

**SCHOOL DISTRICT**  
**OF**  
**HARMONY TOWNSHIP**

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

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



# **Comprehensive Annual**

## **Financial Report**

**of the**

**Harmony Township School District  
Board of Education**

**Phillipsburg, New Jersey**

**For the Fiscal Year Ending June 30, 2017**

**Prepared by**

**Harmony Township School District**

**Board of Education**

**Finance Department**



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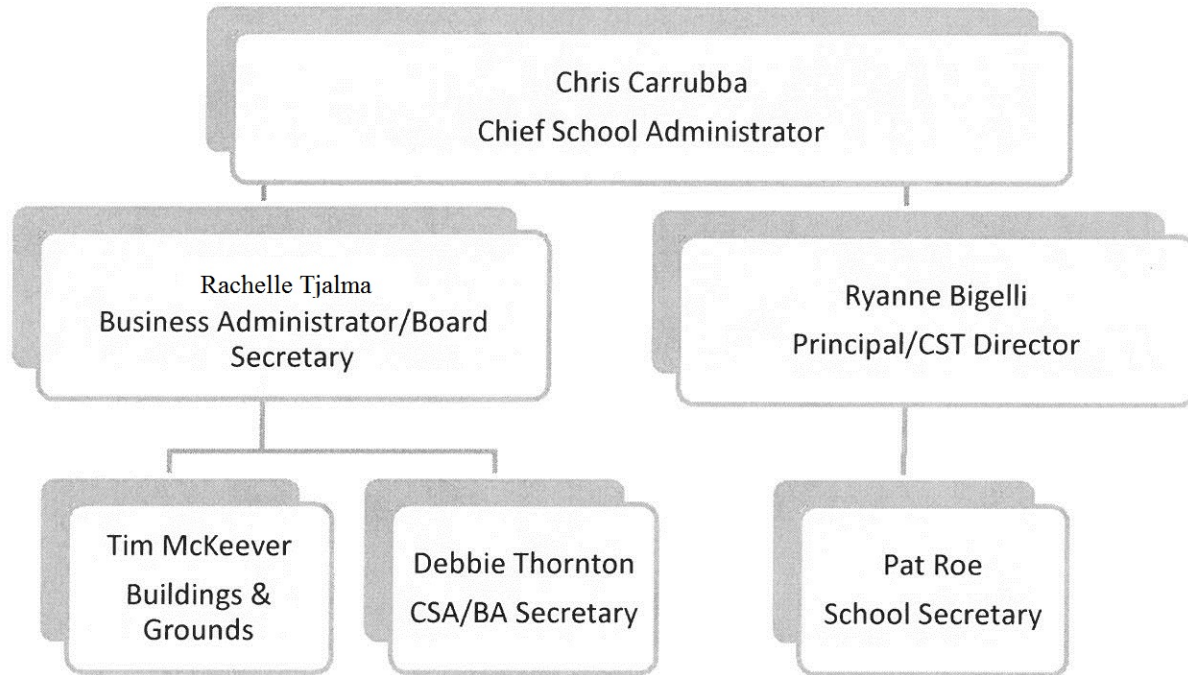
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# Introductory Section



# Harmony Township School





**HARMONY TOWNSHIP SCHOOL DISTRICT**

**BOARD OF EDUCATION**

**ROSTER OF OFFICIALS**

**JUNE 30, 2017**

**Members of the Board of Education**

**Term Expires**

Heather Weidlick, President	2017
Tadgh LaBar, Vice-President	2018
Paul Williams	2019
Jaymee Mauceri	2017
Jamie Sampson	2019
Nicole Tipton	2018
Denise Carney	2017
George Babula	2017
Ken Koch	2019

**Other Officials**

Chris Carrubba, *Chief School Administrator*

Rachelle Tjalma, *School Business Administrator/Board Secretary*

Randy Wilson, *Treasurer*

**HARMONY TOWNSHIP SCHOOL DISTRICT**

**BOARD OF EDUCATION**

**CONSULTANTS AND ADVISORS**

**Architect**

**Gianforaro Engineers & Architects**

555 Main Street, Suite One  
Chester, New Jersey 07930

**Audit Firm**

**Ardito & Co., LLP**

1110 Harrison Street, Suite C  
Frenchtown, New Jersey 08825

**Attorney**

**Adams, Gutierrez & Lattiboudere, LLC**

1037 Raymond Blvd., Suite 900  
Newark, New Jersey 07102

**Official Depository**

**PNC Bank**

101 Mansfield Street  
Belvidere, New Jersey 07823

# Financial Section

# Independent Auditor's Report





## **ARDITO & Co., LLP**

1110 Harrison Street, Suite C  
Frenchtown, New Jersey 08825-1192  
908-996-4711 Fax: 908-996-4688  
e-mail: anthony@arditoandcompany.com

Anthony Ardito, CPA, RMA, CMFO, PSA  
Douglas R. Williams, CPA, RMA, PSA

### **Independent Auditor's Report**

Honorable President and  
Members of the Board of Education  
Harmony Township School District  
County of Warren  
Phillipsburg, New Jersey 08865

#### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the government activities, the business-type activities, each major fund and the aggregate remaining fund information of the Harmony Township School District Board of Education, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

-Continued-

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

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

### ***Opinions***

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

### ***Other Matters***

#### ***Required Supplementary Information***

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

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

#### ***Other Information***

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

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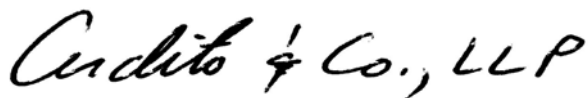
The combining and individual fund financial statement information, long-term debt schedules, and the schedule of state financial assistance, as required by New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are the responsibility of management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

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

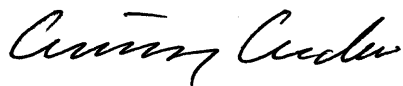
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2017, on our consideration of the Harmony Township School District Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



ARDITO & CO., LLP  
August 31, 2017



Licensed Public School Accountant No. 2369

**Required Supplementary Information -  
Part I**

**Management's Discussion and Analysis**

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

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

**Financial Highlights**

Key financial highlights for 2017 are as follows:

- ◆ In total, Net Position increased \$34,316 which represents a 0.6% increase from 2016.
- ◆ General revenues accounted for \$6,196,968 in revenue or 73.9% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$2,190,635 or 26.1% of total revenues of \$8,387,603.
- ◆ Total assets of governmental activities increased by \$169,216, as cash and cash equivalents increased by \$1,176,844, receivables decreased by \$1,575,559, and capital assets increased by \$564,070.
- ◆ The School District had \$8,353,287 in expenses; only \$2,190,635 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$6,196,968 were available to provide for these programs.
- ◆ Among major funds, the General Fund had \$7,183,044 in revenues and \$7,663,696 in expenditures. The General Fund's surplus balance decreased \$480,652 over 2016, which compares favorably to the budgeted decrease of \$1,030,877.

**Using this Generally Accepted Accounting Principals Report (GAAP)**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Harmony Township School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities. The Statement of Net Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail.

For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Harmony Township School District, the General Fund is by far the most significant fund.

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

**Reporting the School District as a Whole**

**Statement of Net Position and the Statement of Activities**

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2017?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's Net Position and changes in those assets. This change in Net Position is important because it tells the reader that, for the School District as a whole, the financial positions of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Nonfinancial factors include the School District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

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

- Governmental activities--All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.
- Business-type Activity--This service is provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

**Reporting the School District's Most Significant Funds**

**Fund Financial Statements**

The analysis of the School District's major funds begins on page 24. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Special Revenue Fund, and Capital Projects Fund.

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

**Governmental Funds**

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

**The School District as a Whole**

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

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

	<u>2017</u>	<u>2016</u>
<b>Table 1 Net Position</b>		
<b>Assets</b>		
Current and Other Assets	\$ 2,441,099	\$ 2,835,953
Capital Assets	<u>4,850,287</u>	<u>4,286,217</u>
<b>Total Assets</b>	<u>7,291,386</u>	<u>7,122,170</u>
<b>Deferred Outflows of Resources</b>	<u>389,582</u>	<u>174,750</u>
<b>Liabilities</b>		
Long-Term Liabilities	25,373	42,632
Other Liabilities	<u>1,473,889</u>	<u>1,093,584</u>
<b>Total Liabilities</b>	<u>1,499,262</u>	<u>1,136,216</u>
<b>Deferred Inflows of Resources</b>	<u>72,951</u>	<u>86,265</u>
<b>Net Position</b>		
Invested in Capital Assets, Net of Debt	4,850,287	4,286,217
Restricted	2,032,174	1,835,337
Unrestricted	<u>(773,706)</u>	<u>(47,115)</u>
<b>Total Net Position</b>	<u>\$ 6,108,755</u>	<u>\$ 6,074,439</u>

HARMONY TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
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Total assets of governmental activities increased by \$169,216, as cash and cash equivalents increased by \$1,176,844, receivables decreased by \$1,575,559, and capital assets increased by \$564,070.

The cash increase and receivable decrease was due to the collection of prior year tax levy receivables and capital assets increased due to capital outlay for bathroom renovations and other capital projects.

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

**Table 2  
Changes in Net Position**

	<u>2017</u>	<u>2016</u>
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$84,585	\$ 89,851
Operating Grants and Contributions	\$2,106,050	1,633,417
General Revenues:		
Property Taxes	6,193,605	6,193,605
Federal & State Aid on Capital Asset Projects		
Investment Earnings	1,120	1,296
Other	<u>2,243</u>	<u>98,166</u>
<b>Total Revenues</b>	<u>8,387,603</u>	<u>8,016,335</u>
 <b>Program Expenses</b>		
Instruction	3,940,537	3,705,037
Support Services:		
Tuition	1,721,977	1,638,348
Pupils and Instructional Staff	923,107	725,295
General Administration, School Administration, Business	671,398	588,487
Operations and Maintenance of Facilities	718,570	505,681
Pupil Transportation	283,307	258,072
Business-Type Activities	74,619	84,759
Interest and Fiscal Charges	<u>19,772</u>	<u>12,316</u>
<b>Total Expenses</b>	<u>8,353,287</u>	<u>7,517,995</u>
 Increase in Net Position	 <u>\$ 34,316</u>	 <u>\$ 498,340</u>



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

**Governmental Activities**

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. Property taxes made up 73.8% percent of revenues for governmental activities for the Harmony Township School District for the fiscal year 2017.

Instruction comprises 47.2% of district expenses. Support services expenses make up 51.7% of the expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services compared to 2016. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Table 3**

	<u>Total Cost of Services 2017</u>	<u>Net Cost of Services 2017</u>	<u>Total Cost of Services 2016</u>	<u>Net Cost of Services 2016</u>
Instruction	3,940,537	2,894,067	\$ 3,705,037	\$ 2,833,558
Support Services:				
Tuition	1,721,977	1,319,874	1,638,348	1,322,400
Pupils and Instructional Staff	923,107	645,465	725,295	531,488
General Admin., School Admin., Business	671,398	514,619	588,487	475,001
Operation and Maintenance of Facilities	718,570	550,775	505,681	408,163
Pupil Transportation	283,307	217,151	258,072	208,304
Business-Type Activities	74,619	929	84,759	3,497
Interest and Fiscal Charges	<u>19,772</u>	<u>19,772</u>	<u>12,316</u>	<u>12,316</u>
<b>Total Expenses</b>	<u>\$8,353,287</u>	<u>\$6,162,652</u>	<u>\$7,517,995</u>	<u>\$5,794,727</u>

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

Tuition activities are for those expenditures related to sending district resident students to high school and other special schools.

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

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

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

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

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

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

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

The dependence upon tax revenues is apparent. Over 73.4% of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 75.2%. The community, as a whole, is the primary support for the Harmony Township School District.

**The School District's Funds**

Information about the School District's major funds starts on page 24. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other sources of \$7,337,685 and expenditures of \$7,818,337. The General Fund's surplus balance decreased \$480,652 over 2016, which compares favorably to the budgeted decrease of \$1,030,877.

**General Fund Budgeting Highlights**

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

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

For the General Fund, budget basis revenue and other financing sources, excluding on-behalf payments, was \$6,597,512, \$6,572 over original budgeted estimates of \$6,590,940. This difference was due primarily to increases in tuition revenue.

General fund revenues fell short of expenditures by \$479,271. Again this deficit compares to a budgeted deficit of \$1,030,877, which was due to the budgeted use of prior year's excess surplus, prior year open orders, and maintenance reserve needed to balance the 2016-2017 budget. The budgeted deficit was reduced due to cost savings in instruction, and health benefits.

Overall general fund balance (budget basis) was \$2,314,959, and amounts ear-marked and reserved for future purposes were \$2,065,397, creating a surplus in unreserved fund balance of \$249,562. Management believes unreserved fund balance near statutory levels will provide adequate working capital for the district.

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

**Capital Assets**

At the end of the fiscal year 2017, the School District had \$4,846,700 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal 2017 balances compared to 2016.

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

	<u>2017</u>	<u>2016</u>
Land	\$ 2,500,000	\$ 2,500,000
Land Improvements	62,168	66,773
Buildings and Improvements	2,072,021	1,668,024
Machinery and Equipment	<u>212,511</u>	<u>46,637</u>
 Totals	 <u>\$ 4,846,700</u>	 <u>\$ 4,281,434</u>

Overall capital assets increased \$565,266 from fiscal year 2016 to fiscal year 2017. The increase in capital assets was due to capital additions, net of depreciation expense for the year.

Capital improvements of \$745,598 were purchased during fiscal year 2017, which included bathroom renovation costs, bleachers, LED sign, playground structure, and other various equipment.

**Debt Administration**

At June 30, 2017, the School District had \$25,373 as outstanding long term debt. Of this amount, \$25,373 is for compensated absences.

At June 30, 2017, the School District's overall legal debt margin was \$15,752,743 and the unvoted debt margin was the same.

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

**For the Future**

The Harmony Township School District is in very good financial condition presently. A major concern is the continued reliance on local property taxes in light of possible state funding decreases. However, future finances are not without challenges as the community continues to grow and state funding is expected to decrease.

It has been increasingly difficult to balance educational needs with increases in property tax rates. The steady decrease in state aid to offset local property taxes in a predominately bedroom community is thought to be the main reason for the problem. This problem seems to be statewide and is not exclusive to the Harmony Township School District. The Harmony Township School District is primarily a residential community, with very few ratables, thus the burden is focused on homeowners to bear the tax burden.

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

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information contact the School Business Administrator/ Board Secretary at Harmony Township School District, 2551 Belvidere Road, Phillipsburg, NJ, 08865.

# Basic Financial Statements

## **DISTRICT-WIDE FINANCIAL STATEMENTS**

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

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET POSITION

JUNE 30, 2017

	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 2,417,962	\$ 4,276	\$ 2,422,238
Receivables from Other Governments	10,979	826	11,805
Interfund Receivables		2,791	2,791
Inventory		4,265	4,265
Capital Assets, Net (Note 6):	4,846,700	3,587	4,850,287
<b>Total Assets</b>	<u>7,275,641</u>	<u>15,745</u>	<u>7,291,386</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Deferred Outflows		<u>389,582</u>	<u>389,582</u>
<b>LIABILITIES</b>			
Accounts Payable	130,588	2,787	133,375
Interfund Payables	2,791		2,791
Unearned Revenue	9,909	2,356	12,265
Net Pension Liability (Note 8)	1,325,458		1,325,458
Noncurrent Liabilities (Note 7):			
Due Beyond One Year	25,373		25,373
<b>Total Liabilities</b>	<u>1,494,119</u>	<u>5,143</u>	<u>1,499,262</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Deferred Inflows		<u>72,951</u>	<u>72,951</u>
<b>NET POSITION</b>			
Invested in Capital Assets, Net of Related Debt	4,846,700	3,587	4,850,287
Restricted for:			
Other Purposes	2,032,174		2,032,174
Unrestricted	(780,721)	7,015	(773,706)
<b>Total Net Position</b>	<u>\$ 6,098,153</u>	<u>\$ 10,602</u>	<u>\$ 6,108,755</u>

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

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit A-2

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	PROGRAM REVENUES			NET(EXPENSE) REVENUE AND CHANGES IN NET POSITION		TOTAL
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	
Governmental Activities:						
Instruction:						
Regular	\$ 3,142,612	\$ 35,750	\$ 824,395		\$ (2,282,467)	\$ (2,282,467)
Special Education	552,221		128,950		(423,271)	(423,271)
Other Special Instruction	245,704		57,375		(188,329)	(188,329)
Support Services:						
Tuition	1,721,977		402,103		(1,319,874)	(1,319,874)
Student & Instruction Related Serv.	923,107		277,642		(645,465)	(645,465)
School Administrative Services	211,575		49,405		(162,170)	(162,170)
General and Business Admin. Serv.	459,823		107,374		(352,449)	(352,449)
Plant Operations and Maintenance	718,570		167,795		(550,775)	(550,775)
Pupil Transportation	283,307		66,156		(217,151)	(217,151)
Other Charges	1,739				(1,739)	(1,739)
Unallocated Depreciation	18,033				(18,033)	(18,033)
Total Governmental Activities	8,278,668	35,750	2,081,195		(6,161,723)	(6,161,723)
Business-Type Activities:						
Food Service	74,619	48,835	24,855		\$ (929)	(929)
Total Business-Type Activities	74,619	48,835	24,855		(929)	(929)
Total Primary Government	\$ 8,353,287	\$84,585	\$2,106,050		(\$6,161,723)	(\$929) \$ (6,162,652)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes,Net				\$ 6,193,605		\$ 6,193,605
Investment Earnings				1,120		1,120
Miscellaneous Income				2,243	\$ -	2,243
Total General Revenues, Special Items, Extraor. Items and Transfers				6,196,968	-	6,196,968
Change in Net Position				35,245	(929)	34,316
Net Position—Beginning				6,062,908	11,531	6,074,439
Net Position—Ending				\$ 6,098,153	\$ 10,602	\$ 6,108,755

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



## **FUND FINANCIAL STATEMENTS**

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

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit B-1

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 2,408,053	\$ 9,909	\$ 2,417,962
Interfund Receivable			-
Other Receivables	2,663		2,663
Receivables from Other Governments	8,316		8,316
<b>TOTAL ASSETS</b>	<u>\$ 2,419,032</u>	<u>\$ 9,909</u>	<u>\$ 2,428,941</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Interfund Payable	\$ 2,791		\$ 2,791
Accounts Payable	130,588		130,588
Deferred Revenue		9,909	9,909
<b>Total Liabilities</b>	<u>133,379</u>	<u>9,909</u>	<u>143,288</u>
<b>Fund Balances:</b>			
<u>Restricted for:</u>			
Capital Reserve Account	1,114,174		1,114,174
Maintenance Reserve	518,000		518,000
<u>Assigned to:</u>			
Year-End Encumbrances	33,223		33,223
Designated for Subsequent Year's Expenditures	400,000		400,000
Capital Projects Fund			-
<u>Unassigned:</u>			
General Fund	220,256		220,256
<b>Total Fund Balances</b>	<u>2,285,653</u>		<u>2,285,653</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 2,419,032</u>	<u>\$ 9,909</u>	<u>\$ 2,428,941</u>

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$7,543,961 and the accumulated depreciation is \$2,697,261 (Note 6).	\$4,846,700
Deferred Outflows related to pension contributions subsequent to the Net Pension Liability measurement date and other deferred items are not current financial resources and therefore are not reported in the fund statements. (See Note 8)	389,582
Deferred Inflows related to pension actuarial gains from experience and differences in actual return and assumed returns and other deferred items are not reported as liabilities in the fund statements. (See Note 8)	(72,951)
Long-term liabilities, including Net Pension Liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 8)	(1,325,458)
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 7).	(25,373)
Net Position of governmental activities	<u>\$6,098,153</u>

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

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit B-2

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

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
<b>Local sources:</b>			
Local Tax Levy	\$ 6,193,605		\$ 6,193,605
Tuition	35,750		35,750
Interest on Capital Reserve Account	51		51
Miscellaneous	1,312	\$ 2,000	3,312
<b>Total - Local Sources</b>	<u>6,230,718</u>	<u>2,000</u>	<u>6,232,718</u>
<b>State Sources</b>	952,326		952,326
<b>Federal Sources</b>		152,641	152,641
<b>Total Revenues</b>	<u>7,183,044</u>	<u>154,641</u>	<u>7,337,685</u>
<b>EXPENDITURES</b>			
<b>Current:</b>			
Regular Instruction	1,630,858	92,556	1,723,414
Special Education Instruction	331,358		331,358
Other Special Instruction	147,434		147,434
Support services and undistributed costs:			
Tuition	1,721,977		1,721,977
Student and Instruction Related Services	491,822	62,085	553,907
School Administrative Services	126,955		126,955
Other Administrative Services	275,915		275,915
Plant Operations and Maintenance	431,175		431,175
Pupil Transportation	283,307		283,307
Unallocated Benefits	1,475,558		1,475,558
Transfer to Charter School			
<b>Debt Service:</b>			
Principal			
Interest and Other Charges			
<b>Capital Outlay</b>	747,337		747,337
<b>Total Expenditures</b>	<u>7,663,696</u>	<u>154,641</u>	<u>7,818,337</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(480,652)</u>		<u>(480,652)</u>
Net Change in Fund Balances	(480,652)		(480,652)
Fund Balance—July 1	2,766,305		2,766,305
<b>Fund Balance—June 30</b>	<u>\$ 2,285,653</u>		<u>\$ 2,285,653</u>

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

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit B-3

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

**Total Net Change in Fund Balances - Governmental Funds (from B-2)** \$ (480,652)

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	\$ (180,332)	
Capital Outlays	<u>745,598</u>	565,266

Pension contributions are reported in governmental funds as expenditures. However, in the statement of activities, the contributions are adjusted for actuarial valuation adjustments, including service and interest costs, administrative costs, investment returns, and experience/assumption. This is the amount by which net pension liability and deferred inflows/outflows related to pension changed during the period. (66,628)

In the statement of activities, compensated absences in the statement of activities is accrued, regardless of when due. In the governmental funds, the amounts are expensed and reported when due. This is the amount by which current year's amount of accrual exceeds the prior year's amount. 17,259

**Change in Net Position of Governmental Activities** \$ 35,245

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

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit B-4

STATEMENT OF PROPRIETARY NET POSITION  
 PROPRIETARY FUNDS

JUNE 30, 2017

		<b>Business-Type Activities - Enterprise Funds</b>	
		<b><u>Food Service</u></b>	<b><u>Totals</u></b>
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and Cash Equivalents	\$	4,276	\$ 4,276
Accounts Receivable		826	826
Interfund Receivables		2,791	2,791
Inventories		4,265	4,265
<b>Total Current Assets</b>		<u>12,158</u>	<u>12,158</u>
<b>Noncurrent Assets:</b>			
Furniture, Machinery and Equipment		33,132	33,132
Less Accumulated Depreciation		(29,545)	(29,545)
<b>Total Noncurrent Assets</b>		<u>3,587</u>	<u>3,587</u>
	<b>Total Assets</b>	<u><b>15,745</b></u>	<u><b>15,745</b></u>
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts Payable		2,787	2,787
Deferred Revenue		2,356	2,356
<b>Total Current Liabilities</b>		<u>5,143</u>	<u>5,143</u>
	<b>Total Liabilities</b>	<u><b>5,143</b></u>	<u><b>5,143</b></u>
<b>NET POSITION</b>			
Invested in Capital Assets Net of Related Debt		3,587	3,587
Unrestricted		7,015	7,015
<b>Total Net Position</b>		<u><b>\$ 10,602</b></u>	<u><b>\$ 10,602</b></u>

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

	<b>Business-type Activities - Enterprise Fund</b>	
	<b>Food Service</b>	<b>Total Enterprise</b>
<b>Operating Revenues:</b>		
Charges for Services:		
Daily Sales - Reimbursable/Non-Reimb. Programs	\$ 40,853	\$ 40,853
Daily Sales - Non-Reimb. Programs	7,982	7,982
Miscellaneous		
<b>Total Operating Revenues</b>	<b>48,835</b>	<b>48,835</b>
<b>Operating Expenses:</b>		
Cost of Sales - Reimbursable Programs	31,533	31,533
Cost of Sales - Non-reimbursable Programs	3,746	3,746
Salaries	22,020	22,020
Employee Benefits	5,494	5,494
Supplies	3,150	3,150
Other Purchased Professional Services	7,480	7,480
Depreciation	1,196	1,196
<b>Total Operating Expenses</b>	<b>74,619</b>	<b>74,619</b>
Operating Income (Loss)	(25,784)	(25,784)
<b>Nonoperating Revenues (Expenses):</b>		
State Sources:		
State School Lunch Program	769	769
Federal Sources:		
National School Lunch Program	17,424	17,424
Food Distribution Program	6,348	6,348
Special Milk Program	314	314
<b>Total Nonoperating Revenues (Expenses)</b>	<b>24,855</b>	<b>24,855</b>
Income (Loss) Before Contributions and Transfers	(929)	(929)
Change in Net Position	(929)	(929)
Total Net Position—Beginning	11,531	11,531
<b>Total Net Position—Ending</b>	<b>\$ 10,602</b>	<b>\$ 10,602</b>

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

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit B-6

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

For the Year Ended June 30, 2017

	<b>Business-Type Activities - Enterprise Funds</b>	
	<b><u>Food Service</u></b>	<b><u>Total Enterprise</u></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers	\$ 48,835	\$ 48,835
Payments to Employees	(22,020)	(22,020)
Payments for Employee Benefits	(5,494)	(5,494)
Payments to Suppliers	(37,110)	(37,110)
<b>Net Cash Provided by (used for) Operating Activities</b>	<b><u>(15,789)</u></b>	<b><u>(15,789)</u></b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State Sources	943	943
Federal Sources	21,538	21,538
Operating Subsidies and Transfers to Other Funds	(2,481)	(2,481)
<b>Net Cash Provided by (used for) Non-Capital Financing Activities</b>	<b><u>20,000</u></b>	<b><u>20,000</u></b>
Net Increase (Decrease) in Cash and Cash Equivalents	4,211	4,211
Balances—Beginning of Year	65	65
<b>Balances—End of Year</b>	<b><u>\$ 4,276</u></b>	<b><u>\$ 4,276</u></b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:</b>		
Operating Income (Loss)	\$ (25,784)	\$ (25,784)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:		
Depreciation and Net Amortization	1,196	1,196
Federal Commodities	6,348	6,348
(Increase) Decrease in Accounts Receivable		
(Increase) Decrease in Inventories	(1,379)	(1,379)
Increase (Decrease) in Accounts Payable	3,830	3,830
Total Adjustments	<u>9,995</u>	<u>9,995</u>
Net Cash Provided by (used for) Operating Activities	<b><u>\$ (15,789)</u></b>	<b><u>\$ (15,789)</u></b>

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

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit B-7

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS

JUNE 30, 2017

	<b>Unemployment Compensation Trust</b>	<b>Agency Fund</b>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 200,708	\$ 15,852
Interfund Receivable	5,242	-
	<u>205,950</u>	<u>-</u>
<b>Total Assets</b>	<b><u>\$ 205,950</u></b>	<b><u>\$ 15,852</u></b>
<b>LIABILITIES</b>		
Accounts Payable		\$ 1,465
Payroll Deductions		1,116
Interfund Payable		5,242
Payable to Student Groups		<u>8,029</u>
<b>Total Liabilities</b>		<b><u>\$ 15,852</u></b>
<b>NET POSITION</b>		
Held in Trust for Unemployment Claims & Other Purposes	<u>\$ 205,950</u>	<u>                    </u>

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



HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit B-8

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

For the Year Ended June 30, 2017

	<b>Unemployment Compensation <u>Trust</u></b>
<b>ADDITIONS</b>	
Contributions:	
Plan Member	\$ 5,242
Total Contributions	<u>5,242</u>
Investment Earnings:	
Interest	<u>20</u>
Net Investment Earnings	<u>20</u>
<b>Total Additions</b>	<b><u>5,262</u></b>
<b>DEDUCTIONS</b>	
Unemployment Claims	<u>-</u>
<b>Total Deductions</b>	<b><u>-</u></b>
Change in Net Position	5,262
Net Position—Beginning of the Year	<u>200,688</u>
<b>Net Position—End of the Year</b>	<b><u>\$ 205,950</u></b>

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

# Notes to Financial Statements

HARMONY TOWNSHIP SCHOOL DISTRICT

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

**A. Reporting Entity:**

The Harmony Township School District is a Type II district located in the County of Warren, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The board is comprised of nine members elected to three-year terms. The purpose of the district is to educate students in grades K-8. The Harmony Township School District had an approximate enrollment at June 30, 2017, of 252 students.

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

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

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

HARMONY TOWNSHIP SCHOOL DISTRICT

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation, Basis of Accounting:**

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

**Basis of Presentation**

*District-wide Statements:* The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activity of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees and charged to external parties. The statement of net position presents the financial condition of the governmental and business-type activity of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the District and for each function of the District's governmental activities.

Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the School District.

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

**GOVERNMENTAL FUNDS**

The District reports the following governmental funds:

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

HARMONY TOWNSHIP SCHOOL DISTRICT

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**GOVERNMENTAL FUNDS (Continued)**

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

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

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

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

**PROPRIETARY FUNDS**

The District reports the following proprietary fund:

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

HARMONY TOWNSHIP SCHOOL DISTRICT

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Additionally, the District reports the following fund type:

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

**Measurement Focus-Basis of Accounting**

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

*District-wide, Proprietary, and Fiduciary Fund Financial Statements:* The District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the enterprise fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures. Ad Valorem (Property) Taxes are susceptible to accrual as under New Jersey Statute a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year.

The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental Fund Financial Statements:* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Budgets/Budgetary Control:**

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

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

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

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

**D. Encumbrance Accounting:**

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

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

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

HARMONY TOWNSHIP SCHOOL DISTRICT

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities and Equity:**

**Cash and Cash Equivalents:**

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

**Interfund Transactions:**

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

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

**Inventories:**

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

**Allowance for Uncollectible Accounts:**

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

**Capital Assets:**

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

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

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



HARMONY TOWNSHIP SCHOOL DISTRICT

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities and Equity (Continued):**

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

**Compensated Absences:**

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

District employees are granted sick leave in varying amounts under the District's contracted personnel policies. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after fifteen years of service and payment is made on predetermined levels at retirement with provisions of the state retirement system.

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

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

**Deferred Revenue:**

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

**Accrued Liabilities and Long-Term Obligations:**

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

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities and Equity (Continued):**

**Net Position:**

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

**Fund Balance Reserves:**

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

**Revenues—Exchange and Nonexchange Transactions**

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

HARMONY TOWNSHIP SCHOOL DISTRICT

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities and Equity (Continued):**

**Operating Revenues and Expenses:**

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

**Allocation of Indirect Expenses:**

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

**Extraordinary and Special Items:**

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

**Management Estimates:**

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

**NOTE 2: CASH AND CASH EQUIVALENTS**

**Deposits:**

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

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

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

HARMONY TOWNSHIP SCHOOL DISTRICT

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

**NOTE 2: CASH AND CASH EQUIVALENTS (Continued):**

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

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

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

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

	<u>Cash and Cash Equivalents(A-1)</u>	<u>Cash and Cash Equivalents(B-7)</u>	<u>Total</u>
Checking Accounts	\$ 2,422,238	\$216,560	\$2,638,798
	<u>\$2,422,238</u>	<u>\$216,560</u>	<u>\$2,638,798</u>

The carrying amount of the Board's cash and cash equivalents at June 30, 2017, was \$2,638,798 and the bank balance was \$2,723,546. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes. Of these bank balances, \$250,000 was covered by federal depository insurances and \$2,473,546 was covered by collateral pool.

Custodial Credit Risk: Pursuant to GASB 40, the NJCMF, which is a pooled investment, is exempt from custodial credit risk disclosure. The district does not have a policy for custodial credit risk.

Credit Risk: The district does not have an investment policy regarding the management of credit risk. GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government. The NJCMF is not rated by a rating agency.

Interest Rate Risk: The district does not have a policy to limit interest rate risk. The average maturity of the district's investments is less than one year.

HARMONY TOWNSHIP SCHOOL DISTRICT

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

**NOTE 3: RECEIVABLES**

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

	Governmental Fund Financial Statements	Government-Wide Financial Statements
Tuition and Other	\$ 2,663	\$ 2,663
State Aid	8,316	8,352
Federal Aid	-	790
Gross Receivable	<u>10,979</u>	<u>11,805</u>
Less: Allow. for Uncollectibles		
Total Receivables, Net	<u>\$ 10,979</u>	<u>\$ 11,805</u>

The Tax Levy receivable of \$1,548,401 was collected from the Township on July 12, 2017.

**NOTE 4: INVENTORY**

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

Food	\$ 4,265
	<u>\$ 4,265</u>

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

**NOTE 6: CAPITAL ASSETS**

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

	Beginning Balance	Additions	Retirements	Ending Balance
<b>Governmental Activities:</b>				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 2,500,000			\$ 2,500,000
Total Capital Assets Not Being Depreciated	<u>2,500,000</u>	-	-	<u>2,500,000</u>
<i>Capital Assets Being Depreciated:</i>				
Land Improvements	94,200			94,200
Buildings and Building Improvements	3,897,623	\$ 541,646		4,439,269
Machinery and Equipment	306,540	203,952		510,492
Total at Historical Cost	<u>4,298,363</u>	<u>745,598</u>	-	<u>5,043,961</u>

HARMONY TOWNSHIP SCHOOL DISTRICT

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

**NOTE 6: CAPITAL ASSETS - (Continued)**

Less Accumulated Depreciation for:

Land Improvements	(27,427)	(4,605)	(32,032)
Building and Improvements	(2,229,599)	(137,649)	(2,367,248)
Equipment	(259,903)	(38,078)	(297,981)
Total Accumulated Depreciation	<u>(2,516,929)</u>	<u>(180,332)</u>	- (2,697,261)
Total Capital Assets Being Depreciated, net of Accumulated Depreciation	<u>1,781,434</u>	<u>565,266</u>	- 2,346,700
<b>Government Activity Capital Assets, Net</b>	<b><u>\$ 4,281,434</u></b>	<b><u>\$ 565,266</u></b>	<b><u>\$ - \$ 4,846,700</u></b>

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

Depreciation expense was charged to functions as follows:

Regular Instruction	\$ 162,299
Unallocated	<u>18,033</u>
Total	<u>\$ 180,332</u>

**NOTE 7: LONG-TERM OBLIGATIONS**

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

**A. Long-Term Obligation Activity:**

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

	Balance <u>7/1/2016</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>6/30/2017</u>	Amounts Due Within <u>One Year</u>
<b>Governmental Activities:</b>					
Other Liabilities:					
Compensated Absences Payable	\$42,632		(\$17,259)	\$25,373	-
<b>Total</b>	<u>\$42,632</u>	<u>-</u>	<u>(17,259)</u>	<u>\$25,373</u>	<u>-</u>

HARMONY TOWNSHIP SCHOOL DISTRICT

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

**NOTE 7: LONG-TERM OBLIGATIONS - (Continued)**

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

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

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

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

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

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

**NOTE 8: PENSION PLANS**

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

Teachers' Pension and Annuity Fund (TPAF) - The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, 100% of employer contributions are made by the State of New Jersey on behalf of the District and the system's other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

HARMONY TOWNSHIP SCHOOL DISTRICT

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

**NOTE 8: PENSION PLANS (Continued)**

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

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

The employer contributions for the district are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, the district (employer) is considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the district (employer) does not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the district. However, the state's portion of the net pension liability that was associated with the district was \$16,149,833 as measured on June 30, 2016 and \$11,901,730 measured on June 30, 2015.

*For the year ended June 30, 2017, the District recognized pension expense of \$1,213,435 and revenue of \$1,213,435 for support provided by the State. The measurement period for the pension expense and revenue reported in the district's financial statements (A-2) at June 30, 2017 is based upon changes in the collective net pension liability with a measurement period of June 30, 2015 through June 30, 2016. Accordingly, the pension expense and the related revenue associated with the support provided by the State is based upon the changes in the collective net pension liability between July 1, 2015 and June 30, 2016.*

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

	<u>6/30/2015</u>	<u>6/30/2016</u>
Collective deferred outflows of resources	\$7,521,378,257	\$17,440,003,201
Collective deferred inflows of resources	\$554,399,005	\$195,027,919
Collective net pension liability (Nonemployer-State of New Jersey)	\$63,204,270,305	\$78,666,367,052
State's portion of the net pension liability that was associated with the district	\$11,901,730	\$16,149,833
State's portion of the net pension liability that was associated with the district as a percentage of the collective net pension liability	0.018831%	0.020530%



HARMONY TOWNSHIP SCHOOL DISTRICT

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

**NOTE 8: PENSION PLANS (Continued)**

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

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

Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60-year average of Social Security data from 1953 to 2013.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

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

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

HARMONY TOWNSHIP SCHOOL DISTRICT

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

**NOTE 8: PENSION PLANS (Continued)**

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

Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2029 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

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

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

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

HARMONY TOWNSHIP SCHOOL DISTRICT

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

**NOTE 8: PENSION PLANS (Continued)**

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

At June 30, 2017, the District reported a liability of \$1,325,458 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014. The District's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2016 and 2015. At June 30, 2016, the District's proportion was 0.00448% which was a decrease of 0.00012% from its proportion measured as of June 30, 2015.

*For the year ended June 30, 2017, the District recognized pension expense of \$106,737. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:*

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Differences between expected and actual experience	\$ 24,650	-
Changes of assumptions	274,564	
Net difference between projected and actual earnings on pension plan investments	50,541	
Changes in proportion and differences between District contributions and proportionate share of contributions	-	\$ 72,951
District contributions subsequent to the measurement date	39,827	
Total	<u>\$ 389,582</u>	<u>\$ 72,951</u>

\$39,827 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2017, the plan measurement date is June 30, 2016) will be recognized as a reduction of the net pension liability measured as of June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Year Ended June 30:</u>
2017	\$62,320
2018	62,320
2019	72,200
2020	60,658
2021	<u>19,306</u>
Total	<u>\$276,804</u>

HARMONY TOWNSHIP SCHOOL DISTRICT

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

**NOTE 8: PENSION PLANS (Continued)**

	<u>6/30/2015</u>	<u>6/30/2016</u>
Collective deferred outflows of resources	\$3,578,755,666	\$8,685,338,380
Collective deferred inflows of resources	993,410,455	870,133,595
Collective net pension liability (Non State - Local Group)	\$22,447,996,119	\$29,617,131,759
District's portion of net pension liability	\$1,030,684	\$1,325,458
District's proportion %	0.00459143%	0.00447531%

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

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

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

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

*Long-Term Expected Rate of Return* - In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

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

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

**NOTE 8: PENSION PLANS (Continued)**

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

Based on those assumptions, the plan’s fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>(2.98%)</u>	<u>(3.98%)</u>	<u>(4.98%)</u>
District's proportionate share of the net pension liability	\$ 1,624,194	\$ 1,325,458	\$ 1,078,825

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

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

HARMONY TOWNSHIP SCHOOL DISTRICT

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

**NOTE 8: PENSION PLANS (Continued)**

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

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

The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

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

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

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

HARMONY TOWNSHIP SCHOOL DISTRICT

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

**NOTE 8: PENSION PLANS (Continued)**

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

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

Three-Year Trend Information for PERS

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2017	\$39,827	100 %	-0-
6/30/2016	\$39,474	100 %	-0-
6/30/2015	\$37,973	100 %	-0-

Three-Year Trend Information for TPAF (Paid on-behalf of the District)

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2017	\$237,207	100 %	-0-
6/30/2016	\$164,367	100 %	-0-
6/30/2015	\$101,805	100 %	-0-

During the fiscal year ended June 30, 2017, the State of New Jersey did contribute \$434,304 the TPAF for post-retirement benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$152,609 during the year ended June 30, 2017, for the employer’s share of social security contributions for TPAF members, as calculated on their base salaries. The PERS amounts have been included in the fund-based statements as pension expense and the TPAF on-behalf amounts have been included in fund-based statements as revenues and expenditures. The PERS and TPAF amounts have been modified and included in the District-wide financial statements in accordance with GASB Statement No. 68.

HARMONY TOWNSHIP SCHOOL DISTRICT

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

**NOTE 9: POST-RETIREMENT BENEFITS**

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

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

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

**NOTE 10: DEFERRED COMPENSATION**

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

Equitable  
Legg Mason  
Roth IRA

**NOTE 11: COMPENSATED ABSENCES**

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

District employees are granted sick leave in varying amounts under the District's contracted personnel policies. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after fifteen years of service and payment is made on predetermined levels at retirement with provisions of the state retirement system.



HARMONY TOWNSHIP SCHOOL DISTRICT

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

**NOTE 11: COMPENSATED ABSENCES-(Continued)**

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

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

**NOTE 12: RISK MANAGEMENT**

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

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

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2016-2017	\$20	\$5,242	-	\$205,950
2015-2016	\$19	\$9,561	\$2,082	\$200,688
2014-2015	\$15	\$4,930	\$7,845	\$193,190

**NOTE 13: CONTINGENT LIABILITIES**

**GRANT PROGRAMS**

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

**LITIGATION**

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

HARMONY TOWNSHIP SCHOOL DISTRICT

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

**NOTE 14: FUND BALANCE APPROPRIATED**

General Fund (Exhibit B-1) - Of the \$2,285,653 General Fund fund balance at June 30, 2017, \$33,223 has been reserved for encumbrances; \$1,114,174 has been reserved in the Capital Reserve Account; \$518,000 has been reserved in the Maintenance Reserve Account; \$400,000 is appropriated and included as anticipated revenue for the year ending June 30, 2018; and \$220,256 is unreserved and undesignated.

**NOTE 15: CAPITAL RESERVE ACCOUNT**

A capital reserve account was established by the Harmony Township School District Board of Education by inclusion of \$110,000 in the 89-90 capital outlay budget, for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

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

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

Beginning Balance, July 1, 2016	\$804,124
Deposits (PL 2007 c.62 (A1)) - June 12, 2017 Resolution	310,050
Ending Balance, June 30, 2017	<u>\$1,114,174</u>

The June 30, 2017 LRFP balance of local support costs of uncompleted capital projects at June 30, 2017 is \$1,114,174.

**NOTE 16: MAINTENANCE RESERVE ACCOUNT**

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

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

Beginning balance July 1, 2016	\$ 710,000
Budgeted Withdrawal	(210,000)
Deposits (PL 2007 c.62 (A1)) - June 12, 2017 Resolution	<u>18,000</u>
Ending balance June 30, 2017	<u>\$ 518,000</u>

HARMONY TOWNSHIP SCHOOL DISTRICT

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

**NOTE 17: CALCULATION OF EXCESS SURPLUS**

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

**NOTE 18: TUITION ADJUSTMENTS**

A comparison of tentative tuition charges and actual certified tuition charges was made by the receiving district (Belvidere School District) for fiscal year 2013-2015 and certified by the state department. The resulting 2013-2015 tuition adjustment in accordance with N.J.A.C 6a:23-3.1(f)3, was due in fiscal year 2016-2017, and was paid as part of the 2016-2017 adjusted tuition billings.

**NOTE 19: INTERFUND BALANCES**

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	-	\$ 2,791
Food Service Fund	\$ 2,791	
Total	<u>\$ 2,791</u>	<u>\$ 2,791</u>

The general fund owes the current fund for subsidy payments not yet paid over to food service.

**NOTE 20: TAX ABATEMENTS**

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



**REQUIRED SUPPLEMENTARY INFORMATION - PART II**

**BUDGETARY COMPARISON SCHEDULES**

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable/ (Unfavorable)</u>
<b>REVENUES:</b>					
<b>Local Sources:</b>					
Local Tax Levy	\$ 6,193,605		\$ 6,193,605	\$ 6,193,605	
Tuition	25,000		25,000	35,750	\$ 10,750
Interest on Capital Reserve Account				51	51
Miscellaneous	6,050		6,050	1,312	(4,738)
<b>Total - Local Sources</b>	<b>6,224,655</b>		<b>6,224,655</b>	<b>6,230,718</b>	<b>6,063</b>
<b>State Sources:</b>					
Transportation Aid	105,722		105,722	105,722	
Special Education Aid	219,129		219,129	219,129	
Security Aid	31,434		31,434	31,434	
PARCC Readiness Aid	3,320		3,320	3,320	
Per Pupil Growth Aid	3,320		3,320	3,320	
Prof. Learning Comm Aid	3,360		3,360	3,360	
Other State Aid				509	509
TPAF Pension (On-Behalf - Non-Budgeted)				236,546	236,546
TPAF Post Retirement Medical (On-Behalf - Non-Budgeted)				197,097	197,097
TPAF Pension LTD Insurance (On-Behalf - Non-Budgeted)				661	661
TPAF Social Security (Reimbursed - Non-Budgeted)				152,609	152,609
<b>Total State Sources</b>	<b>366,285</b>		<b>366,285</b>	<b>953,707</b>	<b>587,422</b>
<b>TOTAL REVENUES</b>	<b>6,590,940</b>		<b>6,590,940</b>	<b>7,184,425</b>	<b>593,485</b>

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable/ (Unfavorable)</u>
<b>EXPENDITURES:</b>					
<b>Current Expense:</b>					
<b>Regular Programs - Instruction</b>					
Pre-Kindergarten - Salaries of Teachers	69,290	26,925	96,215	95,778	437
Kindergarten - Salaries of Teachers	169,509	(69,325)	100,184	99,195	989
Grades 1-5 - Salaries of Teachers	820,724		820,724	741,818	78,906
Grades 6-8 - Salaries of Teachers	477,042		477,042	471,300	5,742
<b>Regular Programs - Home Instruction:</b>					
Salaries of Teachers	3,000		3,000	1,687	1,313
<b>Regular Programs - Undistributed Instruction</b>					
Other Salaries for Instruction	46,000		46,000	37,913	8,087
Purchased Professional - Educational Services	10,800	25,275	36,075	27,897	8,178
Purchased Technical Services	65,000		65,000	27,271	37,729
Other Purchased Services (400-500 series)	38,000		38,000	25,602	12,398
General Supplies	134,000	2,000	136,000	87,791	48,209
Textbooks	20,000		20,000	13,721	6,279
Other Objects	1,000		1,000	885	115
<b>TOTAL REGULAR PROGRAMS - INSTRUCTION</b>	<b>1,854,365</b>	<b>(15,125)</b>	<b>1,839,240</b>	<b>1,630,858</b>	<b>208,382</b>
<b>SPECIAL EDUCATION - INSTRUCTION</b>					
<b>Resource Room/Resource Center:</b>					
Salaries of Teachers	270,511	49,215	319,726	314,195	5,531
Other Salaries for Instruction	73,773	(57,215)	16,558	15,339	1,219
General Supplies	3,000		3,000	1,824	1,176
<b>Total Resource Room/Resource Center</b>	<b>347,284</b>	<b>(8,000)</b>	<b>339,284</b>	<b>331,358</b>	<b>7,926</b>
<b>TOTAL SPECIAL EDUCATION - INSTRUCTION</b>	<b>347,284</b>	<b>(8,000)</b>	<b>339,284</b>	<b>331,358</b>	<b>7,926</b>



HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>Basic Skills/Remedial - Instruction:</b>					
Salaries of Teachers	54,261	80,675	134,936	134,596	340
Other Salaries for Instruction		900	900		900
General Supplies	3,000	(1,675)	1,325		1,325
<b>Total Basic Skills/Remedial - Instruction</b>	<b>57,261</b>	<b>79,900</b>	<b>137,161</b>	<b>134,596</b>	<b>2,565</b>
<b>School Sponsored Co/Extra Curricular Activities-Instruction:</b>					
Salaries	31,000	(380)	30,620	11,458	19,162
Supplies and Materials	500	880	1,380	1,380	
Other Objects					
<b>Total School Sponsored Cocurricular Activities-Instruc.</b>	<b>31,500</b>	<b>500</b>	<b>32,000</b>	<b>12,838</b>	<b>19,162</b>
<b>Before/After School Programs:</b>					
Salaries	18,000	8,620	26,620	26,620	
Supplies and Materials	500	(500)			
<b>Total Before/After School Programs</b>	<b>18,500</b>	<b>8,120</b>	<b>26,620</b>	<b>26,620</b>	
<b>Summer School:</b>					
Salaries	20,000	(8,620)	11,380	6,000	5,380
<b>Total Summer School</b>	<b>20,000</b>	<b>(8,620)</b>	<b>11,380</b>	<b>6,000</b>	<b>5,380</b>
<b>TOTAL INSTRUCTION</b>	<b>2,328,910</b>	<b>56,775</b>	<b>2,385,685</b>	<b>2,142,270</b>	<b>243,415</b>
<b>UNDISTRIBUTED EXPENDITURES</b>					
<b>Instruction:</b>					
Tuition to Other LEAs Within the State-Regular	1,538,897	(21,000)	1,517,897	1,512,416	5,481
Tuition to Other LEAs Within the State-Special	101,000		101,000	98,561	2,439
Tuition to County Voc. District - Regular	67,000		67,000	67,000	
Tuition to County Voc. District - Special	44,000		44,000	44,000	
<b>Total Instruction</b>	<b>1,750,897</b>	<b>(21,000)</b>	<b>1,729,897</b>	<b>1,721,977</b>	<b>7,920</b>

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>Health Services:</b>					
Salaries	58,190	500	58,690	53,756	4,934
Purchased Professional and Technical Services	500		500		500
Supplies and Materials	3,000		3,000	2,890	110
<b>Total Health Services</b>	<b>61,690</b>	<b>500</b>	<b>62,190</b>	<b>56,646</b>	<b>5,544</b>
<b>Other Supp. Services Students-Related Services:</b>					
Salaries	66,095		66,095	64,495	1,600
Purchased Professional - Educational Services	70,000	(33,244)	36,756	36,756	
Supplies and Materials	1,500		1,500	405	1,095
<b>Total Other Supp. Services Students-Related Services</b>	<b>137,595</b>	<b>(33,244)</b>	<b>104,351</b>	<b>101,656</b>	<b>2,695</b>
<b>Other Supp. Services Students-Extra.Serv.:</b>					
Salaries	76,460		76,460	74,609	1,851
<b>Total Other Supp. Services Students-Extra.Serv.</b>	<b>76,460</b>		<b>76,460</b>	<b>74,609</b>	<b>1,851</b>
<b>Other Supp. Services Students-Regular:</b>					
Salaries of Other Professional Staff	20,000	(20,000)			
Other Purchased Professional and Technical Services	9,800	26,000	35,800	27,040	8,760
Supplies and Materials	250		250	41	209
<b>Total Other Supp. Services Students-Regular</b>	<b>30,050</b>	<b>6,000</b>	<b>36,050</b>	<b>27,081</b>	<b>8,969</b>
<b>Other Supp. Services Students-Special:</b>					
Salaries of Other Professional Staff	97,121	(12,510)	84,611	84,611	
Salaries of Secretarial and Clerical Assistants	9,537	(241)	9,296	9,029	267
Other Purchased Professional and Technical Services	6,500	202	6,702	5,775	927
Misc. Purchased Services (400-500 series O/than Resid.Costs)	500	337	837	837	
Supplies and Materials	2,200	212	2,412	2,412	
<b>Total Other Supp. Services Students-Special</b>	<b>115,858</b>	<b>(12,000)</b>	<b>103,858</b>	<b>102,664</b>	<b>1,194</b>

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>Improvement of Instruction Services:</b>					
Salaries of Other Professional Staff	5,000	8,500	13,500	13,431	69
Other Purchased Professional and Technical Services	5,000	(2,756)	2,244	2,012	232
<b>Total Improvement of Instruction Services</b>	<b>10,000</b>	<b>5,744</b>	<b>15,744</b>	<b>15,443</b>	<b>301</b>
<b>Educational Media Services/School Library:</b>					
Salaries	56,490		56,490	49,965	6,525
Supplies and Materials	6,500	1,550	8,050	7,867	183
Other Objects	5,000	(1,550)	3,450	3,089	361
<b>Total Educational Media Services/School Library</b>	<b>67,990</b>		<b>67,990</b>	<b>60,921</b>	<b>7,069</b>
<b>Instructional Staff Training Services:</b>					
Other Purchased Services (400-500 series)	15,000	5,900	20,900	20,182	718
Supplies and Materials	500		500		500
<b>Total Instructional Staff Training Services</b>	<b>15,500</b>	<b>5,900</b>	<b>21,400</b>	<b>20,182</b>	<b>1,218</b>
<b>Supp. Services - General Administration:</b>					
Salaries	27,575		27,575	27,421	154
Legal Services	8,250		8,250	4,062	4,188
Audit Fees	15,500		15,500	14,464	1,036
Other Purchased Professional Services	4,000	(4,000)			
Communications/Telephone	7,500	375	7,875	2,362	5,513
BOE Other Purchased Services	3,500		3,500	3,241	259
Other Purchased Services (400-500 series)	83,365	4,000	87,365	69,109	18,256
General Supplies	6,000		6,000	1,167	4,833
BOE In house Training/Meeting Supplies	100		100		100
Miscellaneous Expenditures	500	(200)	300		300
BOE Membership Dues and Fees	4,100	2,700	6,800	4,150	2,650
<b>Total Supp. Services - General Administration</b>	<b>160,390</b>	<b>2,875</b>	<b>163,265</b>	<b>125,976</b>	<b>37,289</b>

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>Support Services - School Administration:</b>					
Salaries of Principals	92,497		92,497	92,273	224
Salaries of Secretarial and Clerical Assistants	28,611		28,611	28,264	347
Purchased Professional and Technical Services	6,000	(5,200)	800	40	760
Other Purchased Services (400-500 series)	750		750	615	135
Supplies and Materials	2,500	2,700	5,200	4,198	1,002
Other Objects	1,750		1,750	1,565	185
<b>Total Support Services - School Administration</b>	<b>132,108</b>	<b>(2,500)</b>	<b>129,608</b>	<b>126,955</b>	<b>2,653</b>
<b>Central Services:</b>					
Salaries	24,298		24,298	24,239	59
Purchased Professional Services	21,000		21,000	13,203	7,797
Misc. Purchased Services (400-500 series)	75,000		75,000	75,000	
Supplies and Materials	4,000		4,000	3,142	858
<b>Total Central Services</b>	<b>124,298</b>		<b>124,298</b>	<b>115,584</b>	<b>8,714</b>
<b>Administrative Information Tech.:</b>					
Salaries	25,000		25,000	25,000	
Purchased Technical Services	15,500		15,500	9,355	6,145
Supplies and Materials	6,000		6,000		6,000
<b>Total Administrative Information Tech.</b>	<b>46,500</b>		<b>46,500</b>	<b>34,355</b>	<b>12,145</b>
<b>Required Maintenance for School Facilities:</b>					
Salaries	94,245	4,955	99,200	94,261	4,939
Cleaning, Repair and Maintenance Services	88,960	42,188	131,148	110,483	20,665
General Supplies	28,500	2,295	30,795	26,585	4,210
<b>Total Required Maintenance for School Facilities</b>	<b>211,705</b>	<b>49,438</b>	<b>261,143</b>	<b>231,329</b>	<b>29,814</b>
<b>Other Operations and Maintenance of Plant:</b>					
Salaries	80,379	(4,955)	75,424	74,088	1,336
Cleaning, Repair and Maintenance Services	11,000		11,000	2,984	8,016
Insurance	36,000	(1,500)	34,500	33,835	665
Miscellaneous Purchased Services	9,500	(8,000)	1,500	166	1,334
General Supplies	16,000	6,124	22,124	19,807	2,317
Energy (Electricity)	78,000	(30,000)	48,000	42,365	5,635
Energy (Oil)	73,000	(17,078)	55,922	26,601	29,321
<b>Total Other Operations and Maintenance of Plant</b>	<b>303,879</b>	<b>(55,409)</b>	<b>248,470</b>	<b>199,846</b>	<b>48,624</b>

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>Student Transportation Services</b>					
Salaries of Non-Instructional Aides	3,000	(3,000)			
Management Fee	1,000		1,000	808	192
Contracted Services - Aid in Lieu of Payments-Nonpublic Sch.	7,072	(3,000)	4,072	3,536	536
Contracted Services (Bet. Home and School)-Vendors	225,666	(2,000)	223,666	223,337	329
Contrac.Serv.(Other than Bet.Home and School)-Vendors	2,000	5,000	7,000	6,162	838
Contr Serv (Regular Students) - ESCs & CTSA	21,481	(12,450)	9,031	6,471	2,560
Contr Serv (Sp. Ed. Students) - ESCs & CTSA	7,050	45,450	52,500	42,993	9,507
<b>Total Student Transportation Services</b>	<b>267,269</b>	<b>30,000</b>	<b>297,269</b>	<b>283,307</b>	<b>13,962</b>
<b>UNALLOCATED BENEFITS</b>					
Social Security Contributions	55,000		55,000	53,836	1,164
Other Retirement Contributions - PERS	46,000		46,000	39,827	6,173
Other Retirement Contributions - Regular	3,800		3,800	345	3,455
Unemployment Compensation	40,000	(27,862)	12,138		12,138
Workmen's Compensation	27,500		27,500	24,508	2,992
Health Benefits	865,515	(70,000)	795,515	760,980	34,535
Tuition Reimbursement	15,000		15,000	7,114	7,886
Other Employee Benefits	16,500		16,500	2,035	14,465
<b>TOTAL UNALLOCATED BENEFITS</b>	<b>1,069,315</b>	<b>(97,862)</b>	<b>971,453</b>	<b>888,645</b>	<b>82,808</b>

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
On-behalf TPAF pension Contrib. (non-budgeted)				236,546	(236,546)
On-behalf TPAF PRM Contrib. (non-budgeted)				197,097	(197,097)
On-behalf TPAF pension LTD Ins. (non-budgeted)				661	(661)
Reimbursed TPAF Social Security Contrib. (non-budgeted)				152,609	(152,609)
<b>TOTAL ON-BEHALF CONTRIBUTIONS</b>				<b>586,913</b>	<b>(586,913)</b>
<b>TOTAL PERSONAL SERVICES-EMPLOYEE BENEFITS</b>	<b>1,069,315</b>	<b>(97,862)</b>	<b>971,453</b>	<b>1,475,558</b>	<b>(504,105)</b>
<b>TOTAL UNDISTRIBUTED EXPENDITURES</b>	<b>4,581,504</b>	<b>(121,558)</b>	<b>4,459,946</b>	<b>4,774,089</b>	<b>(314,143)</b>
<b>TOTAL GENERAL CURRENT EXPENSE</b>	<b>6,910,414</b>	<b>(64,783)</b>	<b>6,845,631</b>	<b>6,916,359</b>	<b>(70,728)</b>
<b>Equipment:</b>					
Undistributed Expenditures - Required for Sch. Maintenance		207,817	207,817	203,952	3,865
<b>Total Equipment</b>		<b>207,817</b>	<b>207,817</b>	<b>203,952</b>	<b>3,865</b>
<b>Facilities Acquisition and Construction Services</b>					
Construction Services		566,630	566,630	541,646	24,984
Assessment for Debt Service on SDA Funding	1,739		1,739	1,739	
<b>Total Facilities Acquisition and Construction Services</b>	<b>1,739</b>	<b>566,630</b>	<b>568,369</b>	<b>543,385</b>	<b>24,984</b>
<b>TOTAL CAPITAL OUTLAY</b>	<b>1,739</b>	<b>774,447</b>	<b>776,186</b>	<b>747,337</b>	<b>28,849</b>
<b>TOTAL EXPENDITURES</b>	<b>6,912,153</b>	<b>709,664</b>	<b>7,621,817</b>	<b>7,663,696</b>	<b>(41,879)</b>
<b>Excess (Deficiency) of Revenues</b>					
<b>Over (Under) Expenditures</b>	<b>(321,213)</b>	<b>(709,664)</b>	<b>(1,030,877)</b>	<b>(479,271)</b>	<b>551,606</b>

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)</b>	(321,213)	(709,664)	(1,030,877)	(479,271)	551,606
<b>Fund Balance, July 1</b>	2,794,230		2,794,230	2,794,230	
<b>Fund Balance, June 30</b>	<u>\$ 2,473,017</u>	<u>\$ (709,664)</u>	<u>\$ 1,763,353</u>	<u>\$ 2,314,959</u>	<u>\$ 551,606</u>
<b>Recapitulation:</b>					
<b>Restricted for:</b>					
Capital Reserve				\$ 1,114,174	
Maintenance Reserve				518,000	
<b>Assigned to:</b>					
Year-End Encumbrances				33,223	
Designated for Subsequent Year's Expenditures				400,000	
<b>Unassigned:</b>					
Unrestricted Fund Balance				<u>249,562</u>	
<b>Fund Balance per Governmental Funds(Budgetary Basis)</b>				2,314,959	
<b>Reconciliation to Governmental Funds Statement(GAAP Basis):</b>					
Last State Aid Payment not recognized on GAAP basis				<u>(29,306)</u>	
<b>Fund Balance per Governmental Funds(GAAP Basis)</b>				<u>\$ 2,285,653</u>	

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-2

**BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND**

For the Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>REVENUES:</b>					
Local Sources			\$ 2,000	\$ 2,000	-
Federal Sources	\$ 116,350	\$ 33,790	150,140	150,140	-
<b>Total Revenues</b>	<b>116,350</b>	<b>33,790</b>	<b>152,140</b>	<b>152,140</b>	
<b>EXPENDITURES:</b>					
<b>Instruction</b>					
Salaries of Teachers	40,500	(4,557)	35,943	35,943	
Tuition	30,000		30,000	30,000	
General Supplies	250	26,363	26,613	26,613	
<b>Total Instruction</b>	<b>70,750</b>	<b>21,806</b>	<b>92,556</b>	<b>92,556</b>	
<b>Support Services</b>					
Personal Services - Employee Bene.	8,100	1,809	9,909	9,909	
Purchased Profess. - Education Services	37,500	10,175	47,675	47,675	
Supplies and Materials		2,000	2,000	2,000	
<b>Total Support Services</b>	<b>45,600</b>	<b>13,984</b>	<b>59,584</b>	<b>59,584</b>	
Total Expenditures	116,350	35,790	152,140	152,140	
<b>Total Outflows</b>	<b>\$ 116,350</b>	<b>\$ 35,790</b>	<b>\$ 152,140</b>	<b>\$ 152,140</b>	<b>\$ -</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)</b>					
<b>Fund Balance per Governmental Funds(Budgetary Basis)</b>					None
<b>Reconciliation to Governmental Funds Statement(GAAP Basis):</b>					
Last State Aid Payment not recognized on GAAP basis					<u>None</u>
<b>Fund Balance per Governmental Funds(GAAP Basis)</b>					<u>None</u>



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

For the Fiscal Year Ended June 30, 2017

**Explanation of Differences between Budgetary Inflows and Outflows and**

	General Fund	Special Revenue Fund
<b>Sources/Inflows of Resources</b>		
Actual amounts (budgetary basis) "revenue"		
from the budgetary comparison schedule (Exhibits C-1 and C-2, respectively)	\$ 7,184,425	\$ 152,140
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Prior Year Encumbrances	N/A	12,410
Current Year Encumbrances	N/A	(9,909)
Adjustment for: Prior year Final State Aid Payment excluded in State Source Revenues that is considered a revenue for GAAP reporting purposes	27,925	
Adjustment for: Final State Aid Payment included in State Source Revenues that is not considered a revenue for GAAP reporting purposes	<u>(29,306)</u>	<u>N/A</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds. (Exhibit B-2)	<u>\$ 7,183,044</u>	<u>\$ 154,641</u>
<b>Uses/outflows of resources</b>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedules (Exhibits C-1 and C-2, respectively)	\$ 7,663,696	\$ 152,140
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.		
Prior Year Encumbrances	N/A	12,410
Current Year Encumbrances	N/A	(9,909)
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.	N/A	N/A
Net transfers (outflows) to general fund	<u>                    </u>	<u>                    </u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (Exhibit B-2)	<u>\$ 7,663,696</u>	<u>\$ 154,641</u>

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

**Exhibit L-3**

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
District's proportion of the net pension liability (asset) **	N/A	N/A	N/A	N/A						
District's proportionate share of the net pension liability (asset) **	N/A	N/A	N/A	N/A						
State's proportionate share of the net pension liability (asset) associated with the District	<u>\$16,149,833</u>	<u>\$11,901,730</u>	<u>\$ 9,608,718</u>	<u>\$ 9,449,173</u>						
Total	<u>\$ 16,149,833</u>	<u>\$ 11,901,730</u>	<u>\$ 9,608,718</u>	<u>\$ 9,449,173</u>						
District's covered employee payroll	\$ 2,078,811	\$ 2,123,213	\$ 2,112,247	\$ 2,032,803						
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A	N/A	N/A	N/A						
Plan fiduciary net position as a percentage of the total pension liability	22.33%	28.71%	33.64%	33.76%						

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

**Exhibit L-1**

**Public Employees' Retirement System (PERS)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
District's proportion of the net pension liability (asset)	0.00447531%	0.00459143%	0.00460622%	0.00511733%						
District's proportionate share of the net pension liability (asset)	<u>\$ 1,325,458</u>	<u>\$ 1,030,684</u>	<u>\$ 862,410</u>	<u>\$ 978,023</u>						
District's covered employee payroll	\$ 355,286	\$ 555,182	\$ 561,656	\$ 602,763						
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	373.07%	185.65%	153.55%	162.26%						
Plan fiduciary net position as a percentage of the total pension liability (Local)	40.14%	47.92%	52.08%	48.72%						

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

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

**Exhibit L-2**

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contribution **	N/A	N/A	N/A	N/A						
Contributions in relation to the contractually required contribution **	N/A	N/A	N/A	N/A						
Contribution deficiency (excess)	N/A	N/A	N/A	N/A						
District's covered employee payroll	\$ 2,078,811	\$ 2,123,213	\$ 2,112,247	\$ 2,032,803						
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A						

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

**Public Employees' Retirement System (PERS)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contribution	\$ 39,827	\$ 39,474	\$ 37,973	\$ 38,557						
Contributions in relation to the contractually required contribution	<u>(39,827)</u>	<u>(39,474)</u>	<u>(37,973)</u>	<u>(38,557)</u>						
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>						
District's covered employee payroll	\$ 355,286	\$ 555,182	\$ 561,656	\$ 602,763						
Contributions as a percentage of covered-employee payroll	11.21%	7.11%	6.76%	6.40%						

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

HARMONY SCHOOL DISTRICT

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PART III**  
**Pension Schedules**

For the Fiscal Year Ended June 30, 2017

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

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

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

**Public Employees' Retirement System (PERS)**

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

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

**OTHER SUPPLEMENTARY INFORMATION**

**SPECIAL REVENUE FUND  
DETAIL STATEMENTS**

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

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit E-1

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

For the Fiscal Year Ended June 30, 2017

	<b>Title I</b>	<b>Title I I Part A</b>	<b>IDEA Basic</b>	<b>IDEA Preschool</b>	<b>REAP</b>	<b>Local Grants</b>	<b>Totals</b>
<b>REVENUES</b>							
Local Sources						\$ 2,000	\$ 2,000
Federal Sources	\$ 41,576	\$ 5,799	\$ 72,630	\$ 5,045	\$ 25,090		150,140
<b>TOTAL REVENUES</b>	<b>41,576</b>	<b>5,799</b>	<b>72,630</b>	<b>5,045</b>	<b>25,090</b>	<b>2,000</b>	<b>152,140</b>
<b>EXPENDITURES:</b>							
<b>Instruction:</b>							
Salaries of Teachers	31,992	3,951					35,943
Tuition			30,000				30,000
General Supplies	764	759			25,090		26,613
<b>Total Instruction</b>	<b>32,756</b>	<b>4,710</b>	<b>30,000</b>	<b>-</b>	<b>25,090</b>		<b>92,556</b>
<b>Support Services:</b>							
Personal Services - Employee Bene.	8,820	1,089					9,909
Purchased Profess. - Education Services			42,630	5,045			47,675
Supplies and Materials						2,000	2,000
<b>Total Support Services</b>	<b>8,820</b>	<b>1,089</b>	<b>42,630</b>	<b>5,045</b>	<b>-</b>	<b>2,000</b>	<b>59,584</b>
<b>TOTAL EXPENDITURES</b>	<b>41,576</b>	<b>5,799</b>	<b>72,630</b>	<b>5,045</b>	<b>25,090</b>	<b>2,000</b>	<b>152,140</b>
<b>Total Outflows</b>	<b>41,576</b>	<b>5,799</b>	<b>72,630</b>		<b>25,090</b>		<b>152,140</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)</b>							

**CAPITAL PROJECTS FUND  
DETAIL STATEMENTS**

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

N/A



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

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

**Food Services Fund** - This fund provides for the operation of food services in all schools within the school district.

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

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

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

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

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

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

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit H-1

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

	<b>UNEMPLOYMENT COMPENSATION INSURANCE TRUST</b>	<b>AGENCY FUNDS STUDENT ACTIVITY</b>	<b>PAYROLL AGENCY</b>	<b>TOTALS</b>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 200,708	\$ 8,029	\$ 7,823	\$ 216,560
Interfund Receivable	5,242			5,242
<b>TOTAL ASSETS</b>	<b>\$ 205,950</b>	<b>\$ 8,029</b>	<b>\$ 7,823</b>	<b>\$ 221,802</b>
<b>LIABILITIES:</b>				
Liabilities:				
Payroll Deductions and Withholdings			\$ 1,116	\$ 1,116
Accounts Payable			1,465	1,465
Interfund Payable			5,242	5,242
Payable to Student Groups		\$ 8,029		8,029
<b>Total Liabilities</b>		<b>8,029</b>	<b>7,823</b>	<b>15,852</b>
<b>NET POSITION</b>				
Held in Trust for Unemployment Claims and Other Purposes	\$ 205,950			205,950
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 205,950</b>	<b>\$ 8,029</b>	<b>\$ 7,823</b>	<b>\$ 221,802</b>

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit H-2

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

	<b>UNEMPLOYMENT COMPENSATION INSURANCE</b>	
	<u>TRUST</u>	<u>TOTALS</u>
<b>ADDITIONS</b>		
Contributions:		
Plan Member	\$ 5,242	\$ 5,242
Employer	<u>-</u>	<u>-</u>
Total Contributions	<u>5,242</u>	<u>5,242</u>
Investment Earnings:		
Interest	20	20
Net Investment Earnings	<u>20</u>	<u>20</u>
<b>Total Additions</b>	<u>5,262</u>	<u>5,262</u>
<b>DEDUCTIONS</b>		
Unemployment Claims	<u>-</u>	<u>-</u>
<b>Total Deductions</b>	<u>-</u>	<u>-</u>
Change in Net Position	5,262	5,262
Net Position—Beginning of the Year	<u>200,688</u>	<u>200,688</u>
<b>Net Position—End of the Year</b>	<u>\$ 205,950</u>	<u>\$ 205,950</u>

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit H-3

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

<u>ACTIVITY</u>	<u>BALANCE JULY 1, 2016</u>	<u>CASH RECEIPTS</u>	<u>CASH DISBURSEMENTS</u>	<u>BALANCE JUNE 30, 2017</u>
Student Council	\$ 7,885	\$ 14,344	\$ 15,089	\$ 7,140
Eighth Grade Account	337	19,547	18,995	889
<b>Total</b>	<b>\$ 8,222</b>	<b>\$ 33,891</b>	<b>\$ 34,084</b>	<b>\$ 8,029</b>

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit H-4

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

	<u>BALANCE</u> <u>JULY 1, 2016</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2017</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 14,258	\$ 3,066,989	\$ 3,073,424	\$ 7,823
<b>Total Assets</b>	<u>\$ 14,258</u>	<u>\$ 3,066,989</u>	<u>\$ 3,073,424</u>	<u>\$ 7,823</u>
<b>LIABILITIES:</b>				
Payroll Deductions and Withholdings	\$ 12,776	\$ 1,360,932	\$ 1,372,592	\$ 1,116
Accounts Payable	1,482	1,465	1,482	1,465
Due Unemployment Comp Ins. Trust Fund		5,242		5,242
Salaries and Wages	<u>-</u>	<u>1,699,350</u>	<u>1,699,350</u>	<u>-</u>
<b>Total Liabilities</b>	<u>\$ 14,258</u>	<u>\$ 3,066,989</u>	<u>\$ 3,073,424</u>	<u>\$ 7,823</u>

## **LONG-TERM DEBT SCHEDULES**

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

N/A

Harmony Township School District  
**Statistical Section**

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends (J-1 thru J-5)</b> These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	86-91
<b>Revenue Capacity (J-6 thru J-9)</b> These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	92-95
<b>Debt Capacity (J-10 thru J-13)</b> These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the district's ability to issue additional debt in the future.	96-99
<b>Demographic and Economic Information (J-14 and J-15)</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	100-101
<b>Operating Information (J-16 thru J-20)</b> These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.	102-106

**Sources:**

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



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

**Exhibit J-1**

*(accrual basis of accounting)*

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2016</u>	<u>2017</u>	<u>2017</u>
<b>Governmental activities</b>										
Invested in capital assets, net of related debt	\$ 3,855,067	\$ 4,014,771	\$ 4,457,217	\$ 4,942,459	\$ 5,147,100	\$ 4,328,919	\$ 4,243,675	\$ 4,296,205	\$ 4,281,434	\$ 4,846,700
Restricted	1,088,126	1,084,638	620,072	596,598	561,678	736,922	1,404,844	1,917,596	1,835,337	2,032,174
Unrestricted	163,452	157,485	666,091	391,170	530,757	521,124	376,024	(650,949)	(53,863)	(780,721)
<b>Total governmental activities net position</b>	<u>\$ 5,106,645</u>	<u>\$ 5,256,894</u>	<u>\$ 5,743,380</u>	<u>\$ 5,930,227</u>	<u>\$ 6,239,535</u>	<u>\$ 5,586,965</u>	<u>\$ 6,024,543</u>	<u>\$ 5,562,852</u>	<u>\$ 6,062,908</u>	<u>\$ 6,098,153</u>
<b>Business-type activities</b>										
Invested in capital assets, net of related debt	\$ 10,582	\$ 9,769	\$ 9,199	\$ 8,630	\$ 5,859	\$ 3,089	\$ 319	\$ -	\$ 4,783	\$ 3,587
Restricted							-	-	-	-
Unrestricted	9,300	15,441	11,316	24,316	4,443	8,312	12,843	13,247	6,748	7,015
<b>Total business-type activities net position</b>	<u>\$ 19,882</u>	<u>\$ 25,210</u>	<u>\$ 20,515</u>	<u>\$ 32,946</u>	<u>\$ 10,302</u>	<u>\$ 11,401</u>	<u>\$ 13,162</u>	<u>\$ 13,247</u>	<u>\$ 11,531</u>	<u>\$ 10,602</u>
<b>District-wide</b>										
Invested in capital assets, net of related debt	\$ 3,865,649	\$ 4,024,540	\$ 4,466,416	\$ 4,951,089	\$ 5,152,959	\$ 4,332,008	\$ 4,243,994	\$ 4,296,205	\$ 4,286,217	\$ 4,850,287
Restricted	1,088,126	1,084,638	620,072	596,598	561,678	736,922	1,404,844	1,917,596	1,835,337	2,032,174
Unrestricted	172,752	172,926	677,407	415,486	535,200	529,436	388,867	(637,702)	(47,115)	(773,706)
<b>Total district net position</b>	<u>\$ 5,126,527</u>	<u>\$ 5,282,104</u>	<u>\$ 5,763,895</u>	<u>\$ 5,963,173</u>	<u>\$ 6,249,837</u>	<u>\$ 5,598,366</u>	<u>\$ 6,037,705</u>	<u>\$ 5,576,099</u>	<u>\$ 6,074,439</u>	<u>\$ 6,108,755</u>

Source: CAFR Schedule A-1

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

**Exhibit J-2**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses</b>										
Governmental activities										
Instruction										
Regular	\$ 2,055,382	\$ 2,007,810	\$ 2,243,834	\$ 1,959,353	\$ 2,716,954	\$ 2,305,998	\$ 2,316,079	\$ 2,586,358	\$ 3,121,833	\$ 3,142,612
Special education	683,944	771,767	608,539	647,341	551,929	433,002	441,872	509,541	458,972	552,221
Other special education	108,336	41,144	30,901	90,620	54,593	124,368	87,259	87,369	124,232	245,704
Support Services:										
Tuition	1,636,253	1,746,299	1,936,385	1,974,145	1,786,158	1,751,201	1,496,904	1,500,461	1,638,348	1,721,977
Student & instruction related services	708,504	699,860	735,037	711,401	702,306	771,704	772,388	804,357	725,295	923,107
School administrative services	175,901	137,500	43,427	119,425	151,474	166,450	167,829	191,264	188,983	211,575
General and business administrative services	415,532	383,422	414,889	314,014	284,148	343,479	332,581	390,295	399,504	459,823
Plant operations and maintenance	591,569	482,761	412,787	526,054	494,828	546,377	497,328	597,439	505,681	718,570
Pupil transportation	332,754	326,366	329,726	299,775	338,333	315,051	275,610	270,534	258,072	283,307
Interest on debt and other fiscal charges	54,503	41,380	28,166	13,909	-	1,440	1,739	1,739	1,739	1,739
Unallocated depreciation	9,030	9,030	9,030	10,796	10,796	8,842	8,921	9,667	10,577	18,033
Total governmental activities expenses	<u>6,771,708</u>	<u>6,647,339</u>	<u>6,792,721</u>	<u>6,666,833</u>	<u>7,091,519</u>	<u>6,767,912</u>	<u>6,398,510</u>	<u>6,949,024</u>	<u>7,433,236</u>	<u>8,278,668</u>
Business-type activities:										
Food service	93,370	93,822	92,231	74,217	84,489	78,166	85,072	79,327	84,759	74,619
Child Care		8,783	24,960	21,624	-	-	-	-	-	-
Total business-type activities expense	<u>93,370</u>	<u>102,605</u>	<u>117,191</u>	<u>95,841</u>	<u>84,489</u>	<u>78,166</u>	<u>85,072</u>	<u>79,327</u>	<u>84,759</u>	<u>74,619</u>
Total district expenses	<u>\$ 6,865,078</u>	<u>\$ 6,749,944</u>	<u>\$ 6,909,912</u>	<u>\$ 6,762,674</u>	<u>\$ 7,176,008</u>	<u>\$ 6,846,078</u>	<u>\$ 6,483,582</u>	<u>\$ 7,028,351</u>	<u>\$ 7,517,995</u>	<u>\$ 8,353,287</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
Tuition	\$ 113,054	\$ 81,763	\$ 109,235	\$ 66,393	\$ 36,493	\$ 48,488	\$ 27,470	\$ 34,338	\$ 36,000	\$ 35,750
Operating grants and contributions	1,199,289	1,002,614	1,074,561	751,556	901,072	950,482	845,223	1,304,354	1,606,006	2,081,195
Capital grants and contributions								-	-	-
Total governmental activities program revenues	<u>1,312,343</u>	<u>1,084,377</u>	<u>1,183,796</u>	<u>817,949</u>	<u>937,565</u>	<u>998,970</u>	<u>872,693</u>	<u>1,338,692</u>	<u>1,642,006</u>	<u>2,116,945</u>
Business-type activities:										
Charges for services										
Food service	68,453	69,454	61,917	47,383	48,438	53,765	55,498	51,278	53,851	48,835
Child Care		14,342	21,944	35,689	1,803	-	-	-	-	-
Operating grants and contributions	21,783	23,529	26,997	25,186	30,012	25,499	31,335	27,068	27,411	24,855
Capital grants and contributions								-	-	-
Total business type activities program revenues	<u>90,236</u>	<u>107,325</u>	<u>110,858</u>	<u>108,258</u>	<u>80,253</u>	<u>79,264</u>	<u>86,833</u>	<u>78,346</u>	<u>81,262</u>	<u>73,690</u>
Total district program revenues	<u>\$ 1,402,579</u>	<u>\$ 1,191,702</u>	<u>\$ 1,294,654</u>	<u>\$ 926,207</u>	<u>\$ 1,017,818</u>	<u>\$ 1,078,234</u>	<u>\$ 959,526</u>	<u>\$ 1,417,038</u>	<u>\$ 1,723,268</u>	<u>\$ 2,190,635</u>
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (5,459,365)	\$ (5,562,962)	\$ (5,608,925)	\$ (5,848,884)	\$ (6,153,954)	\$ (5,768,942)	\$ (5,525,817)	\$ (5,610,332)	\$ (5,791,230)	\$ (6,161,723)
Business-type activities	(3,134)	4,720	(6,333)	12,417	(4,236)	1,098	1,761	(981)	(3,497)	(929)
Total district-wide net expense	<u>\$ (5,462,499)</u>	<u>\$ (5,558,242)</u>	<u>\$ (5,615,258)</u>	<u>\$ (5,836,467)</u>	<u>\$ (6,158,190)</u>	<u>\$ (5,767,844)</u>	<u>\$ (5,524,056)</u>	<u>\$ (5,611,313)</u>	<u>\$ (5,794,727)</u>	<u>\$ (6,162,652)</u>

Continued

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

**Exhibit J-2**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 5,174,000	\$ 5,380,960	\$ 5,503,600	\$ 5,723,744	\$ 5,723,744	\$ 5,838,218	\$ 6,018,532	\$ 6,078,717	\$ 6,193,605	\$ 6,193,605
Taxes levied for debt service	305,598	292,472	299,347	304,173	304,173	-	-	-	-	-
Investment earnings	58,625	31,342	7,641	2,010	2,010	1,212	875	991	1,296	1,120
Federal and state aid for capital asset projects	(93,418)		279,135	-	-		(68,139)			
Miscellaneous income	19,215	8,437	5,688	5,804	5,804	31,845	12,127	8,963	96,385	2,243
Transfers										
Total governmental activities	<u>5,464,020</u>	<u>5,713,211</u>	<u>6,095,411</u>	<u>6,035,731</u>	<u>6,035,731</u>	<u>5,871,275</u>	<u>5,963,395</u>	<u>6,088,671</u>	<u>6,291,286</u>	<u>6,196,968</u>
Business-type activities:										
Miscellaneous income	-	608	1,638	14	14	1	-	1,066	1,781	0
Transfers										
Total business-type activities	<u>-</u>	<u>608</u>	<u>1,638</u>	<u>14</u>	<u>14</u>	<u>1</u>	<u>-</u>	<u>1,066</u>	<u>1,781</u>	<u>-</u>
Total district-wide	<u>\$ 5,464,020</u>	<u>\$ 5,713,819</u>	<u>\$ 6,097,049</u>	<u>\$ 6,035,745</u>	<u>\$ 6,035,745</u>	<u>\$ 5,871,276</u>	<u>\$ 5,963,395</u>	<u>\$ 6,089,737</u>	<u>\$ 6,293,067</u>	<u>\$ 6,196,968</u>
<b>Change in Net Position</b>										
Governmental activities	\$ 4,655	\$ 150,249	\$ 486,486	\$ 186,847	\$ (118,223)	\$ 102,333	\$ 437,578	\$ 478,339	\$ 500,056	\$ 35,245
Business-type activities	(3,134)	5,328	(4,695)	12,431	(4,222)	1,099	1,761	85	(1,716)	(929)
Total district	<u>\$ 1,521</u>	<u>\$ 155,577</u>	<u>\$ 481,791</u>	<u>\$ 199,278</u>	<u>\$ (122,445)</u>	<u>\$ 103,432</u>	<u>\$ 439,339</u>	<u>\$ 478,424</u>	<u>\$ 498,340</u>	<u>\$ 34,316</u>

Source: CAFR Schedule A-2

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

**Exhibit J-3**

	2008		2009		2010		2011		Fiscal Year Ending June 30,		2012		2013		2014		2015		2016		2017			
General Fund																								
Reserved	\$	870,010	\$	883,034	\$	537,235	\$	605,062	\$	622,076	\$	736,922	\$	1,476,984	\$	1,917,596	\$	2,545,029	\$	2,065,397				
Unreserved		439,151		429,574		376,739		311,649		275,182		266,017		230,216		233,686		221,276		220,256				
Total general fund	\$	<u>1,309,161</u>	\$	<u>1,312,608</u>	\$	<u>913,974</u>	\$	<u>916,711</u>	\$	<u>897,258</u>	\$	<u>1,002,939</u>	\$	<u>1,707,200</u>	\$	<u>2,151,282</u>	\$	<u>2,766,305</u>	\$	<u>2,285,653</u>				
All Other Governmental Funds																								
Reserved					\$	145,608																		
Unreserved, reported in:																								
Special revenue fund																								
Capital projects fund						295,885	\$	139,097	\$	252,397	\$	290,287	\$	108,848	\$	108,848								
Debt service fund	\$	2	\$	1		-		-		-		-		-		-		-		-		-		
Total all other governmental funds	\$	<u>2</u>	\$	<u>1</u>	\$	<u>441,493</u>	\$	<u>139,097</u>	\$	<u>252,397</u>	\$	<u>290,287</u>	\$	<u>108,848</u>	\$	<u>108,848</u>		<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>

Source: CAFR Schedule B-1

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

**Exhibit J-4**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Revenues</b>										
Tax levy	\$ 5,479,598	\$ 5,673,432	\$ 5,802,947	\$ 6,027,917	\$ 5,838,218	\$ 5,838,218	\$ 6,018,532	\$ 6,078,717	\$ 6,193,605	\$ 6,193,605
Tuition charges	113,054	81,763	109,235	66,393	36,493	48,488	27,470	34,338	36,000	35,750
Interest earnings	24,318	10,145	2,165	522	60	9	10	28	64	51
Miscellaneous	53,522	29,634	11,164	7,292	84,984	33,048	12,992	9,926	97,617	3,312
State sources	968,727	864,326	1,091,168	593,465	719,944	807,476	652,083	790,484	868,748	952,326
Federal sources	137,144	138,288	262,528	158,091	181,128	143,006	125,001	98,636	174,917	152,641
<b>Total revenue</b>	<b>6,776,363</b>	<b>6,797,588</b>	<b>7,279,207</b>	<b>6,853,680</b>	<b>6,860,827</b>	<b>6,870,245</b>	<b>6,836,088</b>	<b>7,012,129</b>	<b>7,370,951</b>	<b>7,337,685</b>
<b>Expenditures</b>										
Instruction										
Regular Instruction	1,437,366	1,476,551	1,646,355	1,410,274	1,539,162	1,638,716	1,662,416	1,643,507	1,991,765	1,723,414
Special education instruction	505,337	600,042	468,675	498,035	418,016	322,647	332,482	340,930	306,825	331,358
Other special instruction	80,045	31,989	23,799	69,719	41,347	92,672	65,657	58,458	83,050	147,434
Other instruction										
Support Services:										
Tuition	1,636,253	1,746,299	1,936,385	1,974,145	1,786,158	1,751,201	1,496,904	1,500,461	1,638,348	1,721,977
Student & instruction related services	523,483	544,135	566,099	547,320	531,907	575,028	581,175	538,189	484,863	553,907
School administrative services	129,966	106,905	33,446	91,880	114,722	124,029	118,856	127,973	126,336	126,955
Other administrative services	307,019	298,107	319,533	241,588	215,206	255,940	250,247	261,143	267,070	275,915
Plant operations and maintenance	437,085	375,342	317,914	404,722	374,769	407,128	374,209	399,742	338,050	431,175
Pupil transportation	332,754	326,366	329,726	299,775	338,333	315,051	275,610	270,534	258,072	283,307
Unallocated employee benefits	1,238,360	992,695	1,031,827	1,007,507	1,082,319	1,216,479	1,127,164	1,262,428	1,277,657	1,475,558
Charter Schools	-	-	-	-	-	1,203	15,414	13,741	-	-
Special Revenue	-	-	-	-	-	-	-	-	-	-
Capital Outlay	19,212	3,238	263,242	304,201	325,041	26,580	13,132	150,941	92,740	747,337
Debt service:										
Principal	250,000	250,000	270,000	289,000	-	-	-	-	-	-
Interest and other charges	55,597	42,473	29,348	15,173	-	-	-	-	-	-
<b>Total expenditures</b>	<b>6,952,477</b>	<b>6,794,142</b>	<b>7,236,349</b>	<b>7,153,339</b>	<b>6,766,980</b>	<b>6,726,674</b>	<b>6,313,266</b>	<b>6,568,047</b>	<b>6,864,776</b>	<b>7,818,337</b>
Excess (Deficiency) of revenues over (under) expenditures	(176,114)	3,446	42,858	(299,659)	93,847	143,571	522,822	444,082	506,175	(480,652)
<b>Other Financing Sources (uses)</b>										
Temporary note redeemed										
Proceeds from borrowing										
Proceeds from refunding										
Capital leases										
Transfers in	195,887	-	425,100	-	-	-	-	-	-	-
Transfers out	(195,887)	-	(425,000)	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>\$ (176,114)</b>	<b>\$ 3,446</b>	<b>\$ 42,958</b>	<b>\$ (299,659)</b>	<b>\$ 93,847</b>	<b>\$ 143,571</b>	<b>\$ 522,822</b>	<b>\$ 444,082</b>	<b>\$ 506,175</b>	<b>\$ (480,652)</b>
Debt service as a percentage of noncapital expenditures	4.4%	4.3%	4.3%	4.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: CAFR Schedule B-2

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

Exhibit J-5

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Refund</u> <u>Prior Year</u> <u>Expenditures</u>	<u>Rentals</u>	<u>Interest</u> <u>Earned on</u> <u>Capital Reserve</u> <u>Funds</u>	<u>Tuition</u>	<u>Miscellaneous</u>	<u>Total</u>
2008	\$ 34,307	46	\$ 10,930	\$ 24,318	\$ 113,054	\$ 8,239	190,894
2009	21,197			10,145	81,763	8,437	121,542
2010	5,476	1,152		2,165	109,235	4,536	122,564
2011	1,488	460		522	66,393	5,344	74,207
2012	654			60	36,493	84,330	121,537
2013	1,203			9	48,488	31,845	81,545
2014	875	12,701		10	27,470	584	41,640
2015	991				34,338	8,963	44,292
2016	1,232	87,925		64	36,000	6,960	132,181
2017	1,069			51	35,750	243	37,113

SOURCE: District Records

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

**Exhibit J-6**

<u>Fiscal Year Ended June 30.</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm Reg.</u>	<u>Qfarm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartment</u>	<u>Total Assessed Value</u>	<u>Less: Tax-Exempt Property</u>	<u>Public Utilities a</u>	<u>Net Valuation Taxable</u>	<u>Total Direct School Tax Rate b</u>	<u>Estimated Actual (County Equalized Value)</u>
2008	\$10,508,700	\$196,800,400	\$26,401,200	\$3,774,200	\$19,910,400	\$234,455,400	-	\$518,123,225	\$25,597,300	\$675,625	\$492,525,925	1.113	\$683,126,223
2009	9,986,000	196,694,100	26,529,400	3,774,300	19,910,400	234,455,400	-	519,252,107	27,218,600	683,907	492,033,507	1.153	712,702,789
2010	10,832,800	196,288,100	25,749,800	3,876,300	19,984,100	232,683,000	-	519,874,140	29,685,800	774,240	490,188,340	1.184	667,437,299
2011	11,123,700	195,832,400	26,368,800	3,855,200	19,984,100	232,683,000	-	519,871,432	29,239,500	784,732	490,631,932	1.229	670,179,617
2012	8,629,700	196,425,100	26,281,300	3,995,600	19,984,100	224,926,600	-	515,107,771	34,213,900	651,471	480,893,871	1.214	642,054,276
2013	8,221,300	198,307,000	26,909,600	3,950,500	20,532,200	225,382,300	-	517,203,411	33,207,600	692,911	483,995,811	1.206	595,129,101
2014	7,888,900	198,578,500	25,904,700	3,906,300	19,073,300	225,096,500	-	514,989,516	33,867,100	674,216	481,122,416	1.251	553,971,122
2015	7,768,900	195,001,400	27,095,700	3,912,700	18,765,800	225,096,500	-	513,935,187	35,770,900	523,287	478,164,287	1.271	521,335,225
2016	7,301,800	196,864,400	26,387,100	3,936,300	18,713,300	224,700,700	-	513,639,961	35,356,100	380,261	478,283,861	1.295	510,932,410
2017	7,485,900	195,055,200	27,222,000	3,893,700	19,020,800	224,143,500	-	513,428,839	36,258,700	349,039	477,170,139	1.298	535,957,748

Source: District records Tax list summary & Municipal Tax Assessor

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

Reassessment occurs when ordered by the County Board of Taxation

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

**b** Tax rates are per \$100

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

**Exhibit J-7**

*(rate per \$100 of assessed value)*

Fiscal Year Ended June 30,	Harmony Township Board of Education			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate <sup>a</sup>	General Obligation Debt Service <sup>b</sup>	Total Direct	Harmony Township	Library	Warren County	
2008	\$1.051	\$0.062	\$1.113	\$0.208	\$0.074	\$0.775	\$2.170
2009	\$1.094	\$0.059	\$1.153	\$0.209	\$0.076	\$0.805	\$2.243
2010	\$1.123	\$0.061	\$1.184	\$0.210	\$0.071	\$0.757	\$2.222
2011	\$1.167	\$0.062	\$1.229	\$0.235	\$0.066	\$0.771	\$2.301
2012	\$1.214	\$0.000	\$1.214	\$0.293	\$0.065	\$0.785	\$2.357
2013	\$1.206	\$0.000	\$1.206	\$0.296	\$0.058	\$0.776	\$2.336
2014	\$1.251	\$0.000	\$1.251	\$0.302	\$0.058	\$0.735	\$2.346
2015	\$1.271	\$0.000	\$1.271	\$0.314	\$0.058	\$0.783	\$2.426
2016	\$1.295	\$0.000	\$1.295	\$0.321	\$0.058	\$0.771	\$2.445
2017	\$1.298	\$0.000	\$1.298	\$0.322	\$0.058	\$0.800	\$2.478

Source: District Records and Municipal Tax Collector

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

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

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



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

**Exhibit J-8**

Taxpayer	2014			2005		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Merrill Creek Reservoir	\$221,059,508	1	46.33%	\$ 187,317,750	1	36.08%
Transcontinental Gas Pipeline Corp.	8,398,400	2	1.76%	2,035,000	5	0.39%
Anchor Concrete Products	3,403,800	3	0.71%			
Signature Estates LLC	2,008,500	4	0.42%			
Harkers Hollow Golf Club	2,000,000	7	0.42%	2,597,440	3	0.50%
Shumack/Tully Rcyclg	1,124,300	8	0.22%			
A Paradise Farm	1,063,400	7	0.22%			
Deep Pool Holding, Inc.	1,030,900	8	0.19%			
Individual Taxpayer #1	899,900	9	0.19%	908,500	7	0.17%
Harmony Sand & Gravel	824,100	10	0.17%	945,700	6	0.18%
Hydropress, Inc.				3,003,200	2	0.58%
Par Four Assoc (Anchor Concrete)				2,247,800	4	0.43%
Gill Properties				839,200	8	0.16%
Bell Atlantic				642,685	9	0.12%
APS Mgmt				573,000	10	0.11%
<b>Total</b>	<b>\$ 241,812,808</b>		<b>50.64%</b>	<b>\$ 201,110,275</b>		<b>38.74%</b>

Source: District CAFR & Municipal Tax Assessor

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

**Exhibit J-9**

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2008	\$5,174,000	\$5,174,000	100.00%	-
2009	\$5,830,960	\$5,830,960	100.00%	-
2010	\$5,503,600	\$5,503,600	100.00%	-
2011	\$5,723,744	\$5,723,744	100.00%	-
2012	\$5,838,218	\$5,838,218	100.00%	-
2013	\$5,838,218	\$5,838,218	100.00%	-
2014	\$6,018,532	\$6,018,532	100.00%	-
2015	\$6,078,717	\$6,078,717	100.00%	-
2016	\$6,193,605	\$6,193,605	100.00%	-
2017	\$6,193,605	\$6,193,605	100.00%	-

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

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

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

**Exhibit J-10**

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
	General Obligation Bonds <sup>b</sup>	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District		
2008	\$ 809,000	-0-	-0-	-0-	-0-	\$ 809,000	0.66%	\$287
2009	\$ 559,000	-0-	-0-	-0-	-0-	\$ 559,000	0.46%	\$199
2010	\$ 289,000	-0-	-0-	-0-	-0-	\$ 289,000	0.24%	\$103
2011	-0-	-0-	-0-	-0-	-0-	-0-	0.00%	\$0
2012	-0-	-0-	-0-	-0-	-0-	-0-	0.00%	\$0
2013	-0-	-0-	-0-	-0-	-0-	-0-	0.00%	\$0
2014	-0-	-0-	-0-	-0-	-0-	-0-	0.00%	\$0
2015	-0-	-0-	-0-	-0-	-0-	-0-	0.00%	\$0
2016	-0-	-0-	-0-	-0-	-0-	-0-	0.00%	\$0
2017	-0-	-0-	-0-	-0-	-0-	-0-	0.00%	\$0

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

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

- a** See Exhibit NJ J-14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.
- b** Includes Early Retirement Incentive Plan (ERIP) refunding

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

**Exhibit J-11**

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value <sup>a</sup> of Property	Per Capita <sup>b</sup>
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2008	\$ 809,000	-0-	\$ 809,000	0.16%	\$287
2009	\$ 559,000	-0-	\$ 559,000	0.11%	\$199
2010	\$ 289,000	-0-	\$ 289,000	0.06%	\$103
2011	-0-	-0-	-0-	0.00%	\$0
2012	-0-	-0-	-0-	0.00%	\$0
2013	-0-	-0-	-0-	0.00%	\$0
2014	-0-	-0-	-0-	0.00%	\$0
2015	-0-	-0-	-0-	0.00%	\$0
2016	-0-	-0-	-0-	0.00%	\$0
2017	-0-	-0-	-0-	0.00%	\$0

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

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

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

R Revised

\* Current data unavailable

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

**Exhibit J-12**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
<b>Debt repaid with property taxes</b> Township of Harmony	\$ 4,742,550	100.000%	\$ 4,742,550
<b>Other debt</b> Warren County	3,435,000	4.995%	<u>171,587</u>
Subtotal, overlapping debt			4,914,137
<b>Harmony Township School District Direct Debt</b>			<u>-</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 4,914,137</u></u>

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

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

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

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

Exhibit J-13

Legal Debt Margin Calculation for Fiscal Year 2017

	Equalized valuation basis
	2014 507,588,735
	2015 534,209,256
	2016 533,476,281
	<b>[A]</b> <u>\$ 1,575,274,272</u>
Average equalized valuation of taxable property	<b>[A/3]</b> \$ 525,091,424
Debt limit (3 % of average equalization value)	<b>[B]</b> 15,752,743
Net bonded school debt	<b>[C]</b> -
Legal debt margin	<b>[B-C]</b> <u>\$ 15,752,743</u>

	Fiscal Year									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Debt limit	\$21,141,834	\$20,608,708	\$20,394,926	\$19,811,842	\$19,030,682	\$17,913,441	\$16,616,542	\$15,819,341	\$15,627,220	\$15,752,743
Total net debt applicable to limit	<u>809,000</u>	<u>559,000</u>	<u>289,000</u>	-	-	-	-	-	-	-
Legal debt margin	<u>\$20,332,834</u>	<u>\$20,049,708</u>	<u>\$20,105,926</u>	<u>\$19,811,842</u>	<u>\$19,030,682</u>	<u>\$17,913,441</u>	<u>\$16,616,542</u>	<u>\$15,819,341</u>	<u>\$15,627,220</u>	<u>\$15,752,743</u>
Total net debt applicable to the limit as a percentage of debt limit	3.83%	2.71%	1.42%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

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

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

**Exhibit J-14**

<u>Year</u>	<u>Population <sup>a</sup></u>	<u>Personal Income (thousands of dollars) <sup>b</sup></u>	<u>Per Capita Personal Income <sup>c</sup></u>	<u>Unemployment Rate <sup>d</sup></u>
2008	2,815	\$ 123,457,455	\$43,857 R	2.9%
2009	2,816	\$ 120,223,488	\$42,693 R	5.3%
2010	2,810	\$ 121,355,470	\$43,187 R	5.5%
2011	2,658	\$ 119,389,386	\$44,917 R	5.0%
2012	2,643	\$ 122,032,596	\$46,172 R	4.9%
2013	2,624	\$ 122,002,880	\$46,495 R	6.8%
2014	2,574	\$ 125,212,230	\$48,645 R	5.9%
2015	2,561	\$ 130,360,022	\$50,902 R	4.9%
2016	2,556	\$ 130,105,512	\$50,902 *	4.4%
2017	2,522	\$ 128,374,844	\$50,902 *	*

**Source:**

<sup>a</sup> Population information provided by the NJ Dept of Labor and Workforce Development

<sup>b</sup> Personal Income provided by US Dept of Commerce

<sup>c</sup> Per Capita provided by US Dept of Commerce

<sup>d</sup> Unemployment data provided by the NJ Dept of Labor and Workforce Development

P =Projected

R =Revised

\* Current data unavailable

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

**Exhibit J-15**

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

**Source:**  
No reliable information is available at the local or county level.



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

**Exhibit J-16**

<u>Function/Program</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Instruction										
Regular	23.4	28.9	28.8	28.0	22.5	22.5	22.0	23.0	24.3	
Special education	7.0	7.0	7.0	7.0	13.4	14.1	8.0	4.0	11.5	
Support Services:										
Student & instruction related services	11.0	9.0	9.0	4.0	4.0	5.1	2.0	1.0	3.1	
General administrative services	2.0	2.0	2.0	1.5	1.0	1.5	2.0	2.0	1.5	
School administrative services	1.0	2.0	2.0	2.0	2.5	2.0	3.0	1.0	1.0	
Business administrative services	1.0	1.0	1.0	0.0	1.0	1.0	1.0	1.0	0.5	
Plant operations and maintenance	3.6	3.4	3.0	3.0	2.0	3.0	2.0	2.0	3.0	
Total	<u>46.4</u>	<u>46.4</u>	<u>49.0</u>	<u>53.3</u>	<u>52.8</u>	<u>45.5</u>	<u>46.4</u>	<u>49.2</u>	<u>40.0</u>	<u>0.0</u>

**Source:** District Personnel Records

Harmony Township School District  
 Operating Statistics  
 Last Ten Fiscal Years

Exhibit J-17

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil	Percentage Change	Teaching Staff <sup>b</sup>	Pupil/Teacher Ratio	Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary				
2008	316	\$6,187,047	19,579	-2.22%	31	1:10	311.5	299.0	0.87%	95.99%
2009	329	\$6,498,431	19,752	0.88%	30	1:11	316.2	303.7	1.51%	96.05%
2010	298	\$6,673,759	22,395	13.38%	31	1:9.6	297.5	284.2	-5.91%	95.53%
2011	293	\$6,544,965	22,338	-0.26%	28	1:10.5	293.5	280.3	-1.34%	95.50%
2012	283	\$6,441,939	22,763	1.90%	26	1:10.9	283.6	272.6	-3.37%	96.12%
2013	269	\$6,700,094	24,907	9.42%	27	1:10	262.6	260.4	-7.40%	99.16%
2014	265	\$6,700,094	25,283	1.51%	27	1:8.3	264.1	253.4	0.59%	95.94%
2015	253	\$6,417,106	25,364	0.32%	27	1:9.4	250.2	237.9	-5.29%	95.10%
2016	252	\$6,772,036	26,873	5.95%	29	1:8.7	252.0	239.2	0.73%	94.94%
2017		\$7,071,000	#DIV/0!	#DIV/0!					-100.00%	#DIV/0!

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

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay; Schedule J-4
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS)

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

**Exhibit J-18**

<u>District Building</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>Elementary</u>										
Elementary (1956)										
Square Feet	44,298	44,298	44,298	44,298	44,298	44,298	44,298	44,298	44,298	44,298
Capacity (students)	435	435	435	435	435	435	435	435	435	435
Enrollment	316	329	298	293	283	269	265	253	252	

Number of Schools at June 30, 2017

**Source:** District records, ASSA

Elementary = 1

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

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

Exhibit J-19

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

<u>School Facilities</u>	<u>Project #</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Total</u>
Harmony School	N/A	\$ 106,186	\$ 84,598	\$ 102,463	\$ 116,720	\$ 116,497	\$ 146,517	\$ 131,161	\$ 106,511	\$ 124,683	\$ 231,329	\$ 1,266,665
Total School Facilities		106,186	84,598	102,463	116,720	116,497	146,517	131,161	106,511	124,683	231,329	1,266,665
Other Facilities												
<b>Grand Total</b>		<b>\$ 106,186</b>	<b>\$ 84,598</b>	<b>\$ 102,463</b>	<b>\$ 116,720</b>	<b>\$ 116,497</b>	<b>\$ 146,517</b>	<b>\$ 131,161</b>	<b>\$ 106,511</b>	<b>\$ 124,683</b>	<b>\$ 231,329</b>	<b>\$ 1,266,665</b>

HARMONY TOWNSHIP SCHOOL DISTRICT

INSURANCE SCHEDULE  
JUNE 30, 2017  
UNAUDITED

Exhibit J-20

<u>POLICY TYPE</u>	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
<b>SCHOOL PACKAGE POLICY - NJSBAIG</b>		
Property-Blanket Building and Contents-Blanket	\$450,000,000	\$1,000
Comprehensive General Liability	11,000,000	
Comprehensive Automobile Liability	11,000,000	
Comprehensive Crime Coverage	100,000	1,000
Worker's Compensation (NJSBAIG)	2,700,000	
Electronic Data Processing	322,517	1,000
Equipment	100,000,000	1,000
<b>SCHOOL BOARD LEGAL LIABILITY - NJSBAIG</b>		
Directors and Officers Policy	11,000,000	5,000
<b>PUBLIC EMPLOYEES' FAITHFUL PERFORMANCE</b>		
<b>BLANKET POSITION BOND - Ohio Casualty</b>		
Treasurer	170,000	
Business Administrator	35,000	

SOURCE: District Records

# Single Audit Section



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 Douglas R. Williams, CPA, RMA, PSA

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

#### Independent Auditor's Report

Honorable President and  
 Members of the Board of Education  
 Harmony Township School District  
 County of Warren  
 Phillipsburg, New Jersey 08865

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 Harmony Township School District Board of Education in the County of Warren, State of New Jersey, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Harmony Township School District Board of Education's basic financial statements, and have issued our report thereon dated August 31, 2017.

#### **Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

-Continued-

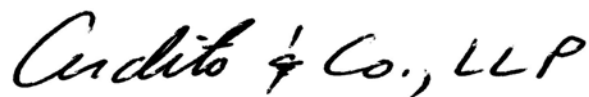
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

### *Compliance and Other Matters*

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

### *Purpose of this Report*

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



ARDITO & CO., LLP  
August 31, 2017



Licensed Public School Accountant No.2369





## **ARDITO & Co., LLP**

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 Douglas R. Williams, CPA, RMA, PSA

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

#### Independent Auditor's Report

Honorable President and  
 Members of the Board of Education  
 Harmony Township School District  
 County of Warren  
 Phillipsburg, New Jersey 08865

#### **Report on Compliance for Each Major State Program**

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

#### **Management's Responsibility**

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

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; and New Jersey OMB's Circulars 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and New Jersey OMB Circulars 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 District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

-Continued-

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

**Opinion on Each Major State Program**

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

**Report on Internal Control Over Compliance**

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

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

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

*Arditto & Co., LLP*

ARDITO & CO., LLP  
August 31, 2017

*Anthony Arditto*

Licensed Public School Accountant No.2369

HARMONY TOWNSHIP SCHOOL DISTRICT

K-4

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

Schedule B

STATE GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE 6/30/2016	CARRY- OVER AMOUNT	CASH RECEIVED	BUDGET. EXPEND.	ADJUST.	REPAYMENT OF PRIOR YEARS' BALANCES	BALANCE AT JUNE 30, 2017			MEMO		
										(ACCTS. RECEIV.)	DEFER. REVENUE	DUE TO GRANTOR	BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPEND.	
<b>State Department of Education</b>															
<b>General Fund:</b>															
Transportation Aid	17-495-034-5120-014	7/1/16-6/30/17	\$ 105,722			\$ 105,722	\$ (105,722)							\$ 8,459	\$ 105,722
Special Education Aid	17-495-034-5120-089	7/1/16-6/30/17	219,129			219,129	(219,129)							17,533	219,129
Security Aid	17-495-034-5120-084	7/1/16-6/30/17	31,434			31,434	(31,434)							2,515	31,434
PARCC Readiness Aid	17-495-034-5120-098	7/1/16-6/30/17	3,320			3,320	(3,320)							265	3,320
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16-6/30/17	3,320			3,320	(3,320)							265	3,320
Professional Learning Comm Aid	17-495-034-5120-101	7/1/16-6/30/17	3,360			3,360	(3,360)							269	3,360
Non-Public Transportation Aid	17-100-034-5120-068	7/1/16-6/30/17	509				(509)			\$ (509)					509
Non-Public Transportation Aid	16-100-034-5120-068	7/1/15-6/30/16	545	\$ (545)		545	-								545
TPAF Pension	17-495-034-5094-002	7/1/16-6/30/17	236,546			236,546	(236,546)								236,546
TPAF Pension PMR	17-495-034-5094-001	7/1/16-6/30/17	197,097			197,097	(197,097)								197,097
TPAF Pension LTD Ins	17-495-034-5094-004	7/1/16-6/30/17	661			661	(661)								661
Reimbursed TPAF Soc.Secur.Contrib.	17-495-034-5094-003	7/1/16-6/30/17	152,609	(691)		145,493	(152,609)				(7,807)				152,609
<b>Total General Fund</b>				(1,236)		946,627	(953,707)				(8,316)			29,306	954,252
<b>State Department of Agriculture:</b>															
<b>Enterprise Fund:</b>															
Nat.School Lunch Prog.(State Share)	17-100-010-3350-023	7/1/16-6/30/17	769			733	(769)				(36)				769
Nat.School Lunch Prog.(State Share)	16-100-010-3350-023	7/1/15-6/30/16	868	(210)		210									-
<b>Total Enterprise Fund</b>				(210)		943	(769)				(36)				769
<b>Total State Financial Assistance</b>				\$ (1,446)		\$ 947,570	\$ (954,476)				\$ (8,352)			\$ 29,306	\$ 955,021
							Less: On-behalf TPAF Pension Amounts	434,304							
							Total State Expenditures Subject to Major Program Determination	\$ (520,172)							

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

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

**NOTE 1. GENERAL**

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

**NOTE 2. BASIS OF ACCOUNTING**

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

**NOTE 3. RELATIONSHIP TO GENERAL PURPOSE FINANCIAL STATEMENTS**

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$1,381) for the general fund and \$2,501 for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented on the following page:

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

**NOTE 3. (Continued)**

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	-	\$ 952,326	\$ 952,326
Special Revenue Fund	\$ 152,641	-	152,641
Food Service Fund	<u>24,086</u>	<u>769</u>	<u>24,855</u>
Total Financial Assistance	<u>\$ 176,727</u>	<u>\$ 953,095</u>	<u>\$ 1,129,822</u>

**NOTE 4. RELATIONSHIP TO STATE FINANCIAL REPORTS**

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

**NOTE 5. OTHER**

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

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

Section I - Summary of Auditor's Results

**Financial Statement Section**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

1) Material weakness(es) identified? \_\_\_ Yes \_\_x\_\_ No

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

Reported

Noncompliance material to financial statements noted? \_\_\_ Yes \_\_x\_\_ No

**Federal Awards**

N/A

Internal control over major programs:

1) Material weakness(es) identified? \_\_\_ Yes \_\_\_ No

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

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

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

Identification of major programs:

**CFDA Number(s)**      **FEIN Number(s)**      **Name of Federal Program or Cluster**

N/A		

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

Auditee qualified as low-risk auditee? \_\_\_ yes \_\_\_ no

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

**State Financial Assistance Section**

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

Auditee qualified as low-risk auditee? \_\_yes xno

Internal Control over major programs:

1) Material weakness(es) identified? \_\_yes xno

2) Were significant deficiencies identified that were not considered to be material weaknesses? \_\_yes xnone

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

Any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular letter 15-08 as applicable? \_\_yes xno

Identification of major programs:

**State Grant/Project Number(s)**

**Name of State Program**

17-495-034-5120-089  
17-495-034-5094-003  
17-495-034-5120-014

Special Education Aid  
Reimb. TPAF Soc. Sec.  
Transportation Aid  
\_\_\_\_\_

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

**Section II-Financial Statement Findings**

N/A

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

**Section III - State Financial Assistance Findings and Questioned Costs**

N/A

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



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

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