49.1	47.9	43.9

Source: School District Records.

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS**

FISCAL YEAR	ENROLLMENT	OPERATING EXPENDITURES (a)	COST PER PUPIL	PERCENTAGE CHANGE	TEACHING STAFF (b)	PUPIL/TEACHER RATIO	AVERAGE DAILY ENROLLMENT (ADA) (c)	AVERAGE DAILY ATTENDANCE (ADA) (c)	% CHANGE IN AVERAGE DAILY ENROLLMENT	STUDENT ATTENDANCE PERCENTAGE
2017	384	5,430,066	14,141	12.56%	31.5	1:12.2	387.5	364.5	-0.86%	94.06%
2016	392	4,924,497	12,562	5.58%	31.0	1:12.7	390.85	376.27	1.36%	96.27%
2015	389	4,628,738	11,899	-2.69%	30.0	1:12.7	385.60	370.46	3.29%	96.07%
2014	373	4,561,107	12,228	11.19%	30.0	1:12.4	373.3	356.5	3.81%	95.50%
2013	360	3,959,284	10,998	4.76%	29.0	1:12.4	359.60	342.50	-1.83%	95.24%
2012	372	3,905,328	10,498	-6.83%	26.0	1:14.3	366.30	349.50	-0.92%	95.41%
2016	378	4,258,995	11,267	0.32%	26.0	1:14.5	369.70	352.70	2.69%	96.00%
2010	360	4,043,388	11,232	-3.62%	27.0	1:13.3	360.00	343.90	7.11%	95.53%
2009	337	3,927,157	11,653	9.04%	28.7	1:11.7	336.10	321.80	2.76%	95.75%
2008	328	3,505,413	10,687	#DIV/0!	26.7	1:12.3	327.07	313.08	#DIV/0!	95.72%

Sources: District records

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEAR
REVISED**

DISTRICT BUILDINGS	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Elementary Schools:										
South Harrison Township (1949):										
Square Feet	68,543	68,543	68,543	68,543	68,543	68,543	68,543	68,543	68,543	35,562
Capacity (Students)	463	463	463	463	463	463	463	463	463	239
Enrollment	392	383	373	360	372	378	360	337	328	312

Number of Buildings at June 30, 2012:

- Elementary = 1
- Middle = 0
- High School = 0
- Other = 0

Source: District Facilities Office

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF REQUIRED MAINTENANCE
LAST TEN FISCAL YEARS**

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

SCHOOL FACILITIES *	SOUTH HARRISON ELEMENTARY	TOTAL
2017	\$ 140,361	140,361
2016	89,378	89,378
2015	104,162	104,162
2014	81,220	81,220
2013	79,180	79,180
2012	50,720	50,720
2016	71,376	71,376
2010	73,184	73,184
2009	65,862	65,862
2008	48,721	48,721

Total School Facilities

* District Facilities ad defined under EFCFA. (N.J.A.C.6A:26-1.2 & N.J.A.C.6:24-1.3)

Source: District records

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
INSURANCE SCHEDULE**

		GCSSDJIF SELF INSURED		
		COVERAGE	RETENTION	DEDUCTIBLE
School Package Policy -Gloucester, Cumberland, Salem School Districts Joint Insurance Fund*:				
Property, Inland Marine & Automobile:				
Physical Damages	\$ 150,000,000	\$ 250,000	\$	500
General & Automobile Liability	10,000,000	250,000		-
Boiler & Machinery	125,000,000	-		1,000
Crime	500,000	250,000		500
Educator's Legal Liability	10,000,000	250,000		-
Workers Compensation & Employers' Liability	Statutory	250,000		-
Pollution Legal Liability	3,000,000	-		25,000
*Excess & Reinsurance Carriers Involved:				
Property & Crime	SPELLFIF, Selective Insurance Company of America Axis Surplus Insurance Company Westchester Surplus Lines Insurance Company Alterra Excess & Surplus Insurance Company Alliance Global Corporate & Specialty Marine Insurance Company RSUI Indemnity Company			
General Liability, Automobile Liability, Workers' Comp., Educator's Legal Liability	SPELLFIF, Selective Insurance Company of America			
*Group Purchase of Primary Insurance				
Coverage Carrier Array:				
Boiler & Machinery	Travelers Insurance Company			
Pollution Legal Liability	ACE American Insurance Company			
Public Employees' Faithful Performance				
Blanket Position Bond - Selective Insurance Co.:				
Board Secretary/Business Administrator	3,000	-		-
Treasurer of School Monies	150,000	-		-
Student Accident Insurance - Insurance Company	1,000,000	-		-

Source: District records

SINGLE AUDIT SECTION

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EXHIBIT K-1

INDEPENDENT AUDITOR'S 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

Honorable President and Members
of the Board of Education
South Harrison Township School District
County of Gloucester
Harrisonville, New Jersey 08039

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 South Harrison Township School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the South Harrison Township School District's basic financial statements, and have issued our report thereon dated November 13, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the South Harrison Township School 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 School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the South Harrison Township School District's internal control.

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

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

deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, and federal and state awarding agencies and pass-through entities, in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,

HOLMAN FRENIA ALLISON, P.C.

Michael Holt
Certified Public Accountant
Public School Accountant, No. 1148

Medford, New Jersey
November 13, 2017

EXHIBIT K-2

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY NEW JERSEY OMB
CIRCULAR 15-08**

Honorable President and Members
of the Board of Education
South Harrison Township School District
County of Gloucester
Harrisonville, New Jersey 08039

Report on Compliance for Each Major State Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the South Harrison Township School District's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*; and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards and New Jersey OMB's 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. An audit includes examining, on a test basis, evidence about the School District's compliance

with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

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

Report on Internal Control Over Compliance

Management of the South Harrison Township School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with New Jersey OMB's 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 School District's internal control over compliance.

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

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

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

Respectfully Submitted,

HOLMAN FRENIA ALLISON, P.C.

Michael Holt
Certified Public Accountant
Public School Accountant, No. 1148

Medford, New Jersey
November 13, 2017

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**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR FISCAL YEAR ENDED JUNE 30, 2017**

FEDERAL GRANTOR PASS-THROUGH GRANTOR GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	FAIN NUMBER	PASS THROUGH ENTITY IDENTIFYING NUMBER	AWARD AMOUNT	GRANT PERIOD	BALANCE AT JUNE 30, 2016	CASH RECEIVED	BUDGETARY EXPENDITURES	SUBRECIPIENT EXPENDITURES	BALANCE AT JUNE 30, 2017		
										(ACCOUNTS RECEIVABLE)	UNEARNED REVENUE	DUE TO GRANTOR
U.S. DEPARTMENT OF EDUCATION PASSED-THROUGH STATE DEPARTMENT OF EDUCATION:												
Special Revenue Fund:												
Title I, Part A	84.010A	S010A150030	100-034-5064-194	25,777	7/1/16-6/30/17	-	18,749	(18,749)	-	-	-	
Title I, Part A	84.010A	S010A140030	100-034-5064-194	22,334	7/1/15-6/30/16	(2,500)	2,500	-	-	-	-	
						(2,500)	21,249	(18,749)	-	-	-	
Title II, Part A	84.367	S367A150029	100-034-5063-290	12,003	7/1/16-6/30/17	-	5,715	(5,715)	-	-	-	
Title II, Part A	84.367	S367A150029	100-034-5063-290	6,248	7/1/15-6/30/16	(3,012)	3,012	-	-	-	-	
						(3,012)	8,727	(5,715)	-	-	-	
I.D.E.A. B -Basic Regular	84.027	H027A150100	100-034-5065-016	66,975	7/1/16-6/30/17	-	66,975	(66,975)	-	-	-	
I.D.E.A. B -Basic Regular	84.027	H027A150100	100-034-5065-016	66,975	7/1/15-6/30/16	(8,126)	8,126	-	-	-	-	
						(8,126)	75,101	(66,975)	-	-	-	
I.D.E.A. - Preschool, Part B	84.173	S173A150114		2,793	7/1/16-6/30/17	-	2,793	(2,793)	-	-	-	
						-	2,793	(2,793)	-	-	-	
Total Special Revenue Fund						(13,638)	107,870	(94,232)	-	-	-	
Total Federal Financial Assistance						\$ (13,638)	\$ 107,870	\$ (94,232)	\$ -	\$ -	\$ -	

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

GRANT OR STATE PROJECT NUMBER	STATE GRANTOR/PROGRAM TITLE OR CLUSTER	AWARD AMOUNT	GRANT PERIOD	BALANCE JUNE 30, 2016	CASH RECEIVED	BUDGETARY EXPENDITURES	PASSED THROUGH TO SUBRECIPIENTS	BALANCE, JUNE 30, 2017		MEMO	
								ACCOUNTS RECEIVABLE	UNEARNED REVENUE		BUDGETARY RECEIVABLE
New Jersey Department of Education:											
General Fund:											
495-034-5120-068	School Choice Aid	257,877	7/1/16-6/30/17	\$ -	257,877	(257,877)	\$ -	\$ -	\$ -	\$ 24,959	257,877
495-034-5120-078	Education Adequacy Aid	898,191	7/1/16-6/30/17	-	898,191	(898,191)	-	-	-	86,932	898,191
495-034-5120-083	Education Adequacy Aid	210,863	7/1/16-6/30/17	-	210,863	(210,863)	-	-	-	20,408	210,863
495-034-5120-084	Security Aid	26,269	7/1/16-6/30/17	-	26,269	(26,269)	-	-	-	2,542	26,269
495-034-5120-085	Adjustment Aid	38,204	7/1/16-6/30/17	-	38,204	(38,204)	-	-	-	3,698	38,204
495-034-5120-089	Special Education Categorical Aid	149,760	7/1/16-6/30/17	-	149,760	(149,760)	-	-	-	14,495	149,760
495-034-5120-096	Under Adequacy Aid	6,832	7/1/16-6/30/17	-	6,832	(6,832)	-	-	-	661	6,832
495-034-5120-097	Per Pupil Growth Aid	3,690	7/1/16-6/30/17	-	3,690	(3,690)	-	-	-	357	3,690
495-034-5120-098	PARCC Readiness	3,690	7/1/16-6/30/17	-	3,690	(3,690)	-	-	-	357	3,690
495-034-5120-101	Professional Learning Community Aid	3,830	7/1/16-6/30/17	-	3,830	(3,830)	-	-	-	371	3,830
Total State Aid Public				-	1,599,206	(1,599,206)	-	-	-	154,780	1,599,206
495-034-5120-014	Transportation Aid	35,253	7/1/16-6/30/17	-	35,253	(35,253)	-	-	-	3,412	35,253
495-034-5120-014	Additional Nonpublic School Transportation Aid	3,828	7/1/16-6/30/17	-	3,828	(3,828)	-	-	-	-	3,828
495-034-5120-014	Additional Nonpublic School Transportation Aid	4,350	7/1/15-6/30/16	(4,350)	-	-	-	(3,828)	-	-	4,350
100-034-5094-003	Reimbursed TPAF Social Security Contributions	150,469	7/1/16-6/30/17	-	150,469	(150,469)	-	-	-	-	150,469
100-034-5094-003	Reimbursed TPAF Social Security Contributions	139,453	7/1/15-6/30/16	(6,985)	6,985	-	-	-	-	-	139,453
495-034-5094-001	TPAF - Post Retirement Medical (Noncash Assistance)	171,860	7/1/16-6/30/17	-	171,860	(171,860)	-	-	-	-	171,860
495-034-5094-002	TPAF - Pension Contributions (Noncash Assistance)	206,259	7/1/16-6/30/17	-	206,259	(206,259)	-	-	-	-	206,259
495-034-5094-004	TPAF - Long-Term Disability Insurance (Noncash Assistance)	405	7/1/16-6/30/17	-	405	(405)	-	-	-	-	405
Total General Fund				(11,335)	2,174,787	(2,167,280)	-	(3,828)	-	158,192	2,311,083
Capital Projects Fund:											
New Jersey School Development Authority:											
4880-050-14-2001-G04	ROD Grant - Playground Upgrades Project	122,800	7/1/13-6/30/16	(110,858)	110,858	-	-	-	-	-	122,800
4880-050-14-1006-G04	ROD Grant - Roof Replacement Project	33,200	7/1/13-6/30/16	(29,342)	29,342	-	-	-	-	-	33,200
4880-050-14-1002-G04	ROD Grant - HVAC Project	168,800	7/1/13-6/30/16	(104,951)	104,951	-	-	-	-	-	168,800
Total Capital Projects Fund				(245,151)	245,151	-	-	-	-	-	324,800
Debt Service Fund:											
495-034-5120-075	Debt Service Aid	152,601	7/1/16-6/30/17	-	152,601	(152,601)	-	-	-	-	152,601
Total Debt Service Fund				-	152,601	(152,601)	-	-	-	-	152,601
Total State Financial Assistance				\$ (256,486)	\$ 2,572,539	\$ (2,319,881)	\$ -	\$ (3,828)	\$ -	\$ 158,192	\$ 2,788,484
State Financial Assistance Programs not subject to Calculation for Major Program Determination:											
495-034-5094-001	TPAF - Post Retirement Medical (Noncash Assistance)	171,860	7/1/16-6/30/17	-	171,860	171,860	-	-	-	-	171,860
495-034-5094-002	TPAF - Pension Contributions (Noncash Assistance)	206,259	7/1/16-6/30/17	-	206,259	206,259	-	-	-	-	206,259
495-034-5094-004	TPAF - Long-Term Disability Insurance (Noncash Assistance)	405	7/1/16-6/30/17	-	405	405	-	-	-	-	405
Total State Financial Assistance subject to Calculation for Major Program Determination				-	\$ (1,941,357)	\$ -	-	-	-	-	\$ (1,941,357)

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

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Note 1. Basis of Presentation

The accompanying schedules of expenditures of state financial assistance present the activity of all state financial assistance programs of the South Harrison Township School District. The School District is defined in Note 1 of the basic financial statements. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. 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 expenditures of state financial assistance.

Note 2. Summary of Significant Accounting Policies

The accompanying schedules of expenditures of state financial assistance are presented using the budgetary basis of accounting with the following exception: programs recorded in the enterprise fund are presented using the accrual basis of accounting and programs recorded in the capital projects fund are presented using the modified accrual basis of accounting. These bases of accounting are described in Note 1 to the School District's basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The School District did not elect the 10-percent de minimis indirect cost rate as discussed in 2 CFR 200.414.

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 School District for the year ended June 30, 2017. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2017.

Note 3. Relationship to Basic Financial Statements

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or 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.

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Note 3. Relationship to Basic Financial Statements (continued)

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$(3,998) for the general fund and \$(486) for the special revenue fund. See Exhibit C-3 Note A of the basic financial statements, 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 expenditures reported in the School District's basic financial statements on a GAAP basis are presented as follows:

<u>Fund</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 2,163,282	\$ 2,163,282
Debt Service Fund	<u>152,601</u>	<u>152,601</u>
Total Awards & Financial Assistance	<u>\$ 2,315,883</u>	<u>\$ 2,315,883</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. State Loans Outstanding

The South Harrison Township School District had no loan balances outstanding at June 30, 2017.

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

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

2) Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

SECTION IS N/A - NOT REQUIRED

Internal control over major programs:

1) Material weakness(es) identified? yes no

2) Significant deficiency(ies) identified? yes none reported

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

Any audit findings disclosed that are required to be reported
in accordance with 2 CFR 200 section .516(a) of Uniform Guidance? yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>FAIN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Dollar threshold used to determine Type A programs _____

Auditee qualified as low-risk auditee? yes no

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Section I - Summary of Auditor's Results (continued)

State Financial Assistance

Dollar threshold used to determine Type A programs \$750,000.00

Auditee qualified as low-risk auditee? X yes no

Internal control over major programs:

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

 2) Significant deficiency(ies) identified? yes X no

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

Any audit findings disclosed that are required to be reported
in accordance with New Jersey OMB's Circular 15-08? yes X no

Identification of major programs:

<u>State Grant/Project Number(s)</u>	<u>Name of State Program</u>
<u>495-034-5120-078</u>	<u>State Aid Public:</u>
<u>495-034-5120-084</u>	<u>Equalization Aid</u>
<u>495-034-5120-083</u>	<u>Security Aid</u>
<u>495-034-5120-068</u>	<u>Education Adequacy Aid</u>
<u>495-034-5120-085</u>	<u>School Choice Aid</u>
<u>495-034-5120-089</u>	<u>Adjustment Aid</u>
<u>495-034-5120-096</u>	<u>Special Education Categorical Aid</u>
<u>495-034-5120-097</u>	<u>Under Adequacy Aid</u>
<u>495-034-5120-098</u>	<u>Per Pupil Growth Aid</u>
<u>495-034-5120-101</u>	<u>PARCC Readiness Aid</u>
	<u>Professional Learning Community Aid</u>

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with *Government Auditing Standards* and with audit requirements prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey.

None.

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Section III – Federal Awards & State Financial Assistance Findings & Questioned Costs

This section identifies the significant deficiencies, material weaknesses and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey OMB's Circular 15-08.

FEDERAL AWARDS

N/A – Federal single audit not required

STATE FINANCIAL ASSISTANCE

None.

**SOUTH HARRISON TOWNSHIP SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

This section identifies the status of prior year findings related to the financial statements, federal awards and state financial assistance that are required to be reported in accordance with *Government Auditing Standards*, Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and New Jersey OMB's Circular 15-08.

Financial Statement Findings

No Prior Year Findings.

Federal Awards

N/A – No Federal Single Audit in prior year.

State Financial Assistance

No Prior Year Findings.